

Welcome to my session - where you will learn what it takes to become more attractive in the global knowledge economy! All without plastic surgery or botox. I can also assure you that no animals were hurt in the preparation of this speech!

Each year I like to go to the Edinburgh Fringe Festival and listen to stand-up comedians. Over the years I have amused myself by comparing them to business speakers. Generally I find they do a much better job, probably for a lot less money; (although not in my case today). I also find that business audiences are much more polite and forgiving (I hope you won't prove me wrong today). The other thing I *have* learnt is never sit in the front row if you don't want to become an unwilling part of the show.

I am going to look at making ourselves more attractive from three different perspectives: a company, an individual and finally a country. And from each perspective I will consider the questions: why does it matter? what sort of behaviour are each exhibiting today? and what should be doing? And if there is time at the end I would really like to hear what you think.

Let me begin by defining precisely what I mean by the global knowledge economy. I mean the global interconnected economy where individuals, companies and organisations can very easily participate in complex supply chains with each other, wherever they are in the world. A global interconnected economy as Craig Barratt, ex CEO of Intel, is fond of saying “that has suddenly got potentially 3 billion new people in it”.

Let me introduce you to the Intellect formula; Disruption + Uncertainty = Opportunity. Intellect brings together thousands of individuals from hundreds of members – in almost all cases they are seeking out the opportunity that arises when Disruption + Uncertainty come together. You won't be surprised to hear that the trend seems to be constantly for more disruption, more uncertainty and therefore more opportunity.

I'm going to start with companies. Because they are probably the most pro-active participants, and perhaps the easiest to understand. A few weeks ago Martin Read, the CEO of Logica CMG, invited me to make the opening remarks at a dinner he was hosting on the topic of 'Maintaining a Globally Competitive IT Services Industry in the UK'. He'd written a piece on how Logica CMG were responding to the rise of globalisation; and I opened my

remarks with the rather topical comment that most companies are really just like football teams. Football managers aim to win, and, in order to have the best team, will buy their players from anywhere in the world. And if Martin doesn't and says no - I'll only buy British - he knows that sooner rather than later he is going to lose out to the competition – perhaps EDS, IBM Global Services, Tata and so on.

The prizes in technology are just as big as in football too and there's just as big a difference between the winner's prize and the runners up. Deloitte have been doing some background work for us. They estimate that by 2010, just in the converged industries of IT and new media, there will be a shift in capitalisation between now and 2010 of a trillion dollars. So that means somebody who is worth a lot of money today isn't going to be worth very much in a few years' time and *visa versa*.

Let's have a look at what's happening in the IT services industry here in the UK. Some research that Martin had done from Ovum, suggested that today 10% of the revenues of the IT service industry in the UK, is earned by people not working in this country. And that one-fifth of the people working as part of the UK IT industry are not

on these shores. And if present trends continues, that figure would be three fifths by 2020. Companies like Martin's have to be part of that by directly or indirectly employing those off-shore resources.

Another organisation responding to disruption is the BBC. Director General Mark Thompson recently unveiled the BBC's creative vision. I asked him about the consequences of the vision, and particularly the disruption caused by switching to digital broadcasting and increased use of the internet. He told me that he could see between a third and a half of the BBC's resources being switched to these new distribution methods over the next ten years. That is big disruption.

Lets have a look at a couple of other examples. Sir John **Rose** is the Chairman of Rolls Royce, and I know John slightly because we are one of the three UK defence trade associations in the UK; Sir John chairs our Defence Industries Council. Let me quote how Sir John describes Rolls Royce in Thomas Freidman's excellent book. It's a great description a modern global company.

"Rolls Royce has customers now in 120 countries, employs 35 thousand people, but only 21 thousand are in the UK. The rest are

part of a global network of research, service and manufacturing. Half of Rolls Royce's' revenue are now generated by business outside the UK. In the UK we are thought of a British company, in Germany we are thought of as a German company, in America we are thought of as an American company and in Singapore we are thought of as a Singaporean company. And you have to be in order to be close to the customer.....” It's not just big companies that are making themselves more attractive. One of our smaller company members told me recently of a deal they'd done over an Intellect networking lunch. This company is now doing all its software product development in India. But the Indian company they're using is majority owned by British shareholders.

We hosted a small dinner for Craig Barrett before he retired as CEO of Intel. He quite shocked his guests by admitting that “Intel will thrive even if it never hires another American”

So it seems to be the case that successful companies are behaving like successful football clubs and buying the best players – wherever they are in the world. What other clues do we have as what companies should do to make themselves more attractive – indeed to survive? Let me tell you about a piece of McKinsey

research about knowledge workers. The research looks more closely at knowledge exploiting companies. It divides those into two categories; first - those that employ knowledge workers who do work that can be codified - work you can apply rules to it, and second those companies whose workers are required to apply their skill and judgement. The research shows that in the first category – those doing easily codified work - there's very little differentiation between the best performers and the worst – even though it's knowledge work it has become a commodity. However in the second category – where skill and judgement is required there is a big difference in financial performance between the best and the worst.

So in summary – companies that want to make themselves attractive in the global economy – be British in the UK, Mexican in Mexico and Chinese in China. Think Global and buy the best players in the world. And unless you're a brilliant performer in a commodity market try to move to a part of the value chain where your skills and judgements allow you to command a premium.

Now imagine if you will standing on the beach - at the sea-side looking at all the people playing in the water. Some will throw themselves in – maybe even put on a mask and flippers and play under the water. Some will dip a toe in while others will stay firmly on dry land. It's quite similar to the way individuals will behave when confronted with the globally connected knowledge economy. Some will become bloggers, trade on ebay, play games with thousands of others, get immersed in MySpace or join other virtual communities. Some individuals will try to pull down your brand, gamble, visit pornography sites and possible even plot terrible acts of terrorism. The global interconnected world presents many, many opportunities for individuals to do what they want to do when they want to do it. The question I'd like to consider is what do individuals need to do to be as attractive as possible? To get a good job and have a good quality of life. I carried out some simple research back in Intellect's offices. I asked our younger people what are they doing and how are they responding to the opportunity. And you will recognise this behaviour. The best are technologically sophisticated, media literate, have learned more languages, they travel more, do more voluntary work, are more mobile and invest in their own personal development. They have

good left brain numeracy skills with right brain creative skills grafted on top.

The most difficult question is what do countries do to make themselves as attractive as possible – attractive to wealth creating companies and attractive for individuals to want to live there.

Countries too must compete for skills and talent - and the wealth and quality of life of its citizens must be impacted by how it performs in this global competition. John Rose, from Rolls Royce, said he divides countries into smart, smarter and smartest

As with gamblers and alcoholics the first challenge is to recognise the need to do something. Perhaps we should encourage each of our countries to carry out a national SWOT analysis – to identify for each the strengths, weaknesses, opportunities and threats. The UK's version of this is to carry out an examination of the key long-term trends and challenges that will shape the next decade for the UK - including demographic and socio-economic change, globalisation, climate and environmental change, global uncertainty and technological change.

At Intellect we've carried out our own analysis of the knowledge driven economy we want to see in the UK. The results can be found in a report called 'Navigating the New Economy'. The three pillars of this economy are the right policy environment, a skilled population and an accessible and affordable infrastructure. In doing this work, btw, we looked at comprehensive research carried out by, amongst others, the World Bank and the OECD. But before explaining what we need to do in the UK to make ourselves more attractive I'm going to spend a few minutes looking at what's happening today in one key area.

In the US there are about four thousand universities; about a third of the world's total. Research work is carried out in about 100 of those – or 1 in 40 of their universities. In contrast in Europe there are around two thousand universities and most of those claim to be carrying out research. The result is a fragmented research base which in my view makes it harder for high quality research to be carried out in the first place and complicates the exploitation of that research by companies – especially in science, engineering and technology.

Let me return to the formula – what does this knowledge economy look like that we want in the UK?

First we need a policy environment that provides incentives to create and use knowledge, and allows enterprise, innovation and entrepreneurship to grow. We want a vision and strategy pushed from the top down, bought into across all departments, led by a senior figure with authority. We also want the government to become an educated user: an informed, efficient user of technology

The second requirement is for an educated and skilled population that is committed to valuing, creating, sharing and using knowledge well, throughout life.

And last but not least we need an accessible and affordable infrastructure, which enables the effective sharing and communication of information.

And let me make one final point on the infrastructure. Intellect runs the UK's Broadband Stakeholders Group, whose aims are to drive

up broadband penetration and adoption in the UK. I spotted recently a truck called E-Freight which was a pointed reminder that there is a transport infrastructure that underpins it, that we in the technology sector can sometimes forget. And forget at our peril - some economists have argued that the creation of the interstate road network in the US just after the war was a big and important driver in the development of the US economy.

I have talked about three sets of actors, each playing their parts on this global connected stage and I described what each has to do to make themselves more attractive. But in the wings are another set of actors and these are national and international organisations like Intellect. And the role of organisations like ours becomes increasingly important in this global interconnected world. Because in this world where people come together in new ways some of the old frameworks and supports that we used to relate to and rely on are no longer as strong. Organisations like ours can set standards – not just technical but codes of behaviour too. Intellect has produced an excellent Code of Best Practice for how the sector should deal with government. And there are some very good international examples too, the electronics industry has an

international code of conduct on how to deal with bribery and child labour for example.

So where does this leave all of us. I believe we all have important roles to play. I doubt if I've told you much if anything new today. We all work in organisations that are trying to prosper in this new order. We all think about our children, our families and friends and wonder how the next generation will live their lives, and some of us are actively engaged with our governments helping us them make the right choices in this complicated world. I hope though that I have given you a framework for the debate, and it will help you play your part in this global challenge to help you and others find the **opportunity** in the *disruption and uncertainty*.

And perhaps it's the leaders who need the most help. Let me leave you with a poem on leadership that neatly summarises their dilemma and why they need your help. It's by a poet from Liverpool in the north of England.

"I wanna be the leader, I wanna be the leader, can I be the leader? Can I? Can I? Promise? Promise? Yippee!! I'm the leader, I'm the leader!" What shall we do then?

Thank you