

**GLOBALIZATION, STRATEGY & ADVANCED RECORDING &
STORAGE TECHNOLOGY**

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THIC Meeting

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Why am I here?

- I teach corporate strategy & global strategy at San Jose State University
- One of my former students was involved in organizing this conference
 - He thought that I should talk here
 - I rarely pass up a chance to talk

What is Corporate Strategy?

- Corporate strategy is **WINNING** in competition with other similarly endowed firms

What is Globalization?

- According to Thomas L. Friedman, author of *The Lexus and the Olive Tree*,
- “Globalization is the inexorable integration of markets, nation-states and technologies to a degree never witnessed before – in a way that is enabling the world to reach individuals, corporations, and nation-states farther, faster, deeper, cheaper than ever before.” (p. 9)

What makes Globalization possible?

- Two Things:
 - Technology, such as computers & storage devices
 - Organizations that are able to manage the challenges of globalization

The Challenges of Globalization are Not Trivial for Firms

- Firms are embedded in environments and must respond effectively to those environments
- Environments are much bigger and more complex than firms
- Firms must limit their efforts to just a narrow slice or segment of environments

Environments May Change Rapidly

- A firm`s organizational resources & capabilities must change in tandem with environmental requirements
- This is often difficult to do and it is almost impossible to do over the longterm

If Staying In-Sync with one Environment is challenging, ...

- Staying in-sync with dozens, if not hundreds, of environments (markets, nation-states) in a global world is daunting and extremely challenging.
- How to do it?
 - Technology
 - Organizational Resources & Capabilities

Technology Alone is Not the Answer

Today, firms have mountains of data, tracking nearly everything imaginable that may be of possible value,

Storage systems allow data to be collected and made accessible,

However, mountains of data may not be easily integrated and, if not, data has little value

Twofold Difficulties of Integration

- Data cannot be integrated because it is not effectively connected or accessible
- Data cannot be integrated because firms cannot make sense of it
 - This is an organizational failure, not a physical or technical one.

In a Recent Survey

- More than a third of executives (35%) said that they did not know how many data marts (databases) their companies used,
- And 31% said that their firms had “11 to 100 or more” data marts.
 - (Palo Alto Daily News, March 3, 2003, p. 13)

How can Firms solve Unprecedented Data Management Problems?

- Answer from a Corporate Strategy point of view depends on
 - Nature of the Firm
 - Its ability to cope with Environmental Complexity

What is a Firm?

- Two Broad Answers. Both say Firm is a Coordinating Device:
 - The Firm as Hierarchy wherein internal rules and procedures and division of labor allow organization to respond effectively to environ.
 - The Firm as Teamwork wherein a nexus of contracts allows for an internal division of labor allowing organization to respond....

Ability to Cope is Limited by a Firm`s Internal Division of Labor

- In one view, the Extent of Hierarchy limits the ability to coordinate,
- In another, the Extent of Teamwork limits coordination

In Both Cases

- Coordination occurs within a single firm
- One model promotes centralized coordination
- The other promotes decentralized coordination
- In both cases, the firm is a unified, integrated actor

Theory of the Firm & Globalization

The Theory of the Firm and, thus, Corporate Strategy is at an Impasse facing Globalization

Globalization means that Firms have to coordinate effectively across & within many different environments/markets. Today about 200 nation-state members of United Nations.

Globalization & Strategy

- Even if a Firm operates in only half of the UN-member nation-states and even if a Firm had only one operation in 100 countries,
- A Firm would have to coordinate effectively across 100 different environments in more or less real time. This is the nature of Global Competition.

How can Firms Cope?

- You guys allow Firms to cope technically,
- The challenge is more on the organizational side in my opinion.

The Notion of a Firm as a Unified Actor...

- Is a Fiction
- Instead of Firms, recognize the reality of Networks
- You guys recognized the reality of networks in a technical sense a longtime ago
- But Firms still insist on the fiction of unified, integrated actors

Defining Organizational Networks

- Network Organizations are composed of Sets of Independent/Interdependent Actors that Cooperate Often for Mutual Advantage
- And, by doing so, create communities of practice that transcribe corporate boundaries

This Definition

- May not seem like a Big Deal to You but, rest assured, it is,
- The boundaries of the firm have become porous or permeable and, as a result,
- The many subunits of the firm are free to contract as independent agents

Transactions Cost View of the Firm

- In the Transaction Cost View of the Firm, the many subunits of a firm are more likely to contract with each other than with unknown parties because past practice and, thus, experiential knowledge suggests that this will be less expensive,
- However, this requires that the needed expertise to cope with environmental uncertainty is found within firm,
- Which is Unlikely in Age of Globalization

By Adopting Notion of Firm as a Network

- We greatly reduce complexity of coping with the global environment
 - The Firm is no longer constrained by the requirement that it act in a unified, integrated manner,
 - Different subunits of the Firm are free to specialize/invest in being responsive to different environments in different ways – the 200 nation-states of the UN

Networks are also Coordinating Devices

- But Networks are not unified actors
- Many diverse and non-compatible goals may be simultaneously achieved in a network organization
- While some networks may have nodes that are highly central to the network as a whole, a highly centralized network will not be as highly centralized as a unified, integrated firm

A New Theory of the Firm

- A New Theory of the Firm allows us to construct a new theory of Corporate Strategy
- A New Theory of Corporate Strategy allows Firms to Compete Successfully in an Era of Globalization

To Succeed Strategically in an Era of Globalization

- Two Things are Needed:
 - Technology that allows Firms to coordinate effectively around the world – in other words, you guys,
 - An Organization that can coordinate its activities effectively around the world – that is my task

The Firm as a Networked Knowledge System

- My task is to train managers in the notion and operation of the Firm as a Networked Knowledge System
- This may not seem very revolutionary to you but there is not one business school in the world, not HBS, not INSEAD, not HKUST, not any IIT, that does this

My Task and Yours

- Our tasks are the same
- You are the folks selling the technology vision
- I am the person selling the organizational vision
- Both are required but, even together, we have a big task together
- Thank you.