
Globalization 3.0

By Lothar Katz

At lunch, a client recently asked me “Do you believe this is the final stage of globalization? Is it all going to be about China and India taking away more jobs and growing their economies, while Western companies continue to offshore labor to developing countries, from here on forward?”

My answer didn't require much reflection: “No, I don't believe we're close to reaching any kind of final stage. As I see it, most companies haven't even begun to realize what globalization means for them. For example, many are busy shifting jobs from corporate offices in the United States or in Europe to other corporate offices in India, China, Brazil, or Russia. What most fail to realize is that the majority of future jobs may not even require an office in the first place and that the specific geographical location of their employees may be all but irrelevant.”

A few years ago, I was in charge of a product development organization across the U.S., France, India, and China. Adding further complexity, the system architect, whose job it was to bring everything together by defining the products the rest of the team was supposed to be developing, worked out of his home in Sydney, Australia, thousands of miles and several time zones away from other team members. Did the geographical distance and isolation affect the effectiveness of the team? Not in the least.

Think of all the stories you heard about how job location becomes increasingly irrelevant. For several years now, low-cost airline JetBlue has employed housewives as customer service agents, working from their homes in the state of Utah. Rolls-Royce engineers in the UK can diagnose aircraft engines anywhere in the world while the planes being inspected are actually in the air; they can run such diagnostics from home. Too high-tech for you? How about this one: fast food chain Wendy's is field-testing a concept where people in Sri Lanka remotely take American drive-through orders, enter them into a computer, and send them back to the staff at the service window, who then hand out the orders and take the customers' money.

Where in the world is Sri Lanka, you ask? Don't worry: it simply does not matter any more.

In *The World is Flat*, Thomas Friedman coined the term 'Globalization 3.0' for the convergence of technologies, individuals, and economies around the world that we are only beginning to understand. One of the consequences of this convergence is that geography becomes far less relevant. For many jobs, today and even more so in the future, the physical location of the person doing it is a don't-care.

Geography and Globalization 3.0

Let's make sure not to get carried away here: in many industries, especially in manufacturing-intensive ones, centralized operations continue to be essential. Most of their employees still work in factories or corporate offices. Some retailers and certain service industries are also tied to specific locations because “the job is where the customer is.” At the same time, more and more businesses, even in the above industries, realize that a large percentage of jobs and services can now be performed in almost any country and location, usually by a person who needs little more than a computer and a broadband connection to get the work done.

This option, created by technology advancements as well as political, socioeconomic, and cultural trends, presents powerful opportunities to multinational companies. Those embracing it may enjoy cost savings far beyond reduced cost of labor, greater access to a diverse talent base, the ability to offer 24/7 services, and much more. At the same time, companies adjusting their international workforce to include large numbers of remote individual employees face numerous challenges. Most find that adopting such a global model requires a substantial makeover of corporate policies and practices:

- Companies must “unlearn” traditional methods of operating from central office locations that host most of their workforce. This could require numerous transformations in processes and procedures, such as modifying customer interfaces, implementing revised security and IP protection policies, adjusting work hour logging practices, and many others. Without extensive preparation and proper change management, magnitude and complexity of such a makeover can be overwhelming for any corporation.
- Communicating with employees in meaningful ways and making them feel welcome and included is much harder in a global environment. Companies need to create ‘virtual campuses’ that stimulate a sense of belonging and nurture a strong corporate culture across their globally fragmented workforce.
- With members spread out across many countries and regions, initiating, motivating, and managing virtual teams becomes far more complex than when they are co-located. Traditional centralized management structures are of little use in such an environment. Different approaches to management and leadership are required. Corporations need to revisit “the way we do things around here”, looking into numerous aspects of managing their people remotely, such as how to conduct effective meetings and make good decisions, or how to prevent and resolve conflicts between people who rarely, if ever, meet in person.
- Studies have shown that the influence of national and local cultures continues to play a strong role in spite of the converging factors of globalization. Consequently, managers and employees must acquire a deep understanding of effective strategies for working across cultural boundaries. In addition, they must cope with the specific challenges of multi-cultural virtual teaming in an environment where every team member’s cultural background may be different.

The Journey Has Barely Started

Whether we like it or not, globalization takes us on a journey into the unknown that has barely started. As new technology developments continue to pave the road, they create pressures on emerging economies in Asia or Latin America that are similar to those developed countries in North America and Europe have come to worry about for many years.

This next stage of globalization presents most countries, highly developed or not, with a set of complex challenges. Economies find their traditional competitive barriers weakening or even altogether disappearing. Some countries fight uphill battles to protect these barriers, while others are trying to adjust by expanding their strengths in areas of competitive advantage. The new differentiators in this global competition, the most prominent being technology infrastructure and quality of education, have resulted in a strong economic boost for several countries, for instance in Eastern Europe and Asia. Nevertheless, all of them are facing global competition. If anything seems clear at this point, it is that globalization creates opportunities and threats for *all* countries, including traditional

economic powerhouses, up-and-comers such as China and India, and emerging players who are just beginning to reach the threshold of competitiveness on a global scale.

Globalization 3.0 means that companies and economies look and act very differently. Success in this new world is a matter of individual adjustment as much as it depends on large-scale corporate and macroeconomic decisions. Is your company ready to thrive in the age of Globalization 3.0? As an individual contributor, manager, and/or leader, are *you*?

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A seasoned former executive of Texas Instruments, a Fortune 500 company, Lothar regularly interacted with employees, customers, outsourcing partners, and third parties in more than 25 countries around the world. He teaches International Project Management at the University of Texas at Dallas' School of Management and is a Business Leadership Center instructor at the Southern Methodist University's Cox School of Business.

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