



## **A Compass for the Knowledge Economy Business**

**By David Grebow,  
CEO, KnowledgeStar, Inc.**

For starters, since it always helps to know where you are before you decide where you're going, here's a short piece that explains the three economic paradigms ... from the Agricultural to the Knowledge Economy. Once you see where we've been, and understand that almost ALL the business models, methods, theories and approaches were designed for the Agricultural and Industrial Economies, you will hopefully see why business models everywhere needs to change, go digital and enter the Knowledge Economy.

It's already happening in other countries that had the disadvantage (?) of being stuck in the Agricultural Economy as we, for example, industrialized. We used to call them names ... Third World, Underdeveloped, Developing, etc.. Until they realized that they could skip over 100 years of expensive, sweaty and generally nasty industrialization, and go right to the Knowledge Economy. To automate their new factories. To use cellphones and skip all the wires and poles. And most importantly to drive their business models.

**Only Smart Companies Win**

What are economic paradigms and why are they important? Why is it important to know the one in which we live? How does it affect your choices for work and earning a living?

How does it affect your life? And why is it The Driver for your business?

## **The Agricultural Economy**

There have been three economic paradigms in the last 300 years. They started when there was a break from things made on a small scale, when the things made and sold by artists, craftsmen, masters, blacksmiths, wheelwrights, family farmers, merchants of handmade goods, etc. were replaced by things that were mass produced and mass consumed. The key point is that mass production is the cornerstone of all modern economic paradigms.

First it was food that was mass produced. So the first economic paradigm was the **Agricultural Revolution**.

For the first time in history, many people had enough to eat. They stopped worrying about food, did not farm their own crops nor raise and slaughter their own livestock. The mass production of food marks a turning point in history. It gave people something they never had as hunter-gatherers: free time. The ability to move about and travel, even live in new places. Leave the farms and come to what became the first cities.

Owning land became the key to wealth, since land used to grow food was the key to the Agricultural Economy. Land Barons were born. The landed gentry were created. Kings gave land as the highest boon for services rendered. Kings were kings because they owned all the land which is why they could give some of it away. Private property was born. My land was fenced off from your land. New nations opened up huge tracts of land because they knew that making that land productive was the key to prosperity.

**We managed muscles** because farming was a hard, back-breaking job, even for the oxen and horses.

## **The Industrial Economy**

Next up was the **Industrial Economy**. I believe it started with the printing press in the mid-15th century. I also believe it created a period of transition - the Incunabula - that has occurred every

time there is a new economic paradigm.

The [incunabula](#) was a period in which the church still controlled the written word and, until the printing press was invented, 'books' were in limited supply. The idea of providing the masses with unfiltered ideas was heretical. So the church decided that it would use the printing press for God's work, and take the illuminated manuscripts from the scriptorium in the monasteries, where all bibles were created, and print out the words and send these first 'forms' back to the scriptorium for illumination.

So the monks took the forms and added colorful pictures of devils and angels, ivy and floral scroll-work, visual 'job aids' for learning about right and wrong and what happened to you if you strayed from the path of righteousness. The pictures were important because most people alive then could not read. These first printing press books are called incunabula. They represent a paradigm shift that ultimately affected everything - your work, your play, your family, your thoughts, your life.

Once the Industrial Economy really started to steam ahead, again it was all about mass production, only this time it was the mass production of things. **We managed hands.**

The first things to become 'industrialized' were farming tools - cotton gin, land tillers, tractors, and more. A clean bridge from one economy to the next. Other things began to become mass produced as well. Cars. Trains. Ships. Stuff people needed and bought out of the Sears catalog. Typewriters, a personal printing press when you added carbon copies (the origin of cc). And so much more stuff that we not only became consumers of food but consumers in general.

The capitalist world was all about moving capital around to further the production of things (including the industrialized production of food) in order to create wealth. The wealth of nations, as recorded by Adam Smith, was built upon a culture and political system that supported mass production and mass consumption of things.

Owning the means of production was the key to wealth. The great wealthy dynasties of the industrialized world were created at this point in time. If you look at America, you see Ford, DuPont, Getty, Rockefeller, and Kennedy ad infinitum, owning the means of production and becoming the kings of this era.

It also meant we needed to make sure the culture of mass consumers was healthy and working. According to [John Taylor Gatto](#), public schools were created for this very purpose. We did not

want a critically thinking, independent population focused on anything other than acquiring things. Work to spend. Spend more and work harder. Make the rich richer while you enrich your life with things. Towards the end of this economic paradigm, we invented the credit card, one of the greatest boons to mass consumption imaginable.

Since we had all the food we could want, and all the things we ever hoped for and couldn't really afford, we were ready to move on into the next economic paradigm.

## **The Knowledge Economy**

And the Knowledge Economy was born. [Peter Drucker](#) in the late 20th century, was prescient enough to see what was coming and named the people who labored in this new economic paradigm Knowledge Workers. What they mass produced was Knowledge. New ideas. Innovations. Know-how. They spent their days thinking, writing, communicating, meeting, disseminating, rethinking, researching, creating, innovating, designing, reading, listening to the ideas of others, sharing, collaborating. Later they added emailing, instant messaging, tweeting, texting, wikiing, etc. **Suddenly, we are managing minds.**

The Knowledge Economy is so new that I think we are still in that exciting incunabula period of changeover, when we know that there has been a sea change, and most of us are just not sure what it is.

I say most of us...

Not, for example, Bill Gates. The mass production of software is knowledgework. The people who make it are not producing food or cars or toasters (unless they are flying across your PC since I assume you are reading this on your PC or Smartphone). They write code. They meet and talk about features and functions. They compile code. They debug code (or let you play with it and debug it for them). Bill Gates is the richest man (so far) in the new Knowledge Economy because he was either smart enough, or knew in his gut, that the key to wealth in this economic paradigm was the mass production of knowledge, and the tools that enabled as many people as possible to produce knowledge for a living.

Several years ago I gave a presentation to the annual gathering of CIO's at Boeing in Southern California. As the top CIO was leading me into the conference room, she told me that the building itself has an interesting history. Originally an orchard grove for oranges, the building was first used as a giant manufacturing facility for the production of airplanes. When the

demand for planes was reduced, the building was cut up into floors, offices and cubicles and people spent their workdays in front of computers producing, refining, defining, revising, discussing, and communicating ideas. Ideas for new planes. Ideas for improving production of planes. Ideas about related projects that had something to do with planes. One piece of land, three economic paradigms.

The point is all they did all day was produce ideas, work with ideas, think about ideas, write and talk about ideas. There were still a small group of people who ultimately made those ideas into things - planes. But they were followed by the people who had more ideas about how to market it, sell it, teach people to fly it and so on and so on. So the Knowledge Economy is all about the mass production of ideas. Success in the Knowledge Economy is the ability to sift through all those ideas to come up with the ones that can be produced and sold. Turning ideas into money.

Now I wonder myself why is this any different than the previous Industrial Economy? Someone had the idea for the Ford. Someone had the idea for the mass production line. Someone even had the idea of the color choices of the Model T - black. Why were things and the mass production of things the underpinning of the Industrial Economy? Because it only took a few ideas to make a lot of things. And once we all had, in the advanced and advancing industrialized countries, all the things we needed, ideas became the currency of choice. Ideas for new ways of doing things. Ideas about ways to employ new technologies which were new ideas in their own right. Ideas about how to 'converge' the things that were created as a result of the new ideas. Ideas about how to change the old analog world into a digital world.

Here's another example of ideas becoming wealth in the Knowledge Economy. Steve Jobs and I (fill-in-the-blank). technology changes everything, and digital technology changes everything faster. So someone had the idea for the iPod as an example, and someone else has the idea that all music consumers really wanted was the choice to only buy the music they wanted. This was a whole new idea from the old model. The old model, from the Industrial Economy, forced music consumers to buy the thing, the CD, with lots of tunes they did not want, and only a few they really wanted.

The new digital model was one tune at a time. No CD. Download it directly. Pay as you go. Music on demand. A 1:1 relationship between the consumer and the producer. Only on a scale that was massive. Worldwide. So an entire industry was reshaped by an idea. It's happening to television, photography, medicine, and other industries that are artifacts of the Industrial Economy. It's the polar opposite of mass creation of things for mass consumption.

It's a new economic model of 1:1 consumption. Every consumer can choose what they think they want or need.

So if you want to be wealthy in the Knowledge Economy, you need to be able to produce great ideas, or have people working for you who can produce great ideas. Then be able to sell them, or make them into real products or services, or have people who can help you make them into products or deliver them as services. Then market and sell them. And, according to [Thomas L. Friedman](#), since the world is now flat and becoming flatter, and ideas know no boundaries, need no passport, travel in the air without wings, and can just pop into anyone's brain anytime and anywhere, being able to compete in this new Knowledge Economy is not as easy as the previous two. Just a look at the rapidly emerging BRIC nations (Brazil, Russia, India, and China), not to mention out scores an world ranking on Math and Science, tells you that the game has new rules. The future is a foreign country in which they do everything differently than we do here today. And the future is the Knowledge Economy, and it is here now.

**You need to be smarter and faster than ever before.**

The brains of creative people are the key in this new paradigm. And the brains that take what they imagine and turn it into something or some service (or some place as the Disney Imagineers do with Disneyland and Disneyworld) are the wealthy.

For they own the mass production of ideas ... and only the smartest companies will win.

