

KNOWLEDGE IN THE NEW ECONOMIC WORLD ORDER

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The concept of economic globalisation has expanded and transformed. Phenomena such as outsourcing production are now just one of the multiple aspects within the framework of possibilities. On the other hand, the rapid pace of technological change demands the constant updating of competitive skills in regions, countries and businesses. In this context, where can we now find competitive advantage that is durable and difficult to replicate? Undoubtedly one of the key advantages is knowledge, although it must be keenly protected.

Globalisation and technological change - the keys to new economy

The term *globalisation* implies numerous connotations. Once it referred to the growing reality of a single global market. However, globalisation is currently a much wider phenomenon which is gradually transforming its consequences.

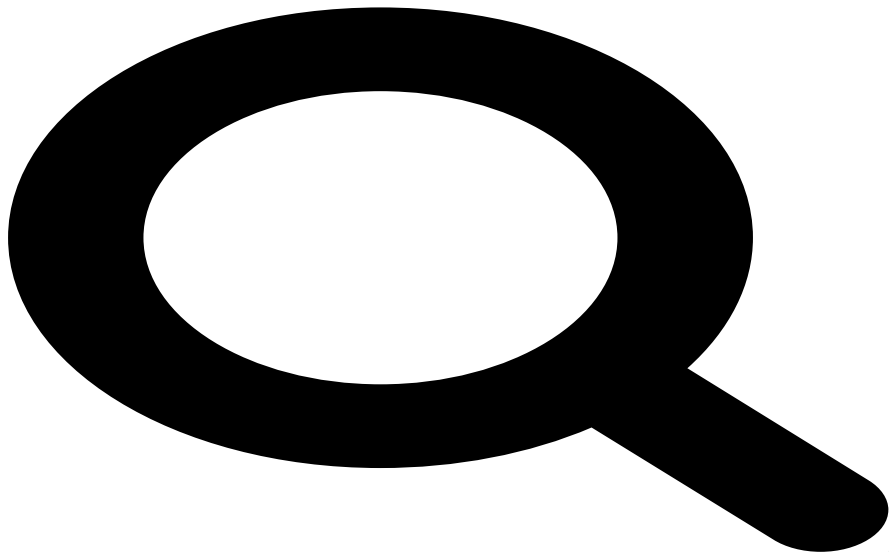
In this way, economic globalisation not only demands the outsourcing of productive processes in the pursuit of more cost effective locations. Neither does it limit its impact to "glocalisation", the attraction of the cheaper resources (human resources, etc.) to the countries of origin. Globalisation means that the productive phenomena increasingly disseminates between developed countries and developing countries creating previously unimaginable flows.

Countries like India, China or Brazil are not only competing with more competitive resources but also on the basis of differential knowledge. Firstly, their size allows them to generate a critical mass in the generation of science and technology. This is already happening: **the Biotechnology sector in India is growing at a rate of 30% while the R&D expenditure in China has reached an annual level of 19%.** In fact **China has already become the second global force in R&D behind the United States.** The process is clear - whilst in 2005 non-OCDE countries represented 18.4% of global R&D expenditure, this figure only amounted to 11.7% in 1996.

Secondly, **the weight of these countries as value generators in the process of innovation is increasing.** Emerging markets are now starting to become the main players in innovation.

Effectively, budding trends such as [reverse innovation or trickle-up innovation](#) refer to the process whereby innovation originally conceived in developing countries is transferred to developed markets. This a growing trend mainly due to the huge existing potential for innovation in the vast lower market segment not currently served in these countries. The second situation allows developing countries to **attract significant R&D investment from global businesses looking for products and services born, from the very process of innovation, in their final markets.** Long gone are the times when developed countries innovated and their outdated products were transferred to emerging countries.

Simultaneously, **unprecedented frantic technological change** is taking place. This factor further deepens the vulnerability of the developed economies and forces them to update their knowledge base rapidly. New windows of opportunity are constantly appearing for new players both in the context of business and nations.



wealth

Knowledge as the main source of

In this rapidly changing scenario knowledge and in particular *the capacity to generate new knowledge* (and technology) and turn it into value for society has become the main competitive factor of any country. In other words the capacity to innovate is becoming the main source of wealth. Firstly, because in the global economy **knowledge is the least replicable and comparatively least mobile productive factor**; as it principally relies on people and on education and research bodies. And secondly, because rapid technological changes reduce the likelihood of generating value based on mature or obsolete technology, while **the economic opportunities offered by new knowledge and its transformation into innovation are increasing**.

From a business point of view, this means transforming the processes of creation and innovation and maximising the growing global dispersion of scientific-technological skills. In other words - **the business of the future must understand the world as a huge R&D laboratory** where knowledge and technology can be drawn upon and transformed into value through innovation. Therefore, the capacity to innovate will be the key competence of a business and it must be nurtured and kept "in house". The leading businesses of the future need to be global, open and strongly connected to the sources of knowledge - such as Universities, Research Institutes etc. and remain vigilant of their own environment and open to cooperation. In order to do so, they will need to hire the best professionals; highly-qualified, proactive individuals with global connections.

On the other hand, **countries need to find their knowledge niche in an increasingly smaller world**. They must fully embrace this challenging world because in the global context this differentiated capacity to innovate will increasingly become the main source of wealth. To achieve this, Research, Development and Innovation efforts must be increased, co-ordinating ambitious policies and strategies to mobilise the resources required and generating the appropriate regulatory environment to boost innovation in businesses.

Last but not least, **people will be the foundation of the new economy** as most of this knowledge lies within them. Leading businesses and countries need highly-qualified, polyglot, globally aware individuals who are up-to-speed with the rate of change and are capable of understanding life as an on-going learning and updating process.

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