

The International Opportunity

Large multinational companies are in trouble. They don't generate enough profit while being highly vulnerable to political trends. This offers hope to those companies that are smaller, better focused, and can fit in with the local communities around the world.

The Economist recently pointed out that 40% of large multinational corporations are returning less than 10% on investment. That is a lower rate than most quality investments.

Why is the return so low? Normally, we assume that these companies are able to achieve "economies of scale". However, economies of scale are not always the dominant factor in profitability. There are a

number of other factors that can overwhelm such "economies of scale". The most obvious factors include nationalism, and loss of labor price arbitrage. But the most important is the internal siphoning of profit by "the organization".

All organizations cost to operate. The larger the difference between the top pay and the bottom, the more the organization "leaks" profit. Profit "leaks" out as managers build their own little "empires" and count the number of people reporting to them as more important than the goals of the corporation. Profit "leaks" out in side projects, special events for the team, awards for sales people, and a multitude of other activities away from the main focus of the business. This can be seen at Google which is currently so

profitable that all these side expenditures are not a problem – yet.

Recent political turmoil around the world is reinforcing local nationalistic and community fervor. That offers many people the opportunity to push back against the products and services offered by such corporations. They buy from national firms instead. Thus, we see corporations pulling back out of China and other locations where the local

political situations and local competition prevented them from making a good presence.

The last few decades, multinational corporations have been able to use the difference in labor prices to make a profit. They moved production to a location with low labor costs and were able to ship

the products back and sell at high price points. However, those differences are disappearing. Both China and India along with shipping have had major inflation bringing the profit margins way down. Educated labor is in short supply globally. Yes, we have a global oversupply of manufacturing and bulk shipping, but shipping costs for fast shipments and those within the US are rising.

All these problems for the large multinational corporations are opening up opportunities for the smaller and better focused companies. Already, we see specialty manufacturing moving back to this country. Already, we see where the time to market is critical, the companies are moving production back to this country. In software, we are finding more and more companies bringing projects back to this country when the purported savings resulted in lower quality or unfinished projects.

Organizations Leak Profit

Edge Computing

With the rise of the Internet of Things and the revelations of how deep the investigation agencies have tapped into nearly everyone's communications, there is a renewed interest in what is called "Edge Computing". This includes local networks, mesh networks, and running servers on cell phone sized equipment.

Edge computing is the opposite direction from "Cloud Computing". When we put stuff on the cloud, we are moving processes into a centralized location which may have far more computing power than what we have locally. With edge computing, we move the computing out as close to the point where we gather the data as we can. For example, one visual sensor combines the pixels with change analysis and sends up data only when the pixel actually changes. This reduces the data load significantly. The "Internet of Things" is threatening to overwhelm us with data and if we can move some of the analysis out towards the edge, we may be able to handle the load.

Edge computing is also about getting away from networks where authorities have easy ways to trace our activities. Mesh communications a technique is where devices talk to each other instead of to a central tower and communicate back and forth through a network that they build on the fly. This technology is being designed for military use in places where there are no cell towers or a battle ground where all the infrastructure has already been destroyed. Some people are adapting that technology for cell phones but it isn't very practical yet.

As both of these issues have financial implications, we can expect to see a lot more research into aspects of them and new developments.

Risky World

We are connecting more and more objects to our phones, but there is a downside. If you sell a car that was connected to your phone, the new owner can't disconnect your phone from it. People who rent homes might connect their phones to appliances leaving the original owner out.

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