Virtualizing the Corporation

Innovation in a collaborative world

By Wim Elfrink, Chief Globalization Officer, Cisco

The tradeoff between the intimate but inefficient old-world organization and the hyper-efficient but impersonal modern organization is on the verge of extinction. Today, the increasing pervasiveness of broadband networks have facilitated the slicing and dispatching of corporate functions around the globe. In the future, the network of ubiquitous devices, collaborative technologies, and omnipresent and enormous bandwidth will be so strong and seamless that thousands of geographically decentralized offices and people will actually *feel* and *act* like one, dense, centralized entity.

Imagine a world where immersive, high-definition video conferencing will replace phone conferences and will be as common and quick to access as instant messaging. An executive who needs to pull together an impromptu meeting with a globally dispersed team will simply click on a link, watch the sides of his office transform into display screens, and interact with clear, 3-D–like images of his counterparts—one in China working from home, one in India traveling in a car, and one in the United Kingdom sitting outside in a park. Seeing and *feeling* the presence and camaraderie of dispersed team members will effectively eliminate geography as a barrier to collaborative decision-making or standardization of processes.

For senior executives, this means that the age-old tension between decentralized and innovative or centralized and efficient will soon dissipate. Offices strewn across different continents will be just as organized and "close" as they would be in one central headquarters. But to benefit from this extraordinary paradox, upper management will have to re-think and re-work many internal beliefs, processes, and structures.

Capitalizing on the Value of Collective Innovation

The ability to be both dispersed and close will encourage a transformation from today's typical client-server corporate model, in which a central headquarters is linked to various satellite offices, to more of a peer-to-peer network. This translates into an extraordinary cultural shift: companies will move away from traditional command-and-control models, and possibly from the very idea of a corporate headquarters.

In the place of a corporate headquarters will emerge thousands of detached office-nodes, connected seamlessly around the world in a peer-to-peer network. Nodes will be independent, empowered, and highly specialized. Top management will be dispersed globally instead of congregating around the CEO. Offices will be able to tap global talent and react to customers and changing environments quickly and more effectively.

By adopting this model, node-offices will specialize, doing what they do best according to their individual blends of talent, resources, and environment. For the corporation, this new arrangement portends more efficient, productive operations, with the right offices always performing the right tasks in what will resemble, within a single corporation, the comparative advantages among nations. Employees in one office can focus on excelling at a select task area. They will understand their customers intimately and produce customized, and hence more competitive, offerings for them.

Most importantly, each node will be completely in tune with the larger organization. Every player in the network—the company, the independent nodes, and customers—will benefit by the overall circulation of knowledge. This model is fundamentally different from the supply-chain multinational of today. Instead, it's a collaborative supply-enterprise, in which multiple offices can function as a single organism while retaining their autonomy. By adopting a method of "smart-sourcing," companies will blend resources from a network of worldwide nodes for any given customer offering. A company's nodes need not only include internal offices, but also—as appropriate—external contractors and customers.

Creating a Platform for Global Collaboration

Overall, this corporate structure will enable a company-wide network effect: as more locations are added, the value and capacity of the entire network exponentially increases. And as the network grows, it will be increasingly virtualized—information will no longer be tied to a physical location. Additionally, if an office or person drops out of the network, there is reduced risk of a communication breakdown. Similar to mesh-networking of computers, a company's connected peer-offices can simply find another path to communicate with the network.

Of course, for this peer-to-peer corporate structure to work, we need seamless, strong, real-time communication. The future of the network promises unlimited bandwidth, abundant collaboration models, strong search capabilities, sophisticated yet easy-to-deploy enterprise software solutions, and the convergence of voice, data, and video on every device. Corporations that couple these technological advancements with the re-thinking and reorganizing of various internal structures will be able to enjoy the benefits of real-life, in-person collaboration and knowledge-sharing between geographically dispersed offices and people.

For multinationals, one of the most important advantages of a decentralized peer-to-peer network is the flood of collaborative innovation that it promises. When you have nodes spread out around the world, all of them seamlessly connected, the opportunities for both incremental and disruptive change are significant.

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Creating this platform of seamless open-source creativity between nodes is paramount to propel innovation and stay competitive. Take, for example, Facebook—the online social-networking site that currently trails behind more popular Myspace. Unlike Myspace, Facebook recently opened up their code for developers to build upon. Since then, hundreds of thousands of globally dispersed volunteer developers have collectively contributed more than 7,000 innovative new applications for the Facebook platform that can be used by members. And while it still has only roughly half the number of unique visitors of leader Myspace, Facebook experienced 128% year-over-year growth in August from 2006 to 2007, compared to 23% for Myspace during the same period. There's no doubt that Facebook's conscious effort to enable the collective innovation power of the global development community, and the subsequent boon for Facebook users in terms of valuable new applications, is contributing to its healthy growth.

Addressing the Challenges

The challenge going forward for every multinational will be to become global and local, decentralized and centralized, all at the same time. While technology and the network will make this all possible, the adaptation of mindsets, laws, and cultural norms to these new realities will prove to be the true challenge.

For one, the transformation from a client-server model to peer-to-peer calls for an entirely new way of thinking and doing business. Currently, most multinational R&D teams reside in the same geographic vicinity as the chief executive. Many innovators believe that this kind of physical closeness is necessary for true teamwork and collaboration. While advanced video-conferencing technologies will soon allow far-flung employees to feel as if they are in the same room, the mindset change that must occur simultaneously poses the trickier hurdle. Companies will have to convince R&D executives that their teams can and should be spread around the world.

A major factor contributing to the dislike of splitting up R&D teams is trust. If the future of innovation is about sharing ideas, not hoarding them, then the reflective corporate mantra will be *collaborate or die*. For this to actually work, though, individual contributors must trust each other, and trust the system. Similar to how eBay has created a model of trust within its ecosystems of participants, corporations will need to develop new ways of rewarding ideas and motivating employees to disclose their works-in-progress openly with others.

Protecting employees will not be the only difficulty going forward. In a truly networked, collaborative model, corporations open themselves up to various intellectual property protection issues. With work decentralized and people able to switch jobs more easily, corporations and regulators will have to devise ways to safeguard intellectual property. We will see companies around the world initiating advocacy groups and creating new governance standards.

Last, multinationals will need to help their employees understand that no matter what, they will still be forced to accept asynchronous synchronization—with the challenge of time. As a company's network of nodes spreads to include an increasing number of locations, each node-office will have to respect cultural differences, time sensitivities, and working norms.

While companies figure out how to deal with globalization's many hurdles, the winners will embrace forward-thinking leaders who fearlessly work to create new business structures, and who quickly utilize all that technology and the network have to offer.

Next Steps

Read an interview with Wim Elfrink on globalization at cisco.com/go/etl-elfrinkinterview. Wim Elfrink discusses the key principles of Cisco's globalization strategy in this podcast at cisco.com/go/etl-elfrinkpodcast.