

The Handy Guide to the Gurus of Management

Episode 7 - Kenichi Ohmae

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Kenichi Ohmae:

Kenichi Ohmae, the latest guru in my guide to the gurus, is a man of many parts with a finger in lots of different pies. Business consultant, social reformer, author and journalist, adviser to governments and business entrepreneur, he has, for good measure, a doctorate in nuclear engineering from the Massachusetts Institute of Technology - and is a motor cycling enthusiast.

Kenichi Ohmae is Japanese and lives in Tokyo but he is instinctively global. He holds a Professorship in Public Policy at UCLA in California, lectures all over the world, advises businesses and governments in every continent and he writes regularly for Western journals.

So what can we learn from this many-sided man? He has, I am told, written over one hundred books, many of them on Japanese

public policy issues. Only half a dozen or so have made their mark in the West but these have been hugely influential, not least in explaining Japan to the rest of the world. Only recently he was outlining how the new Japanese government is determined to deal with the huge amount of unsecured debt in the Japanese financial system. A good thing, you might think, but Ohmae explains that that will mean attracting back much of the money, half a trillion dollars in fact, which Japanese investors had placed in America. That may be good for Japan but it could be bad news for the American stock exchange and for the dollar.

Kenichi Ohmae made his mark twenty years ago with his book on corporate strategy. It is still a collection of good sense and clear advice, even though some of the examples may now seem a bit dated. Successful business strategies, he says, do not come from rigorous analysis but from a thought process which is basically creative and intuitive rather than rational. Hence the title of the book, which he called "The Mind of the Strategist."

There's one chapter in this book which should be essential reading for anyone in charge of a business. It is a list; things to avoid, things to concentrate on. Tunnel vision is one of those things to avoid - don't get too fixated on the road you are on;

there may be better alternative routes. Then there is the peril of perfectionism - sometimes it's better to do something that's almost right rather than wait for the perfect solution and miss the strategic opportunity. Focus on the key factors, he says, and don't be distracted by minor complications. All businesses are simple - once you get to know them. Banking, for instance, looks horribly complicated to the outsider, but, boiled down to its core, it is nothing more than getting in money cheap and lending it out at as expensively as you can. Always challenge the constraints, he goes on, and think 'what can we do?' not 'what can we not do?' Strategy, Ohmae insists, is a question of attitude more than numbers.

The Japanese, he said, concentrate on the fit of three factors when deciding what to do next. They look at what they think their customers will want, whether the company has the competence to meet these customer demands, and whether they can do so profitably once their competitors get in on the act.

All rather obvious, you might say, but Ohmae contrasts this approach with the American way at that time, which he said was over-concerned with analyzing the numbers for the different possible options. He called it 'spreadsheet doodling.'

He's right, as I found out myself once when talking to a Japanese company in Britain about their future plans. They talked only of what they hoped to deliver to their customers and of the build-up of their market and production. They never once mentioned profit. Their assumption was that if you get the product right and produce it at a level of quality and cost effectiveness that your competitors can't match, then, in the end, the profit will come in. Profit should be the result, not the purpose, of the business.

If you've just joined us, I'm Charles Handy and we are discussing the ideas of Kenichi Ohmae, the Japanese guru of strategy and one of the people featured in the Handy Guide to the Gurus of Management.

Having written what many people regarded as the bible of corporate strategy, Kenichi Ohmae moved on to wider issues, nothing less than the changing shape of the world of business. Books with titles like "Beyond National Borders", "The Borderless World" and "The End of the Nation State" spelled out the direction of his thinking, although he always related his thoughts back to the implications for the leaders of the corporations.

His thinking on these issues has been nicely brought together in his latest book, which he has called *The Invisible Continent*. It's a nice title because it encapsulates what he's talking about, namely that the world in which business now operates is so different from the past that it is like discovering a new continent.

Kenichi Ohmae goes on to spell out the distinctive features of this new continent. There are four Dimensions, as he calls them.

The first is the Visible Dimension of this new invisible continent. There will still be physical things to buy and physical things to make. We should be relieved. Not everything will happen in cyberspace. Bakers will still bake bread, he says. Delivery trucks will still pound the streets. Much that is familiar in our daily lives will still be there. It will, in fact, increase, if we manage to explore and cultivate the new continent in the right way. What may change, of course, is the way these things are made and distributed as the other dimensions of the new world come into play. Those delivery trucks might be driverless, perhaps, controlled by satellite navigation systems, or run on hydrogen.

The second of those four dimensions is Kenichi's old love - the Borderless World. The concepts of America Inc. or Japan Inc. will

be, already are, irrelevant. E-commerce knows no boundaries. When you get an e-mail there is no indication of which country it comes from. These days knowledge workers can and do work anywhere, in any country. Financiers will switch their funds to whichever place pays the best rates. There is no use in a government trying to persuade corporations to keep their money at home for patriotic reasons. Even individual workers will, if they are shrewd, spread their savings over a range of companies in different countries. Workers in Japan are quite likely to want some of their pension to be invested in General Electric or Microsoft and will see nothing disloyal in so doing.

Globalization is inevitable. If you think about it, even the opponents of globalization use its technology to fight it, organizing themselves across borders with e-mail and mobile phones to create global protests against global companies. No country or company can shelter behind its own borders anymore, not even North Korea, the last of the closed territories.

The third dimension of Ohmae's invisible continent is the Cyber Dimension. So much has been written about this elsewhere that he hardly bothers to spell it out. We all know what it means. The Internet, the World Wide Web and the mobile phones are going

to be part of all our lives as they get cheaper and easier to use. No business, no matter how small, can expect to survive if they disregard this cyber dimension.

The fourth dimension is, I feel, more questionable. Ohmae calls it the Dimension of High Multiples. He means the way the stock market in recent times has put exaggerated values on some stocks which have yet to produce their promised earnings.

Because their shares are so high these new economy companies have been able to buy up old economy companies which were in every way bigger than themselves. AOL, America Online, merged with Time Warner this way, and by doing so put an activity that you could see and touch behind its own virtual cyber business.

The high multiples allowed the growth of what Ohmae calls Godzilla companies - Godzilla was a Japanese monster in a series of movies, a monster that swallowed all before it because it had a different genetic base than anyone else. He describes Microsoft, Oracle, Dell and Cisco as other Godzillas. The old Titans, like IBM, Hewlett Packard, Sony and Walmart can't compete unless, like General Electric under Jack Welch, they try to enter this new continent and grow like Godzillas.

We will have to wait and see, but it may be that the time of the high multiples has passed, if not forever, then for the foreseeable future, with the decline of stockmarkets everywhere and, in particular, the crash of the new technology stocks. I don't, myself, see this dimension as important as the other three. Maybe today's Godzillas will end up as tomorrow's dinosaurs.

Ohmae goes on to make some general points about this new invisible continent of business.

It's everywhere, anyone can enter it, but it's risky as new continents always have been. Its infrastructure is still being worked out. Now, however, is the time to stake your claim, before the rules and laws are too fixed, and before others see the possibilities. As Ohmae points out, what others saw as Florida marshland, Disney turned into a hugely successful theme park.

Most interestingly, I think, is his point about what he calls the platforms of the new continent. In order to talk and do transactions across boundaries we need ways to communicate. In 1887, Ohmae points out, a Polish eye specialist called Ludovik Zamenhof invented a language called Esperanto which he hoped

everyone would learn as their second language so that we could all talk together. He was one hundred years too early, and now we have the emergence of English as the common second language. I recall how the Chinese Premier, on a recent visit to Britain, commented that there are more people now in China learning English than all the native English speakers in the rest of the world.

But there are other platforms, by which Ohmae means recognized standards for doing things. Visa and Mastercard, for instance, Federal Express and UPS, The World Wide Web. These are not things put in place by governments but by the explorers of the new continent themselves.

But Ohmae has bigger concerns on his mind than business. He worries about the governance of the new continent, about a new sort of Cold War, fought by businesses rather than governments, and about the education of our citizens for this new world. We are just beginning the journey, he says in conclusion. But even he did not and could not have forecast the events of last September in New York and Washington, one of the most horrific and frightening aspects of his new invisible continent.

Kenichi Ohmae, these days, is much more than a corporate strategy guru, but his wider concerns set the context for anyone trying to chart their way to the future.

In my next talk we will meet another strategy guru with a different but related agenda, this time an American. His name is Gary Hamel.