

The Changing Nature of the Firm

Thomas F. Siems

**Senior Economist and Policy Advisor
Federal Reserve Bank of Dallas**

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“The New Game”

- **New Workforce**
- **New Society**
- **New Markets**
- **New Organizations**
- **New Technologies**
- **New Work**
- **New Ideas**
- **New Demographics**
- **New Commodities**
- **New Customers**
- **New Opportunities**
- **New Politics**
- **New Information**
- **New Direction**
- **New Processes**
- **New Protectionism**

The Changing Nature of the Firm

- **Why Do Firms Exist?**
 - Theory and Reality
- **What Does “The New Game” Look Like?**
 - Objectives, Strategies, Rules, Scoring
- **Is Your Firm Ready to Play?**
 - Coaching, Conditioning, Teamwork

Why Do Firms Exist?

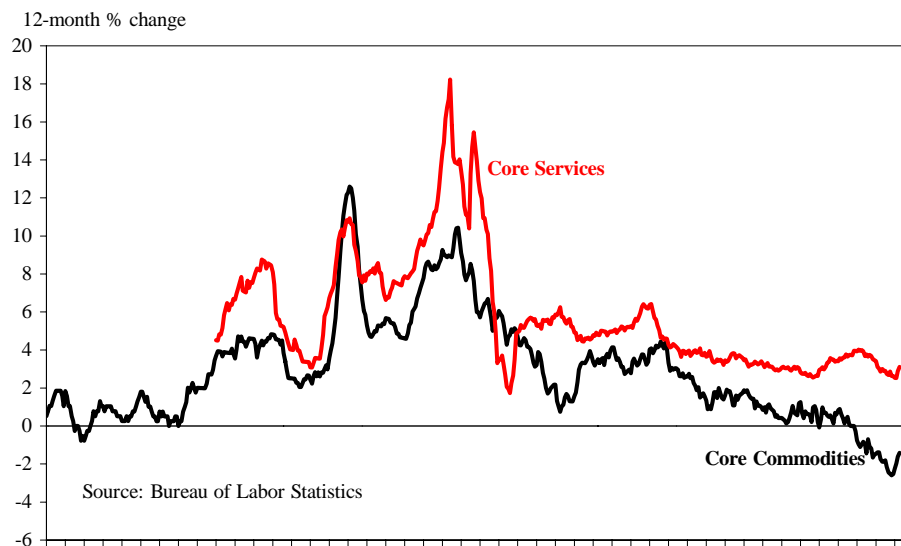


- **Ronald H. Coase**
- **“The Nature of the Firm,”**
Economica, November 1937
- **The answer lies in the existence of transactions costs.**

Information is Everything (The Internet Changes Everything!)

- The Global Economy is characterized more and more by...
 - **BETTER!!**
 - **FASTER!!**
 - **CHEAPER!!**
- especially true for anything that is a commodity

CPI Inflation: Core Commodities and Services

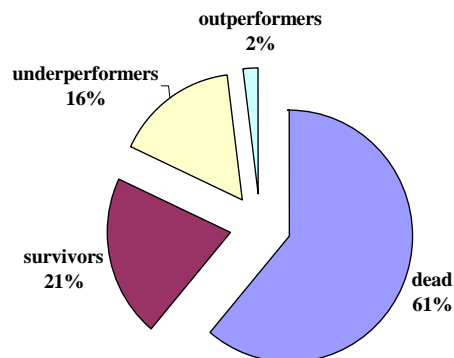


What Does “The New Game” Look Like?

Ideas + Technology + Information = The New Game
(Better) (Faster) (Cheaper) (Real-Time Economy)

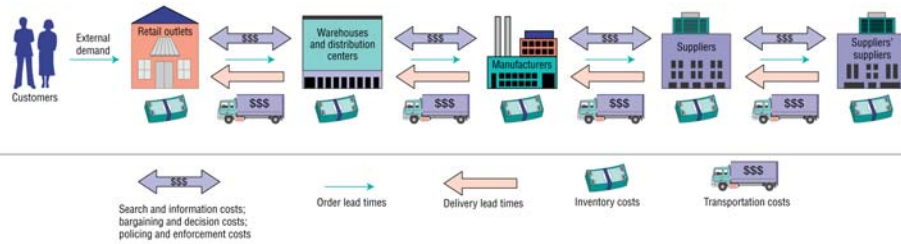
But is this really anything "new"?

Forbes 100 List, 1917-1987



To achieve excellence, YES!

The Supply Chain

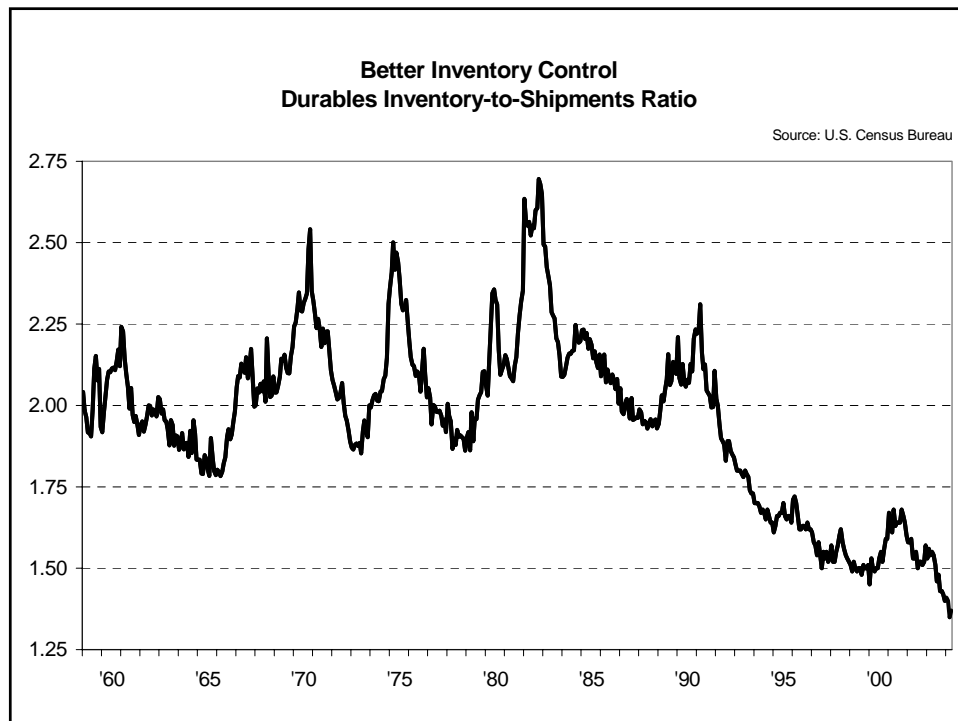


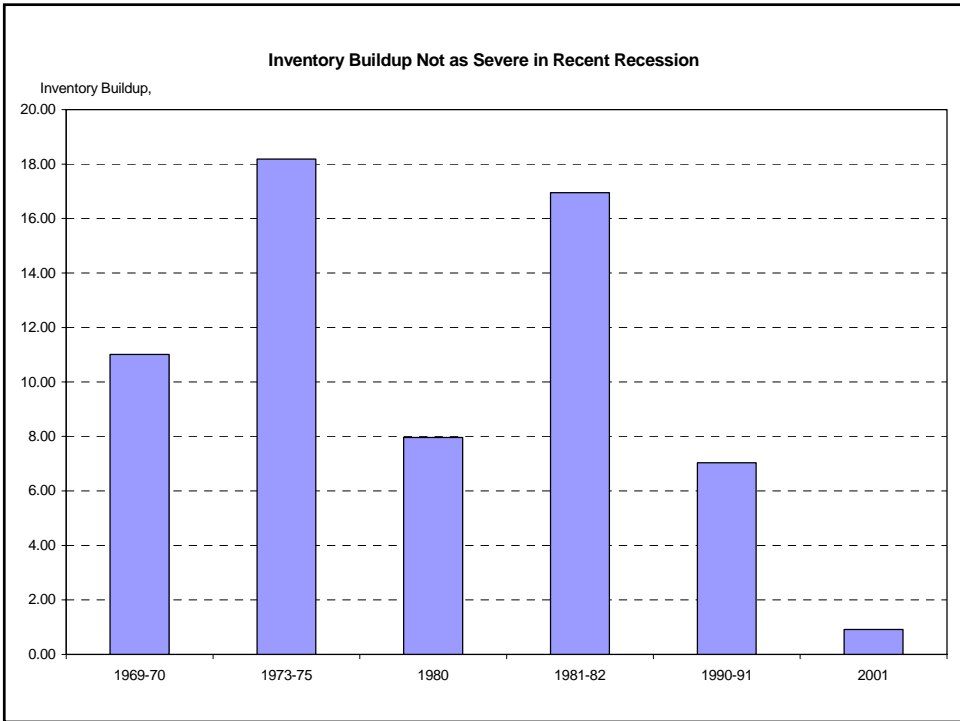
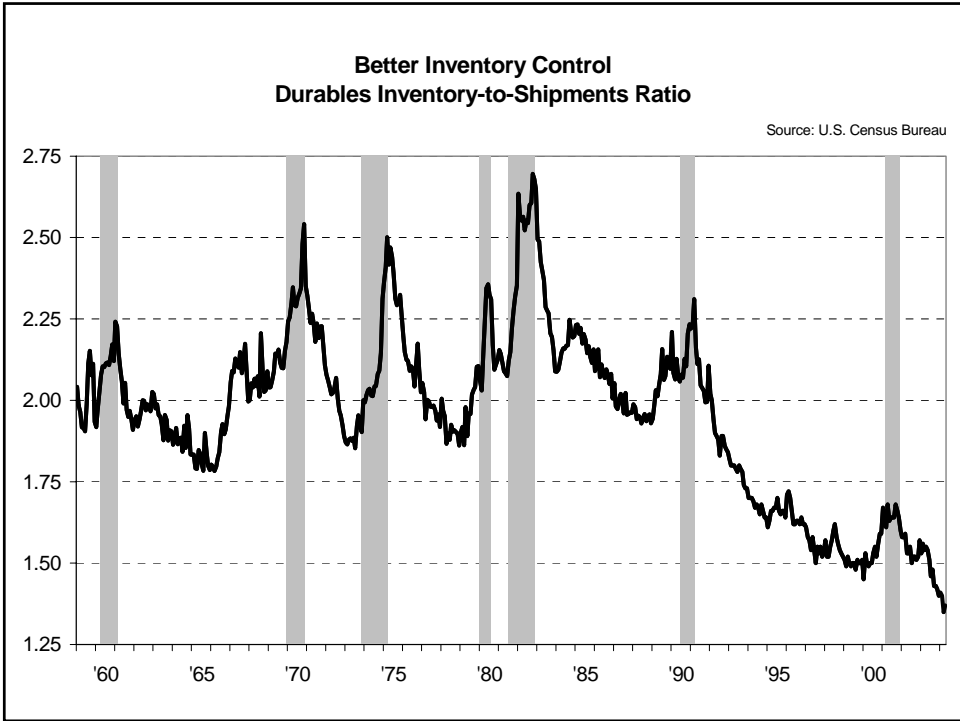
What Can SCM Do for Your Business Enterprise?

- **Reduce Costs**
 - lower transaction costs
 - lower inventory
 - lower transportation costs
- **Increase Revenues**
 - higher order fill rates
 - reduced decision cycle times
- **Boost Productive Efficiency**
 - streamlined processes
 - automated optimization programs

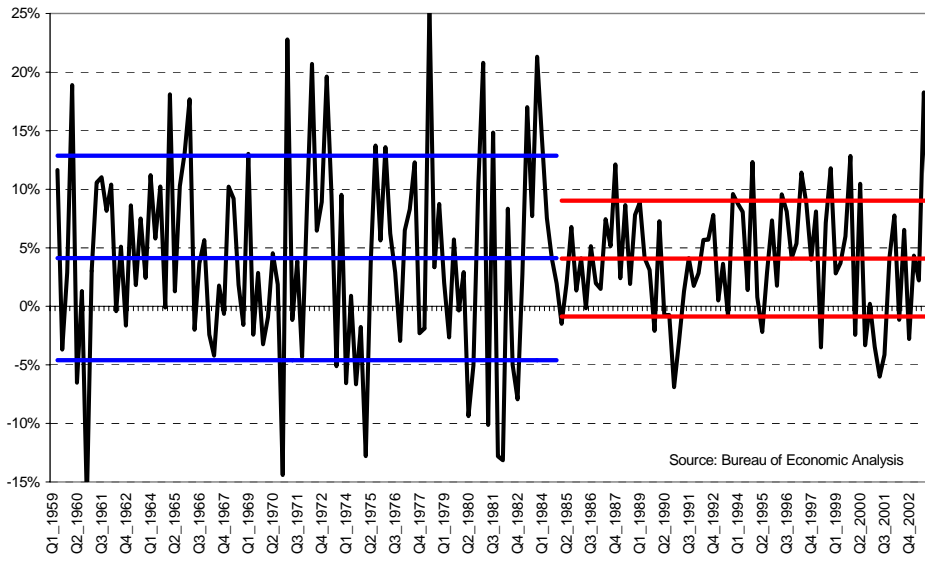
The Benefits of Real-Time Information

- **Tighter Inventory Levels**
- **Increased Efficiency**
- **Reduced “Bullwhip Effect”**
 - Production ~ Actual demand

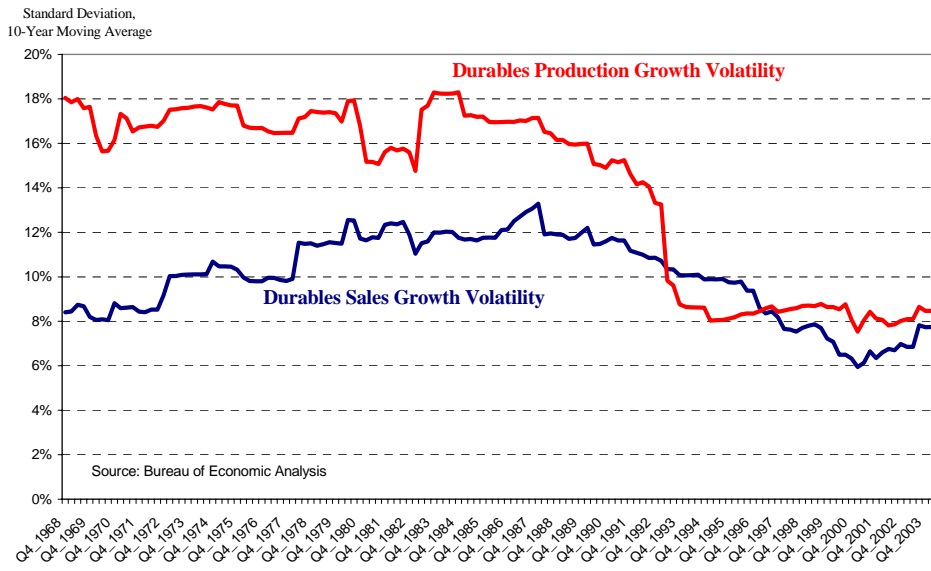




**Increased Efficiency
Production Growth Volatility is 43% Lower**



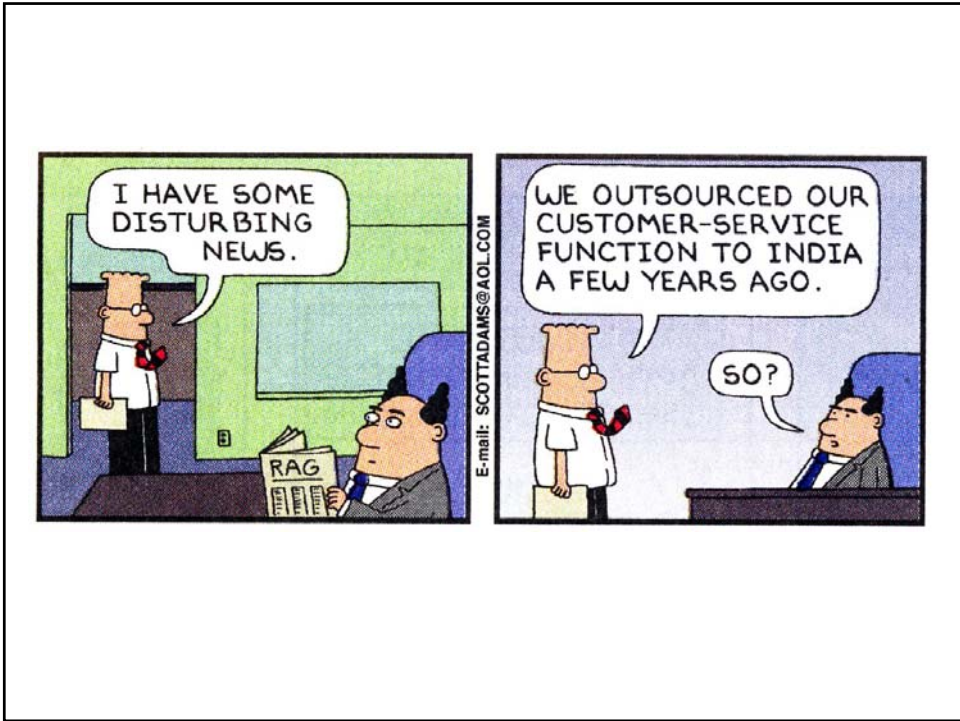
**Reduced "Bullwhip Effect" for Durables
Production Growth Volatility Closer to Sales Growth Volatility**

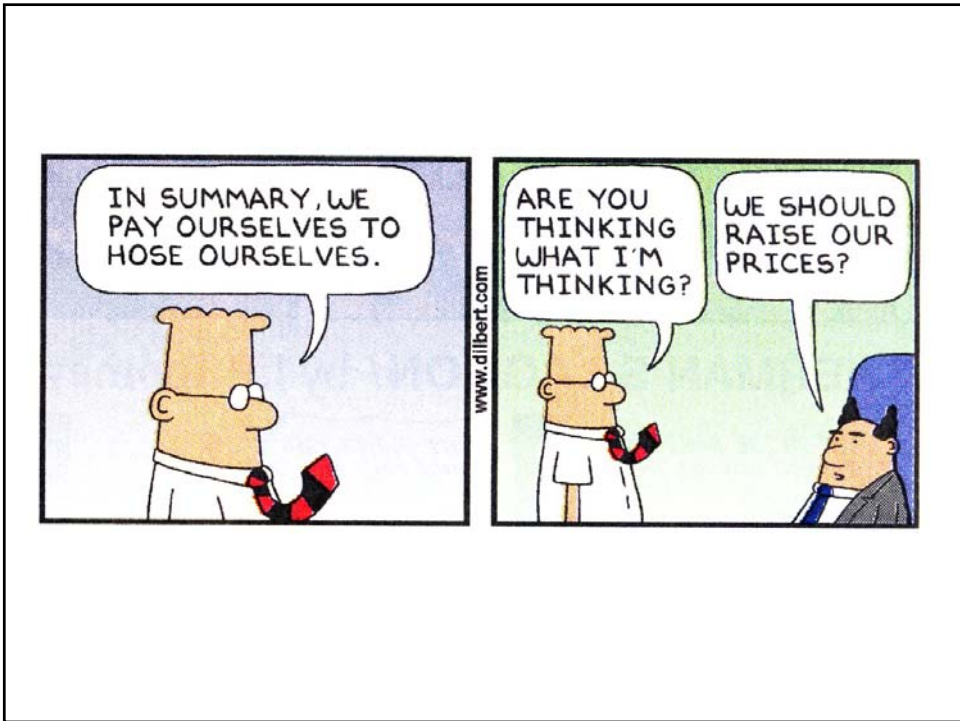
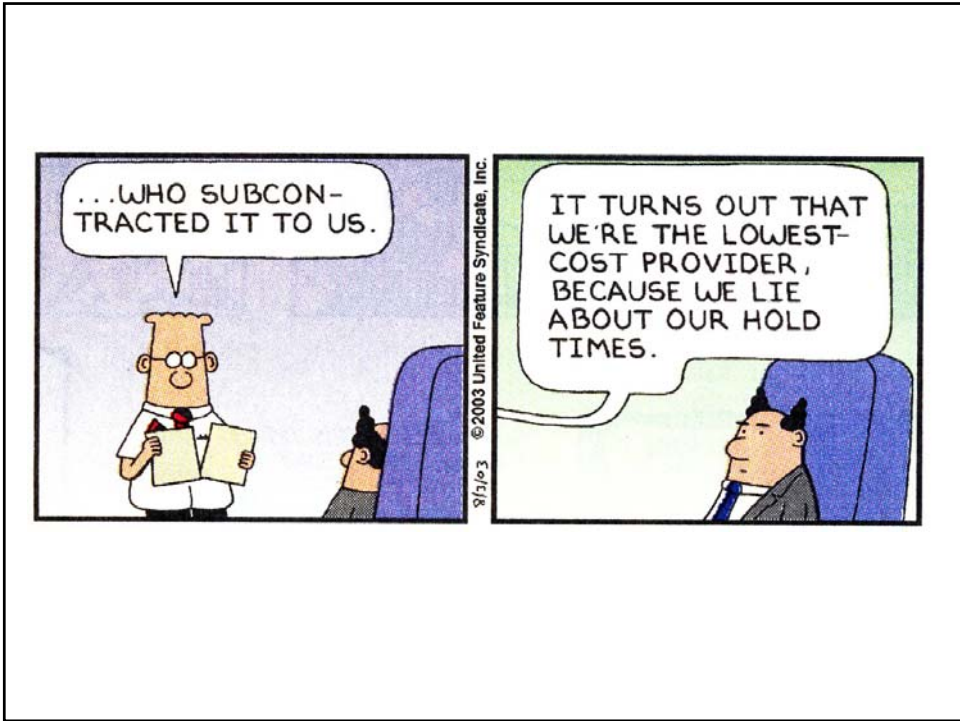




Do These SCM Improvements Translate into Macroeconomic **Pains**?

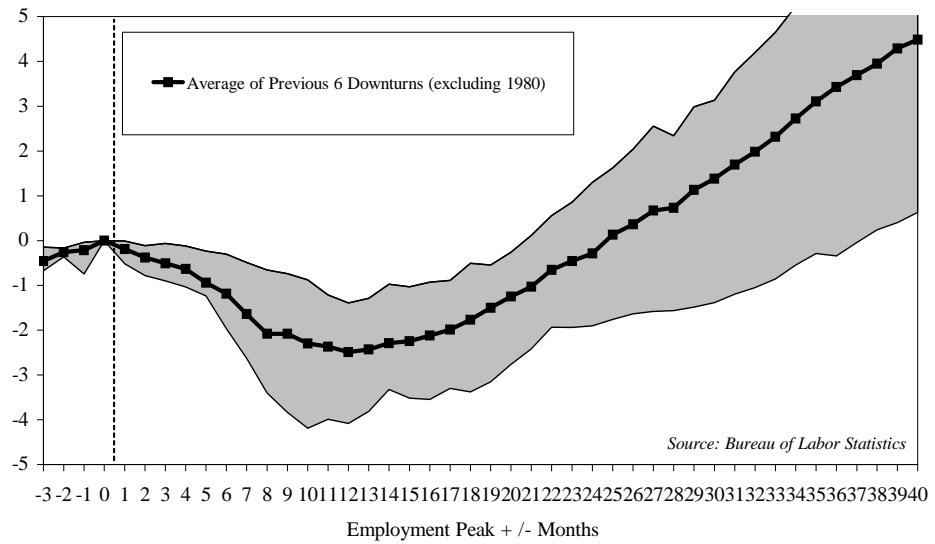
- **Globalization**
 - jobs, jobs, jobs
 - outsourcing
 - integration (markets, technologies, nations)
- **Perfect Competition**
 - increased competition and opportunities





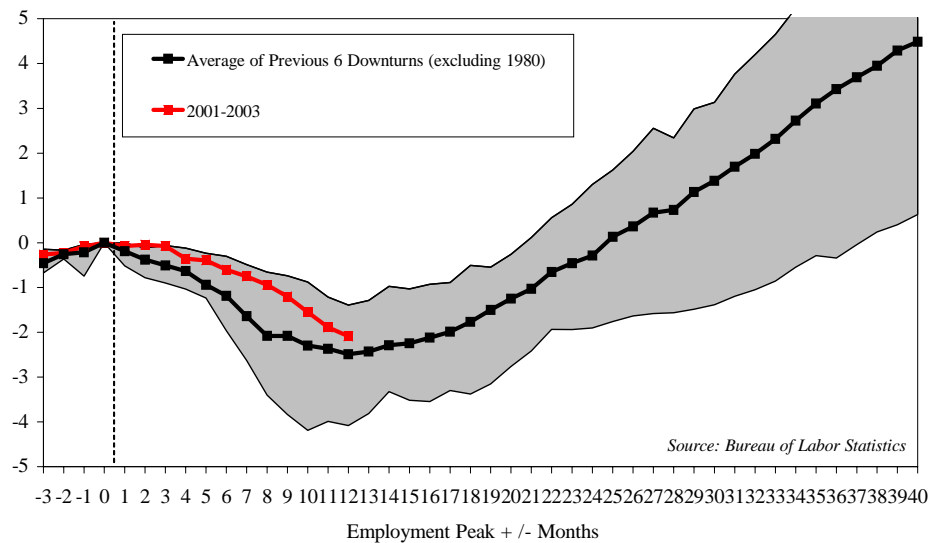
How Quickly Do Jobs Recover After Peaking?

Percent change from peak month



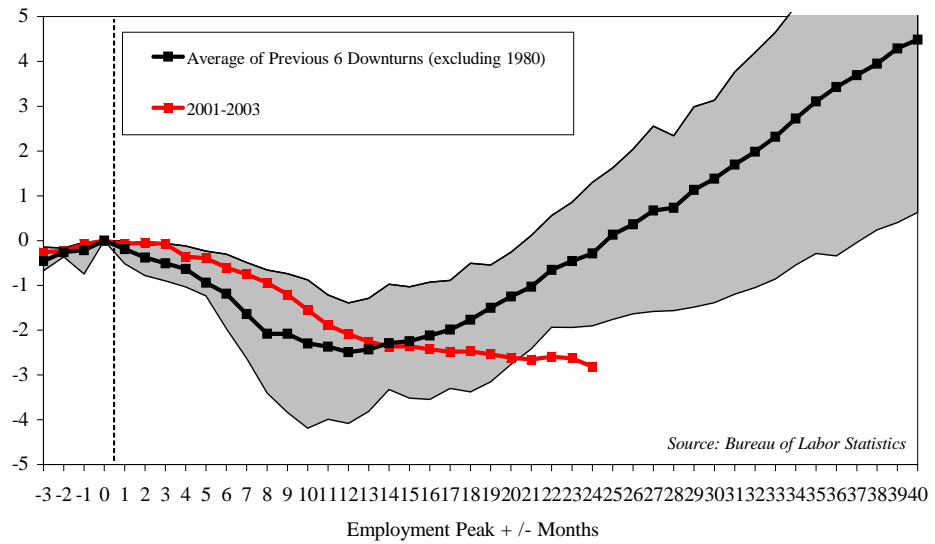
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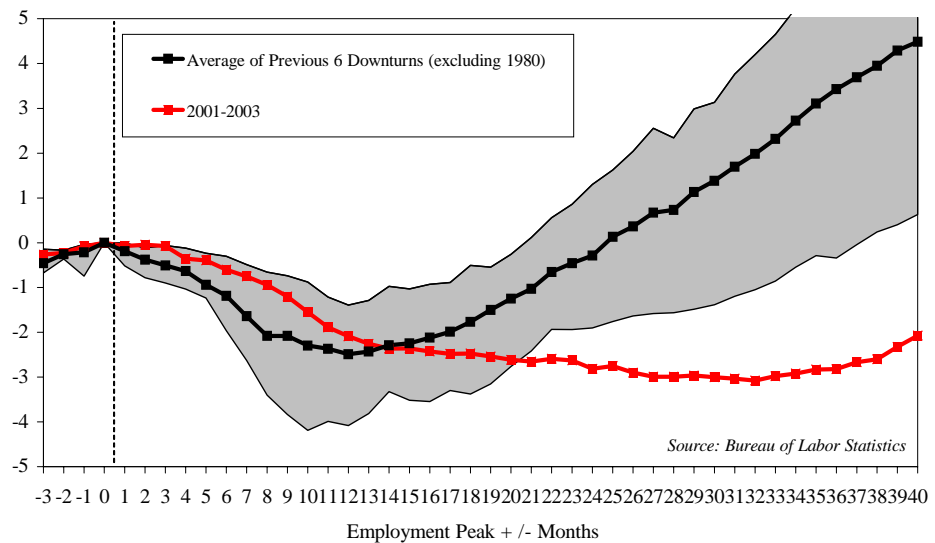
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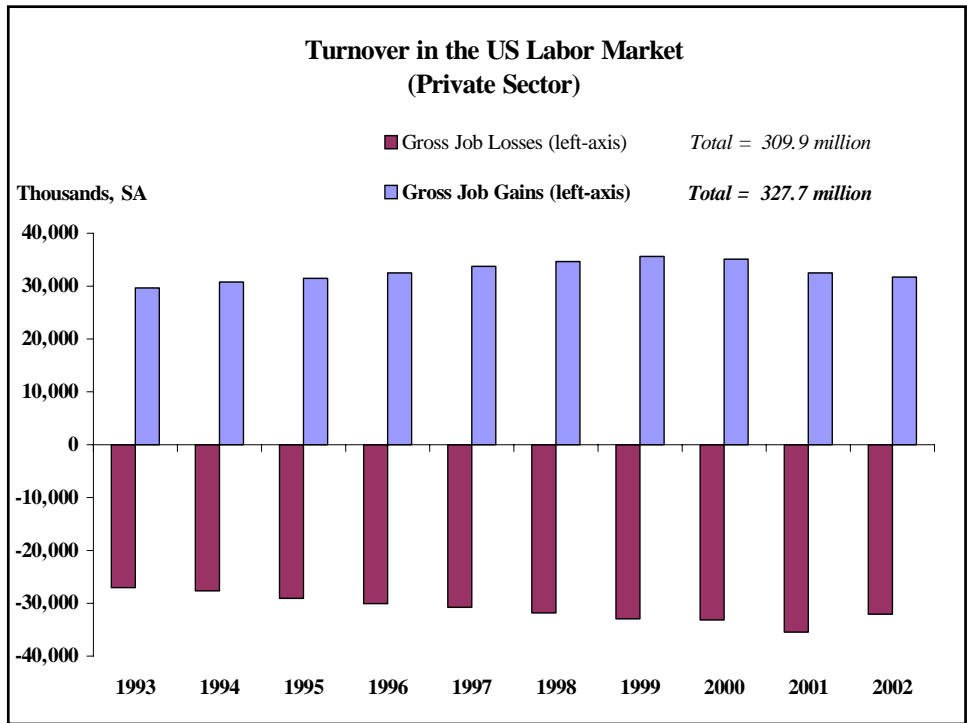
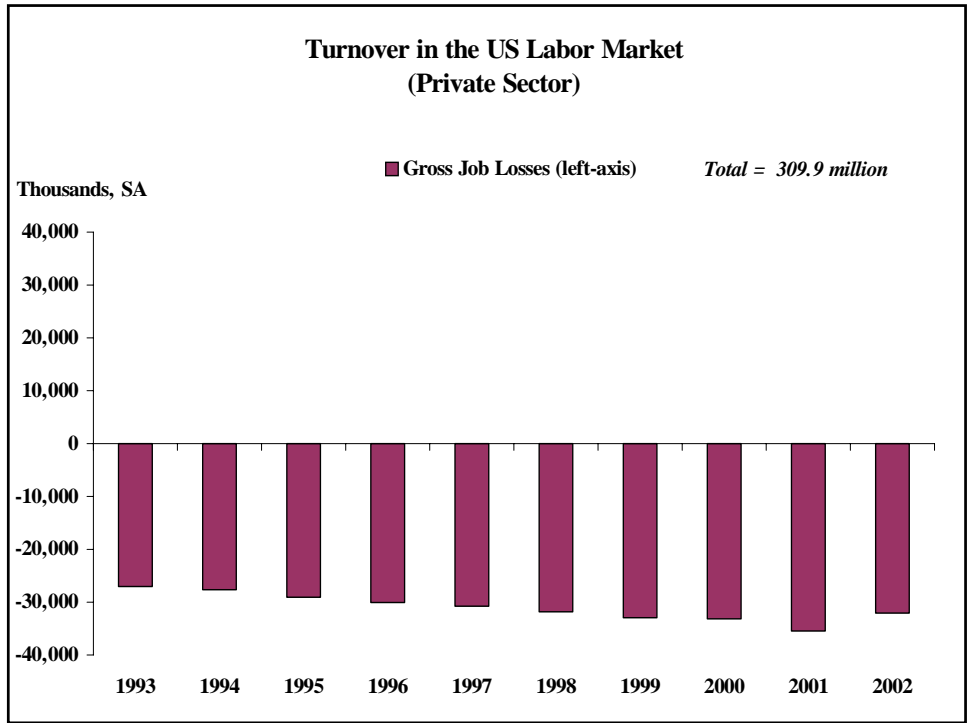
Percent change from peak month

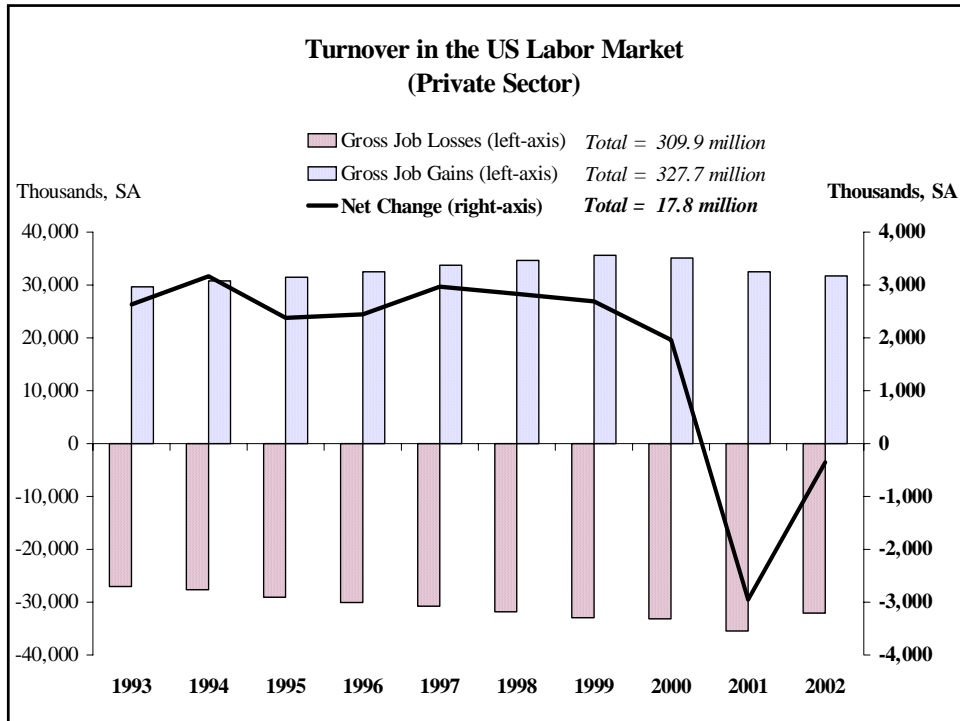


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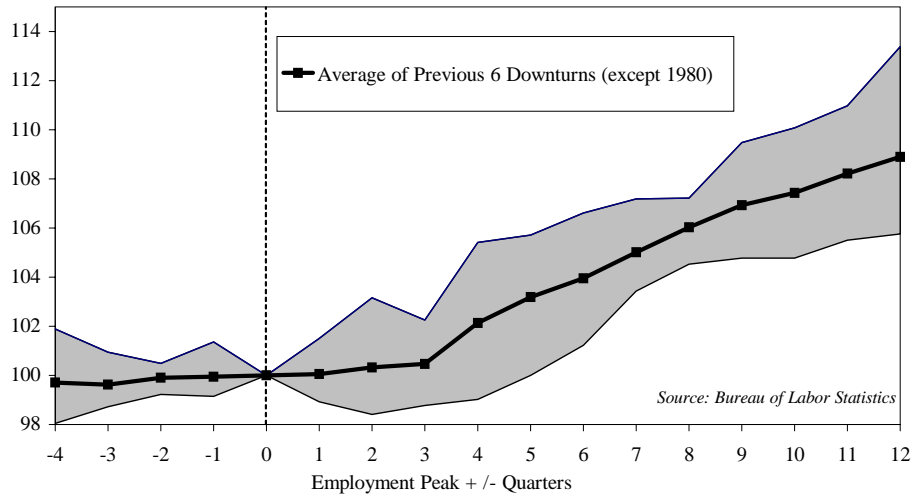
Creative Destruction

- **Specialization and Customization**
 - importance of transactions costs
- **Do What You Do Best, Trade for the Rest!**
 - Dell, Wal*Mart, Toyota
- **Systems Thinking**

No Pain...No Gain!

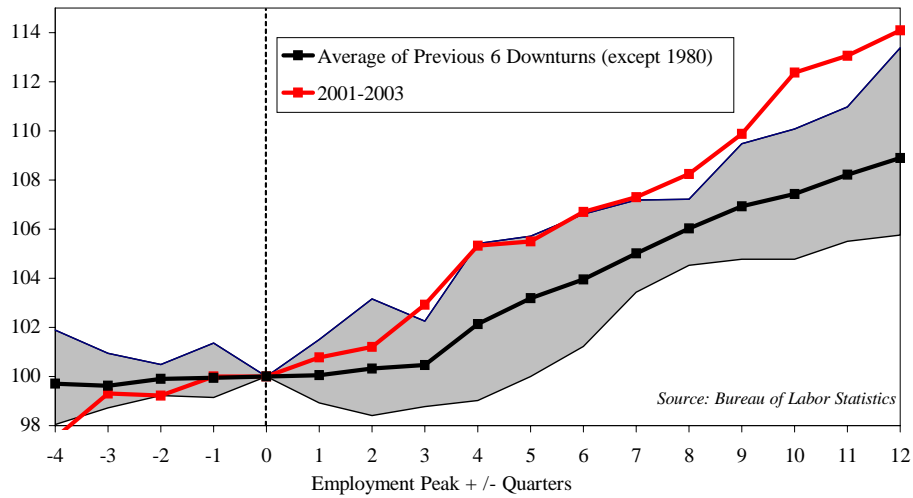
A "Job-Less" Recovery or a "Productivity-Led" Recovery?

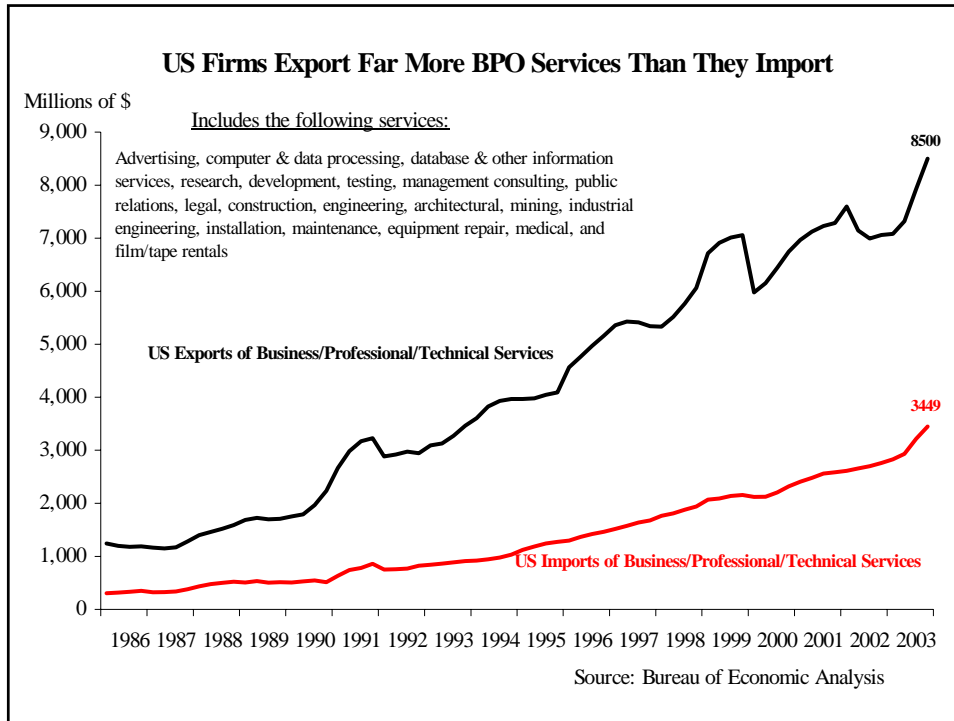
Productivity Index, Peak
quarter of employment = 100



A "Job-Less" Recovery or a "Productivity-Led" Recovery?

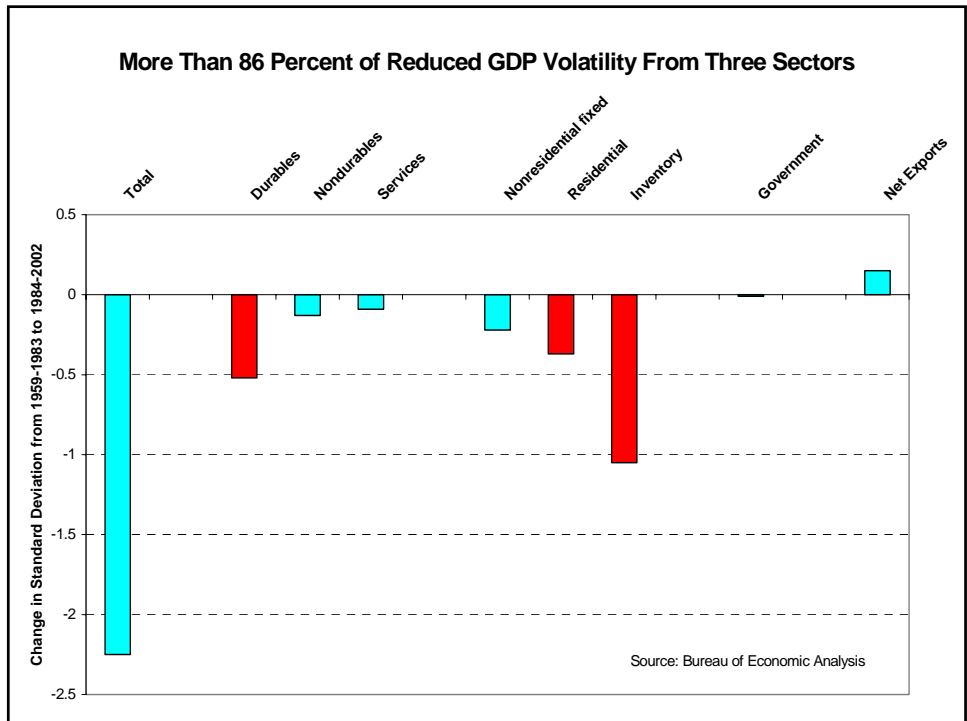
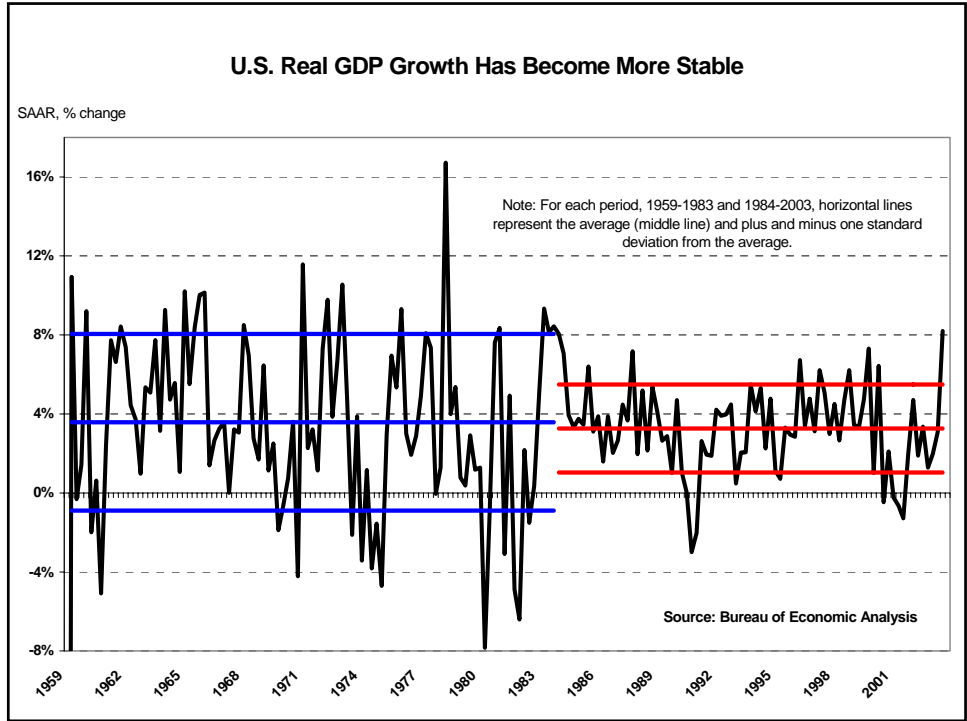
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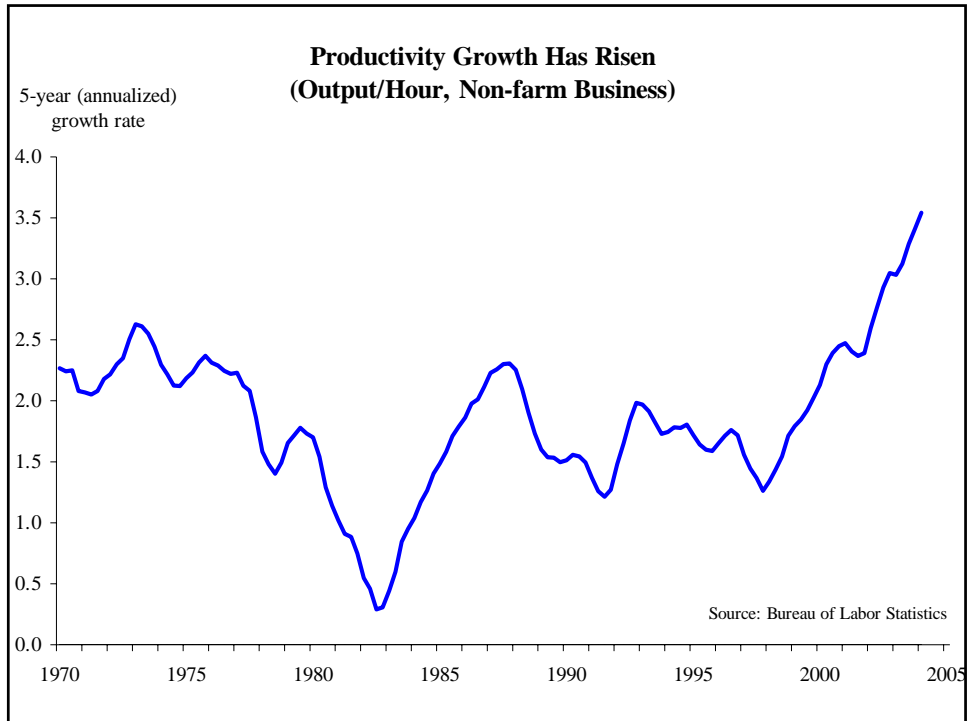




Do These SCM Improvements Translate into Macroeconomic **Gains**?

- **Greater Economic Stability**
- **Increased Productivity**
- **Lower Inflation**





Is Your Firm Ready to Play?

- **Knowledge**
 - key scarce resource
- **Routine vs. Non-routine**
 - work smarter, not harder
- **Consumers Rule!**
 - create “experiences”

Conclusions

- **Think Globally, Act Globally**
 - better, faster, cheaper
- **Do What You Do Best, Trade for the Rest!**
 - specialize and trade
- **Get in The Game**