

An Executive Summary of ...

Extreme Competition

Innovation and the Great 21st Century Business Reformation

Although mainstream economic thought holds that America's history of creativity and entrepreneurialism will allow it to adapt to the rise of such emerging economies as India and China, I think that is so much wishful thinking. Globalization will not only finish off what's left of American manufacturing, but will turn so-called knowledge workers, which were supposed to be America's competitive advantage, into just another global commodity.

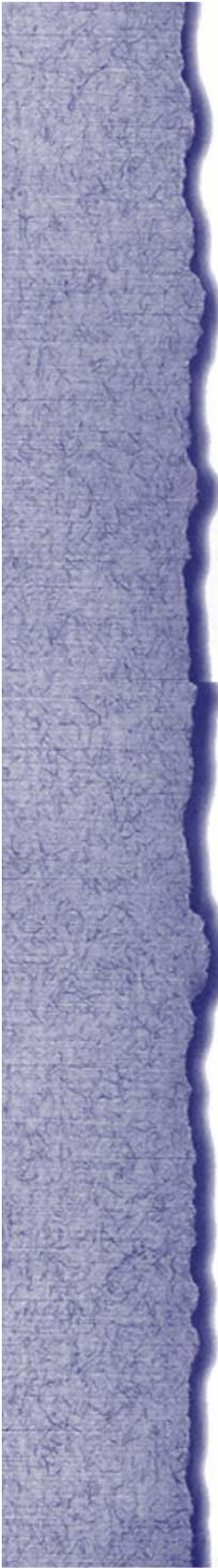
—Andy Grove, Co-Founder, Intel and Author of *Only the Paranoid Survive*

This book sounds a penetrating wake-up call to governments, companies, and individuals alike. There are some fierce new competitors on the block, ready to engage your company, and you personally, in extreme competition. They play hardball and dominate their industries. They innovate by how they operate, how they deliver their *services*, how they *do* what they do, the ways they conduct their business operations at the delight of their customers. They go beyond just delivering products or services, and, as Starbucks taught us, on to delivering *experiences* that command a premium, and even change lifestyles. Through their laser scopes, fierce new competitors have their eyes on you and your company. Your customers are their target, and they will do almost anything to take them away from you.

There is no doubt something new is going on in business, though it may not be clear exactly what. You, your company, or your industry may already feel the heat.



Indeed, there is a next big thing in business, but it's not about dot-com booms; it's about operational innovation and business transformation, driven by the emergence of a wired world. To distill this great 21st century business transformation and what it portends for



businesses and individuals, author, Peter Fingar, reached out to fourteen experts from India, China, Europe, Japan, Australia, Korea, Singapore and the Mid-East to bring up-to-the minute research to the book's pages. Those experts brought fresh information you'd only hear *around the water cooler* in high-tech organizations in Shanghai, London, Bangalore, Taipei, Tokyo, Hyderabad, Sydney, Riyadh, Manama, Seoul and Singapore—stepping up to the plate to make this synthesis and distillation reflect a global snapshot of the new world of extreme competition. Although they were continents apart during the development of the book, they were virtual office mates through their many collaborations using Skype Internet telephone, messaging and file sharing—total cost of collaborating this way? \$Zero! Such intimate interaction with individual knowledge workers, scattered around the globe, wasn't possible before the world was wired, and gives you a hint of what this book is about—extreme collaboration without borders.

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So, what strikes fear in the hearts of business leaders these days? *Globalization* and *commoditization*. We are not on the brink of a new world economic order, we've already crossed that threshold. With three billion new capitalists from China, India and the former Soviet Union ready to engage your company in *extreme competition*, you'll have to make deep structural changes in the very ways you operate your business, the very ways you do what you do—and that's what *Extreme Competition* is all about. Operational innovation—where you forge new relationships across to globe to form extreme supply chains, pursue extreme innovation and collaborate with extreme specialists—is the next true source of competitive advantage.

Extreme Competition provides you with an understanding of the five unstoppable drivers transforming competition, an analysis of the sixteen new realities of business and thirteen concrete strategies you'll want to consider as you chart your future.

The Five Unstoppable Drivers



Knowledge as Business Capital. Specialized knowledge leads to a new kind of workforce with knowledge workers, such as scientists, able to claim stake in wealth with “intellectual capital”... in the way that industrialists claimed a stake in wealth through “monetary capital.” And the *kind* of knowledge also counts. Because the blind continuation of the “hydrocarbon economy” will choke us all to death as India and China rise economically. Learning to build an ecologically sustainable future is not only a good idea, it represents the knowledge base for “green innovation” that will underpin market leadership going forward. Just as Japan innovated hybrid auto engines and now dominates world markets with that technology, China may, out of necessity, innovate new energy technology and lead world markets in those technologies.

The Internet. No, not the Internet we use today. Sure, we all use that “killer app” called email, and we all know how to surf the Web, but what this book talks about is the “Internet 2.0,” where *dark fiber* laid down during the dot-com era is being lit up to bring a whole new world of *broadband* that makes today’s Internet look like a horse-drawn carriage. The ultra-high speed Internet 2.0 allows content so rich that your colleagues can now collaborate with you as though they are physically in your office, working by your side, bringing their tools and information base into a common world wide workspace that changes the game of productivity. But, in addition to broadband, there’s also the X-Internet, the executable Internet, which strikes fear in the heart of mighty Microsoft by that new little company called Google. Google doesn’t want to build a search engine company, it is building the next generation technology platform that will become as commonplace for our productivity as the PC platform is today. Even Microsoft’s cash cow, Office, its desktop application suite, could be threatened with a new breed of productivity tools, such as OpenOffice.org, offered as a service by Google—for free. And that would only be the beginning as third party developers rush to build all manner of rich X-Internet applications. The X-Internet could also become the dominant computing platform for the bulky and cumbersome enterprise systems that run today’s corporations. And with “the Internet is the software” approach, those

dreaded and expensive upgrades are history—the latest version is always “just there” on the Net.

Jumbo Transportation. Except for products and services that are purely digital (e.g. software, information and music), the other side of the global commerce coin is physical distribution. While computers and the Internet capture our imagination as the greatest technological achievements of the 20th century, the taken-for-granted marvel of our times, and cornerstone of accelerating globalization, is the jumbo jet. While the Internet can bring you information from anywhere in 2 seconds, today’s air cargo jumbo jets can bring you physical goods from anywhere in 36 hours, revolutionizing logistics and just-in-time supply chain management. In its all-cargo version, the new Airbus A380-800F will be the first commercial freighter with three full cargo decks—offering the unprecedented capability to carry a 150 ton payload over distances of 5,600 nm. And let’s also not take for granted the jumbo cargo ship, that kicks in when jet speeds don’t matter, but costs matters a lot. On July 11, 2005 Samsung Heavy Industries (SHI) handed over two completed 9,300 TEU (twenty-foot equivalent units) container ships to its client after holding a christening ceremony. SHI broke its own Guinness World Record in producing the world’s largest ships since it had constructed 8,500 TEU container ships in July 2004.

Three Billion New Capitalists. We already know that large corporations go to the ends of the earth to employ \$.09 an hour factory workers and \$20,000 per year PhDs in science and technology to drive their R&D labs. But what’s really interesting is that countries like China and India are not racing us to the bottom with low wages, they are heavily investing in education to turn out the science and technology graduates they need to race us to the top, to become the innovators, and to dominate new markets. Already they are turning out many more PhDs in science and engineering than in America.

The New IT. Finally, there’s the New IT. The Old IT doesn’t matter. The Old IT is about handling back-office records, about handling transactions. That’s the kind of IT we’ve used during the first 50 years of applying computers in business. The New IT is not concerned with the record keeping, it’s concerned with the “doing,” and it is people who do the work of a company. So, the New IT, sometimes under the label of business process management (BPM) is all about helping people get their work done, not treating them any longer as cogs in a machine. The New IT will embrace new ways of thinking about and deploying technology called “human interaction management,” that’s centered on the interactions of people, not the interactions of computers.

Together, these five unstoppable drivers, are much, much more than the sum of the parts. Taken together, they are creating the sixteen new realities of business.

The Sixteen New Realities of Business.

While there isn’t space in this briefing to cover all sixteen new realities in business, some of them, such as *Extreme Government, Extreme Education and Extreme Health Care*, are of great interest to almost everyone, business person or not. For now, let’s preview a few of these new realities.

The Sixteen New Realities of Business...

1. EXTREME CUSTOMERS
2. EXTREME INNOVATION
3. EXTREME INDIVIDUALS
4. EXTREME CUSTOMIZATION
5. EXTREME BUSINESS PROCESSES
6. EXTREME TEAMS
7. EXTREME SUPPLY CHAINS
8. EXTREME EXPERIENCES & SELF-SERVICE
9. EXTREME INDUSTRY BLUR
10. EXTREME EDUCATION & LEARNING
11. EXTREME GOVERNMENT
12. EXTREME HEALTH CARE
13. EXTREME TIME
14. EXTREME CHANGE
15. EXTREME SPECIALIZATION
16. EXTREME BRANDING

The power shift from *producer* to *consumer* is well underway, thanks in large part to the “informating” power of the Internet. Armed with networked information technology, the customer has grabbed power from producers. It is now the fully informed, never-satisfied customer that holds absolute power in the marketplace, determining what is to be made, when, where and at what cost. As noted by management authority, Peter Drucker, the producer of products and services will cease to be a seller and, instead, become a buyer for the customer. To compete in the 21st century, a company must shift from being a product-driven company to a becoming a customer-driven company that is laser-focused on its customers to the point where the company can anticipate customers’ needs, even before they do. If you don’t, your competitors are but one mouse click, just 2 seconds, away.

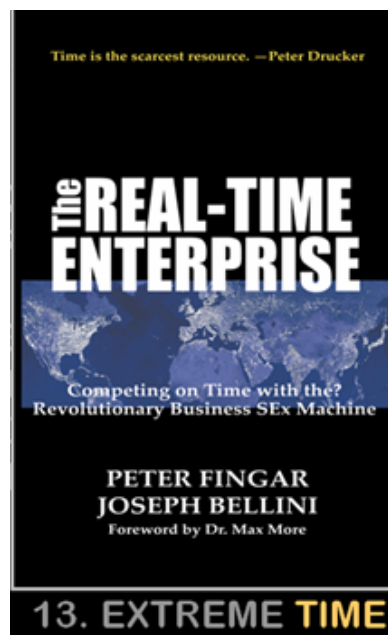


Innovation is the new *holy grail* of business because with the whole world now a source of supply, your company must innovate to avoid becoming a commodity player that cannot make margins. We too often think of innovation as “product invention,” but that’s only one of the six dimensions of business innovation explained in the book. Recognizing innovation as a systematic process is far more important than just creating “an innovation,” for if a company is to lead, it must set the “pace of innovation.”

2. EXTREME INNOVATION



Then there is that matter of the scarcest resource, the most valuable resource—*time*. If you want to succeed today, you must become a time-based competitor. Time-based competitors manage time as diligently as they manage costs. Being a time-based competitor allows you to earn solid margins by being responsive to your customers. Customers love responsiveness and will, in turn, reward you with loyalty and increased business. Being a time-based competitor allows you to be first-to-market where you earn the greatest premiums, and allows you to set the pace of innovation in your industry. These issues are so important that a companion book, *The Real-Time Enterprise*, delves into the subject in depth. A time-based competitor isn't something you want to compete against, it's something you want to be.



These are but three quick snapshots (Extreme Customers, Extreme Innovation and Extreme Time) of the sixteen new realities of business explored in the book.

Thirteen Strategy Patterns You'll Want to Consider

With the five unstoppable drivers creating the sixteen new realities of business, you will have to formulate appropriate new strategies. *Extreme Competition* provides thirteen strategy patterns you will want to consider.

13 STRATEGIES FOR EXTREME COMPETITION

BE SLAVISHLY DEVOTED TO YOUR CUSTOMERS

THINK GLOBALLY, ACT GLOBALLY

BE A SUPERSPECIALIST

CONNECT WITH THE SUPERSPECIALISTS

BE A BRAND MASTER, FIGHT BRAND BULLIES

EMBRACE TIME-BASED COMPETITION

13

GROK PROCESS!

13

EMBRACE THE NEW IT

OFFER PROCESS-POWERED SELF-SERVICE

OFFER PRODUCT-SERVICES AND EXPERIENCES

SYSTEMATIZE INNOVATION

BE A GOOD CITIZEN

As we are dragged kicking and screaming into the 21st century, we will no doubt witness the emergence of a post-industrial form of company with new structures, new ideas, new operating fundamentals and, of course, new challenges. As we re-examine practices of 20th century business, it can be useful to turn our attention to economist, Joseph Schumpeter's ideas of "creative destruction" as the engine of the renovation. Schumpeter pointed out that entrepreneurs innovate, not just by figuring out how to use inventions, but also by introducing new means of production, and new forms of organization. These broader innovations, he argued, take just as much skill and daring as does the process of invention.

This broader form of business innovation leads to existing ideas, technologies, skills, and equipment to becoming obsolete—sometimes overnight. The question, as Schumpeter saw it, was not "how capitalism administers existing business structures, [but] how it creates and destroys them." What counts is competition from the new technology, the new source of supply, the new type of organization ... competition which strikes not at incremental margins or profits of firms ... but at their foundations and their very lives."

Going Forward

The future is not some manifest destination; it's our own creation, perhaps most often through our own creative destruction. The paths to it are not discovered, they are forged, and the process changes both the path maker and the destination. But the good

news is that rather than ripping your company apart, innovative business strategies can now be embraced *incrementally* with technology enablement—one breakout strategy at a time, instead of big-bang, rip and replace disruptions.

And as one commentator wrote, *Extreme Competition* begins where heavily advertised mass market books like the *World is Flat* leaves off, but spares the reader from that book's 500 pages of grandiloquent, first-person prose, and provides the framework and practical strategies needed for action. As another analyst stated it, this book has the potential to guide a significant change in the way we look at business. And a leading economist described the book as the definitive guide to business success in the new age of total global competition. These comments validate the goal of this book. Knowing how strapped for time we all are these days, the book is carefully designed to give you a concise and to-the-point guide to doing business in the early 21st century.

There's a lot to learn, and many cultural barriers to overcome, but *today* is a great day to start your company's journey to becoming an extreme competitor.

All the contributors to *Extreme Competition* wish you great success in your journey ahead.

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Read what they are saying at www.mkpress.com

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- Clyde Prestowitz, President, Economic Strategy Institute, and author of *Three Billion New Capitalists*
- Azim Premji, Chairman, Wipro Ltd., Chennai, India
- Thomas H. Davenport, Professor and author of *Thinking for a Living* (Harvard Business School Press)
- Mark S. Lewis, EVP and Chief Development Officer, EMC Corp.
- Patrick Whitney, Professor, and Director, Institute of Design, Illinois Institute of Technology
- Stan Gibson, Executive Editor, eWeek
- John F. Cassidy, CEO, Cincinnati Bell
- Debora Horvath, EVP and CIO, Washington Mutual Bank
- Bryan Maizlish, CTO, Program Team, Lockheed Martin Integrated Systems and Solutions, and coauthor of *IT Portfolio Management*
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