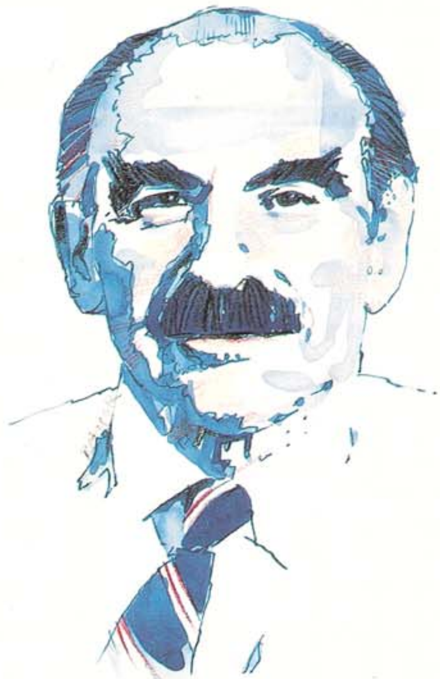
ASSETS AND ALLIES:

South Africa's key to global competitiveness.



THEODORE LEVITT

Professor Ted Levitt is one of the world's most influential business thinkers. Many of his articles have become classics, and his ideas have influenced generations of managers. He's best known for Harvard Business Review articles such as "Marketing Myopia" (1960), and "The Globalisation of Markets" (1984). Among his books are Innovation In Marketing and The Marketing Imagination. He was formerly Chairman of the Marketing Area at Harvard Business School, and editor of the Harvard Business Review. In 1989 he received the William M McFeely Award of the International Management Council for major contributions to management.

Manning: "Marketing Myopia" has prompted many managers to rethink the real purpose of their organisations. Similarly, "The Globalisation Of Markets" touched off a flurry of activity and controversy. Have you changed your thinking on global marketing since that article appeared?

Levitt: Not particularly. More recently, though, I've written about what I called the "pluralisation of consumption". I said that while we do indeed see forces that facilitate commonality and convergence – communication and travel, and so on – we simultaneously see what looks like fragmentation. Some people have argued that markets are fragmenting. And not just markets, but cities like Beirut. Ethnic fragmentation, religious fragmentation, nationalistic movements.

What we see in commercial products is the same. We have more soft drinks than ever, more beer brands than ever, more semi-conductor manufacturers, more segments in the food business, in apparel.

But against that trend, you also see convergence.

Yes. It looks as if the world is whirling into centrifugal fragmentation, but that's just seeing things in a particular way. What's really happening is not fragmentation.

If you just take fast foods, for example, you've got a multiplication. The category is growing. And what you see in that category is the globalisation of many different preferences.

So now you have pita bread all over the world – not just hamburgers. And Chinese food. And Greek salad. And croissants.

Now what's happening is that a lot of brands in any particular category, which once were identified with a particular nation, are travelling all over the world. They're globalising. You have a multiplication of choices and preferences and opportunities which people are expressing by selecting from a worldwide menu. So that's more an indication than a refutation of my argument.

A lot of big advertising agencies jumped on the bandwagon and talked about "global brands". How did you feel about that?

The advertising industry magazines talked about "global brands" and "global branding", but I never used the words. I did use the word standardisation.

How does all this affect the way you think about what business you're in? The theme of "Marketing Myopia"?

Well, you're really not in the hamburger business; you're in the fast food business. So it's not surprising that McDonald's is offering chicken and pizzas. Dunkin Donuts is offering sandwiches and croissants. If you can't satisfy your customers' new range of tastes, you'll find them migrating.

Selling globally is obviously a bigger issue than just providing products or services that span cultures or countries. What other factors have to be managed?

Globalisation is basically an organisational problem. It arises from deep human motivations and needs. When you're a multinational operating in all parts of the world, you have a cadre of executives responsible for things. You've told them over and over, with increasing insistence over the years, that they've got to know their markets and be sensitive to their markets. Then you start thinking about capitalising on economies of scale, and crossing borders, and suddenly everyone has to think far more widely and very differently. So you get a lot of resistance. People have to think differently. Their professional self-worth is called into question. They fear the loss of their jobs – or at least changes in their jobs. It's a total redefinition. You've mastered what you know, and suddenly you're asked to master something you don't know. So there are a lot of deep human resistances. And they're understandable.

Are the same problems exclusive to companies that want to go global as opposed to just exporting from a home base?

When companies try to control their own destinies internationally – when they go international in an operating sense – they have to build a whole system. They have to build their own organisations, and they maybe have to bring people from other nations into their organisations.

People stationed in, say, Italy, have to learn that they can become important at the headquarters, which may be 5 000 km away, rather than remaining foreigners without any real opportunity.

Which not many companies have managed to do. Or do you see changes?

It's still quite rare among large American companies. Some of the older multinationals were pushed into going multinational for economic reasons. They came from small countries. They needed economies of scale. But their leaders remained nationals of the mother country, even though high positions elsewhere were held by people of other nationalities.

Take Philips , for example. As the technology of making electric lamps expanded, the company grew very rapidly. Then when the incandescent lamp was invented, the economics changed instantly and scale became vital. A large plant was needed, but it produced more lamps than all of Holland could use. So they were pushed into globalising.

The same thing happened in various industries to the Swiss, to the British, the Germans. Now, of course, it's happening to American companies like General Motors, General Electric, Coca-Cola and Dow Chemical.

One of your main arguments for globalisation was to achieve economies of scale. Does that still hold, with flexible manufacturing and outsourcing so prevalent?

There is no way in which flexible manufacturing will ever give the economies that are possible with global manufacturing. Anyway, flexible manufacturing is not so new.

The last time I was in a big automobile plant was in 1953 or '54 – a Chrysler plant outside Chicago. As the cars came down the line each one practically had someone's name on it. Some were green, some were yellow, they had different wheel trim, different seats. They were being made to the specific requirements of different customers.

Of course, it wasn't a computerised process the way it might be now, but they all came out OK. You didn't get cars with green doors and yellow bodies.

Alvin Toffler has talked of the rise of the "prosumer" – arguing that consumers participate increasingly in the production of the products or services they consume. What's your view on this?

Well, you had it before. You weren't online to the head office mainframe, but you could exercise options. Not with everything, of course, but with quite a lot of products and services. But Toffler's right – the options are increasing. Today's consumer can get more involved in the co-production of a wider range of what he or she buys.

What do firms have to do to become world class players today?

They have to become part of the world in which they operate. For nations that means open commerce, participation, communication. For companies it means participating on the terms and realities out there rather than the dreams inside. Nations can't lock themselves out. They can't achieve the benefits of modernity unless they're participants.

Could they become self-sufficient?

You might argue that you could become self-sufficient, but the only way to become self-sufficient is by becoming a participant. Take Japan. Japan has become self-sufficient by competing everywhere. Self-sufficiency doesn't just mean having raw materials or resources. It means being effectively competitive in the world. If you don't want to do that you have to seal up your borders. And that's where the trouble begins.

South Africa has vast quantities of natural resources, but we add value to very little. How can we get into the game, when everyone everywhere is becoming more competitive?

What counts today is the conversion of knowledge into utility. In order to do that, you have to develop knowledge. You have to learn to convert it. That requires good capital markets, education, an open society.

If you don't have those, you simply can't succeed. Look what's happening in Poland right now. The first people to flee when the gates opened were the well educated ones. That always happens. Remember Hungary in '56? The Boston area is loaded with very good businesses that were created by young Hungarians. They came for the universities. All their enterprise should be in Hungary.

You need freedom to do great things?

Precisely. What happens is what happens. Your big taxi industry or the peddlers on the street – that's what happens. You don't plan it or programme it.

Some of those peddlers will become something. Almost all the great department stores in the US were originally created by peddlers who travelled from the cities out into the countryside.

What's the key to competitiveness for a country like South Africa?

Alliances! And out of that, who knows what will grow?

The question is, what do you have to offer in an alliance? Maybe raw materials. Location. Disciplined people – punctuality, respect for rules, reliability. That's an asset a nation has.

The order that has been kept in South Africa isn't just a result of the threat of violence by government. It's had something to do with the society itself. You need to build on that.

And the role of the state?

President Reagan used to say that government's role was to get out of other people's way. The sensible policy, I believe, is one of facilitation. Of course, that might include five years of favourable tax policies! E