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Ouverture de 'Market-Space Management'

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Abstract

In global markets, corporations compete according to the new rules of market-space competition, that is within competition boundaries in which space is not a known, stable element in the decision-making process. It is, instead, a competitive factor, shaped and modified by the actions and the reactions of corporations and governments

Global networks operating in enlarged competition spaces (thus exploiting the value of intangible assets such as brand equity, information systems and corporate culture) have market information at their disposal which is often sufficiently extensive and sophisticated to put them in a position to compete with governments in establishing the guidelines for local development.

The over-supply condition that characterizes the richest markets today pushes companies into a neo-liberalism spiral. Over-supply conditions, moreover, often induce short-term results to be given too much importance, with a focus on the resources invested and the elimination of costs related to local social development.

Keywords: Market-Space Management; Global Markets; Market-Space Competition; Market-Driven Management; Over-Supply; Intangible Assets; Brand Equity; Information Systems; Corporate Culture

1. Overture

With the globalisation of markets all borders disappear, the intangible becomes more important than the tangible, time becomes a critical aspect of business, and mobility (people, goods, knowledge and ideas) manifests new relationship systems[1].

Globalisation thus determines profound changes in economic and social bonds, and the progressive transformation of these bonds from territorial to functional[2]. Indeed, in the most evolved realities, social and economic relationships are related to an array of functions (knowledge, information, cultural climate, ability to adapt to diversity, action and reaction times, mobility) that go beyond the bounds of fixed physical space (geographical area, nation, ethnic settlement, administrative

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precinct, etc.) based on the preservation of well defined, exclusive local rights and duties.

In global markets, businesses thus compete according to the new rules of *market-space competition*, that is within competition boundaries in which space is no longer a given, i.e. a known, stable element in the decision-making process. It is, instead, a *competition factor* with a profile that is shaped and modified by the actions and the reactions of businesses and governments[3].

> □ *'In the marketplace, content, context and infrastructure can be disaggregated to create new ways of adding value, lowering costs, forging relationships with non-traditional partners and rethinking 'ownership' issues. In the new arena of the market-space, content, context and infrastructure are easily separated. Information technology adds or alters content, changes the context of the interaction and enables the delivery of varied content and a variety of contexts over different infrastructures'*[4].

In short, corporate strategies based on an 'enlarged' competition space, that is without material and administrative constraints or limiting factors (*market-space management*), call for overcoming the usual direct control and proximity limits that characterize physical aspects of the business (immutability of the goods produced, production volumes achieved through direct control, a finite number of customers and suppliers, fixed manufacturing plant locations, etc.). Instead, they give priority to operational contexts characterized by: intangible assets dominance, competition adaptability and managerial flexibility.

The global economy, in effect, radically modifies the traditional basic principles of industrial production: the coordinated interaction of workers, technology and materials, with a high level of standardization in the time-space sequence. In a nutshell, traditional production is characterized by: efficient production of the largest possible quantity of standardized goods, organisations based on the rigid division of tasks, and the presence of workers at manufacturing sites.

On the contrary, in global markets the strategic levers within organizations are not to be found in goods but in knowledge. Information systems (both inter- and intra-organizational) become a crucial factor in company development, business co-working is set up through the implementation of specific information channels and flows, and finally, processes that are organized sequentially are transformed into relationships developed within 'project-oriented networks' all the way to the virtual company.

New, flexible forms of organization thus arise, calling for divisions organised in terms of space, time and the functions performed. First of all, in terms of space, the production of certain goods is not necessarily located permanently at a given place. Production processes are routinely divided amongst separate companies and no longer require spatial proximity because the production generating information flows can be transferred anywhere in the world, directly from individual units and without time constraints.

In terms of time, *market-space management* influences production and supply chain time-efficiency for specific goods. Various localized networks replace sequential production and processes so that production-to-delivery time shapes the production and logistic requirements system for the operational units belonging to the network.

Finally, in terms of functions performed, *market-space management* tends to mean a fundamental change in the working relationship with customers, partners and co-makers - into one that goes beyond the typical limits of interface cooperation and instead moves toward tighter, more selective interaction between cross-corporate teams.

> □ *IBM has set up a new team of experts specifically for the on demand era. It is called IBM Business Consulting Services and is made up of 60,000 business specialists with specific skills in consulting and processes in 23 different industries. These people have a deep corporate culture and know how to face challenges with strategies and business processes. To face the pressure of increased competition, today's businesses must undergo a process of horizontal integration: interconnecting data systems, legacy systems and applications which are distributed within the organization and across partners, suppliers and customers. (IBM Corporate Advertising, Italy, January 2003).*

2. Global Markets, Over-Supply and Market-Space Competition

Corporate development based on *market-space management* - precisely because of the expansionary nature of *market-space competition* - generates mega-organizations, with very strong top management power, that sometimes even creates ethical problems at the international level (as in the case of Enron).

Global networks operating in enlarged competition spaces (thus exploiting the value of intangible assets such as brand equity, information systems and corporate culture) have market information at their disposal which is often sufficiently extensive and sophisticated to put them in a position to compete with governments in establishing the guidelines for local development. However, it is precisely in their market strength (which can lead the strongest networks to global oligopoly) and geographic spread (which must get ever broader) that global network organizations manifest a conspicuous Achilles heel: stable local-market supremacy. This comes about from the mistrust and critical attitude of opinion-makers (consumers, shareholders, employees, suppliers, media, etc.) who are getting more and more interconnected, informed and de-localized with respect to the production and consumption of goods.

Indeed, corporate market globalisation strategies give rise to widespread criticism regarding economic growth concentrated in countries with very substantial R&D, targeted scientific research, limited attention to genetic transparency, environment, food safety and social marginalisation. Criticism is characterized by a wide consensus that also derives from the twenty-first century's global media which is no longer unidirectional from the producer to the receiver)[5].

However, the global market, businesses and *market-space management* strategies do not appear to be the paradigms that should be put under scrutiny for social growth and international welfare. On the contrary, long-term corporate goals and international development policies deserve serious in-depth investigation.

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The over-supply condition that characterizes the richest markets today pushes companies into a neo-liberalism spiral, that is, a profound search for market opportunities that can be satisfied at minimal production and marketing cost through the intensive, irrational and often socially disadvantageous exploitation of the basic production factors (capital, human and natural resources). Such exploitation within a global competition system influenced by simplified, lower values, unavoidably provokes competitive fractures between organizations operating at different levels (corporations at the trans-national level; governments locally; organizations for the control of international competition, such as Antitrust Authorities, central banks, etc.). Hence this can give rise to large-scale social tension that must be neutralised through the search for modern corporate social responsibility.

Over-supply conditions, moreover, often induce short-term results to be given too much importance, with a focus on the resources invested and the elimination of costs related to local social development (in contrast with what has been done by some large corporations, such as IBM, P&G, GE, Coke and Philips, that have a high profile international vision).

> □ *Recently Coca-Cola announced its intention to no longer make public profit per share forecasts (annual and quarterly). According to top management at Coca-Cola, short-term estimates are a distraction from the main long-term goals.*

Corporate policies centred on *market-space management* do not, of themselves, limit the profiles of excellence mission in corporate culture. On the contrary, long-term corporate development in the third millennium cannot forget to consider the achievement of a *new kind of well-being*, which can be pursued through:

- the expansion of competitive boundaries (*market-space competition*) and the adoption of corporate policies based on the 'harmonic globalisation' of production and consumption (*market-space management*), thus abandoning performance based on local competitive imbalances (which typically maximize profits if exploited in the very short term when, at the same time, no local development costs are sustained);
- the creation of *new industries* (protection of bio-development, development of mass and selective nutritional assets, climate preservation, energy and waste management policies), in agreement with the new transversal needs determined by markets with global production and consumption;
- the focusing of managerial economics on non-elementary key factors (technology, communications, intangible assets), for which value is not determined in terms of the degree of exploitation, but in terms of the degree of sharing for a given resource with external organizations.

3. Market-Space Management and Dominant Market Position

The sharing of intangible assets pursued by corporate *market-space management* policies usually takes place between different organisations within the same network, but can also concern other organizations through alliances and joint ventures. In any case, corporate management can extend into the intangible domain, and thus set up complex systemic inter-corporate relationships where the bonding agents are corporate culture, information systems and brand equity. These in turn can give rise to competitive situations – concerning supply, transformation and sales – for which the boundaries are transient, unstable and based on a potentially highly changeable matrix of goods and businesses. This is well exemplified by the modern 'parable of bread', that is, a very traditional product apparently very far from *market-space competition*.

> □ *At the international level, 'fresh bread' today is a complex product that is not always easy to classify from the point of view of product analysis. For consumers all over the world, 'fresh bread' is the fragrant, warm bread bought at a neighbourhood store. In many countries, however, its competitive space tends to be circumscribed, due to the needs of local businesses – industrial and local – involved in bread production and distribution. Actually, 'fresh bread' is often frozen industrial bread, sometimes pre-cooked or even completely cooked (hence with raw materials and manufacturing phases taking part in the production cycle without any time and space constraints), subject to the free circulation of goods and transported from production sites to the points of sale where it is offered to consumers after very short final baking. Hence bread 'right out of the oven' can be available 24 hours a day. This implies an extreme dilation of the competition boundaries in terms of production, sale and consumption.*

In other words, firms today tend to be a complex dynamic system, competition driven, with managerial perspectives going beyond the traditional space and time dimensions (*i.e.* referred to a finite environment, thus allowing the measurement, at a certain time *t*, of performance and competitive position – and thus the potential for a dominant position – of a certain elementary combination of business-product-market).

In reality, *market-space competition* gives rise to sophisticated competitive boundaries of an international character, in which space and time contribute to shaping and altering the established competitive context, in particular making traditional performance and position-based index evaluation of possible dominant market positions very difficult.

The competitive space generated by *market-space management* policies is therefore difficult to classify into business sectors, and more properly refers to systems of intangible assets (brand equity, information systems, corporate culture) temporarily contributing to the competitive profile of each individual company.

Notes

[1] See Silvio M. Brondoni, Jean-Jacques Lambin, Ouverture de 'Brand Equity', *Symphonya, Emerging Issues in Management (www.unimib.it/symphonya)*, n. 1, 2000-2001.

[2] The Milan Stock Exchange represents an interesting example of transformation of the socio-economic relationships, from territorial to functional, resulting from globalisation. On 14 April 1994 the dealing system changed from floor dealing to continuous dealing, in which authorized intermediaries execute orders by entering buy and sell bids into the Stock Exchange ITC system.

Sellers and buyers thus complete their transactions without meeting physically, without talking and without knowing each other. On the other hand, all players can put many sell or buy bids into the ITC system at the same time and for any financial instrument.

[3] In August 2003 in anticipation of the enlargement of the EU to 25 countries, the US Congress approved free exchange agreements with Chile and Singapore, thus expanding the previous agreements with Canada and Mexico (NAFTA-North American Free Trade Association) and setting up the foundations for a free trade area comprising the whole Western Hemisphere.

[4] See Jeffrey F. Raiport, John J. Sviokla, 1994, Managing in the Marketspace, *Harvard Business Review*, November-December, p. 145.

[5] See Silvio M. Brondoni, Comunicazione, risorse invisibili e strategia competitiva d'impresa, *Sinergie,* n. 43-44, 1997.