

Marketing Leadership
in the
Twenty-First Century

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INTRODUCTION

How Should We Then Live in a Global Village?

I recently taught an online graduate seminar on global marketing. The students came from many countries—some represented the developed West, others the fast-evolving nations of the East, and some those nations struggling to work their way onto the global economic playing field. I write, as I must, from my perspective as an American. But the issues at play are consequential no matter what one's nation of birth or residence.

The stick-in-the-eye style of this piece reflects its intent—to make the reader scared, sad, glad, and mad. So while sources are cited, I've not formatted a proper reference section in MLA or APA style. Sorry.

My purpose was to prompt thought and comment by portraying the changing economic landscape. New York Times journalist Tom Friedman, one of the more recent cultural soothsayers and winner of three Pulitzers, declares the world is flat. He's late to the Ouija board, following forecasters like Marshall McLuhan, Peter Drucker, Alvin Toffler, and John Naisbitt. But Friedman's work comes at a moment of convergence when, to use a Pauline metaphor, "the fullness of time has come" (Galatians 4:4). Since these big-picture prognosticators are wont to spin metaphors, I'll add one of my own: Friedman's world may be flat, **but the playing field is tilted**.

But before we cry fowl that the Chinese are dumping cheap steel, solar panels, underpants and socks into the American marketplace, costing jobs, when we need a new pair of boxers do we buy them at Neiman Marcus or Walmart?

Personal case in point—in November, 2011 my family had a solar system installed on the roof of our house. Consisting of thirty-nine 235-Kilowatt solar panels, the 9.165 Kilowatt system streams power to an inverter, mounted next to our Southern California Edison (SCE) meter. The inverter then changes DC power to alternating current (AC power), which flows directly into the SCE power grid.

When we put more power into the grid than we take out, the new *net meter* that's mounted between the inverter and SCE's meter measures usage and calculates a net positive or negative usage balance. Since the sun often produces more power than we use, SCE's dial often runs backwards. And over the course of the year, if we take less from the power grid than we put into it, SCE will pay us the wholesale value of the difference. Our system will produce 105 percent of the electricity we consume. So we'll probably make money on the surplus power we don't consume.

The solar technology was designed in America, the cells and solar panels were manufactured in China, the inverter that changes the power from DC to AC came from Germany, and now we plan to purchase a Nissan Leaf—an all-electric car from Japan that will drop the cost of my wife's monthly commute from US\$200 to zero.

None of this would have been possible apart from **free trade among four nations**—America, China, Japan, and Germany. The global village Canadian media scholar Marshall McLuhan predicted in 1960 is now a reality with India, China and Brazil, now strong economic power players.

The challenge facing leaders today is to understand **how do we live and lead in the twenty-first century** when North America is no longer the sole dominant player. With the benefits of globalization come new problems. Those problems challenge us to think harder and lead smarter. But beyond that, I suggest that they challenge to look at our personal value systems. Like a toothpaste tube, when we get squeezed, what's inside comes out. Living and leading in a global world forces us to make choices to live in a certain way.

There are more links to articles and videos in this article than you may have time now to access. However, three stand out—the first two are the videos listed on page four (the first is just 4-minutes- and the other just 17-minutes-long). You should be able to click the hyperlinks and play them. If that doesn't work, just block and copy the URLs into your browser. Both feature Hans Rosling, a physician, statistician, and professor of global health at Sweden's Karolinska Institute.

The third video is the first one listed on page 13 in the middle of the page. It's a ten-minute *CBS Morning Show* piece that aired on January 29, 2012. It's an exposé on conditions in factory cities in China like Foxconn, where most of Apple's stuff gets made. Note also that since this paper was originally written in February of 2012, much of the reporting by performance artist Mike Daisey has been discredited by Ira Glass and his fact checkers with *This American Life* (see link on page 14). Their retraction caused quite a journalistic stir. Yet the larger issues Mile Daisey raised are still important. Unfortunately his shabby reporting clouded the central issues of what outsourcing an offshoring mean to the 98% of American of wage earners who fall one one-to-two standard deviations from the mean on the normal distribution. This fact holds true—their jobs have left America.

Rosling's two videos eloquently make this point. With an engaging display of statistical trends, he presents the inevitability of, and case for globalization. But his statistics leave the task of interpreting how to live and lead in a complex global economy. The ten-minute *CBS Morning Show* piece and the other videos to which links are provided call this question:

“ Given that the world's economic playing field is now flat, how will our moral, ethical, and spiritual values inform our decision-making? How will they guide our marketing actions, given the fact that the global village Marshall McLuhan saw coming in 1967, is now here? ”

I challenged my students to answer two questions that were framed in my mind by the question that became the title of a book by Francis Schaeffer's *How Should We Then Live?: The Rise and Decline of Western Thought and Culture* (1976). That title prompted me to consider how my own personal and spiritual value system should inform my decision-making in light of the challenges of globalization. Globalization forces me to consider whether marketing is merely a subset of economics involving the movement of commodities? Or is it about people? If it's about people, then, . . .

1. **How does globalization affect me personally—how will I live differently in the near & long term?**
2. **How does globalization affect me as an influencer—how will I lead differently in the near & long term?**

For me, it means living and leading from a core of values—not naïve to the motives of totalitarianism, yet avoiding the faux-patriotism that is really selfish protectionism. How shall we then live? Selfishly for ourselves? Or looking beyond ourselves to lift others not as blessed by birth, as we have been? But is it fair for our "68%" to have to compete with nations who have no rules for things like safety, fair wages, and basic human freedoms? At what price do we buy cheap goods?

One of the futurists I cite, under whom I studied in graduate school, described the global changes that are upon us now. Peter Drucker wrote: "The knowledge society will inevitably become far more competitive than any society we have yet known—for the simple reason that with knowledge being universally accessible, there will be no excuses for non-performance. There will be no "poor" countries. There will only be ignorant countries. And the same will be true for individual companies, individual industries and individual organizations. It will be true of individuals too. (1994, *The Age of Social Transformation*. Atlantic Monthly 274(5), 53-71).

*Come gather 'round friends
And I'll tell you a tale
Of where the red iron ore pits ran plenty.
But the cardboard filled windows
And old men on the benches
Tell you now that the whole town is empty.*

*Oh the iron ore poured
As the years passed the door
The drag lines an' shovels they was a-hummin'.
'Til one day my brother
Failed to come home
The same as my father before him.*

*Then the shaft was soon shut
And more work was cut
And the fire in the air, it felt frozen.
'Til a man come to speak
And he said in one week
That number 'leven was closin'.*

*They say in the East
They are payin' too high
They say that your ore ain't worth diggin'.
That it's much cheaper down
In the South American towns
Where the miners work almost for nothin'.*

Bob Dylan, *North Country Blues*

Bob Dylan's *North Country Blues* dramatized in a ballad, the human cost of cheap iron ore bought in South America "where," as the lyrics put it, "the miners work almost for nothin'."

Dylan grew up in Hibbing Minnesota, an area the locals call *The Range*—The Mesabi Iron Range. His song was a narrative about the consequences of global change in America's mid-twentieth century Midwest. Click here (<http://www.youtube.com/watch?v=WSj0sbHnVfs>) to listen to the singer's performance of *North Country Blues* at the Newport Folk Festival in 1963. The full lyrics are in the appendix.

The poignant imagery of *North Country Blues* equally applies today, when millions of American jobs are being outsourced to India and entire production processes are often being offshored—closing U.S. factories only to reopen them in China where people still "work almost for nothin'." For example, Apple is being pummeled by its own fans as news keeps leaking out about poor working conditions and the roughshod management practices prevalent in factories like Foxconn, where virtually all of Apple's products are assembled.

On the other hand, a fundamental thesis in Adam Smith's *An Inquiry into the Nature and Causes of the Wealth of Nations* (1776) was that as trade expanded, all partners in that trade benefit:

What is prudence in the conduct of every private family, can scarce be folly in that of a great kingdom. If a foreign country can supply us with a commodity cheaper than we ourselves can make it, better buy it of them with some part of the produce of our own industry, employed in a way in which we have some advantage. The general industry of the country, being always in proportion to the capital which employs it, will not thereby be diminished...but only left to find out the way in which it can be employed with the greatest advantage.

(Book IV:2)

Smith argued that as individuals (and nations) create economic arrangements in which parties essentially *focus on doing what they do best*, all parties win. In his *Principles of Political Economy and Taxation*

(1814), David Ricardo formalized this notion as the theory of competitive advantage. In practice, comparative advantage holds that if product A requires 100 units of input to manufacture, but product B requires only 50 units of input, assuming both net the same profit, it makes sense to focus only on manufacturing product B. It costs less to make but nets more profit. In fact, manufacturing of product A would come at an *opportunity cost*—the loss of the net that would have been greater had to the manufacturer focused only on product B.

The argument in favor of free trade holds that as the economic pie gets bigger, sellers and buyers, manufacturers and workers all benefit. Of course, when a complex network of human behaviors is reduced to a theoretical model, it can be difficult to see how all the variables affect and are affected by one another.

Bob Dylan's ballad about the iron ore mines on the Minnesota Range provokes the uncomfortable question: "How do we reconcile *the pie-getting-larger* benefit of free trade with the *jobs-getting-scarcer* side of outsourcing and offshoring?" While the labor may be cheap, working conditions are poor, management structure is autocratic, and governments are notorious for not abiding by WTO (World Trade Organization) rules. Marketing leadership in the twenty-first century requires that executives factor in such realities when making decisions. This paper is intended to provoke a conversation about values-based decision-making in the new global economy. The big question: "How should you then lead in the twenty-first century?"

Consider the case of solar products imported from China. Imports grew from \$640 million in 2009 to \$1.5 billion in 2010. But U.S. solar cell manufacturers believe unfair Chinese government support of their solar industry led to low-ball pricing that undercut domestic American prices by 250 percent. So in December, 2011 the U.S. International Trade Commission voted 6-0 to proceed with an investigation that could lead to anti-dumping duties on solar cells from China. However, free-trade advocates argue that this move could jeopardize \$71 billion in solar installation projects in the pipeline. The question is, wouldn't America and other countries gain more by allowing China to drive panel prices down if it resulted in less dependency non-green energy?

C.E.O. Michael El-Hillow faced these kinds of questions as he led Devens, Massachusetts-based Evergreen Solar. On January 14, 2011 New York Times reporter, Keith Bradsher discussed the Evergreen case. The company "had been aided by at least \$43 million in assistance from the government of Massachusetts. Even though Evergreen opened its Devens plant, with all new equipment, only in 2008, it began talks with Chinese companies in early 2009. In September 2010, the company opened its factory in Wuhan."

The Evergreen plant closing cost 800 jobs in Devens Massachusetts but gave jobs to 1,500 workers in Wuhan, China. In Wuhan, the average monthly salary is between 1,000 – 2,000 RMB (or in US dollars, \$159 – \$318 per month). In contrast, the average pay for a Massachusetts factory worker is \$5,400 per month or \$270 per day. The average Massachusetts factory worker makes more in a day than his or her counterpart in China makes in a month.

Michael El-Hillow, Evergreen's chief executive, defended the move to China based on trends in world prices for solar panels. Demand plummeted by two-thirds from 2007 to 2010. And in the last quarter of 2010 alone, prices had fallen 10 percent. In 2008 Evergreen had been selling its panels for \$3.39 a watt. But to remain competitive, by the end of 2010 it had dropped the price to \$2.00 a watt. Even so, the market would support prices no higher than \$1.90 a watt and the Chinese were selling panels for as little as \$1.65 a watt—with only a \$0.35 a watt markup. And the goal was push manufacturing costs lower still to \$1.00 a watt. First Solar spokeswoman Michelle Friedman, cited by Robert Crowe in RenewableEnergyWorld.com, predicts that goal is reachable and predicts cost of manufacturing to go to be \$0.64 a watt by 2014.

Thus in an attempt to survive, Evergreen Solar entered into a joint venture with a Jiawei Solar, in Hubei's provincial capital of Wuhan. The new plant, built at a cost of \$33 million, was located in a building where "row after row of highly automated equipment stretched toward the two-story-high ceiling in an

immaculate, brightly lighted white hall. Chinese technicians closely watched the computer screens monitoring each step in the production processes.”

However, this description of a bright state-of-the-art place of enterprise contrasts with its dark past: “A local employee said the municipal police had used the site for mass executions into the 1980s.” And it seems that past also foreshadow the company’s future. On November 10, 2011, U.S. bankruptcy judge Mary F. Walrath approved the sale of Evergreen’s assets.

I don’t presume an exclusively American readership for this article, which I’ve written to provoke thought among students in several graduate classes I teach. While these students come from several nations, I write from a distinctly American perspective.

And I write during the combative 2012 presidential primary campaign season when Republican candidates are spending millions to pummel one another with negative campaign ads and President Obama is promising to retrieve outsourced jobs to put Americans back to work.

Frankly, both ends of the U.S. political spectrum seem oblivious to the fact rhetoric can’t change reality. The rhetoric: Stop giving away American workers jobs. The reality: decades-old prophecies uttered by the likes of Marshall McLuhan, Peter Drucker, Alvin Toffler, and Walter Ong have come to pass.

McLuhan wrote of a future in which technological change would create a virtual global village. Drucker saw that the industrial era would give way to the knowledge era dominated by knowledge workers. Toffler predicted the pace of all these changes would create *future shock*. And Ong, a protégé of McLuhan, saw they would actually change the way mankind thinks.

Collectively their prophecies foretold a future in which the value of knowledge would surpass the worth of labor, where that knowledge would create technological advances, increased quality, and lower prices—in a word change.

That future is now—a future that has changed the world of work and will redistribute of the world’s wealth.

An October 19, 2011 Credit Suisse Global Wealth Report measures this redistribution of wealth, forecasting that global wealth will increase 50 percent by 2016, climbing to \$345 trillion. Most of those gains will come from a doubling of household wealth in China. Underscoring the pace of this change, their report documents that global wealth had already increased by 14 percent during the first six months of 2011, rising to \$231 trillion. Asia Pacific nations accounted for 54 percent of that rise.

Credit Suisse’s C.E.O. Osama Abbasi described this as a period of “unprecedented economic change, and a radical reconfiguration of the world’s economic order.” The report concluded that the United States would hold \$81 trillion in household wealth by 2016, but that China will replace Japan by doubling its household wealth to almost \$39 trillion.

The cause? Widespread *access* to knowledge has leveled the global economic playing field, raised quality, increased productivity, lowered prices, and shifted employment patterns. GDP growth in China, India and Brazil’s exceeded that for the U.S. in 2011—a trend many thought leaders think trend will ever be reversed.

The consequence? Linda Levine, a specialist in labor economics with the U.S. Congressional Research Service, estimates that by 2015 a total of 3.4 million jobs will have been lost to offshoring. In a September 2011 Economic Policy Institute briefing, Robert Scott reported that “the growing trade deficit with China has

been a prime contributor to the crisis in U.S. manufacturing employment. Between 2001 and 2010, the trade deficit with China eliminated or displaced 2.8 million jobs” (p. 1)

But while the loss of U.S. jobs to offshore production has created a deep undercurrent of pessimism, American's have loved the low prices the practice it has brought them through stores like Walmart. In her new Cornell University Press title, *Walmart in China*, editor Anita Chan observes that 70 percent of what Walmart sells is manufactured in China. From the mid-1990s to the 2004, according to Morgan Stanley, calculates that cheap imported goods saved American consumers more than \$600 billion. By moving assembly of their iPhone and iPad to China, cheap labor enabled Apple to post \$46.3 Billion in revenue and net \$13.1 Billion in profit during the fourth quarter of 2011, making the company one of the world's most valuable companies. All this is evidence that the world has become the global village Marshall McLuhan envisioned—a village in which America is but one of a group of global economic powers.

I date myself when I observe that when they predicted that globalization and the knowledge society would cause such massive global shifts in economic power, McLuhan, Drucker, Toffler, and Ong were *saying* what Bob Dylan was *singing—the times . . . they are a changin'!*

Hans Rosling, a physician, statistician, and professor of global health at Sweden's Karolinska Institute, doesn't advocate one side or another in the debate for and against offshoring. Rather, he lets his data show the stubborn march of history has brought change in the lifespan, wealth, and happiness of regions of the world.

In less than 5 minutes Rosling depicts a trend that shows most of the so-called developing world moving rapidly on a trajectory toward health and prosperity at twice the pace it took the west to get there. Click here to see his masterfully produced video, aired on BBC Four. It's title describes the content: *200 Countries, 200 Years, in 4 Minutes:*

http://www.youtube.com/watch?feature=player_detailpage&v=jbkSRLYSojo

Of course, much of the accelerated pace of growth in the global economy that Rosling depicts, owes a deep debt of thanks to the West. The now fast-developing economies are standing on the shoulders of the West's technological and industrial innovations. But the shoulders of the West are now aching. America, long committed to the spread of freedom and the promise of opportunity freedom brings, is hurting itself as lower-skilled jobs are leaving our shores. They're going to millions of workers in China, India, and Brazil. This phenomenon has led to a backlash across the electorate—ironic for a nation that long has advocated freedom and opportunity for all.

In a second video, Rosling engages a live audience in India with an entertaining presentation, at the end of which he predicts the year and day when these trends will converge with India, China and Brazil's economic status will equal that of the Western nations. His presentation, given at a TED conference (TED being an acronym for Technology, Entertainment, Design) is titled *Asia's Rise -- How and When:*

<http://www.youtube.com/watch?v=fiK5-oAaeUs&feature=related>

While the inexorable trajectory and pace of global economic change are apparent in the data, politicians are reluctant to discuss the underlying causes of this change. They're silent not because they're ignorant of the facts. Rather, they're silent because they know discussing those facts would only add stress to an already stress-weary electorate that prefers discourse measured in sound bites, 140-character tweets, and “likes” posted on facebook walls.

After all, they reckon, what's to be gained by frightening the electorate when it won't change the course of global economic change? The momentum of the forces at play are like a meteor hurtling toward earth. It's a planet killer that no one can divert, so why warn people when all that would do is steal any joy their final hours might bring them. Okay. The meteor metaphor may be a bit melodramatic. But it is appropriate.

The average person has virtually no influence on the course of globalization. But they need to be warned that while Americans take their prosperity for granted, emerging nations are working harder, learning faster, and winning a global war, fought not with tanks, but with the weaponry of trade. The weapon America needs to wield now is training. The U.S. workforce has to be trained to innovate so that jobs workers are qualified for aren't those that are easily offshored. Some would argue that the better word is not just training (*how* to do things) but education (knowing *what* things to do). But for the immediate future, as millions of American jobs are lost to nations like India and China, rhetoric won't reflect the noble language of enabling others but the practical language of first enabling American workers.

In 1982 John Naisbitt elaborated on the nature of these global shifts in *Megatrends*, which described ten new directions that would transform our lives. Then in 2005, three-time Pulitzer winner Tom Friedman of the New York Times documented examples of the transformations gleaned from interviews and first-hand observations in India, and China. The metaphor of his title describes what has happened—*The world is flat*. Friedman writes: "More people can plug, play, compete, connect, and collaborate with more equal power than ever before." Friedman's book explains "the essential impact of the technological changes coming together today."

For a summary of *The World is Flat*, click here to watch a thirty-minute video of a presentation at MIT:

<http://www.learnoutloud.com/Free-Audio-Video/Business/-/The-World-is-Flat/15577>

Friedman describes the impact of change, quoting Ohio State University business professor Oded Shenkar, author of *The Chinese Century*. In a December 6, 2004 *Business Week* article Shenkar tells American companies: "If you still make anything labor intensive, get out now rather than bleed to death. Shaving 5% here and there won't work." Noting that Chinese companies can cut deeper, he continues: "You need an entirely new business model to compete." But that warning takes on tangible meaning in a discussion with president of the American Chamber of Commerce, who described a visit to a clothing manufacturer in Zhejiang Province:

This manufacturer produces socks and ladies' underwear for mass merchandisers around the world, as well as retailers within China. The factory owner opened a box of socks for Martin and told him that if you bought a dozen pair of these basic socks from him, you would pay 11¢ a pair—the wholesale price. But the factory owner went on to explain that even at 11¢ a pair he was becoming "uncompetitive"—his competitors were selling socks for even less. So he was planning to relocate his factory four hundred miles inland, into a poor sector of northern Jiangsu Province, where the local government had promised him still lower taxes, lower land costs, and lower labor costs. (p. 141)

UC Santa Barbara's Nelson Lichtensten, writing in Anita Chan's *Walmart in China*, describes the enormous development and growth that has resulted in such competition and productivity:

The Chinese government in Beijing chose Shenzhen as a special economic zone in 1979 because of its proximity to Hong Kong. A few years later the entire Pearl River Delta became part of the zone, with low corporate taxes, few environmental or urban-planning regulations,

and the increasingly free movement of capital and profits. The results were spectacular. Gross domestic product in the Pearl River region leaped from US\$8 billion in 1980 to US\$351 billion in 2006. Shenzhen's population rose twentyfold. Guangdong Province itself produces a third of China's total exports, and almost 10 percent of all that finds its way to Walmart's U.S. shelves. (p. 15)

Of these trends, Tom Friedman writes in *The World is Flat*: "In thirty years we will have gone from 'sold in China' to 'made in China' to 'designed in China' to 'dreamed up in China'—or from China as collaborator with the worldwide manufacturers on nothing to China as a low-cost, high-quality, hyperefficient collaborator with worldwide manufacturers on *everything*" (2007, p. 142).

In *The World is Flat*, Friedman sums up the consequences now that nations like China, India, and Brazil have risen to prominence as manufacturers of virtually everything for everyone. Focusing particularly on China, here's how he opens his chapter on offshoring, the practice of sending not just a *few* elements from a chain of production steps overseas, but sending the *whole thing* there:

On December 11, 2001, China formally joined the World Trade Organization, which meant Beijing agreed to follow the same global rules governing imports, exports, and foreign investments that most countries in the world were following. It meant China was agreeing, in principle, to make its own competitive playing field as level as the rest of the world. A few days later, the American-trained Chinese manager of a fuel pump factory in Beijing, which was owned by a friend of mine, Jack Perkowski, the chairman and CEO of ASIMCO Technologies, an American auto parts manufacturer in China, posted the following African proverb, translated into Mandarin, on his factory floor:

Every morning in Africa, a gazelle wakes up.

It knows it must run faster than the fastest lion or it will be killed.

Every morning a lion wakes up.

It knows it must outrun the slowest gazelle or it will starve to death.

It doesn't matter whether you are a lion or a gazelle.

When the sun comes up, you better start running.

I don't know who is the lion and who is the gazelle, but I do know this: Ever since the Chinese joined the WTO, both they and the rest of the world have had to run faster and faster. (p. 137)

Now with co-author Michael Mandelbaum, continues this quest in *That used to be us: How America fell behind in the world and how we can come back* (2011). Addressing their American readership they charge:

In short, our biggest problem is not that we're failing to keep up with China's best practices but that we've strayed so far from our own best practices. America's future depends not on our adopting features of the Chinese system, but on making our own democratic system work with the kind of focus, moral authority, seriousness, collective action, and stick-to-itiveness that China has managed to generate by authoritarian means of the last several decades.

The authors summarize their book at Johns Hopkins University's School of Advanced International Studies. To view their presentation, click here:

<http://www.c-spanvideo.org/program/301796-1>

Friedman and Mandelbaum's message is reminiscent of a message Abraham Lincoln delivered to Congress on December 1, 1862, a month before signing the Emancipation Proclamation. Lincoln's message framed the serious changes that were about to occur as those who had been enslaved were about to be freed. It's appropriate to recycle his words as many developing nations are about to gain economic freedom. In that context, American industry, education, and government must adapt in a changing world, and heed what Lincoln wrote . . .

The dogmas of the quiet past are inadequate to the stormy present. The occasion is piled high with difficulty, and we must rise—with the occasion. As our case is new, so we must think anew, and act anew. We must disenthrall ourselves, and then we shall save our country.

Today America must disenthrall itself from the notion that we are alone at the top of the economic pile. We can ill-afford to live in that past. We must recognize that we live in a rapidly expanding world economy in which India, Brazil and China—especially China—are hot on our heels. But we must also be honest and let our economic policies reflect our moral values beyond profit alone. America honors self-effort, individualism, and upward mobility like no other nation.

While new economic powers are growing, wealth in those countries is being produced in ways quite different from the American model that emerged in the eighteenth century. America's unique economic culture and desire for freedom and self-determination drove the colonies to sever from England. That rebellion empowered the average person to pursue their dreams and their self-effort was rewarded. In contrast, the economic revolution in late twentieth and early twenty-first century China has failed to benefit the average Chinese worker. Their economy is the product of shift from a centralized political machine to a centralized economic machine. Both versions of China are centralized enterprises that keep the state, not individuals, at the dominant center of the equation.

Despite the competitive threats and leaps forward China has made as manufacturer for the world, New York Times' Tom Friedman, another New York Times reporter, Charles Duhigg, CBS News, and monologist Mike Daisey are sounding an alarm about conditions for workers. The new prosperity China enjoys is not shared equally across China. Not only are jobs being lost to those who can manufacture and sell socks for 11¢ a pair and assemble millions of iPhones a month, but many of those jobs are being performed in the high-tech equivalent of sweatshops.

For example, in factory cities like Foxconn, thousands of peasant workers, attracted from the fields to opportunities promising higher pay, often endure working conditions that are dangerous to their health.

Thousands of Chinese workers enduring tedious 12-hour days to assemble millions of iPhones and iPads is eerily reminiscent of scene Ridley Scott depicted in the 1984 commercial that announced the introduction of Macintosh.

Their ad, which sought to contrast Apple's human scale and elegance with Microsoft's regimentation, is set in a huge factory-like hall in which workers, clad in gray uniforms, march in lock-step like androids through a tunnel to emerge in a cavernous hall where they sit under the watchful eye of Big Brother.

As the leader's blue-gray image flickers on a stadium-sized screen, the workers stare straight ahead in vacuous, silent obedience. Peering down, Big Brother announces:

"Today, we celebrate the first glorious anniversary of the Information Purification Directives. We have created, for the first time in all history, a garden of pure ideology — where each worker may bloom, secure from the pests purveying contradictory truths."

Suddenly the camera frames a young woman who sprints up the middle of the hall. Wearing red running shorts, red shoes, and a pure-white tank top, like an Olympic athlete she spins three times to create the centrifugal force needed to hurl her brass-headed hammer against the screen.

The screen breaks, the leader is silenced, and light and smoke sweep across the room like the wave of a nuclear blast. Shaken from their trance-like states, workers open their eyes in amazement as a new voice speaks and a new message rolls across the screen:

On January 24th, Apple Computer will introduce Macintosh. And you'll see why 1984 won't be like "1984."

The sad irony is that for the thousands of Chinese who, in the final quarter of 2011 hand-assembled 37 million iPhones that sold were in 90 countries, 2011 had become 1984. While Mao's failed Great Leap Forward led to the starvation of millions in China, the New Great Leap Forward has refocused China's centralized political machine on building massive techno/industrial infrastructures. Millions of rural workers, drawn from the countryside to factory cities, hand assemble high tech products like iPads and iPhones and similar products by companies like Dell, HP, and Lenovo.

Working conditions in China's factories resemble the sinister Orwellian tableau Ridley Scott depicted in his Ciat/Day McIntosh commercial. And that sinister image of Big Brother in the commercial, looking down on the assembled masses? China's factory cities reflect the highly stratified and controlled tone of its culture.

America's corporate, political, and educational leaders must understand the implications of these global economic shifts and adjust. While the current economic downturn can be largely blamed on reckless financial speculation and risk taking, even more fundamental is the fact that other nations have been catching up fast. Nations like China, India, and Brazil are applying Industrial-era lessons to produce the high-tech products that twenty-first century consumers demand.

The impact of these shifts is clear from the following statistics:

- 33% drop in total U.S. home equity value
- 22% loss of the total U.S. retirement asset base
- 14.7% or 46.2 million U.S. citizens receiving food stamps as of January 2012
- 49% of U.S. households draw Federal benefits like Social Security or unemployment
- 8.4% annual U.S. GDP growth compared to China's 25%, Brazil's 21%, India's 15%
- 13% increase in doubled-up U.S. families who live with other families
- 1.45% or one in 69 U.S. housing units receiving a foreclosure filing in 2011
- 8.4% U.S. unemployment rate
- 25% of U.S. high school drop out and between 15% - 18% are unemployed
- 75% of U.S. high school students need remedial coursework if they get into college
- 52% of U.S. companies can't find qualified workers for high-skill jobs like toolmaking

As noted above, these stressors have caused many to call for a form of protectionism—to call on American companies to stop outsourcing jobs.

In *The Age of Discontinuity*, published in 1968, Peter Drucker envisioned the trends that have brought America to this point of economic upheaval. Drucker looked back on a half-century of industrialization and described the late '60s as, "above all, a fulfillment of the economic and technological promises of the Victorian and Edwardian eras and a testimony to their economic vision" (p. 10).

Then looking forward toward the twenty-first century he warned:

Now, however, we face an Age of Discontinuity in world economy and technology. We might succeed in making it an age of great economic growth as well. But the one thing that is certain so far is that it will be a period of change—in technology and in economic policy, in industry structures and in economic theory, in the knowledge needed to govern and to manage, and in economic issues. While we have been busy finishing the great nineteenth-century economic edifice, the foundations have shifted under our feet (p. 10).

The shifting sands Drucker felt in 1968 would affect the very nature of the world of work. He wrote: "The most important, and indeed the truly unique, contribution of management in the 20th century was the fifty-fold increase in the productivity of the *manual worker* in manufacturing. The most important contribution management needs to make in the 21st century is similarly to increase the productivity of *knowledge work* and *knowledge workers*. The most valuable asset of a 20th century company was its *production equipment*. The most valuable asset of a 21st-century institution (whether business or non-business) will be its *knowledge workers* and their *productivity*. (2000, p. 267)

Sadly American education has not been adequately preparing students for jobs in the knowledge society. Painfully driving this point was a report by Byron G. Auguste, Bryan Hancock and Martha Laboissière who reported in a study for the McKinsey Global Institute, that the gap between academic achievement between children in the U.S. and their peers in other countries accounted for a loss of \$2.3 trillion in economic output in 2008 (McKinsey Quarterly, June 2009: www.mckinseyquarterly.com). Putting that in blunt English stupidity costs.

In 2004, Tom Ashbrook interviewed Drucker for NPR's *CounterPoint* on Boston radio station WBUR. Commenting on America's place in the global economy, Drucker said:

Fortunately, we are no longer dominant. We are still militarily dominant, but not politically or economically, thank God. It is very dangerous to be the superstar. With China and India and the European Union emerging, we are fast becoming just another great power. And that will be hard to swallow, especially as we have 30 years of delusions of grandeur. Not because we were strong but because others were so weak. And a world economy is emerging in which we are not even the foremost power. That's probably the European Economic Union. And we will have to learn to be one of – make it half a dozen – major players. And America's role in the world will increasingly be one of equals. America's great strength was that it stood for values, not just power.

Ted Levitt further developed Drucker's insights in his *Marketing Myopia*, by detailing cases in which companies had failed because they had failed to deliver customers the underlying benefits customers they sought. His analysis sent a wakeup call to leaders by prompting them to look at their businesses from a more holistic perspective—to better understand what their customers wanted, and change their marketing mix in as warranted. Levitt framed the railroads' failure as failure to understand what their customers wanted.

Levitt termed this failure *marketing myopia*, or tunnel vision. The railroads' focus was more on the company's product than on the benefits they delivered. They failed to define their business properly. They failed to define it as moving things from point A to point B (which broader definition might have led them to invest in air and truck was transport). Instead, they defined it in terms of train tracks and train cars, which limited their vision and limited innovation. Their business was logistics and transportation, not train tracks and train cars.

Deep structural shifts dramatically affect our lives, our work, and our livelihoods. In 1982, like McLuhan, Drucker and Toffler before him, John Naisbitt's *Megatrends* described the movement **from a national economy to a world economy**: "The two most important things to remember about world economies are that yesterday is over and that we must now adjust to living in a world of interdependent communities" (1982, p. 55). He also repeated their description of a massive movement **from an industrial society to an information society**: "It is now clear that the post-industrial society is the information society." Tracing the beginning of the information society to the Russians' launch of Sputnik 1957, by 1982 he concluded: "In the computer age we are dealing with conceptual space connected by electronics, rather than physical space connected by the motorcar."

Now in the second decade of the twenty-first century, economic stress continues to threaten America's middle class, and the citizens of many Eurozone nations are faring no better. Making things worse in the U.S. is the fact that the nation's education system has exacerbated the problem. That system is not producing the qualified knowledge workers new industries demand. At the same time, large skilled and flexible labor forces, supply chains, Asian nations offer have attracted high tech manufacturing and assembly jobs because they can do the jobs better, faster, and cheaper.

While Barack Obama hopes to attract back to the U.S., as many jobs as possible, high tech industry leaders know that isn't going to happen. New York Times columnist Charlie Duhigg, sites a conversation between Obama and Apple's Steve Jobs, in February 2011. Mr. Obama asked: "What would it take to make iPhones in the United States? Why can't that work come home? . . . Mr. Jobs' reply was unambiguous. 'Those jobs aren't coming back.'"

In a 2004 radio interview with Tom Ashbrook, Peter Drucker was asked, "There's a lot of unease today over where the world is headed. What's your sense of the direction in which the world is moving?" He replied:

Well, I think anybody who is not uneasy about the direction in which the world is moving is blind and deaf. The belief in progress which we inherited from the 18th century is gone. The belief in a western-dominated world is going. The emerging powers – China and India – are by no stretch of the imagination western nor will they westernize themselves the way Japan did 150 years ago. We don't understand this new world.

We don't know the extent to which the EU will become a union or remain a loose confederation.

We don't understand the way MERCUSOR (the Latin American EU) is going.

We are in a period of transition as fundamental as the 18th century before the Napoleonic Wars.

We know this much. The world is not going to be dominated by any one great power.

For Americans that's going to be a very difficult thing to accept. Most of us still see a World – the world of 1960 – in which America was the only great power, and the only functioning

economy. Today the EU is bigger. China is trying to build a free trade zone that will be bigger than America both as producer and consumer.

So, we Americans will have to learn that it is going to be a very different world and a world in which different values must co-exist. It will have western production and western competitiveness, and it will be held together by information, not by power. That is the direction the world is going. It will be a rough period of transition for the next 30 years or so.

The Today Show's Ann Curry interviewed Zbigniew Brzezinski, former national security adviser to President Jimmy Carter. Discussing his latest book, *Strategic Vision: America and the Crisis of Global Power* she prefaced her interview with a statement by President Obama, "Anyone who tells you that America is in decline or that our influence has waned doesn't know what they're talking about." She asked, "Dr. Brzezinski, the first chapter of the book is called *The Receding West*. So do you agree or disagree with the president? Do you believe that America is on the decline—is waning in its influence?"

His response was consistent with Drucker's view of great change: "You know, it's not a matter of America declining or of the West declining. It's that others are rising. And anyone who knows anything about balances knows that you can either go down or somebody can come up. Somebody is coming up. And we have to get ourselves in shape both domestically and internationally in order to be able to compete more effectively."

Three-time Pulitzer prize winning New York Times journalist Tom Friedman describes this rise to power by other global players in *The World is Flat* (2005). His vivid on-the-ground reporting is a panoramic window on the new economic order that Drucker prophesied in *The Age of Discontinuity* in 1968, Naisbitt popularized in *Megatrends* in 1982, and Brzezinski says demands immediate attention. The future these men predicted is now and Friedman describes it with vivid clarity as a world that has been flattened by nine factors—factors that have leveled the economic playing. In the early 1960s, Marshall McLuhan saw these trends coming and coined the term global village to describe its ultimate impact. Friedman believes this planet-wide democratization of knowledge is as consequential to the twenty-first century as Gutenberg's repurposing of an olive press to print with movable type was to the fifteenth.

For twenty-first century leaders these global trends have profound implications.

For educational leaders: at a time when thousands of jobs are going unfilled, curricula must educate and train students who can offer companies knowledge, imaginative problem-solving aptitudes, and technical skills demanded by twenty-first century jobs. A 2011 report by Deloitte Development LLC and The Manufacturing Institute described this gap between workforce preparedness and twenty-first century production job requirements:

We asked respondents how many actual jobs went unfilled due to a lack of qualified applicants. We found the median value of unfilled jobs is 5% among the survey's nearly 1,100 respondents. Think of it this way: as many as 600,000 well-paying jobs are going unfilled while the national unemployment rate hovers around 9%. These results will likely get worse [yet] we continue to see that many manufacturing companies are still using the same tactics to address the same problem. Manufacturers can help by improving training and recruiting, but they can't do it on their own. To some degree, it may require a national movement, which could include public policy changes, to help address the skills gap concerns.

A 2011 McKinsey Global Institute study reports: "We estimate that the United States may face a shortfall of almost two million technical and analytical workers and a shortage of several hundred thousand nurses and as many as 100,000 physicians over the next ten years."

Jeff Joerres, CEO of Manpower Group, a \$22 billion company involved in finding workforce solutions company with nearly 3,900 offices in over 80 countries believes that this the lack of skilled labor is a result of too much pressure on students to go to a university rather than a technical school:

Back when I was growing up, I was told – if you don't go to university or college, you're never going to make anything of yourself. Well, we're paying the price for being a little melodramatic during those times.

And he lays part of this short-sightedness on parents' ambitions for their children:

When you're at a cocktail party, do you want to say – my kid is going to Brown, or my kid is going to a technical school?

Joerres argues that educators must revisit what has long been anathema in education--tracking those students who aspire to technical careers into programs that will prepare them for the workforce. He challenges the notion that every student must seek the ubiquitous liberal arts programs represented by the typical bachelor's degree. He argues that for students who aspire to a career in production, programs must be available to prepare them for such careers in 21st century manufacturing.

Joerres' ambition is no different than the vision that drove Ezra Cornell, who had made a fortune building Western Union, to found the university named for him. Cornell had made his mark solving technical problems. His modest beginnings had him selling plows, walking from prospect to prospect because he couldn't afford to pay for transportation. He eventually met Samuel Morse, inventor of the telegraph, and for him created a special plow that with one pass could dig, bury and cover the lead pipe that encased telegraph cables. And when that failed because moisture seeped through the pipe, Cornell innovated a method for stringing wires between poles, creating a glass insulators between connections.

With a practical problem-solving bent, Cornell decided to give his fortune to help found a university in 1865. His aim was to provide education that would prepare students for careers that produced things people wanted and offered a way to make a living: "I would found an institution where any person can find instruction in any study." For more information about Ezra Cornell, the following link will take you to an exhibition based on letters, diaries, photographs, documents, and publications in the Ezra Cornell Papers, kept in the Cornell University Library Division of Rare and Manuscript Collections:

<http://rmc.library.cornell.edu/Ezra-exhibit/entrance.html>

For corporate leaders the challenge is to build U.S.-based supply chains, greater product standardization, and robotic automation of production—all of which as a synergy can not just replicate but out-perform the efficiencies now achieved by armies of Chinese workers, working in oppressive factory cities that churn out thousands of iPads and iPhones a day.

In contrast to China, where almost overnight, the top-down muscle of its centralized government has by fiat built virtual factory cities like the increasingly infamous Foxconn, McKinsey Global Institute says the U.S. is slow and it is aging. Referring to the World Economic Forum's *Global Competitiveness Report, 2010-2011*, McKinsey notes that "the quality of infrastructure from transportation to water systems has been in relative decline in the United States, which ranks 23rd in the quality of its overall infrastructure, undermining competitiveness."

The conclusion—the United States must "build 21-st century infrastructure . . . to meet the needs of a dynamic, growing economy." This problem is particularly critical given the finding of McKinsey's June 2010 report, *Growth and Competitiveness in the United States: The Role of Its Multinational Companies*, which

concluded that “Multinational companies consistently rank infrastructure among the top four criteria they use to make decisions about where to invest.”

In a world-turned-global-village, the pool of available workers has grown to include the millions of highly skilled labor forces of the Asian nations and India. American labor movements mourn the loss of jobs in a new economic world order that is being flattened by technology. Yet others suggest that as others gain, we all gain . . . as a rising tide lifts all ships, as the economies of all developing nations prosper we all prosper.

But American labor complains that while the world may indeed be flat, the playing field is tilted. They argue that emerging nations are not constrained by the same standards under which they work, standards that ensure living wages, safe working environments, and environmental protection.

The evidence of the rapid growth of China, for example, is dramatically apparent in data aggregated from five sources: US Bureau of Economic Analysis, Census population estimates, The Conference Board, United Nations Population Division McKinsey Global Institute analysis.

Here is how four key players ranked on three key measures of growth from 1990-2008:

	Three Key Measures of Growth 1990 - 2008		
	Working Age Population	Productivity	GDP
United States	+0.5%	+1.7%	+2.8%
EU-15	-0.1%	+1.4%	+2.1%
Japan	-1.0%	+1.2%	+1.2%
China	+0.2%	+8.2%	+9.3%

But this growth comes at a cost. The CBS *Morning Show* of January 29, 2012 highlights some of the concerns of those who would be raising serious concerns about working conditions China’s vast factory cities, which amass hundreds of thousands of workers to assemble these high tech products. Click this URL to view The CBS *Morning Show* piece:

http://news.cnet.com/8301-13579_3-57367970-37/apple-foxconn-relationship-probed-by-sunday-morning-video/

In a similar report on January 27, 2012, Raf Needleman of C|net interviewed Charles Duhigg of the New York Times (who has written a major exposé on Apple’s supply chain and manufacturing partners in China) and monologist Mike Daisey (who performs a monologue called *The Agony and the Ecstasy of Steve Jobs* in which he rants about conditions in China’s factory cities). Needleman’s 38-minute interview sketches from their experiences, a picture of a regimented factory culture that reminds one of Mao’s communal communities. Though more well-fed than the farmers who starved during the Cultural Revolution, in what can only be called in China’s modern *Forbidden City*: Foxconn, a quarter million workers suffer. In this video their suffering is recounted:

http://cnettv.cnet.com/ep-108-apple-china-problem/9742-1_53-50118972.html

In an October 27, 2011 interview, Rob Cox discusses with Mile Daisey, his one-man show and explores the ethical dilemma facing users of Apple products in light of the conditions in factories where they are made. Click here to access the 9-minute interview:

<http://www.youtube.com/watch?v=BUOUr61MvHI&feature=related>

Ira Glass of Chicago's WBEZ presented a story on his *This American Life* show in which monologist Mike Daisey described working conditions in Foxconn—a factory that manufactures Apple products. Foxconn has become notorious for work conditions that have been called into question. Aired originally on January 5, 2012, Daisey's one-man show called "The Agony and the Ecstasy of Steve Jobs" was later discredited. Here is a link to the *This American Life* retraction of Daisey's story. While there have been problems at Foxconn, many of the "facts" presented in Mike Daisey's story were composites and not true journalism:

<http://www.thisamericanlife.org/radio-archives/episode/460/retraction>

The above retraction by *This American Life* obviously calls into question the veracity of the other interviews linked on page 13. Journalist Tim Worstall, writing for Forbes offered his take on working conditions in China titled, Finally: The Truth About Conditions Inside Apple's Foxconn Factories. He observes:

The real point here is that yes, these are working conditions and pay scales that you or I really wouldn't be happy with. For we are lucky people, lucky to be born in rich societies where such conditions and wages are 50 and more years in the past. However, these conditions and pay are better than what is generally on offer in China. And it is that which is the comparison that has to be made: not with ourselves, but with the options available to those who work in those factories.

In essence, that sort of work, indoor work and no heavy lifting, is markedly better than the alternative of spending 12 hours a day staring at the south end of a north moving water buffalo out in the rice paddies. Which is why 250,000 people voluntarily move hundreds, even thousands, of miles across China to take these jobs. They actually compete with each other to get these jobs" (April 13, 2012, downloaded from: <http://www.forbes.com/sites/timworstall/2012/04/13/finally-the-truth-about-conditions-inside-apples-foxconn-factories/>).

A March 29, 2012 announcement by the Fair Labor Association (a nonprofit that "creates lasting solutions to abusive labor practices" [<http://www.fairlabor.org/>]) reported that by July 2013, Foxconn will limit workers' potential overtime, reducing it from a maximum of 80 hours to just 36 hours a month. While this move came in response to outcries among those used to working conditions in the West, a Reuters report indicates that the news was not welcomed by Foxconn's workers, most of whom migrated to industrial centers for the economic opportunity factory jobs offered.

The title of the Reuters article captures the dissonance the news produced among workers: *Apple supplier Foxconn cuts working hours, workers ask why*. And the article's lede sentence captured the source of workers' angst: "When Chinese worker Wu Jun heard that her employer, the giant electronics assembly company Foxconn, had given employees landmark concessions her reaction was worry, not elation." Wu's feelings speak for many of the 1.2 million Chinese who have come to factory cities like the southern China Foxconn plant in Longhua, where she produces custom-ordered Apple products.

Chen Yamei, a 25-year-old Foxconn worker from Hunan said: "We are here to work and not to play, so our income is very important." Chen had worked at the factory for four years and like many employees counted on the opportunity to accrue overtime hours. Her disappointment is understandable given the fact that families back home in the countryside have counted on the money their children have been able to earn in the city. "We have just been told that we can only work a maximum of 36 hours a month of overtime. I tell you, a lot of us are unhappy with this. We think that 60 hours of overtime a month would be reasonable and that 36 hours would be too little," she added. Chen's current workload earns her just over 4,000 yuan (\$634 USD) a month. To check out the Reuters piece, click here: <http://www.reuters.com/article/2012/03/30/apple-foxconn-workers-idUSL3E8EU41820120330>

Changes are in the offing in China that will rock workers' expectations of opportunity even more as factories seek to replace manual labor with robotic assembly processes. When that time comes, just as American laborers have been displaced by foreign workers in Asia and India, those workers may themselves be displaced by robots.

The stubborn reality is that like many things, the innate abilities of individuals in a population to command compensation for what they contribute are normally distributed on the bell-shaped curve. To oversimplify it, the normal distribution can frame the problem globalization has forced upon us:

1. Most people are part of the vast majority of wage earners, the 68% who fall on the curve one standard deviation below or above the mean.
2. Then there are college graduates who make up the 13.5% of the population who fall between one and two standard deviations to the right of the mean. They are blessed.
3. Next there's the really blessed—those whose talents, inherited seed capital, luck, or viciously hard work has place them among the 2.35% who live between two and three standard deviations and the right of the mean. Among them are executives of America's Fortune 500 companies.
4. Finally, there's the really really blessed. Among this last group are numbered America's current and past innovators, entrepreneurs and economic rock stars—Warren Buffet, Bill Gates, Steve Jobs, Thomas Edison, and Ezra Cornell to name a few. These are the .15% who live in the rarified economic and intellectual landscape that lies three standard deviations to the right of the mean.

While not a precise description of any economy, to the extent that the bell curve represents the distribution of America's working population, most fall in the stubborn and vulnerable middle 68% of the distribution. These are the people who comprise the heart of America. These are the people whose livelihoods are being outsourced and offshored.

This reality frames profound moral, ethical, and practical questions for corporate leaders, educators, and policy makers. "What is to become of those who live in the middle? Must they become innovators and entrepreneurs?" If so, that dooms them to a life of downward mobility because the brutal fact is, 68% of average Americans will continue to be average.

And there's nothing wrong with that. It's just the way we all fall on the unbending curve. Jesus put it this way in Matthew 26:11, "The poor you will always have with you." Of course, the millions of Americans now being forced down the economic totem pole by globalization weren't the poor as Jesus used that term. But now, in an environment where smart, energetic, skilled laborers around the world are in the economic game, many who were once proud members of America's prosperous middle class are suddenly becoming poor. And despite calls to upgrade skill sets and enhance education, an average person just is not going to become a great innovator, risk-taking entrepreneur, or industry giant. Those who hold these leadership roles in American are abandoning middle American in favor of cheap labor and services in India, China and Brazil (which supplies vast quantities of natural resources to China). Bottom line: the livelihoods of America's 68% hang in jeopardy.

There is no easy answer to this conundrum. When Evergreen Solar closed down in Devens, Massachusetts, the plant's 800 workers, who had earned \$50,000 + with full benefits, were replaced by 1,500 Chinese workers. Evergreen now manufactures its solar cells in the province of Whuan, where labor is about \$285 a month or \$3,420 a year—just 6.3% of Evergreen's payroll for its Massachusetts workforce.

A recent CNN report by Ali Velshi (<http://yourmoney.blogs.cnn.com/2012/04/28/the-true-cost-of-an-iphone/>) framed the economic picture in terms of the cost of assembling an iPhone. In America that cost was \$165.67, while it was just \$7.10 in China (4.28% of the cost to assemble the phone in America). The report put Apple's gross profit making the phones in China at 71.7%. According to Velshi, Apple's gross profit would fall to 46.5% were it made in America. The report asked, what human cost are we willing to pay to maximize profit?

The cost to the American public is reflected in the record number of citizens who receive government assistance. From 2007-2011, the offshoring and outsourcing of America has resulted in an increase in the number of Americans on food stamps by 70 percent. A CBO report confirms that “nearly 45 million recipients, one out of every seven U.S. residents, received SNAP benefits in an average month in fiscal year 2011.”

China can also be seen from an entirely different perspective, offered by John and Doris Naisbitt. Their profile is based on research conducted at The Naisbitt China Institute, which they founded in Tianjin. Their research model uses the same content analysis protocols developed in the late 1970s when Naisbitt wrote *Megatrends*. John and Doris Naisbitt sought to understand China from the inside out using the same research strategies. So they hired dozens of students to comb through provincial newspapers for facts documenting the changes taking place in China. They describe the aim of their book study:

We were in search of *China's Megatrends*. We were aware that we were looking at a country undergoing great change in a very complex way, with each region and each city moving at different levels and at different speeds.

What we found was of much greater dimension and importance than we had expected. China is creating an entirely new social and economic system. In the next decades China will not only change the conditions of global economics, the Chinese model challenges the Western democracy as the only governing model capable of reducing poverty and providing the social and economic rights required.”

However, their work has its detractors. For example, William Callahan of the *University of Manchester* writes:

While the dozens of students at the Naisbitt China Institute were instructed to gather the facts — and only the facts — about China's rise from media clippings, the tight ideological control of the Chinese media means that we cannot so easily separate “the facts” from the narrative promoted by the CCP's Central Propaganda Department. Indeed, the party-state's official formulations (tifa) form the book's conceptual backbone: emancipation of the mind; learn truth from facts; crossing the river by feeling for stones; scientific development and social harmony; and so on.

This uncritical use of Chinese media products (or any country's media products, for that matter) means that *China's Megatrends* tells us less about what is “really happening in China,” and more about how the party-state wants everyone (including Chinese people) to understand the dramatic changes taking place in the PRC.

The Naisbitts believe China has a different type of democracy than that common to western nations—a vertical democracy that is essentially the reincarnation of the top-down control exercised by the Chinese Communist Party (CCP), transferred to what is essentially top-down control exerted by companies like Foxconn, the megafirm which has 13 factories in nine cities across China, employing 1.2 million workers responsible for assembling virtually all of Apple's products as well as Acer, Amazon, Cisco, Dell, Hewlett-Packard, Intel, Microsoft, Motorola Mobility, Nintendo, Nokia, Samsung Electronics, Sony, Toshiba, and Vizio.

Foxconn's largest factory worldwide is located in China's Longhua Science & Technology Park. Called Foxconn City or iPod City, it spans 1.16 square miles and includes 15 factories that employ upwards of half a million workers, a quarter of whom live in company dormitories. Essentially a walled city, the complex includes a swimming pool, a fire brigade, a television network (Foxconn TV). Downtown Foxconn has a grocery store, bank, restaurants, bookstore, and a hospital. But life as a Foxconn laborer leaves little time to enjoy such pleasures, given that the work days are 12-hours long, and employees work 6 days a week. And even though

wages represent a significant increase over what manual laborers in rural China earn, in US dollars average factory worker pay is under US \$17 per day or \$1.42 per hour.

According to Apple executives their company uses Foxconn because their employees are more flexible, diligent, and skilled than American workers, and are willing to work harder. An anecdote reported by a former executive illustrates the point. Apple had delivered to Foxconn glass phone screens, redesigned from the phone's original plastic screen to avoid scratching, just before the iPhone's original release in 2007. Instantly 8,000 workers were called up rose from the Foxconn dormitories in the middle of the night to install the screens into the phone frames. Assisted by Chinese industrial engineers, production reached 10,000 phones per day after eight days--a pace that a former Apple executive said could never have been achieved in the United States.

The Naisbitts suggest that this transference of top-down control from CCP to large corporate structures—characterized by regimentation and strict hierarchies—is largely a reflection of the Confucian values of politeness, loyalty to the state, and saving face. To Western critics, these are, at best, euphemisms.

While China has raced ahead during this period, it has come at unknown costs. In the epilogue of *China's Megatrends*, John and Doris Naisbitt write a curious description:

Facing an oppressed, indigent, and poorly educated mass of more than 1 billion people with little or low self-esteem, Deng Xiaoping (1904-1997) pledged China's Communist Party to switch its focus from politics to growth strategies, and to set a different priority—to give the people what they needed most urgently: food, education, and hope.

In the years since then, China's people have matured. They are well educated; they have reached modest wealth on a huge scale; China has the luxury of concentrating on economics because it is not torn by election cycles and the accompanying conflicting views, goal, and solutions every four or five years. The gradual incorporation of its people into bottom-up decision-making is shaping the structure of China's developing vertical democracy. This new model of a society is built on trust. Instead of fighting to be reelected, the leaders make efforts to reach long-term goals, Being entitled to run the country is based on achievements not elections. (pp. 233-234)

Cutting through the code of their description of how China has achieved its impressive growth, the University of Manchester's William A. Callahan offers a prudent caution:

While *China's Megatrends* is quite hostile to democracy — which it calls western democracy — the book spends a fair bit of space talking about it. At times, the Naisbitts see China as democratizing, albeit at a much slower pace than “western critics” demand. Their prediction for China's democratic future is enigmatic: “The last steps toward full political emancipation will be to let the butterfly fly and to call it what it is: a butterfly.”

But their main argument is that China has developed a different — and better — form of democracy, which they call “vertical democracy.” Freedom, they argue, means something different for Chinese people: social order and harmony. The focus of democracy thus shifts from individual choice to group harmony. The main task of vertical democracy is not to represent the people's will, but to harmoniously balance top-down and bottom-up forces. Top-down refers to the CCP leadership's plans and policies; yet the book's examples of bottom-up influence are not so clear: mass demonstrations were okay when Shanghai residents successfully stopped the East China Maglev Project (2007-08), but were a threat when they took place in Tian'anmen Square in 1989.

For all this talk about the importance of bottom-up influence, China's institutional structures for listening to popular needs, concerns and ideas are quite weak, and it seems that the CCP decides what is "acceptable" bottom-up activity *ex post facto* – which is hardly a good formula for building trust. The Naisbitts' new model of good governance thus begs many questions that are familiar to both pundits and political theorists: "Who watches the watchmen?"

Rather than get caught up in a debate about Asian collectivism vs. Western individualism, we can best understand the strengths and weaknesses of China's Megatrends by examining its methods and sources in more detail.

Recall that the Naisbitts have concluded that western media can't properly understand because it is biased by western values; their solution to this problem is to use Chinese media sources that have authentic Chinese values. Unfortunately, the Naisbitts don't grasp how tightly the party-state controls the Chinese media. As Anne-Marie Brady explains in *Marketing Dictatorship*. China's propaganda system goes way beyond negative censorship to produce positive stories of China's many successes—which are often contrasted with European and American failures.

This uncritical use of Chinese media products (or any country's media products, for that matter) means that China's Megatrends tells us less about what is "really happening in China," and more about how the party-state wants everyone (including Chinese people) to understand the dramatic changes taking place in the PRC.

In *China Megatrends*, no mention is made of the problems at company city Foxconn that are receiving widespread coverage—problems involving a quarter million workers who hand- assemble Apple products such as iPads and iPhones and products for brands like Dell, Hewlett Packard, and Lenovo.

As the world becomes flatter jobs have left America for India and China, many sent there by Steve Jobs. And it has paid off handsomely for Apple, which reported earnings growth of 73% (NBC New, January 24, 2012). The company's iPads and iPhones have made Apple America's wealthiest company. However, the thousands of Chinese who make Apple's products at Foxconn live in cramped dorm rooms, work long hours in regimented conditions, earn very little for their labor. And many attribute this culture and these working conditions as linked to a highly publicized rash of suicides among the company's young workforce.

The preceding has been about overarching strategic questions that leaders must consider in the face of shifting geo-politico-economic trends. Before the early part of the twentieth century, marketing was just selling and it avoided such uncomfortable issues and trends that provoke us to ask uncomfortable questions. But the marketing mix that Harvard's Neil Borden developed forces us to look at the *entire context of marketing*. Borden, who had begun his tenure at Harvard in 1922, popularized the concept of the *marketing mix* in a *Journal of Advertising Research* article (*The Concept of the Marketing Mix* June, 1965, 2-7). His framework defined marketing as an ensemble of four task domains: product, price, place, and promotion.

Borden credited his colleague at Harvard, professor James Culliton, as the source of the model, first used in a bulletin reporting the findings of a study on manufacturers' marketing costs. Culliton had described the business executive as: "a 'decider,' an 'artist'—a 'mixer of ingredients,' who sometimes follows a recipe prepared by others, sometimes prepares his own recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried." Jerome McCarthy then popularized the notion of the marketing mix, describing them as *The Four Ps of Marketing* that included the variables of product, price, place, and promotion (*Basic Marketing: A Managerial Approach*, Irwin, 1960). But although he began as an economist, was trained as a lawyer, and became a journalist, it was Peter Drucker who elevated marketing to the top of the heap among management functions.

Acknowledged as the father of modern management, Drucker held an undemocratic view about which leadership tasks are the most important. He held that that a leader must set objectives and achieve results in **eight key result areas** that “are the same for all businesses, for all businesses depend on the same factors for their survival.” His list included: 1.) marketing, 2.) innovation, 3.) human organization, 4.) financial resources 5.) physical resources 6.) productivity, 7.) social responsibility, and 8.) profit requirements (*Management: Tasks, Responsibilities, Practices*, p. 100, Harper & Row, 1973).

But among these eight factors, “marketing and innovation,” Drucker asserted, “are the foundation areas in objective setting. It is in these two areas that a business obtains its results. In all other objective areas the purpose of doing is to make possible the attainment of the objectives in the areas of marketing and innovation (p. 103).” To focus executive action on marketing and innovation, Drucker asked three questions: 1.) What is your business? 2.) Who is your customer? and 3.) What does your customer consider value?

The answer to Drucker’s three questions drives the strategic or macro side of marketing—it focuses an organization on innovating **products and services**, that are **promoted** through media, offered at **price points**, and accessible through the **delivery systems** that match customer preferences. In 1954 before Levitt and Kotler, Drucker gave this retrospective on the shifts he had seen in the field of marketing: “Fifty years ago the typical attitude of the American businessman towards marketing was that the sales department will sell whatever the plant produces. Today . . . our job is to produce what the market needs” (*The Practice of Management*, 1954, p. 38 Harper and Row).

I was privileged to be a student of Peter Drucker’s in the early 1990s at Claremont Graduate University, and had occasion to spend a little time with him. Embedded in his viewpoint that marketing and innovation are critical to a company’s future was his view that organizations are about people, not just goods and services.

Drucker began his career as a journalist. And while he is rightly acknowledged as the father of modern management, he earned that title because he was first a great writer and storyteller. People, not management principles, were the central characters in all he wrote and taught. This came out in remarks he made about a 1939 lecture that he had attended in Cambridge where John Maynard Keynes spoke on his economic theories. Of that experience he would later write: “I suddenly realized Keynes and all the brilliant economic students in the room were interested in the behavior of commodities, while I was interested in the behavior of people.”

I’ll close with questions that were framed in my mind by the title of Francis Schaeffer’s book, *How Should We Then Live?: The Rise and Decline of Western Thought and Culture* (1976). That title prompted me to consider how my own personal and spiritual value system should inform my decision-making in light of the challenges of globalization. Globalization forces me to consider whether marketing is merely a subset of economics involving the movement of commodities? Or is it about people? If it’s about people, then, . . .

1. **How does globalization affect me personally—how will I live differently in the near & long term?**
2. **How does globalization affect me as an influencer—how will I lead differently in the near & long term?**

For me it means living and leading from a core of values—not naïve to the motives of totalitarianism, yet avoiding the faux-patriotism that is really selfish protectionism. How shall we then live? Selfishly for ourselves? Or looking beyond ourselves to lift others not as blessed by birth, as we have been?

Quoting Drucker once more, in a 1994 article he wrote: “The knowledge society will inevitably become far more competitive than any society we have yet known—for the simple reason that with knowledge being universally accessible, there will be no excuses for non-performance. There will be no ‘poor’ countries. There will only be ignorant countries. And the same will be true for individual companies, individual industries and individual organizations. It will be true of individuals too” (*The Age of Social Transformation*, Atlantic Monthly, 274(5), 53-71). But my professor failed to answer the critical question now forced upon us:

“What’s to become of America’s 68% who will never become entrepreneurs or magnates—those who, by definition, are average? They head the families who make up America’s middle-class, our nation’s heart.”

Appendix

In any field, the buzzwords and models developed by academics are not nearly as important as the ability to think critically and apply their concepts in the context of leading an enterprise. The following articles were written for a general audience, so they contain few specialist terms. As a result, they frame complex issues more elegantly than most academics would. You should be able to click on any [blue URL](#) to download the article listed. At the end of this list of I have also provided a copy of the lyrics to Bob Dylan's *North Country Blues*, the song with which I prefaced this discussion.

1 Charles Duhigg New York Times How the U.S. Lost Out on iPhone

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/1.pdf>

2 Charles Duhigg David Barbosa New York Times Human Costs Built Into iPad

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/2.pdf>

3 Foxconn Breakdown, Its Strengths, Strangeness, and Scrutiny

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/3.pdf>

4 Foxconn After Suicides, Scrutiny of China's Grim Factories

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/4.pdf>

5 Foxconn Supply Chain for iPhone Highlights Costs in China

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/5.pdf>

6 Cheap Robots vs Cheap Labor

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/6.pdf>

7 Review of China Megatrends by Callahan

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/7.pdf>

8 Review of China Megatrends by Goh

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/8.pdf>

9 Summary of The World is Flat

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/9.pdf>

10 Strategic Vision by Zbigniew Brzezinski

<http://app4.websitetonight.com/projects/1/2/8/3/1283090/uploads/10.pdf>

Lyrics of *North Country Blues* by Bob Dylan

Come gather 'round friends
And I'll tell you a tale
Of where the red iron ore pits ran plenty.
But the cardboard filled windows
And old men on the benches
Tell you now that the whole town is empty.

In the north end of town
My own children have grown
But I was raised on the other.
In the wee hours of youth
My mother took sick
And I was brought up by my brother.

Oh the iron ore poured
As the years passed the door
The drag lines an' shovels they was a-hummin'.
'Til one day my brother
Failed to come home
The same as my father before him.

With a long winter's wait
From the window I watched
My friends they couldn't have been kinder.
And my schoolin' was cut
As I quit in the spring
To marry John Thomas, a miner.

The years passed again
And the givin' was good
With the lunch bucket filled every season.
But with three babies born
The work was cut down
To a half a day's shift with no reason.

Then the shaft was soon shut
And more work was cut
And the fire in the air, it felt frozen.
'Til a man come to speak
And he said in one week
That number 'leven was closin'.

They say in the East
They are payin' too high
They say that your ore ain't worth diggin'.
That it's much cheaper down
In the South American towns
Where the miners work almost for nothin'.

So the mining gates locked
And the red iron rotted
And the room smelled heavy from drinkin'.
And the sad silent song
Made the hour twice as long
As I waited for the sun to go sinkin'.

I lived by the window
As he talked to himself
The silence of tongues it was buildin'.
Till one morning's wake
The bed it was bare
And I's left alone with three children.

The summer is gone
The ground's turning cold
The stores one by one they're a-foldin'.
My children will go
As soon they grow
For there ain't nothin' here now to hold them.

You can enjoy a vintage performance of *North Country Blues* by Bob Dylan himself, who was filmed live at the Newport Folk Festival in 1963. Click here to view: <http://www.youtube.com/watch?v=WSj0sbHnVfs>