

RICHARD STRAUB ARGUES THAT 'OPENNESS' IS THE DEFINING
QUALITY OF 21ST CENTURY GLOBALISATION. BUT HOW CAN
BUSINESS RESPOND TO IT?

Is the world pen?

You may remember the discussion about Tom Friedman's book *The World is Flat*¹. Friedman argues that technology has created a level playing field for accessing markets, skills and expertise and integrating them wherever they might be. Innovation becomes accessible for all: "In a flat world you can innovate without having to emigrate". The metaphor of the "flat world" drew acclaim but also criticism.

Richard Florida² instead opposed the notion of "spikiness" to the assumed flatness of the world, suggesting that there were geographical points of concentration such as centres of innovation, of skills, patent filings and of energy consumption. In short, he argues that location still matters.

These two different lenses for looking at our world and making sense of it as far as scenarios for economic and social development are concerned are both important and valuable.



The idea of 'openness' is emerging as a dominant attribute of key developments in our economic and social fabric



Yet I believe there is an additional perspective that we should not ignore. The idea of “openness” is emerging as a dominant attribute of key developments in our economic and social fabric. We talk about open societies, open innovation, open standards, open ecosystems, open source and open architectures – all using more or less consciously the foundational thinking from 20th century systems theory.

It was the biologist Ludwig von Bertalanffy³ one of the most acute minds of the 20th century, who established the foundations for a General Systems Theory showing the importance of a “systems view” and giving us a vocabulary and the scientific foundations for dealing with systems.

We look at increasingly complex interrelationships between connected elements in systems at different levels. The traditional logic focusing on cause and effect is insufficient to deal with today’s systemic issues – be they in human, electronic, ecological or biological systems.

We talk about systems all the time but how much do we use von Bertalanffy’s thinking? When we talk about closed systems we should remember that they are isolated from the environment (organisation-wise we talk about bureaucracy and “silos”) and are subject to the law of entropy or decay.

Open systems, by contrast, receive inputs from their environment, work with those inputs and return them to the environment in modified form as outputs.

Closed systems are in a way “machine-like” and open systems “living-organism-like” with significant elements of self-organisation.

Open and closed world views

Our world was dominated in the second half of the 20th century by the dichotomy between communism and capitalism. While the world has “opened up” with the advance of globalisation and global integration during recent decades, we see even within our western societies the rift between open and closed philosophies and concepts enduring and in some cases even widening.

Openness is associated with values such as tolerance, individual freedom, lifelong learning, participation, empowerment and co-operation as opposed to typical closed-world values of command and control, top-down management, centralised and bureaucratic governance, over-regulation and collectivist dominance over individual freedom.



In today’s world of business we experience every day what openness means and what benefits it brings to bear. Monopolies or near-monopolies are examples of the closed world as are traditional hierarchies with their burgeoning bureaucracies and disconnected silos as typical manifestations.

Democratic values in business

Hence openness seems to be tied to fundamental democratic values. Closed social systems remind us very much of the time of the Iron Curtain...and of old-style autocratic enterprise governance. The “rediscovery” of democratic values and their power in business is reflected in recent business literature such as Democratizing Innovation (von Hippel)⁴, The Wisdom of Crowds (Surowiecki)⁵ and showed up in a new report of the Arthur W Pages society in the context of democratising channels of communications.



Technology contributes and enables us increasingly to give life to many of the values we have been aspiring to



Yet the way openness and democratic values show up in management literature and research reminds us not so much of the “voting democracy” but rather as vibrant, participative democracy combined with a dose of horizontal meritocracy – you earn your voice and your space in the community based on your experience and contribution to the common good. Also, open environments are a fertile breeding ground for broad-based innovation.

These ideas and values are not new – why are they now getting new life? Human kind has equipped itself during the last 15 years with a new electronic infrastructure that can potentially connect everyone to everyone else and therefore has a limitless potential to create new social systems at all levels. This infrastructure for communication and interaction has become extremely robust and is increasingly “high performing” (thanks to broadband). We see explosive growth of new interactive capabilities and usage.

The rise of social networking sites, virtual worlds, blogs, wikis and 3D Internet give us a first idea of the potential of the “interactive and collaborative web” dubbed Web 2.0. Now we have the infrastructure and tools to operate in new ways in open systems. While many of the thoughts about openness and the need for more open social systems have been around for some time, this new infrastructure and new tools accelerate the movement. Hence technology contributes and enables us increasingly to give life to many of the values we have been aspiring to.

The big technology cycles

Carlota Perez⁶, a Venezuelan scholar and expert on technology and socio-economic development, has demonstrated the recurrence of typical phases in the five major technology cycles starting with the Industrial Revolution of the 19th century. She argues that these cycles have a duration of approximately 50 years. They start with the eruption of a new technology, followed by period of frenzy (“Gold Rush”) that leads straight into a bubble.

The five cycles to date have in common a new technology leading to a paradigm shift that fundamentally impacts the way we see the world, how we live, how we organise our societies and our enterprises, how we work and so on.

Perez talks about an installation phase and a deployment phase following the bubble that in turn leads into something good – a “Golden Age” that finally reaps

the benefit of the new technology, spawning a huge wave of innovation.

Perez has demonstrated that digital technology is now reaching the phase of “deployment”. The benefits, which are potentially huge, are starting to show. While all the major cycles have shown a similar pattern, there is no doubt that they also have different characteristics. Even though there is now a great opportunity for innovation and value creation there is no reason to be complacent about this – the world is more turbulent than ever, the systemic interdependencies may show in positive and negative ways – just take for example today’s financial markets. The speed of change is putting enormous pressure on all actors.

Yet a maturing and standardising open technology infrastructure provides an unheard of potential for innovation in products, services, business models and even at the societal level. With services taking the lions share of value creation in our advanced economies (between 70% and 80 % of GNP and employment) a transformation of our economic activity is in progress, which requires not only a new enabling fabric but a different set of skills and competencies than were required in the industrial economy.

Impact on business

The new technology capabilities enable new organisational and operational models. The corporation is shifting from a hierarchical, monolithic, “multinational” model to one that is horizontal, networked and globally integrated.

Because the operations and responsibilities of organisations can now be componentised, “virtualised” and distributed over an ecosystem of business relationships, work can be located wherever it makes most sense, driven by the imperatives of economics, expertise and open business conditions. This creates new challenges for companies to manage their identities and reputations.

In this environment companies can no longer guarantee life-long employment. The social contract between employee and employer has changed in a highly competitive and fluid open world. But, equally, new employees may not wish to be locked into a long-term employment relationship. In order to attract and retain key talent companies must contribute to equipping their employees for this new open and global environment.

Empowerment of employees and users

At the same time, employees are getting more autonomous. The rise of the knowledge worker poses new challenges to HR. The balance between the need to regulate and manage professionals’ activities and their need for autonomy is difficult to achieve.

Talented professionals with knowledge enjoy a technical superiority and relative independence vis-à-vis the organisation. They tend to relate more to their peer-communities and professional associations than to the firm. What they need most is interest in the job, challenge, fun and freedom. The new generation entering the workplace (Generation “Y” or Millennials) perfectly reflects these new “open” attitudes.

Open innovation taking centre stage

With regard to new Web 2.0-enabled capabilities for employees,



business partners and users to get involved with companies in new ways, innovation itself is changing fundamentally. Innovation is becoming a more open process – “open innovation” has become a catch-phrase with a lot of reality behind it.

Power is shifting to users, who can make themselves heard when they have concerns but who are also increasingly contributing to the innovation value chain to the point of becoming the innovators themselves. Innovation is moving from company-controlled labs into open space. “Living Labs” are becoming a strong movement in Europe to provide an environment for open innovation and services creation. A European Network of Living Labs was announced under the Finnish EU Presidency in 2006⁷.

Towards a “perfect storm”?

An open world is a world of great opportunity and challenge. It requires changes in our individual behaviours and attitudes and it demands major institutional adjustments. Business and academia will have to find much better synergy to face the challenges of tomorrow’s world. Best academic thinking and best enterprise practice are required to develop the “perfect storm” towards an open world.

ABOUT THE AUTHOR

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 - 4 Eric von Hippel (evhippel@mit.edu), Professor and Head of the Innovation and Entrepreneurship Group at the MIT Sloan School of Management, specialised in research related to the nature and economics of distributed and open innovation. He has written “Democratizing Innovation”, 2005, MIT Press
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