

## CONSUMERS – METANATIONAL ADVANTAGE IN THE NEW KNOWLEDGE ECONOMY

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### Introduction

The global market competition game has changed. Yesterday, becoming a global company meant building an efficient network of production, sales, and service subsidiaries capable of penetrating markets around the world. But the demands of the new knowledge economy are turning this strategy on its head.

The knowledge economy is a vague term that refers either to an economy of knowledge focused on the production and management of knowledge, or a knowledge-based economy. In the second meaning, more frequently used, it refers to the use of knowledge to produce economic benefits. The phrase was popularized if not invented by Peter Drucker as the title of Chapter 12 in his book *The Age of Discontinuity*. Various observers describe today's global economy as one in transition to a "knowledge economy", as an extension of "information society". The transition requires that the rules and practices that determined success in the industrial economy need rewriting in an interconnected, globalised economy where knowledge resources such as know-how, expertise, and intellectual property are more critical than other economic resources such as land, natural resources, or even manpower. According to analysts of the "knowledge economy," these rules need to be rewritten at the levels of firms and industries in terms of knowledge management and at the level of public policy as knowledge policy or knowledge-related policy.

### The new knowledge economy – challenges and opportunities

Today the challenge is to innovate by learning from the world. Tomorrow's winners will be companies that create value by searching out and mobilizing untapped pockets of technology and market intelligence that are scattered across the globe.

The success stories of the future will be those firms that excel in sensing specialist knowledge about new technologies and emerging market needs that are scattered anywhere around the globe. They will mobilize this dispersed knowledge to create new products, services, processes, and business models. They will harvest value from those innovations in markets all over the world.

This new opportunity is being fueled by the emergence of a global knowledge economy, an environment in which (1. p2):

- ✓ Competitive advantage is primarily based on knowledge,
- ✓ Not all the knowledge a global company needs to prosper is to be found in one place- instead, it is increasingly scattered around the world,
- ✓ The cost of distance is falling rapidly for commodities that are mobile-capital, goods, and information-so that they are readily accessible by all.

The rise of this global knowledge economy means that the opportunities and challenges of exploiting knowledge scattered around the world will become a key concern of senior managers across the spectrum of industries from mining to manufacturing and professional services.

The idea of mobilizing globally dispersed knowledge is not entirely new. In fact, it lay at the heart of some of the most powerful corporate innovations of the past – HP printers, Airbus A300 etc. To date, however, innovation based on accessing, mobilizing, and leveraging pockets of knowledge drawn from around the world has been the exception. In the global knowledge economy, it will be critical to success.

As companies begin to unlock the value of globally dispersed knowledge, they will no longer be captives of their geographic roots. New multinational leaders will emerge from unlikely locations far away from the traditional capitals of their industries.

The long-term challenge affects today's market leaders as well as their newly emerging competitors. Success in the future will increasingly depend on their ability to access knowledge from outside their existing subsidiaries and connect it with the skills that are scattered across their global operations network. This capability will allow them to create the innovative products, services and processes they need in order to win in markets around the world. New knowledge economy winners will not blanket the world with a standard offering, projected from home base. Instead, they will succeed by learning from unique pockets of knowledge dotted all over the world and then using this knowledge to fuel a cycle of continuous innovation.

This new competitive capability in theory is known as metanational advantage (1. p5). The prefix meta (the Greek term for "beyond") emphasizes a key point-metanational companies do not draw their competitive advantage from their home country, not even from a set of national subsidiaries. Metanationals view the world as a global canvas dotted with pockets of technology, market intelligence, and capabilities. They see untapped potential in these pockets of specialist knowledge scattered around the world. By sensing and mobilizing this scattered knowledge, they are able to innovate more effectively than their rivals.

The metanationals differ fundamentally from their multinational ancestor. Unlike most of today's multinational companies who try to prosper by spreading advantages learned in their home markets, metanational companies will build new types of advantages by connecting and leveraging dispersed pockets of knowledge.

The key advantage for metanational companies won't come from crossing the borders between nation states-it will come from transcending them. Their vision of economic paradise is not one of global homogeneity, in which it would be easy to deploy homegrown products,

technologies, and systems to customers around the world. Quite the opposite-metnational companies will thrive on seeking out and exploiting uniqueness. They value geographic and cultural differences and they put the focus on consumers peculiarities.

### **Consumers – the way to reach metnational advantage**

Consumer research plays the important role in creating a solid foundation for marketing understanding and marketing strategy. A basic marketing concept states that firms exist to satisfy consumers needs (2. pg 7). These needs can only be satisfied to the extent that companies understand the people or organizations that will use the products and services they offer, and that they do so better than their competitors.

The marketing concept of business operations involves the identification and satisfaction of consumer expectations, needs and desires, in a way that facilitates the growth in sales, profit and market share over the longest time period possible. For the marketing concept to be implemented, it is necessary for the company to understand consumers, i.e. how and why they behave, and create accordingly the range of its product and services that consumers will buy and use. A company's business performance depends on the extent to which consumers are satisfied with the offer.

The successful implementation of marketing implies continuous marketing research offering high-quality information on various forms of consumer behaviour in various situations. This information is the basis for formulating marketing strategy. Consumer response may often be the ultimate test of whether or not a marketing strategy will succeed. Thus, knowledge about consumers is incorporated into virtually every facet of a successful marketing plan. Data about consumers help companies to define the market, and to gain advantage-metnational advantage against their competitors. This advantage reflects company's ability to identify market threats and opportunities in their own and countries around the globe, that will affect how consumers receive the product.

In today global economy, companies of all kinds acknowledge that their customers are extremely important, that customers are the company's most valuable asset, that the company survives only when it has customers and grows only when it can retain them and recruit new ones, and that the company therefore should be structured and managed around the customer. Customer focus was identified in many academic researches as the single most important differentiator between the best and the worst companies in an industry.

During the last two decades companies increasingly acknowledged the critical importance of becoming customer-oriented and market-driven, instead of product-technology-sales focused. Becoming customer-oriented and market-driven is the core of what marketing experts have called the marketing concept. In fact, marketers have even developed a formal measure of the degree to which companies live the marketing concept. It is called the marketing orientation scale and it consists of 20 items that companies can use to diagnose the degree to which they are customer and market focused. The scale includes three subcomponents that form the backbone of the marketing concept (4. pg 10):

- ✓ Intelligence generation – the collection of information about customer needs and competition through market research.

- ✓ Intelligence dissemination – the spreading of the collected information cross-functionally and organization wide.
- ✓ Responsiveness – acting on the collected information to satisfy customers – by incorporating customer intelligence into new product development.

It is the consumers who, by making decisions to buy certain products and services, most directly determine a company's sales and profit, i.e. its fate on the market. Daily life yields a large number of business failure, high death rate of new products on the market, and the disappearance of a large number of companies from the market. How well companies know their consumers will affect their business success or failure.

. Consumer information is necessary if companies want to achieve their three main strategic tasks: ([3], p. 41)

- discovering new attractive market opportunities;
- positioning products on the market;
- enhancing the efficiency and effectiveness of marketing strategies.

With the advent of information and communication technologies, the vision of perfect competition is becoming a reality. Consumers can now find out the prices offered by all vendors for any product. New markets have opened up, and prices have dropped. When businesses can deliver their products down a phone line anywhere in the world, twenty-four hours a day, the advantage goes to the firm that has the greatest value-addition, the best-known brand, and the lowest "weight". Software provides the best example: huge added value through computer code, light "weight" so that it can be delivered anywhere at any time. In order to achieve this goal-advantage over competitors, companies must accept new business philosophy-metnational advantage is crucial – consumers are in focus of all activities.

Competition is fostered by the increasing size of the market opened up by new technologies based products. Products with a high knowledge component generate higher returns and a greater growth potential. Competition and innovation go hand in hand. Products and processes can be swiftly imitated and competitive advantage can be swiftly eroded. Knowledge spreads more quickly, but to compete a firm must be able to innovate more quickly than its competitors. It is no longer how to reach competitive advantage – it is how to reach and retain consumers – the metnational advantage.

Four broad themes affect consumers life in the 21<sup>st</sup> century (5 pg 214):

- ✓ Speed – many technologies and services have speeded up delivery of information. Many of the market leaders now attempt to shorten the length of time between the idea for a new product and the introduction of that product to the market. In addition, they attempt to better gauge not just what consumers say they want but how consumers actually use the product.
- ✓ Internet – has the potential to transform every relationship on the planet. The Internet represents a new data collection tool that companies must harness to remain competitive. It is the fastest growing segment of the marketing research industry. The Internet can be used to enhance quantitative data collection in real time. In the same way, it offers new possibilities for qualitative data collection. The Internet also

provides new opportunities for one to one interactions with potential customers, to collect personal information about consumers in order to customize product or promotional strategy.

- ✓ Globalization – global inhabitants have much more to do with one another and interact more often than they once did. More and more consumers live their professional, family and intellectual lives in more than one country. An expanding variety of goods and services are being exchanged across traditional boundaries. As a result, two common themes of globalization are interdependence and integration. Globalization demands that consumer researches have experience and knowledge about individual countries and international conditions. Globalization and the Internet are dramatically changing the face of consumer behavior and consumer research. Things move at lighting speed and this in turn brings a sense of heightened vulnerability. Issues can spread rapidly across borders, and a local mistake translates into a global blunder nearly instantly.
  
- ✓ Data Overloaded – is reality for both consumers and professionals. Historically, managers faced the problem of insufficient information. Much has changed with the information revolution that has been driven by dramatic developments in computer and telecommunication technology. Now the managers problem has shifted because huge amount of information.
  
- ✓ Data Mining – in the 16<sup>th</sup> century the philosopher Erasmus wrote that it is a good part of wisdom to learn the foolish desires of the crowd and their unreasonable notions. In the 21<sup>st</sup> century, due largely to the implementation of new technologies, companies are accumulating vast volumes of data about their customers. As a result, data management has become a key function for many organizations. In today's complex and changing marketplace, companies need to identify reliable and consistent data sources in order to remain current. Data mining is an important tool that provides the opportunity to gain such knowledge, as well as the opportunity to change the very nature of communication with customers. A database provides a memory of customer relationships – a record of every message and response between a firm and a customer.

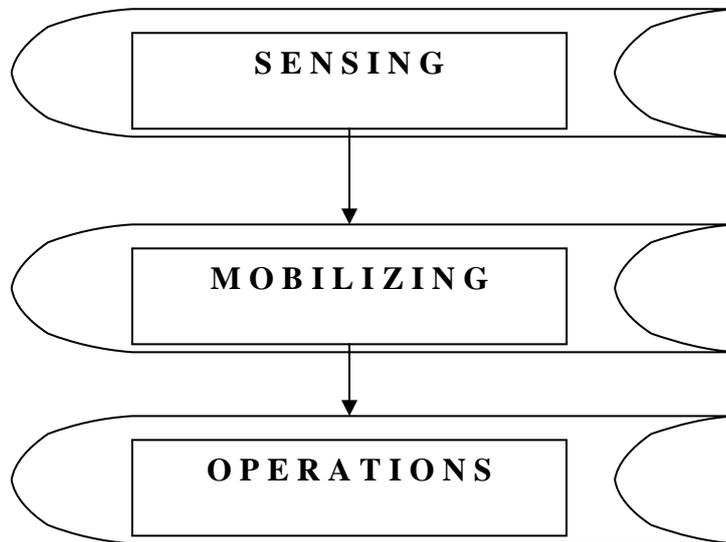
Playing the tough competitive game on global market requests from companies enormous efforts to adopt these elements in their corporate culture and business philosophy. But, there is no other option.

### **Three levels of global competition in the new knowledge economy**

The full-fledged multinational corporation does not yet exist. The challenge is to create it ahead of competitors. Some companies already have a head start in the race to build this new type of global advantage. But the challenge of sensing, connecting, and exploiting complex knowledge that is scattered around the world is clearly formidable. To meet this challenge, the

winners in the knowledge economy must be able to outdistance their competitors at the three different levels depicted in figure 1 (1. pg 6):

Figure 1: The Three Levels of Competition in the Global Knowledge Economy



The first level of competition is the race to identify and access new and relevant technologies, competencies, and knowledge of lead markets emerging in locations dotted around the world.

The second level of competition is in the effectiveness and speed with which companies can connect these globally scattered pieces of knowledge and use them to create innovative products, services, and processes.

The third level of global competition is optimizing the efficiency of the global sales, distribution, marketing, and supply chain to leverage these products, services, and process innovations across global markets rapidly and cost-effectively.

The new knowledge economy also presents 4 fundamental challenges for traditional multinational companies:

- ✓ Global spread is no longer a distinctive competitive advantage – an efficient global network of production, distribution and sales is necessary but no longer sufficient for competitive advantage.
- ✓ A single national market no longer leads in most industries – the lead customers, whose emerging needs drive innovation are no longer in a single sophisticated market either. Often they appear in small markets on the periphery of the most companies global networks. A company that is unable to sense these dispersed and diverse market needs, and then leverage its knowledge globally, will not fare well against those who can.
- ✓ Valuable knowledge is increasingly scattered – today's winners understand how to identify and access new technologies, capabilities, and know-how that are dispersed around the world, and combine them to create world-beating products and services.

- ✓ Valuable knowledge is sophisticated and sticky – this means it is deeply embedded in distant and unfamiliar environments. Advanced telecommunication technology and the Internet may facilitate global interactions among individuals with this kind of complex knowledge, but they do not guarantee the transfer of true understanding. Companies need structures and processes to access, repackage, and mobilize this sophisticated, complex knowledge to reach those who can use it.

These challenges threaten to undermine the advantages of existing multinational strategies, but they also open up powerful new sources of competitive advantage and growth. New sources of differentiation, new opportunities to unlock global consumers latent needs, new way to create unique advantage, instant global reach and scale, are just ones amongst many of the new opportunities brought by new knowledge economy.

## **Conclusion**

As the global knowledge economy becomes a reality, the sources of profit of traditional multinationals are under threat. The ability to move money, commodities, products, and information efficiently around the world is becoming a table stake in the global game. Complacent incumbents are being challenged by new competitors from unlikely birthplaces – Nokia from Finland, Acer from Taiwan. The old giants can no longer rely on the advantages of their home base to trump the competition.

The winners in this global knowledge economy will be companies that master the art of creating new sources of differentiation, companies that understand that you can't just shuffle a well-worn formula between existing markets. This means outinnovating the competition in products, services, and processes.

Traditional multinationals know how to project what they have learned in the home market around the world. Increasingly, they can use their local knowledge to adapt a standard formula to the peculiarities of different national markets. But few traditional multinationals have the capacity to mobilize scattered knowledge to create world beating innovations. Despite dramatic advances in information and communications technology, the tyranny of distance still stands in the way. This is the metanational challenge.

Tomorrow's metanational companies will harness and exploit this hidden potential by building new structures, teams, and processes around global lead customers and global activities, dedicated to innovation with unique set of roles, responsibilities, culture and incentives.

The road from global to metanational is challenging and uncertain one. The race to penetrate world markets is being replaced at the start of 21<sup>st</sup> century, by the race to learn from the world.

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In the new knowledge economy, the most valuable assets that a company owns are often intangible assets — such as patents, copyrights, or proprietary software or processes. It is in contrast to previous economic epochs — the agrarian economy, where land was usually the primary asset, and the industrial economy, where manufacturing plants and equipment were key assets for most businesses. What Does the Knowledge Economy Look Like? The knowledge economy both supports, and is fueled by, innovation, research, and rapid technological advancement. The overwhelming majority of workers in the knowledge ... Like that knowledge economy as it progress will create advantages by transforming economies all over the world for their advanta... However, the question that whether the knowledge based economy is absolutely beneficial or not needs to be probed further. For example, with the advancement in communication networks, internet etc, the flow and accessibility of information has increased many-folds. Hence certain occupations like that of a real estate broker say, will actually be obsolete in such an economy. Since, the commission they charge is pertinent on their information regarding the prices of real estate which in traditional economies, individuals did not have access to. But nowadays you can get this information with a si It refers, they explain in From Global to Metanational, to "a company that builds a new kind of competitive advantage by discovering, accessing, mobilizing, and leveraging knowledge from many locations around the world." These three planes--the bright spots of knowledge, the hubs and spokes of operations, and the magnets connecting them--in turn describe three capabilities--sensing, mobilizing, operating--that a company needs to develop in order to compete in the global knowledge economy. The stakes involved in managing these three planes go beyond the traditional tension between global integration and local responsiveness. Indeed, exploring this new universe requires a new vocabulary different from the standard terms used in strategic management.