CHAPTER 14

The European Synconomy

Financial markets across the globe are becoming more accessible as a result of technological capability and the desire of investors to seek out new investment opportunities. In Europe, financial integration and deregulation are happening at a faster rate than many other markets due to the adoption of the Euro and the European Union’s economic agenda. However, unlike the self-regulatory American attitude towards regulating commerce, the European mindset predisposes more towards legislation to protect economic activity. That said, the establishment of standardized investor-focused reporting mechanisms, coupled with a robust technological infrastructure, will give rise to market transparency, in this case the ability for investors to assess risk and return to make prudent financial decisions. The creation of a single market for capital across Europe has enormous implications and opportunities for financial services firms to demonstrate value propositions that interoperate in a heterogeneous collection of cultures and provide new levels of financial diversity.

The new connected European economy is evolving as a marketplace in which companies, customers and competitors collaborate on various aspects of design, development and refinement of product offerings in leveraging an operating synergy. A synergistic economy means a state of operation in which the behaviour of the entire marketplace is not predictable from the behaviour of the collaborating organizations taken separately. As financial services firms globally move into the twenty-first century, they must embrace a new state of co-opetition that enables them to compete and collaborate in all stages in the services’ life cycle. Synconomy, a seemingly new phenomenon brought about by technology, describes a collaborative state of co-existing cells of organizational competency. Conceptually, it is reminiscent of the craftsmen guilds of the Middle Ages, whose continued quest for design improvement resulted in
an extraordinary amount of accumulated design and process knowledge that has been almost completely lost in modern society. Put simply, medieval craftsmen were process oriented, not product oriented, which allowed them to learn not only the practical details of a trade, how to use tools and select materials, but also to understand how to design and collaborate with others within the guild to discover better methods and designs. This environment, underleveraged by communication technology, resulted in design innovations that spanned decades, making it easy for today’s architectural historians to pinpoint construction dates of medieval building simply by observing the stonework. Today, in a synconomy, financial services organizations must develop complete process knowledge in order to balance the associated processes of a European-wide deposit market, inter-regional risk sharing, interoperable capital markets, diversification of multinational portfolios and new global capital sourcing for business activities. One of the first value propositions is the establishment of networked repositories of data on corporate performance to relieve the scarcity of investor information. A decentralized network of company information will need to cross national boundaries in order to keep emerging capital and non-capital markets from becoming detached from the mainstream global investor. Traditionally, the lack of information has hindered the growth of individual firms and protected small to medium sized local firms from stock volatility. Removing the barriers to information flow will make firms seeking global capital sources more susceptible to swings in investor sentiment concerning a region or market sector that could be unrelated to the fundamentals of an individual firm. Therefore, the second value proposition for financial services firms endeavouring to facilitate European and indeed global capital market fluidity will be to place individual corporate performance into the greater context of global economic activity.

In the evolving synconomy, the challenges of culture, labour, technology, consumer adoption, and branding must be considered in two aspects, integrated and differentiated corporate behaviours. In order to have market differentiation, firms operating in a synconomy must maintain a balance in the synergistic relationship between what is shared or integrated between partners and what is unique to a participant in an open marketplace. Collaboration between co-operating financial services firms is not a matter of if one should collaborate, it is an understanding of when, how and what to exchange. Fortunately, technology is removing the geographic confines of market collaboration, making exchange partners aware of the need to develop core competencies to address the issues of how to collaborate, what to collaborate on, and when to collaborate.