

KINSER: Hello, this is Christine Kinser and today we're going to talk about the implications of an evolving business design we call the globally integrated enterprise.

I'm joined by Marc Chapman and George Pohle. Let's start by understanding what each of you do. Marc?

CHAPMAN: Good morning Christine. I lead strategy and change, one of IBM's consulting practices, and also led the CEO innovation study.

KINSER: Great, and George?

POHLE: My role is two-fold. One is that I manage the business strategy consulting practice area on Marc's team and I also run the Institute for Business Value which is Global Business Services think tank for business management issues.

KINSER: Let's start with what we mean when we use the term global integration.

POHLE: I think the term has been thrown around quite a bit recently.

The notion is pretty consistent with what's taking place in the global economy.

Bernanke is talking about the shrinking world, Friedman is talking about the flattening world.

But basically the integrated economy is about connecting resources across the globe for business purposes.

So the notion of doing business internationally has been there for quite a while but what's really changed here in the past number of years is this dynamic of the reconfiguration of the business and the speed of change that's necessary to stay competitive in this dynamic market.

KINSER: Marc, what you do think?

CHAPMAN: I think clients, especially CEOs, really understand this and they really get it. They are faced with unrelenting financial pressures unrelenting performance expectations from Wall Street, hedge funds,

and buyout firms. In the CEO study we found that CEOs around the world are looking at biz model innovation, product and service innovation, and operational innovation. And the globally integrated enterprise is perhaps the most visible form of the business model innovations that CEOs are aspiring to achieve.

I think the connection between innovation and the globally integrated enterprise, Christine, is pretty significant. In order to innovate companies need to find funding in lots of different ways and the globally integrated model can be one huge driver for increasing efficiency in an organization and then you can take the funds created from the efficiency to fund the innovation programs that will drive the top-line for the business.

KINSER: What are the main forces driving global integration?

CHAPMAN: There are really three megaforges that are enabling this. First of all is economics. Enterprises around the world will pursue unrelentingly better economic solutions. That's the first force.

The second is expertise.

Organizations around the world will pursue talent and move work to its best location where they can get the best tradeoff between cost and quality.

And then the third force is openness and that's really a condition. You need openness in order to connect organizations around the world. You need standards and interfaces to be easy to connect together.

KINSER: Are we already working with companies to help them become globally integrated?

CHAPMAN: We're working with many companies helping them move to many forms of globally integrated enterprises.

We have helped many companies in the past integrate their back offices so that they can move transactions around on a global basis connecting with customers and suppliers.

I'm thinking of a medical company and what we did for them was to provide the back office system for three lines of business on a global basis and it was a "one global back office" project. And we've done projects like that for many many clients around the world.

POHLE: A couple of other examples, Christine, are that we've used component business modeling as a tool to help companies basically define their own areas of specialization and make decisions about partnering and outsourcing as well.

In addition, we've got a practice, PLI, which helps companies select and identify the best market opportunities for new products and services and also helps them identify ways in which they can produce and source capabilities or assets from markets.

KINSER: When you talk to clients are there some common steps that you tell them are the common steps that they should take?

POHLE: There are basically three types of decisions that companies get made when companies make decisions about whether they should become globally integrated and how they should do it.

The first is in defining the economics as Marc described. They have to know how value gets created in their business.

The second is that they have to understand capabilities and assets more effectively, and that's what the component business model helps you do.

But the third which is very important here is an understanding of the environment so there are many different types of issues that impact a business's decision to change its structure or operations and to become integrated they have to deal with legal regulations government stability and legal issues and all sorts of complementary and contextual issues that basically play a very significant role in making the decisions.

KINSER: Thank you for joining us today, George and Marc.