

## Finding NEmode

Written by David Brunnen

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*'Finding Nemo' was a great Disney adventure. □ Finding NEMODE is something else.*



In the search for New Economic Models the only thing in common with the film is creative imagination - and in the Digital Economy the only thing we can be sure about is an uncertain future.

More older people means more pressure on health and social care services. Will the economy generate enough jobs? Will we exhaust natural resources? Where will innovations come from? Simple questions for which no one knows the answers. What we do know is that the way we live (and work) now must change – we cannot cling to the past and hope that something will turn up.

The search for new economic models will be a long, probably never-ending, haul. Even this editorial overview (1600 words), readers should be warned, is '*a devil of a trot*' - and along this journey there are many possibilities.

Among the interwoven components that might emerge in new ways of doing business are:

**'Outcome-Based Contracting'** (OBC) – the shift from selling tangible products (like jet engines) to selling their performance and support (a cost per mile achieved) over the longer term. This is easier to envisage with products that are either working or not working but is more difficult in services like education and health where many other factors affect outcomes and performance is subjective and difficult to assess.

The **'Circular Economy'** – championed by the [Ellen MacArthur Foundation](#) this is a manufacturing design philosophy that makes deconstruction and reuse ('made to made again') a powerful tool in enabling a shift (like OBC) to selling, say, the *use* of a domestic washing machine for five years rather than outright purchase and eventual scrap.

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**Collaborative Advantage** – as an antidote to the over-simplistic 1980's pursuit of stand-alone competition, appreciation of 'Collaborative Advantage' is now more widely understood. The economic collapse in financial sectors illustrated the dangers and limitations of unconstrained market trading fuelled by greed - with negative impacts across all other sectors. Collaborative Advantage recognizes the importance of economic eco-systems - recently illustrated by headlines proclaiming 700 jobs created at Vauxhall's Ellesmere Port car assembly plant but an *additional 3000* jobs indirectly created in the wider parts industry.

New Economic Modelling stretches ecosystem thinking to embrace customers as we see more examples of product design reliance on the buyers' inputs. Thousands of businesses and individuals happily give their time to creating and improving digital services and this globally connected collaborative spirit reduces risk and speeds up time to market.

The practical applications of these three basic concepts are aided by many other characteristics of our digitally-enabled economy.

**Time Shifting** – this flexibility, first recognized when video recording relieved viewing constraints, is now commonplace and enabled digitally – examples include TiVo boxes, BBC iPlayer and many others. Time shifting activities are also evident in global financial trading as teams on different continents hand off work throughout each day – and this non-stop effort is now being applied in many other sectors.

**Location Independence** – linked to the above but hugely facilitated by Cloud Computing, any small business can choose to have phone numbers in New York, Paris, London and Sydney but with offices in none of these places and an ability to answer the phone wherever the user is connected to good broadband. The use of Cloud Computing enables, for example, films to be made in Belfast and almost immediately edited in Hollywood – making vastly better use of facilities and talent.

**Social Media** - the remarkable popularity of Twitter, Facebook, LinkedIn and YouTube is a facet of the new collaborativeness but the sharing of opinions, graphics, events and attitudes does something more than create new communities - it has become a powerful tool for businesses and organisations needing to check the pulse of markets and stay in touch. These 'social' businesses may not in themselves be stable but they offer others the chance to respond

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quickly to flips in fashion.

**Cost versus Value** - the shift from simplistic cost accounting toward wider, better informed, value judgements has similarities with OBC but [Erik Brynjolfsson's](#) work in the 1990's has huge application in helping businesses, organisations and governments to think through the consequences of knee-jerk policy responses to events and incomplete analysis. This ability to take into account many indirect factors and qualitative judgements is in part down to 'mash-ups' - the digitally-enabled ease with which information from diverse sources can be brought together to yeild new insights.

**Smart Integration** - a combination of design excellence and global technical standards is enabling two things - products and services that are easier to use and are also more useful. This is distinct from the earlier pattern of 'vertical integration' where ownership or control of all components was seen as the ideal route to capturing value. In 'Smart Integration' the less-monopolistic business designer sees benefit in some components as a general utility (e.g. network access) with integration occuring at a higher and more valuable level. So, in the teasing apart of business structures such as banking (separation into utility/retail and investment banking) the opportunity arises to remeld the components into new, more vibrant, variants.

**Poetry & Plumbers** - the shorthand contrast between philosophers and utilitarians is no longer constrained by the limitations of the printed book - how many of you read Huxley's 'Brave New World'? The last-generation media world (particularly newspapers) shows every sign of adapting to online reader preferences and the old divisions between art and business are increasingly irrelevant. Improved accessibilty has boosted cultural interests in many ways, even if it's only apparent through better business writing, and customers' purchasing decisions are increasingly influenced by the quality, look and feel, as well as the functionality of a supplier's web site.

## Impacts

These NEM factors have far-reaching impacts on many other aspects of the Digital Economy.

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### **Sustainability.**

The pressures on the use of finite resources (think for example of the use of gold in mobile phones) and the need to feed the world's growing population, is likely to force a major rethink of business priorities. Next month's [Rio+20 summit](#) will bring together world leaders seeking to achieve far more than the dismal progress of the last two decades.

### **Environmental Impact.**

The challenge of global warming is leading to renewed efforts to develop non-polluting energy sources even as many communities have yet to enjoy the profligacy of developed countries. New economic models will be needed to deal with restrictions on transport and the cost of oil-based products.

### **Housing.**

Another critical issue (especially in UK) requires massive construction programmes with many people migrating to new living areas and seeking work in unfamiliar ways. A big expansion in home-working, for example, is already evident in rural areas. In the commuter belt around London, it may be driven on by Olympic transport pressures. These initiatives are currently constrained by poor connectivity and the progress on super-connected cities has only recently emerged as a priority.

### **Health.**

Around the world the prospects of 'Connected Health' are extremely attractive but currently constrained by existing systems and processes. The demographic shifts will demand that we transition from an institutionalised reactive system to a personally proactive approach with a focus on attaining 'wellness' instead of treating illness. Technology has much to offer but the constraints on implementation stem from culture, organisations and infrastructure deficits.

### Education.

The way we learn, the entire process of knowledge transfer, gaining new skills and experience, is undergoing a rapid revolution.

In many countries the universities, colleges and schools are the best-connected hubs within local communities. Examples like a village in Hampshire UK, or the public sector network in northern Sweden, demonstrate how these centres of connectivity can be exploited for the benefit of local communities and local enterprise.

These initiatives are often driven by specific local conditions (e.g. extreme weather conditions) or maybe required to satisfy national standards and expectations – for example, citizens' rights in Sweden for children to have language training in their mother tongue – a fairly tall order if there only 4 of you from, say, Japan, living within a 2,000 square mile region near the arctic circle!

### Implications

The economic and societal implications of these digital enablements should not be underestimated. Progress may be inadvertently constrained by regulatory policies, a lack of visionary investment or a reluctance to engage in the hard grind of developing international standards and protocols.

Most of us understand the focus of politicians and economists on dealing with the current Economic Deficit. The notion that cost cutting may lead to greater competitiveness is part of the story – but we are unlikely to find real economic growth without massive infrastructure investment to enable both efficiencies *and* new opportunities.

Considering the many deficits across all sectors, it soon becomes obvious that corrective actions for nearly all of them need to be first enabled by better connectivity. Fortunately, in the

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UK, we do not have to look far to find [useful clues](#) in countries (like Sweden) that have travelled further and faster along the digital road.

In all of these areas we will (in the words of [President Obama](#) ) be bound together and fuelled by investment in higher quality digital access.

Understanding and harnessing these digital opportunities is the role of the NEM theme, funded by the UK Research Council's focus on the [Digital Economy](#) .

Will the UK's track record of innovation sustain us – or will we still be regarded, 20 years hence, as a 'developing (digital) economy'?

It is a research programme of vital interest to entrepreneurs, innovative business thinkers, policy developers, network investors, community leaders - and anyone hoping for a better future.

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Notes:

The NextGen West Country Roadshow (Bristol, 17<sup>th</sup> July) will explore the development of New Economic Models with Prof. Roger Maull of Exeter University. Full details and registration can be found via [NextGen](#) .

To add comments/feedback and see additional notes please visit the Groupe Intellex [blog-site](#) .

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