

Copyrighted Material

The
Future
of
Success

ROBERT B.
REICH

Copyrighted Material

Book The Future of Success

Robert B. Reich
Knopf, 2002
First Edition:2000

Recommendation

Former U.S. Labor Secretary Robert B. Reich, who served during the Clinton administration, hasn't really unearthed any strikingly original discoveries in his look at the new economy, but the sheer power of his intellect allows him to follow well-documented trends to fresh conclusions. After restating the many economic benefits that technology has wrought in the past decade, Reich moves to the topic that arouses his deepest interests: the changing dynamics of the labor market and the implications of these changes for unskilled workers. His take on the diminished importance of the family and the undermining of social relationships is very interesting. He says these trends have turned community into a kind of commodity that can be bought and sold. Although he prepared the book during the high-tech boom, he foreshadows the bursting bubble, using examples from familiar news stories in novel ways to support his analysis. *BooksInShort.com* recommends this thoughtful book to anyone concerned about the future of work or workers, both skilled and unskilled. Will your job survive?

Take-Aways

- The new economy offers terrific products, investments and jobs.
- Technological developments in communication, transportation and information processing are the motors of growth.
- The availability of better deals has increased sales competition and innovation.
- Social disruptions accompany the rush to compete and innovate.
- People feel they must sell themselves continually to succeed financially in these unpredictable, competitive times.
- The search for the best deal has contributed to a decline in loyalty.
- People are working harder, since earnings are less predictable and jobs are less secure.
- Because business now demands people with ideas and knowledge, talented workers are making more money, while those doing routine work are falling behind.
- At the heart of innovation are the "geeks" - who develop ideas - and the "shrinks" - who understand people and commerce.
- The fastest growing markets offer products that are not necessary, such as entertainment.

Summary

What Hath the New Economy Wrought?

The new economy is bringing an array of first-time deals and choices to your doorstep. You can choose among innovative work assignments, fresh consumer goods, flexible business arrangements, new kinds of investments and even distinct communities to join - if you have the right resources and abilities.

“Now you owe your career to yourself. Financial success depends on how well you sell you.”

This economic growth is driven by technology, including new developments in data management, mass transport and communication, among other elements in the social infrastructure. Technological innovations make it possible to locate and obtain better deals from all over the world - and to change from one deal to an even better one. The result is vastly more competition among sellers, as manufacturers jostle for market position. They rush to cut costs, add consumer value and create innovative, competitive products. This boom in production means that you can buy better products and services more quickly and less expensively.

“The way paid work is coming to be organized and rewarded in the new economy is inducing people to work longer and harder, and to sell themselves with ever greater urgency. As a result, there is less room for families, which are being downsized and outsourced.”

This dynamism has created a windfall of economic benefits but, like other storms, it includes some disruptive gusty weather. These innovations affect aspects of modern life beyond products and services, and have had a particular impact on relationships, job continuity and both family and corporate stability. Society is unsettled because everyone pushes all the time. Buyers push to switch to better deals. Sellers strive to get and keep customers and clients. As people scramble, it's harder to be confident about anything - from earnings to relationships. Everyone's life is increasingly unpredictable, less secure and more frenzied. Such instability affects your personal life with your family, friends and community, your work and even your sense of self.

“The first and most obvious reason that Americans are working harder is to prop up family incomes.”

In this supercharged environment, corporations are clamoring for more people with ideas and knowledge. Of course, that pushes salaries higher for crucial employees. But, while income is rising rapidly for the most talented, most educated people, wages are declining for those who do routine work, which is already poorly compensated. The gap between the skilled haves and the unskilled have-nots is growing. At the same time, because trained people can and do switch easily among jobs, even these prized employees find it more difficult to form close links with their peers. This kind of society also finds it simpler to exclude those with deeper needs, including the impoverished, the uneducated, the ailing and the untrained. As a result, society is increasingly fragmented and stratified.

"The Age of the Terrific Deal"

This has become the era of the good, better and best deal, in which buyers bounce from one product or service to the next. When switching products is this easy, the market influences how people react, leading every company to try more diligently to satisfy its customers. People work harder than ever as the economic locomotive roars by and they try to get or stay on board.

“The basic reality is that jobs at the bottom of the income ladder don't pay enough to support a working woman and her children, even if she's living and sharing expenses with a man who's also at the bottom of the income ladder.”

Until recently, getting the exact product you wanted was a challenge because mass production promoted sameness. Under the old system, producers invested up front and sought economies of scale by accurately replicating and selling more of the same items. The logic of this system led to mergers between producers, leaving only a few survivors in each industry. This dynamic created a kind of oligarchy by the 1950s, with prices and standards set by regulatory agencies. Organized labor played a role in helping to regulate industries. Deals between labor and management avoided strikes and work stoppages. In turn, mass marketing supported mass production and consumers got more things more cheaply.

“A child's world requires some stability and reliability if the child is to grow and thrive. Yet the emerging economy is discontinuous, and is anything but stable and reliable.”

In the 1970s, digital technologies enabled additional capability, so manufacturers began shifting from high-volume production to high-value production. As a result, sellers could tailor products to buyers while reducing production costs. Economies of scale may still help control costs, but the advent of this technological shift made such economies less important.

“The faster the economy changes - with new innovations and opportunities engendering faster switches by customers...the harder it is for people to be confident of what any of us will earn...what they will be doing, where they will be doing it. ...Our lives are less predictable.”

Today's expanding global market gives buyers more choices. Manufacturers promote variety and buyers connect directly with a broader spectrum of sellers. The overall result is that sellers have to compete by improving their services and products, and by creating new offerings that appeal to buyers. Sellers are pressed to cut costs, since buyers can get reliable wide-ranging comparative data on product prices and quality, and are no longer limited by where a product is made or sold. No wonder sellers feel both innovative and insecure.

Competing in the Faster Marketplace

As societies become richer, the industries that provide non-essential products and services become the fastest growing segments of their economies. These fast-growing markets include entertainment, intellectual stimulation, personal contact, family welfare and financial security. The main strategies for competing in this fast-moving, innovative marketplace are:

1. Cut costs.
2. Improve your product, a step that carries some element of risk.
3. Devise new products, which is an even riskier endeavor.

“Entrepreneurial vision depends on combining the geek's insights into what's possible with the shrink's intuitions about what's desired.”

Even if a new product succeeds, its success is likely to be temporary, because competitors and copycats emerge quickly. As in a lottery, the more bets you make, the more likely it is that one will result in a big pay-off. In a crowded, noisy marketplace - where it may be hard for customers to find you - offer multiple selections and team up with a big brand that has a reliable reputation. Consumers increasingly look to such brands to guide them through the jungles of the new economy. Given the resources of large companies, their brands tend to earn the most consumer trust. This leads to higher profits and market value. Even if your company links its products to a large brand, you must maintain public trust by offering excellent wares, otherwise, you can lose your reputation quickly.

"Geeks" and "Shrinks"

Two types of personalities will be in more demand during this push for innovation and will be able to command higher wages:

1. The "Geek" - This creative innovator or financial wizard can exploit the full potential of his or her medium, be it technology, the stock market or music.
2. The "Shrink" - This savvy advisor, agent or marketer discerns market possibilities by identifying consumers' wants or needs and knows how to respond to those demands. Call him or her a "shrink," because he or she really understands the market.

“It's not unusual for a 23-year-old geek with a hot skill to be earning several times more than a 'senior manager' three levels up.”

The "geek is fascinated with the medium;" and the "shrink is fascinated with people." Together, they constitute an entrepreneurial whole. The geek's ability to understand a product's potential meets its perfect match in the shrink's skill at knowing what the market wants and how to present it. Companies need both kinds of talent. One has the insight to create new ideas and the other knows what the market wants. Your profits depend on the medium and the market or, as they are called on the Internet, "content" and "traffic."

Where's the Loyalty?

However, while the demand for both the geek and shrink has increased, the value and wages of workers who do repetitive or routine jobs have declined. Increasingly, machines or software can do their work quicker and cheaper. Driven by the quest for the "better deal," firms feel free to drop such workers in response to competitive economic pressures and the decline in employee loyalty. Thus, the once reliable, long-term relationship between employees and organizations has eroded, causing a decline in the traditional social contract. Firms no longer feel a duty toward their staff or communities. Rather, they feel pressured to maximize returns. Investors, who also seek better deals, have gained tremendous power. As a result, everyone's jobs and earnings are less secure. While geeks and shrinks may do better financially, routine production workers are suffering, particularly as more companies move rote jobs to foreign nations to benefit from lower labor costs.

"The greater the number of bets you can make, the more likely one will pay off big enough to cover the other bets and allow you to keep a step ahead when your rivals catch on."

Other shifts are also changing the way employment has always worked. Now, organizations are being flattened into networks of entrepreneurial groups and teams, each of which does a series of projects. Less management is necessary since people increasingly coordinate themselves, in many cases using the Internet to communicate among distant individuals and groups. Even full-time employees are affected, more and more becoming sellers of services to customers and clients under the brand name of their organization. Their income depends on how much buyers are willing to pay, and on the reputation and draw of the brand name. This trend foretells the end of steady work, the need for continuous effort and the widening inequality between those who are paid well and those who aren't.

Changing Lifestyles

Your lifestyle may be affected by these technological and economic changes:

- You are working harder - It has become difficult to predict what your wages will be and your employment is not as dependable as it once was, so you are putting in more labor, striving more diligently, for longer hours. More women are in the workforce, shifting from home into the workplace, and from part-time to full-time work. Work overlaps more into everyone's personal life, as today's intrusive but convenient machines - from the mobile phone to the PDA - demand constant, immediate attention.
- You must market yourself more - Because incomes and jobs are so unpredictable, you may feel a growing pressure to sell yourself. Succeeding at self-promotion increasingly depends on having the right connections to get a job, because businesses are more likely to rely upon referrals from people they trust, just as consumers seek trustworthy brands.
- Making a name for yourself matters more - If you must remain focused on attracting new business, you need to become known in your field. The trend is for people with talent to invest in their personal brand, rather than investing in their present organizations, since one's future in an organization is uncertain. You will make more money if you increase the value of your personal brand, but selling yourself can interfere with your relationship with your organization and with your personal relationships. "When the personality is for sale, all relationships turn into potential business deals."
- Families are becoming smaller - Overall, women are having fewer babies. Fewer women need to marry to have economic security. Couples are having fewer children, and are delaying children due to work. The intensity of family life is diminishing because relatives are separated. Parents work, grandparents live elsewhere and kids have multiple activities.
- More people pay for tending and attention - The job market for care or attention-givers is growing. This includes those who care for children, the elderly, the disabled, the psychologically troubled or even healthy adults who buy more help or attention. A primary reason for this development is the decline in the number of nearby family members or friends who might provide attention that is based on affection.
- The community is becoming a commodity - People join activities now as consumers, not participants. They purchase care for their children and health care, or join investment and buying clubs. Communities are becoming marketable goods, where people seek to gain the best deal when they join a group. Today, people choose their affiliations based on the benefits they will get from the group, whereas at one time people were part of broader, more enduring communities, such as clans and villages. All sorts of sorting mechanisms - residence, college, interest groups - operate as people choose affiliations and pay to join.

"You will never reach a point where you can relax. Even if you succeed, your success will be temporary, because your competitors are sure to follow quickly."

Given these developments, it is time to make choices about what you want individually and what our society wants. What personal and public choices should you make? And how can society achieve a better balance between economic dynamism and social tranquility?

About the Author

Robert B. Reich is a Professor of Public Policy at the University of California at Berkeley. He has served in three national administrations, most recently as Secretary of Labor under U.S. President Bill Clinton. He is co-founder and national editor of *The American Prospect*, and his writing has appeared in *The New Yorker*, *The Atlantic Monthly*, *The New York Times*, *The Washington Post* and *The Wall Street Journal*. He has written several books, including *Locked in the Cabinet*, *The Work of Nations* and *The Resurgent Liberal*.
