



Donald Cooper, MBA, Hof

Donald is respected by clients in over 40 industries throughout the world as a "thought leader" and passionate visionary in the key areas of management, marketing, and business innovation.

Drawing from his experience as a world-class manufacturer, award-winning retailer, business speaker and coach, he has helped 1000s of businesses to **sell more, manage smarter and grow their bottom line.**

To access 100s of Donald's free articles on marketing and management, visit our website www.donaldcooper.com and click on the "Free Articles" button.

To book Donald, contact Sharen Skene at 1-416-252-3704 or email at sharen@donaldcooper.com in Toronto, Canada.

An article by Donald Cooper, MBA...

Innovation & Competitiveness in the Western World: Will the western world become the new "3rd world"?

Our high standard of living, our political and military power and our accumulation of wealth...in fact, most of what we've achieved in the 'western world' in the past 150 years has been based on our ability to do three things extraordinarily well...

1. Innovate, design and develop an endless stream of high quality, value-added products and services that have made our lives more comfortable, efficient and fulfilled.
2. Our ability to be the world's most cost-effective producer and distributor of those products and services, while paying wages that created an affluent middle class that could afford to buy those products and services in large quantities.
3. Our ability, through effective marketing, to build "Brand relationships" with customers around those products and services that have created a degree of customer loyalty or 'ownership'.

These three factors are the essence of competitiveness.

This whole process of creating, distributing and marketing value-added products and services has been enabled and supported by three additional factors. **First**, a stable banking system and capital markets that allowed businesses to raise capital and citizens to create wealth by becoming investors. **Second**, an educational system that turned out brilliant engineers and scientists who developed an endless stream of increasingly complex products and technologies. **Third**, a series of national and international laws and agreements with regard to patents and trademarks that protected and encouraged innovation and investment.

But all of this is changing. Today, the western world is seldom, if ever, the most efficient producer of anything, so we've already lost #2. Many of my corporate clients have assured me that it really doesn't matter who makes their stuff as long as they still control the design function and own the Brand relationship with the customer.

But the design and creative function is also slipping away from us. More and more, North American and European companies are sending their product design and development to Asia. Companies like Motorola, Phillips, Eli Lilly, Dell, Boeing, and Proctor & Gamble, to name just a few, are outsourcing to Taiwan, India and China the very product design and innovation which has been their big 'competitive advantage'. The short-term advantage is to speed up innovation and reduce costs, but in the longer term, they're giving up their ultimate competitive advantage...and their soul.

In 2007 the most prestigious USA Design Award, presented each year by the Industrial Designers Society of America, went to a design firm in Hong Kong.



When "off shore" contract manufacturers only know how to produce that which others create, they're at the mercy of the creators. When they have no creative ability and no Brand relationship with consumers they get beaten up on price because they have little power. But once they know how to create it and make it, the stage is set for the next and last step.

This last step is the one in which the companies to whom we have given the task of both designing and manufacturing most of the world's products, figure out the Branding and consumer relationship part of the game and that will allow them to take home 'all the marbles'!

It has already happened in automobiles, cameras, TV sets, home electronics and laptop computers, sporting goods, toys, luggage and a host of other products. Asia "owns" the lion's share of those product categories. My new laptop is a ThinkPad by Lenovo of China ...formerly the ThinkPad by IBM of America.

Lexus, Toyota, Honda, Nissan, Cannon, Sony, Panasonic, Toshiba, Samsung, LG and Hyundai are some of the most powerful and respected brands in the world. It took the Japanese 35 years to go from making cheap party favors to producing world-leading Brands. It has taken the Koreans under 20 years to make similar progress...and the Chinese will do it in under 10.

LG, a Korean maker of appliances, has gone from being Lucky Goldstar, a contract producer of cheap electronics to being LG (now meaning "Life's Good"), a prominent luxury world Brand, in just a few years. Another example is Motorola who hired Taiwan's Ben Q Corporation to design and produce the next generation of cell phones for them. Ben Q developed and made the phones for Motorola...but they also produced them under their own Brand name and are selling them directly in China at a much lower price.

Add to this China's unwillingness to enforce international patent and trademark laws, resulting in a level of commercial piracy that costs the legitimate creators of products in the 'western world' billions and billions of dollars a year. And, of course, our banking system and capital markets are in a shambles because of greed, corruption and carelessness.

So, little by little, we in the 'western world' are giving up the three things that created our standard of living, our wealth and our world power. It will take some time for this scenario to unfold completely, but it is well under way. This fundamental shift in economic power will affect every business, whether you're a manufacturer or not, because it will so profoundly affect our economy, our standard of living, our world-standing and our confidence in ourselves...and then 'the west' becomes the 'third world'.

There are four kinds of leadership on an international level. There's economic, military, political and moral leadership. When we lose our economic leadership, the 'west' will no longer be able to afford to be the dominant military power, the defender of freedom...or even to protect ourselves from those who wish us harm. Then, when we're no longer the economic or military leaders, we lose our political power because the rest of the world won't have to listen to us, respect us...or fear us. And, as for moral leadership, we've pretty much tarnished that one going all the way back to the 1600s.

Clearly, the key to maintaining our standard of living and our world standing will come from getting back to being the world's #1 innovators and creators of value-added products, services and technologies, while improving our manufacturing efficiency and reducing our footprint on the planet in everything we do. It also wouldn't hurt to get our moral compass out and polished up again. We need to get back to being 'extraordinary'. Mediocrity is no longer an option.

We need more businesses like Global Vehicle Systems (GVS) in the little town of Tilbury, Ontario. First of all, to have the guts and the vision to commit to being 'Global' when you're in the town of Tilbury is terrific. These folks have designed, produced and patented automatic production systems that improve both quality and efficiency...and they export them around the world.



GVS is also in the business of molding parts for cars and heavy vehicles. Their new 3-piece molded wind deflector for tractor trailers resists cracking and is cheaper and easier to replace if it does break. Now, they're working with researchers at the University of Guelph to mold these and other vehicle parts out of renewable soy-based plant material, rather than petroleum-based resins. This is extraordinary and it's happening in Tilbury, Ontario, population 4500. So, what's stopping the rest of us?

Sadly, some government policies work against attracting and retaining the 'brain power' that we need to be extraordinary. Many of the developing world's best minds come to 'western' countries for graduate studies. We teach them everything we know, then encourage them, or even force them, to leave so that they can go back home and compete with us.

We need to embrace the best and brightest. We need to create businesses that welcome them, nurture them and reward them. The future belongs to those with ideas and those who can nurture extraordinary ideas in others...and then commercialize those ideas into value-added products and services. If we don't pull this off, we will be the new 'third world' within two generations.

Hey, don't shoot the messenger! Just think about the implications of this for your business, your life, your family and your future...and then decide what you're going to do to be the best in the world at what you do.

To subscribe to Donald's thought-provoking, free monthly electronic **Management Newsletter**, email us at newsletter@donaldcooper.com or visit www.donaldcooper.com.