

## Innovation Is The Key!



I think I've had an epiphany (epiphany – a moment of sudden understanding or revelation). For quite a while, like everyone else I know in business, I've been watching the outsourcing and offshoring of American jobs. At first it was mainly low wage manual labor, but lately we see more and more "knowledge worker" jobs leaving the country. Most economists say that outsourcing and offshoring is good for the global economy and in the long run will be good for the American economy. How it is going to be good for the American economy isn't obvious to everyone, especially people seeing their jobs move overseas. The benefit of reducing the cost of goods purchased by importing goods from countries with low labor rates is obvious. We all get to buy goods at lower prices. But are income levels going to be such that we can take advantage of the lower prices? I've always felt that education, knowledge and innovation were the keys to prosperity of the American economy. Epiphany - now I'm certain those items are the fundamental keys to the survival of individuals, American business and the American economy. Over the next few newsletter articles I'll discuss the new flat world global economy we live in and its impact on your business and what it takes to not only survive in the new global economy but how to prosper and grow.

I've been reading the book "The World is Flat" by Thomas L. Friedman. Are you at all concerned about outsourcing, offshoring, and foreign competition? Are you concerned about how these things are or will impact your job or business? Then you should definitely read this book. The world has changed. Regardless of the size of your company or the type of business you have you should be taking advantage of the new global opportunities that exist. These global opportunities not only include the availability of lower cost goods and services but huge new markets for your goods and services.

Here is a excerpt from "The World is Flat":

*Romer (Stanford economist Paul Romer) explains that "there is a difference between idea-based goods and physical goods." If you are a knowledge worker making and selling some kind of idea-based product – consulting or financial services or music or software or marketing or design or new drugs – the bigger the market is, the more people there are out there to whom you can sell your product. And the bigger the market, the more new specialties and niches it will create. If you come up with the next Windows or Viagra, you can potentially sell one to everyone in the world. So idea-based workers do well in globalization, and fortunately America as a whole has more idea-driven workers than any country in the world.*

*But if you are selling manual labor – or a piece of lumber or a slab of steel – the value of what you have to sell does not necessarily increase when the market expands, and it may decrease, argues Romer. There are only so many factories that will buy your manual labor, and there are many more people selling it. What the manual laborer has to sell can be bought by only one factory or one consumer at a time, explains Romer, while what the software writer or drug inventor has to sell – idea-based products – can also be sold to everyone in the global market at once.*

*That is why America, as a whole, will do fine in a flat world with free trade – provided it continues to churn out knowledge workers who are able to produce idea- based goods that can be sold globally and who are able to fill the knowledge jobs that will be created as we not only expand the global economy but connect all the knowledge pools in the*

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*world. There may be a limit to the number of good factory jobs in the world, but there is no limit to the number of idea-generated jobs in the world.*

Innovation is the key not just to survival, but to a healthy, prosperous, growing company. There is a lot happening relative to creating and managing innovation. Next time I'll discuss some of what's happening in the world of innovation. Until then, you can read more about the flat world and innovation at my blog.

Yes, Innovative Thermal Solutions now has a blog. My intention is to comment on product development and engineering management in more detail than this newsletter format allows. And even more importantly give you the opportunity to comment also. Please visit [The Engineering Curmudgeon](#) and post a comment, even if you just say Hi!