Negotiating the Emerging “Flat” World

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I. INTRODUCTION

Professors at public colleges and universities in rural states, such as Kentucky, face a problem in the emerging “flattened” world economy. Many of our students have rural backgrounds. They are sometimes the first in their families to attend college and frequently the first to obtain college degrees. When asked to recall a travel experience, they are more likely to describe a Future Farmers of America trip to Paris, Kentucky than a semester abroad in Paris, France. Nevertheless, the good news, at least at the University of Kentucky, is that our leaders are addressing what might be called the “provincialism” problem.

We first learned of the flattening of the world in December 2005, when Lee Todd, the University of Kentucky president, released a white paper reflecting on the implications of globalization for higher education in the Commonwealth (Todd 2005). Thomas Friedman’s book, The World is Flat (Friedman 2005, hereafter, Friedman), was a principle source for Todd’s reflections. Dave Ziebart, director of the School of Accountancy, followed President Todd’s remarks by organizing strategic visioning sessions to discuss the implications of the “flat earth” for the future of accounting practice, research, and teaching. Discussions with our colleagues further convinced us of the importance of Friedman’s vision.

Herein, we primarily focus on the first four chapters of Friedman’s book, The World is Flat, which explore the implications of globalization for accounting and business. Later chapters focus on corporate and political governance in the emerging flat world—topics that we deem less relevant to accounting systems professionals and academics.

Flattening the World

Friedman’s “flat world” refers to a new global economic order within which the seemingly impossible has become normal. For example, who could have predicted that a retailer

We thank President Lee Todd of the University of Kentucky and Dave Ziebart, Director of the School of Accountancy, for introducing us to Friedman’s book, and our colleagues in the Von Allmen School of Accountancy for insightful discussions of it.
from Bentonville, Arkansas would simultaneously remake the world’s concept of a supply
chain and bring Asian culture to rural Arkansas? Who could have predicted that by 2004,
firms would outsource the preparation of hundreds of thousands of U.S. tax returns to India
(Robertson et al. 2005)?

What drives movement toward a global economy? Friedman’s ten “flatteners” include
three that connect individuals, six that facilitate collaboration, and a final one that enhances
the first nine. Electronic connection of individuals began with the availability of digitized
communication tools (e.g., digital telephones, fax machines, personal computers). Along
with the nascent development of a global communication infrastructure, these tools in-
creased information sharing and enhanced worldwide communication. However, the barriers
to entry of these tools (i.e., cost and knowledge) reduced their dissemination until the
emergence of “flattener” number two: web browsers. Web browsers made the internet truly
“worldwide” and exponentially increased knowledge (and junk) sharing that is independent
of geography. The third “flattener”—hardware and software “bridges” among software
applications (e.g., XML and SOAP)—further accelerated this process. Flattener #3 en-
hanced information sharing across hardware and software platforms, and, national and cul-
tural boundaries.

Flatteners four through nine create and enhance collaboration and thereby further erase
traditional corporate, organizational, and national boundaries. Open-sourcing, i.e., the pro-
cess of creating and sharing knowledge in an electronic community (e.g., Wikipedia), is one
important form of electronic collaboration. Outsourcing may also use electronic collabora-
tion. As a result of outsourcing, “... any service, call center, business support operation,
or knowledge work that (can) be digitized (can) be sourced globally to the cheapest,
smartest, or most efficient provider” (Friedman, 109). Indeed, companies are now relocating
entire factories to new locations—a practice referred to as “offshoring.” Friedman provides
a detailed walkthrough of Wal-Mart’s workflow to illustrate the importance of “supply
chaining,” yet another form of collaboration. Suppliers’ (many of them offshore) physical
products flow from trucks into the input side of the distribution center. After sorting and
scanning, the products are loaded on departing trucks for delivery to stores. Upon purchase,
the cashier scans the product, and the system periodically generates a purchase order that
is transmitted to the supplier. Another form of collaboration is “insourcing” or the practice
of another company (e.g., UPS and their Worldport in Louisville, KY) partnering with a
firm to “... design, redesign, and manage (their) global supply chain” (Friedman, 144).
Such collaboration “flattens” by decreasing the costs, and increasing efficiency, of smaller
firms. Search engines and open access to knowledge, which Friedman describes as “in-
forming,” are the final form of collaboration. Through in-forming, users become “... self-
directed and self-empowered researcher(s)” (Friedman, 153).

Friedman refers to his final flattener, wireless connectivity, as the “steroids” (one
among many regrettable metaphors found in the book) for the other flatteners. Wireless
connectively makes ubiquitous computing possible, allowing individuals to acquire infor-
mation virtually anywhere in the world.

The Triple Convergence

Although its relationship to the flatteners is left vague, Friedman’s concept of a triple
convergence seems to refer to forces that are further shaping the emerging global trading
networks. Technological complementarities (Milgrom and Roberts 1990, 1995) are the first
force that fuels economic efficiency and growth. Friedman argues that the 10 flatteners rely
on well-established technologies, but that realizing and exploiting the complementarities
among these technologies required time. This is the Friedman’s first “convergence.”
The second convergence involves business professionals adapting to these technological advances. Global communications networks alone were inadequate to transform business. Change occurred only after decision makers learned to exploit the business opportunities hidden in these technologies. This understanding allowed them to creatively apply and adapt the technology to new and unanticipated uses.

Friedman’s third convergence—liberation—involves the democratization of economic opportunity. Globalization creates new economic possibilities in formerly “closed” (i.e., communist and totalitarian) countries. Friedman estimates that 3 billion people have joined market economies in the last 10 to 15 years. Access to these groups of emerging consumers and workers will further “flatten” the world.

Friedman argues that the result of the triple convergence is “the great sorting out.” He notes that shifting from bureaucratic to collaborative modes of value creation redefines organizational and political boundaries and hierarchies. For instance, successful management less often centrally controls employee behavior, and more often seeks decentralized approaches that allow greater local autonomy. But decentralization increases market participants’ within-role conflicts (e.g., as consumers, employees, shareholders, and citizens). For example, one’s multiple roles may result in simultaneously seeking to increase profits (as a shareholder), reduce environmental impacts (as a citizen), and constrain costs (as a production manager). “Sorting out” these within-role conflicts will partially determine the landscape of the emerging “flat” world.

Writing Quibbles and Rankles

While lively, Friedman’s writing can rankle. For example, he never misses an opportunity to plug a brand or company. Indeed, the book’s first paragraph, which describes a game of golf in India, manages to name nine companies (Microsoft, IBM, HP, Pizza Hut, Epson, Texas Instruments (twice), KGA Golf Club, Goldman Sachs, and 3M). In addition, Friedman repeatedly finds the most banal ideas to be groundbreaking. For example, the book’s title builds on a weary business cliché uttered by an Indian interviewee to Friedman: “... the playing field is being leveled.” To Friedman, this remark results in an epiphany: “My God, he is telling me the world is flat!” Finally, Friedman’s use of odd, mixed and mixed-up metaphors (e.g., wireless technologies are the steroids that are the icing on the cake!) will amuse some and annoy others (See Taibbi 2005 for more examples).

Implications for AIS, AIS Professionals, and AIS Academics

Well-read accounting systems academics and professionals will be familiar with most or all of Friedman’s flatteners and convergences. However, Friedman’s enthusiasm and personal experience give them an immediacy not found in most sources. One expectation of technology professionals in the emerging “flat” world is knowledge of the ubiquitous global and wireless communications systems that enable real-time, global systems communications. Existing accounting systems’ professionals are “boundary spanners” who integrate financial reporting with technological advances. Friedman’s vision suggests that tomorrow’s accounting systems professionals will increasingly work in multi-national, multi-disciplinary teams that bridge system architecture (e.g., UNIX versus Windows), software (PeopleSoft versus SAP), and culture issues in large-scale accounting systems.

To envision this brave new world, imagine a:

British salesperson
preparing for a customer presentation in China
about an earthmover manufactured in Illinois.

The saleswoman uses an Indian designed accounting system
that reports American, European, and Asian market product costs and sales. Help calls for the system are connected to technical support in the Philippines.

Each line break in sentences in the above example separates at least one continent from another, i.e., Europe → Asia → America → Asia → (America, Europe, and Asia) → Asia. Also, consistent with many visions of the emerging flat world, our example posits Asia as a primary technology center and as a key market. Given the increasing demands for customized products and delivery, the ability of this salesperson to accurately and quickly configure and price a product using a system that stretches the globe may determine whether the outcome of the proposal is a failed bid or a key contract.

Friedman argues that successful “flat world” professionals and companies will possess one or more of three characteristics: (1) “specialization” (i.e., customizing products and services to specific demands), (2) “anchoring” (i.e., providing a geographically-dependent, inter-personal, or relational service) or, (3) “adaptability” (i.e., creating a market position as a low-cost or value-added provider relative to competitors). Wise accounting scholars and professionals might reflect on which characteristic they possess and how they will exploit this characteristic to add future value.

II. CONCLUSION

By increasing awareness of the emerging global markets for accounting and business services, the University of Kentucky leaders are pushing against a historical constraint of rural provincialism. To paraphrase President Todd’s white paper—globalization demands an expanded breadth of knowledge and world experience. Knowledge sharing within organizations, with suppliers, with customers, with regulators (e.g., using XBRL) is emerging as a key intangible asset in the flat world. In most organizations, accounting system accuracy, security, privacy, scalability, and reliability remain critical challenges to this asset. Accounting system professionals are critical partners in creating these systems. Accounting systems academics face the unique challenge of identifying and offering future accounting systems professionals the skills needed in the emerging global marketplace. Though astute readers will find little that is new in Friedman’s book, his lively presentation crystallizes the speed of the movement toward, and the key drivers of, a flattening world.

REFERENCES


