Since the dawn of society, our never ending lust for power has been one of our most defining and enduring characteristics. For the Ancient Greek philosopher Aristotle, the exercise of power, along with love and friendships, were the three most important components that added up to a person’s overall happiness. In the Sixteenth Century, Machiavelli famously wrote in *The Prince* that the quest for political control “is very natural and common among men.” A century later, the English philosopher Thomas Hobbes took the idea a step further when he wrote: “I put for a general inclination of all mankind, a perpetual and restless desire of power after power, that ceaseth only in death.”

This is not to say that human existence boils down to power alone. Obviously, love, faith, and other emotions also have their part to play. But just as surely, the idea of power is something that
has forever motivated the human race, and most certainly always will.

As we make the many big and small decisions that come up in daily life – as citizens, employees, consumers, investors, or members of a family – we must constantly bear in mind the limits of our own power. Whether the challenge is getting a raise or a promotion, pushing an elected official to vote a certain way, or getting our kids to eat right, we’re always assessing and re-assessing our capacity to get others to do as we want.

Yet despite the incredible extent to which power is part of our daily lives, it often eludes our understanding. For whatever reason, we rarely stop to address it analytically - to identify exactly how it works, how far it can go, and what stops us from taking it even further.

Fortunately, while most of us may not spend a lot of time thinking about these important questions,
there are some very smart people who do. And there’s a lot we can learn from them, particularly as it applies to running a business in the first half of the 21st Century.

Perhaps that’s why Facebook CEO Mark Zuckerberg’s inaugural pick for his “2015 Year of Books” challenge was *The End of Power*, by Moises Naim. Dr. Moises Naim is one of those really, really smart people. He’s the former Minister of Trade and Industry for Venezuela. He was also Executive Director of the World Bank. For fourteen years, he served as the editor-in-chief of *Foreign Policy* magazine, and is the author of no fewer than ten books. In 2013, the British magazine *Prospect* listed Naim as one of the world’s top 100 most influential thinkers. (We could go on, but you get the idea.)

Moises Naim wanted to write a book about power because he recognized that humanity is rapidly
hurtling toward uncharted territory; a new era where our capacity to get others to do - or to stop doing - something is undergoing a historic and world-changing transformation.

In many ways, power is decaying (hence the title of his book: *The End of Power*), and long-established, big players are increasingly being challenged by newer and smaller ones. And those who still manage to hold onto power are more constrained in the ways they can use it.

Some of these changes may seem obvious. But according to Naim, we often misunderstand or overlook the magnitude, nature, and consequences of this transformation. We see, for example, that power is shifting from brawn to brains, from dictators to people in town squares, and from tired old corporate behemoths to agile start-ups. But to say that power is simply changing hands or dispersing itself among a few
new players is not enough.

Even as rival companies, states and social movements fight amongst themselves for power, as they have done throughout the ages, power itself - the very thing they are fighting so desperately to acquire and keep - is slipping away.

“To put it simply,” writes Naim, “power no longer buys as much as it did in the past. In the Twenty First Century, power is easier to get, harder to use, and easier to lose.”

In the summary that follows, we’ll get a taste of how these profound changes in the nature of power are benefitting innovators and new entrants in many fields. Small and obscure companies from countries with no track record of business success have been able to leapfrog, and sometimes take over, massive global brands built over decades by grand captains of industry. For those of us who grew up believing in the
importance of free markets, we’d tend to view all of this as progress. But unfortunately, it’s also the case that this new global distribution of power is enabling those with more nefarious intent, including, but certainly not limited to, pirates, terrorists, insurgents, hackers, counterfeiters, and cyber-criminals. As we’ll see, the decay of power is very much a double-edged sword.

The End of Power: By the Numbers

For the record, Moises Naim isn’t arguing that power has disappeared, or that there aren’t still people who possess it in abundance. The President of the United States, the CEO of J. P. Morgan, the publisher of the New York Times, and the Pope continue to wield great power. But a lot less so than their predecessors.

The previous holders of these positions not only dealt with fewer challengers and competitors, they
also had fewer constraints - in the form of citizen activism, global markets, and media scrutiny - on using the power they had. As a result, today’s power players often pay a steeper and more immediate price for their mistakes than did their predecessors.

For example, although heads of most big corporations nowadays earn much more than their predecessors, a CEO’s tenure at the top has become remarkably tenuous. In 1992, a US Fortune 500 CEO had a 36 percent chance of retaining his or her job for the next five years; by 1998, that chance was down to just 25 percent. In 2011, about 15 percent of CEOs of the world’s 2,500 biggest listed companies left their jobs. Indeed, the world has never seen so much turnover within the CEO ranks.

From presidents, to publishers, to CEOs, being at the top clearly ain’t what it used to be. If you’re
lucky enough these days to make it to the top, you will be operating in an unprecedented fishbowl environment, with critics ready to pounce on any real or perceived misstep. And in this new era of hyper-transparency, you’ll undoubtedly be on a much shorter leash as a leader than any of your predecessors ever were.

So why is this happening? According to Naim, there is no single factor that is driving these profound shifts.

Clearly, the rapid emergence of the Internet and other new communications technologies play a major role. But that’s just the tip of the iceberg. In fact, the world’s socioeconomic landscape has been drastically altered in the last three decades. The list of changes - indeed, of achievements - is actually quite astounding. For one thing, people are very quickly becoming better educated: nearly 85 percent of the world’s population is now
literate, compared to about 75 percent in 1990. The number of university graduates is up, and even average scores on intelligence tests all over the world are now higher. Human beings are also enjoying longer, healthier lives. According to the United Nations Human Development Index, living standards have risen almost everywhere in the world since 1970.

“The overall picture of humanity living longer and healthier lives, with basic needs far better addressed than ever, is crucial to understanding today’s shifts and redistributions of power,” writes Naim. “The key is this: When people in general are better educated and living fuller lives, they become more difficult to regiment and control.”

Not only are people living fuller and healthier lives, they also tend to move around a lot more these days. The United Nations estimates that there are 214 million migrants across the globe,
an increase of 37 percent in the last two decades. In that same period, the number of migrants grew by 80 percent in North America alone. We’re experiencing a “mobility revolution,” in which more people are moving than at any other time in world history. Also, the patterns surrounding this mobility revolution can be surprising. For example, in Dearborn, Michigan (the headquarters for the Ford Motor Company), 40% of the population is Arab-American. Its Muslim members have built the largest mosque in North America.

And then, of course, there’s the Internet. Its expansion and the surprising new ways in which it is used (and abused) don’t need much elaboration. In 1990, the number of Internet users was insignificant – less than 1 percent of the world’s population. That number rose to 30 percent of the population worldwide in 2010 (and to more than 73 percent in developed countries). By 2012, eight-year-old Facebook cracked 1 billion users.
But again, technology is only one of the key drivers. In the last three decades, government actions also have drastically altered longstanding power structures. Margaret Thatcher and Ronald Reagan launched a wave of policy changes that spurred competition and changed the way of doing business in a variety of sectors, from telecommunications and air travel to coal mining and banking. When taken together – huge demographic shifts, population mobility, the growth of the Internet, shifts in government policy, and other profound socio-economic shifts – are having a transformational, and almost certainly irreversible, impact on the distribution and use of power in our world today, and for the foreseeable future.

**The Four Channels of Power**

To understand how the distribution of power in
our society has been altered, it’s also useful to
look at the four ways power has historically been
channeled, and how that’s also changing. These
are Naim’s four channels of power:

1.  *The Muscle*: The first channel of pow-
er is the most obvious and familiar. Force
– or threat of force – is the blunt instrument
through which power is exercised in certain
extreme situations. The muscle can take the
form of a conquering army, a police force with
jail cells or a bully in a schoolyard. Muscle
works for exactly the same reason every time:
we obey it because if we don’t, the perceived
consequences will be far worse than those of
obeying.

Jews observe the Sabbath, and Muslims pray
five times a day? What causes people to fol-
low the Golden Rule and refrain from harming
others even when no law or punishment exists to deter them? The answers can be found in morals, tradition, cultural mores, social expectations, religious beliefs, and values handed down through generations or taught to children in school. According to Naim, we live in a universe of written and unwritten “codes” that we often choose to follow because they activate our sense of moral duty.

3. *The Pitch:* Billions of dollars go into advertisements in television and radio programs, on billboards and websites, and in magazines, video games, and every other possible vehicle for the express purpose of getting us to do something we might not otherwise have done: open our wallets and buy stuff. “The Pitch” requires neither threat of force nor appeal to a moral code. Instead, it gets us to change our thinking, our perception; it persuades us that some product or service is worth selecting
over the alternatives. The Pitch is just the capacity to persuade others to see the situation in a way that leads them to advance the persuader’s goals or interests.

4. **Rewards:** How many times have you heard someone say: “I wouldn’t do that even if you paid me to.”? Well, typically the opposite is true. People are generally only too happy to accept payment in exchange for doing things they would not otherwise do. Any individual or corporation that has deep enough pockets to offer rewards as a means of incenting certain behavior clearly has a lot of power in our society.

As described above, these four channels - muscle, code, pitch, and reward - are fairly distinct from one another. But in practice (or, more precisely, in the exercise of power in specific situations), they tend to mix together and combine, and are seldom
so clear-cut.

For example, when churches, temples, and mosques compete for members, they often start with a pitch. Indeed, many churches in the U.S. actually employ paid advertising firms. And they sometimes offer rewards as well - not just the immaterial reward of promised salvation, but tangible benefits such as access to the congregation’s job bank, or child care facilities.

According to Naim, these four channels of power remain just as relevant today as they were a hundred - or even a thousand - years ago. But the longstanding barriers that used to limit the use of these channels to well-established incumbents are rapidly coming down.

Barriers to power are the obstacles that stop new players from deploying enough of the muscle, the code, the pitch, and the reward (or some combination thereof), to gain a competitive hold.
These barriers allow incumbent companies, political parties, churches, and so on, to maintain their societal dominance. Up until very recently, the only real way to overcome these barriers was through size and scale. Smaller players simply didn’t have the heft to be able to channel their power in ways to achieve the desired impact.

“During a decade-long period from 1895 to 1910, no fewer than 1,800 small firms were gobbled up by larger firms in a wave of consolidation,” writes Naim. “The familiar names of many major American brands still date back to that era. General Electric was founded, out of a merger, in 1892. Coca-Cola was founded the same year, and General Motors, in 1908.”

In 1955, General Motors became the largest corporation in the United States and the first to net more than $1 billion in annual profit. At that time it employed more than 500,000 workers in the US
alone, offered consumers 85 different models to choose from, and sold about 5 million cars and trucks. By operating at that scale, General Motors and a few other big conglomerates like it were able to fully leverage the various channels of power to achieve utter marketplace dominance. But increasingly, that’s no longer the case. Today, if you want to wield great power, it’s almost better to be small.

The Rise of Micro-Powers

According to Naim’s research, roughly twenty percent of the global top 500 companies didn’t even exist ten years ago. This remarkable stat shows how relative newcomers are displacing traditional corporate giants and catapulting their way to the top in record time.

“These newly and increasingly relevant new players are vastly different from one another, as
are the fields they compete in,” writes Naim. “But they have in common the fact that they no longer require great size or proud history to make their mark. They represent the rise of a new kind of power - let’s call it ‘micro-power’ - that previously had little hope for success.”

The decay of power doesn’t mean the extinction of mega-powers. Big government, big armies and big business will stay relevant and their actions will still carry great weight. But not as much as before, and certainly not as much as they’d like.

Increasingly, micro-powers, (i.e. small, relatively unknown companies) are finding clever and effective ways to undermine, fence in, or thwart the mega-players (i.e. the large conglomerates that previously controlled their fields). Up until very recently, micro-powers were merely aberrations. Because they lack the scale and resources of larger firms, it used to be that they rarely even
made it into the game - or at least, not for long before being squashed or absorbed by a dominant rival. But now the reverse is true.

“The advantage of micro-powers is precisely that they are not burdened by the size, scale, asset and resource portfolio, centralization, and hierarchy that the mega-players have deployed and spent so much time and effort nurturing and managing,” argues Naim.

Advanced technologies are lowering barriers to entry that once seemed immutable. In many industries these days, it’s no longer necessary to build very large facilities to gain a worthwhile market share. For example, micro-breweries are popping up all over the United States. These small breweries may not displace the likes of Coors or Heineken overnight, but they’re still able to capture sufficient market share in their geographical areas to turn a profit, and also
introduce more competition in markets where choices have been limited.

Today, we’re seeing far more small-batch production of what were traditionally mass-market goods. And in many cases, the small-batch production companies seem to be outpacing the larger producers. For instance, the Spanish apparel company Zara - which began as a cottage industry company making bathrobes - now has sales greater than those of The Gap. This is noteworthy because Zara is famous for producing apparel in small batches rather than farming out big production orders as its competitors do. Zara needs just two weeks to design and manufacture a new product and get it to stores; the industry average is six months.

Moreover Zara launches around ten thousand new designs each year. In Zara’s business, and many more like it these days, the raw advantages
of nimbleness and speed (i.e. being sensitive to changes in customer taste and addressing them immediately) far outweighs the traditional economy-of-scale benefits from huge shipments of mass-produced goods.

The Decay of Power: A Double-Edged Sword

As we’ve seen, there are a number of undeniably positive consequences for society stemming from the decay of power. These include more democratic societies, new platforms for organizing communities, more ideas, innovation and possibilities, more global investment and trade, and more competition among firms, and ultimately more (and better) options for consumers.

Young people today would have a hard time imagining a situation when all telephone companies around the world were monopolies,
often owned by the state and frequently incapable of delivering decent service. Yet that is how it was not long ago, and we mostly took that for granted. The big players held all the cards and the consumer got screwed.

So, the more the decay of power prevents small groups of large firms from exerting abusive market power, the more we are predisposed to celebrate it. “But celebrating the benefits of the decay of power should not lead us to ignore that a glass that is half-full is also half-empty,” warns Naim.” It’s a double-edged sword.

The decay of power is also one of the forces driving the profusion of myriad criminal, terrorist, or otherwise malevolent actors. For them, laws and borders are irrelevant and governments are increasingly ineffectual at combatting these emerging threats.

Also, because there are so many more voices
now in every conversation, it could be argued that governments are becoming paralyzed. With so much democracy, consensus becomes ever harder to forge. We see this in just about every important policy domain, from arms exports, to Internet-domain conventions, to agricultural trade … just about every subject for international negotiation now involves more demands from a growing number of stakeholders. As a result, Naim argues that we’re increasingly unable to take action that goes beyond the lowest common denominator and actually make a dent in these problems.

Europe’s ongoing inability to respond in a timely and effective way to its devastating economic crisis offers a painful example of the corroding effects of the end of power. And perhaps with even more perilous long-term consequences, so does our inability to act decisively to limit the emissions of greenhouse gases that are warming
our planet.

“Having a more inclusive group of actors at the table (i.e. more micro-powers) and reducing the number of decisions arbitrarily imposed on the world by a few powerful players is worth applauding,” says Naim, “but the heightened difficulty of getting things done is not.”

So, we must take the good with the bad. We can only hope – for all of our sakes and those of future generations – that, on balance, the negative aspects of the decay of power don’t outweigh the positive ones.

**Conclusion**

If you look out your window today, it might be hard to believe that power is dead. Everywhere you look, the big, established players are fighting back against the profound societal changes we’ve just read about. And many of them seem to be holding
their own.

But according to Moises Naim, if you look more closely, you’ll notice that the great titans of industry are far more constrained in what they can do than they used to be in the past. With every day that passes, their hold on power seems increasingly less secure.

Change is in the air.

One thing is certain: The redistribution of power that’s happening around us as we speak will not be top-down, orderly or easy to understand. It will be messy, sprawling and confusing. It will occur in fits and starts. There will be one step forward, and two steps back. But, if you’re a small business owner, there has arguably never been a better time in history to go toe-to-toe with the big guys, and actually maybe win. The balance of power is tilting in your direction. The only question left to answer is: how are you going to use it?