The Networked Society: time for the tough questions

What's really new about the **Networked Society**? Who's driving it? And how can we stop things going bad? *Ericsson Business Review* puts **Patrik Regårdh**, Head of Ericsson's Networked Society Lab, on the spot.

"The Networked Society starts from the place where most utopias finish – with the users"

What is the Networked Society?

In essence, the Networked Society is a series of transformational logics. By combining and implementing these new logics on a large scale, we can transform our businesses and societies for the better. This is obviously a visionary concept that will be realized gradually over an extended period of time. However, I believe there is already indisputable evidence that the Networked Society is fast becoming a reality in the daily lives of many people around the world.

The first logic of the Networked Society states that whatever can benefit from being connected will be connected. The second logic says that anything that can be shared will be shared. And the third logic states that any idea that can be tried will be tried. The common enabler of these three logics – the factor that brings them out of the domain of theory into the realm of practice – is information and communications technology (ICT) in its various forms.

What is the biggest misconception about the Networked Society?

I think the number one barrier is the assumption that it is only about infrastructure. The idea of the Networked Society actually rests on a much richer set of principles than basic connectivity. The concept is also about sharing and innovating, which are the ultimate transformative forces from the social and industrial perspectives. Of course the network is essential in the sense that it makes these developments possible, but the story remains incomplete if we stop there.

The global car-sharing phenomenon gives a good example of what I mean. In many cities, it is now possible to use your smartphone to find a shared car – you simply jump in, drive to your destination and then leave the car for the next user. Naturally, this wouldn't work without the initial connectivity, but something much more profound is going on at the same time. You have moved outside the traditional industrial-society logic into a new logic centered on sharing. The car is no longer sold to you as a product you possess, but as a service you use. In fact, assuming that car-sharing will eventually be available everywhere, you now own a car in a virtual sense rather than a physical one.

From the point of view of innovation, car-sharing also takes away many of the old barriers to entry. You might still need some capital to invest in the cars, but it's now possible to be a major player in the transport business without owning the world's largest car factory, which used to be the principal model for dominance. Airbnb is another case in point: an accommodation business that doesn't manage a single room today has a higher market valuation than any of the major hotel chains. In this new landscape, symbiotic organizations can be just as effective as hierarchical industries.

These examples show the importance of separating the idea of a *Networked Society* from that of a *Network Society*. This might seem a trivial distinction to make, but it's actually fundamental

Ericsson Business Review, Issue 3, 2015

to understanding the thinking behind the concept. Sharing and innovating are both examples of networked behavior, and these – just as much as the network itself – are the drivers of a change that will cause us to rethink the way we do a great many things, not just how we get around town or book places to stay.

The idea of a technological utopia has a long history: Edward Bellamy in the late 19th century and H.G. Wells in the early 20th century, for example, along with certain strands of contemporary transhumanism. Isn't the Networked Society just the latest version of a particularly resilient myth?

I think the big difference this time is the fact that we're looking at a grass-roots movement, rather than a programmatic ideal imposed from the top down. Even if there is a visionary aspect to the Networked Society, the concept nevertheless rests on a very tangible and concrete reality. Technology has become available, accessible and increasingly integrated into our lives, and all over the world, people are increasingly using it as a platform to tackle a wide range of challenges. That seems pretty undisputable to me. In turn, the skills and mindsets of this first wave of innovation – together with continuing developments in technology – will trigger further waves, which in turn bring new innovation, and so on. Seen in this way, the Networked Society is a logical development of an existing reality, and one that is very much non-elitist and rooted in the needs of individuals.

For example, Jakarta, Indonesia has a long-standing problem with traffic congestion. As a result, most of the taxis in the city are actually motorbikes, because they are better equipped to move around faster. But the motorbike drivers are often underutilized, so somebody created an app where people could use the drivers to pick up shopping, deliver packages and carry out similar tasks. It's convenient for the users and a useful source of extra income for the drivers, so it has not only taken off on a large scale but has also created a range of additional services around the initial idea.

This isn't a government or corporate initiative – it's people looking at technology and spontaneously applying it to their lives and societies. And of course, when more people can step in and test ideas, the speed of innovation and change naturally becomes even greater. It's not necessarily a problem that the odds of coming up with a totally transformative idea are 1,000 to one when millions of people are involved.

In other words, the Networked Society starts from the place where most utopias finish – with the users. This characteristic, in my mind, is what makes it reasonable to talk about the Networked Society as something fundamental and enduring, and not as a technology pipedream.

Staying with the theorists for a moment, Karl Marx famously saw one of the fundamental characteristics of capitalism as a disjunction between the workers and the owners of the means of production. By enabling concepts such as user-generated content, the Networked Society seems to break down this opposition. There are many other ways to understand capitalism, of course. But in general, what does the Networked Society mean for the way we organize our economies?

I've already touched on what I believe to be the principal impact: the increasing obsolescence of scale as a source of competitive advantage. Physical assets, and the ability to produce them at a faster rate than anybody else, are becoming less important than attractive services and mastery of the logics of consumption. It is possible to be successful without following every single page of the

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industrial-society playbook. That's not to say that hugely powerful companies – or even monopolies – are a thing of the past. But their position will probably be harder to sustain as the business environment becomes more fluid, even before we factor in the regulatory pressures that seem to be building in certain quarters.

That said, this transformation has a long way to run, and many questions are still unanswered. For example, what does the Networked Society mean for the idea of a stock market? Stock markets operate on the principle that different actors have different interpretations of an imperfect set of data. But now, in theory at least, we can envision a future point of complete transparency, enabled by ICT, where everybody has access to the same full set of information, which would make anything other than consensus in terms of valuations irrational. I'm not claiming this will necessarily happen, but it illustrates the level of change that might be possible. It's certainly an important and interesting domain to look into.

Valuations aside, if we look at some of the corporate flagbearers for the digital economy, many of the business models deployed so far don't seem to have led to substantial profits, job growth or anything that could be defined as a sustainable or desirable way of doing business in the long term.

This is one of the questions that cut to the heart of the Networked Society concept. But it's vital to emphasize that operating in a digital context doesn't magically turn a bad business model into a good one. Short-term investor enthusiasm will never be a substitute for a deep understanding of customer needs, successful adaptation to new industry logics or delivery of a great service.

However, it is also legitimate to wonder whether we are always measuring the right things. Let's go back to the shared-car example and assume for the sake of argument that one shared car removes the need for 10 privately owned cars to be manufactured. According to the classical approach to measuring gross domestic product (GDP), which is based on production, sharing a car in this way is worth 90 percent less in terms of GDP than the individual ownership model. But if we instead measure GDP in terms of usage, there's no drop, and we might even see an increase, perhaps if people who previously couldn't afford to buy a car gain access to a shared one. So should we measure production or usage? When logics shift, so does the way in which value is generated, and our metrics somehow need to reflect this.

Regarding the job-creation issue, it is clear that moving away from the industrial-society logic will have some kind of impact: ICT enables more automated ways of doing things, and the overall composition of companies is changing. But I think we can still be optimistic. Imagine if I were to travel back in time 150 years to this very spot on the outskirts of Stockholm, Sweden. Instead of an Ericsson office, there would probably be a field here, and perhaps somebody would be digging a hole in it. If I explained to that person what my working day looks like, they would probably look at me and ask: "how is that a job?" I would most likely get the same response from somebody living 150 years in the future too.

The point is that we will not end up doing nothing, but doing different things from what we do now. My belief is that there will always be value in the world, and this value will remain attached to people in a very meaningful and significant sense.

The idea of ICT as a tool of political liberation has been shown to be a rather naïve one. If anything,

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the reverse has proven to be true – ICT can actually be a very effective weapon for increasing repression. How do we prevent the Networked Society from turning into the Panopticon?

As societies, we cannot expect a technology to solve every issue around its usage. After all, technologies are just tools. We have to look to our various social contracts, legal protections and cultural values to guide us through the process of weaving that technology into the fabric of our lives in the best possible way. There's nothing in the technology behind a car that stops me driving past a school at 140 kilometers per hour, but there are plenty of social mechanisms that should hopefully make me think twice about doing it. The same principle should also govern how we approach the question of digital technologies.

We also have to recognize that it can be difficult to understand the consequences of a technology in advance. When the car was invented at the start of the 20th century, it would have been impossible to foresee the need for highways, advanced safety features or motor insurance. These things were instead created through a process of trial and error that was informed by continuous discussions and, in many cases, direct reactions to specific experiences. Every major disruptive technology follows a similar path.

Some problems along the way are pretty much unavoidable. Big data, for example, has the potential to throw up all kinds of scenarios that we cannot envision today. We will run into companies and countries using ICT in a negative manner, but there will be a counter-reaction that will – if we inject a little optimism here – gradually put us in a position to master the situation.

But we can already identify potential negative consequences of some technologies – such as big data – simply by reflecting on the concepts involved. Shouldn't we be more proactive about addressing the most obvious threats?

Yes, of course. Anybody who provides a technology has a very serious responsibility to think through how that technology could be used for negative purposes, and as far as possible they should build in practical safeguards. But as we have already discussed, this is not purely a technology question – it's also a matter of effective legal frameworks and social contracts. Equilibrium between these various aspects is probably too much to ask for, which means we need to increase our ability to understand change and to react as necessary. This isn't a perfect answer, but it's the reality we have to accept.

Many societies are quite prepared to reject technologies if the benefits are perceived to be outweighed by the costs – take nuclear power, for example. Could something similar happen with ICT?

It's definitely a possibility, especially given that some aspects of ICT are potentially counter-productive. If we want everybody to reap the benefits of the Networked Society, we should accept that there are certain lines that we should probably be careful about crossing.

Personally, I think it's important to be particularly careful with technologies that blur the distinction between the digital and the human. Nobody would object to sending a firefighting robot on wheels into a burning building filled with toxic chemicals, but the idea of a humanoid robot police officer patrolling the streets rightly makes us much more uncomfortable.

This intuitive sense of when we've gone too far can be a very valuable compass in steering our efforts in a positive direction. And as societies, it's vital that we exercise good judgment and retain the capacity to separate the technologies that benefit us from those that don't, rather than bundling them together and accepting – or rejecting – everything as a package.

Ericsson sees itself as the driver of the Networked Society. But can any company successfully play this role? Driving a long-term vision for people, business and society doesn't seem fully compatible with the quarterly timescale of a for-profit enterprise.

Ericsson's technology is at the core of just about all the developments I have outlined so far. That, I would argue, gives us both an opportunity and a responsibility to contribute on a more theoretical level towards shaping change. At the same time, the Networked Society isn't a single product or service that Ericsson is going to invent. It's a collaborative, global effort that potentially has billions of stakeholders, and realizing its full potential in some respects lies beyond Ericsson's individual capabilities.

Both these factors mean that our efforts will necessarily have a visionary dimension, as well as a practical or commercial aspect. And every successful company has a strong vision – it helps you develop your strategies and business for the long term. I also believe that when disruption accelerates, so does the need for this kind of thinking. Focusing only on the here and now leaves you at the mercy of events, whereas the ability to look beyond short-term contingencies and to act on a clearly articulated vision helps a company create long-term value and, hopefully, ensures long-term relevance. ●

INTERVIEW BY NICHOLAS SMITH

Background Check

PATRIK REGÅRDH is Head of the Networked Society Lab, Ericsson. In this role he focuses on market development, industry dynamics, and driving strategies and initiatives to support Ericsson's long-term positioning. Regårdh has worked for Ericsson for 20 years and has previously held positions in strategy, business development and account management, including international assignments in Brazil, Germany and Thailand. He holds an Msc from the Royal Institute of Technology, Stockholm, Sweden.

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