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Globalization and the Flattening of the World: A Book Review of “The World is Flat”

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There is no doubt the world is changing. In cultures, in politics, and in economies, increased awareness of foreign and domestic practices has become a focal point of society. Trade has always proven beneficial to a nation due to the laws of absolute and comparative advantage, but in the modern world, international relations go beyond the boundaries of exchanging products. Now, services and collaboration are added to that realm. In his book “The World is Flat,” Thomas Friedman pinpoints the history and future of globalization in economics. Highlighting how globalization has made the world “flat” by allowing fair competition between large and small companies, corporations and individuals, and countries and continents, Friedman gives insight into how the world has changed because of innovation and history colliding at the right time.

In a broad sense, globalization “encompasses the international flow of ideas and knowledge” (Bang and Markeset, 2012, p 233). More specifically, it is the “global integration of economies through trade and investment flows, as well as the production of goods and services in order to enhance international competitiveness” (Passaris, 2006, p 3). Every era of history progresses from the previous one. For the first time in history, the predominance of capitalism worldwide as well as the ability to communicate and coordinate easily across the globe have converged to provide the perfect breeding ground for a flat world. Globalization in the hands of the individual marks obsolete the power-hungry, elite hierarchies of economy.

Friedman labels three distinct eras of globalization as 1.0, 2.0, and 3.0. He writes, “The dynamic force in Globalization 1.0 was countries globalizing and the dynamic force in Globalization 2.0 was companies globalizing, the dynamic force in Globalization 3.0 -- the thing that gives it its unique character -- is individuals and small groups globalizing” (Friedman, 2005). The first era of globalization began when Christopher Columbus discovered the

Americas, opening trade routes between the New World and the Old. Countries began to see the advantages of trade and global interaction. The world was then drawn even closer in the following era of globalization with the emergence of faster and better transportation and communication. Finally, in this new millennium, the power to affect change and join the global workforce is in the hands of individuals, thanks to incredible advances in technology and increased awareness of competitive advantage worldwide (Friedman, 2007, p 9-10).

Friedman marks ten events as the “flatteners” that spearheaded this new era of collaboration. In short,

the fall of the Berlin Wall, the rise of the PC, Netscape, work flow, outsourcing, offshoring, uploading, insourcing, supply-chaining, in-forming, and the steroids...enables individuals, groups, companies, and universities anywhere in the world to collaborate...without regard to geography, distance, time, and, in the near future, even language (Friedman, 2007, p 204).

Little by little, the increase in the capability and freedom of technology has reshaped the world into a different place for collaboration. One of the primary drivers of the future economic model that is beginning to appear is technological innovation and integration.

Friedman cites the fall of the Berlin Wall as the event that catapulted the world into Globalization 3.0. The destruction of the Iron Curtain in 1989 had obvious political ramifications, including freeing of millions of people, halting the threat of nuclear annihilation, and surging towards democracy (“The Berlin Wall,” 2009). But it played an even more important role in the economic freedom of the new world for two reasons. First, if the Berlin Wall had remained standing, many emerging market giants, such as Brazil, India, or China, would likely

have been loath to open up their economies and embrace beginning capitalism with communism as a still-present alternative. Second, once half of Europe was freed, East Berlin came looking for modern goods and commodities from the West (“The Berlin Wall,” 2009). This is not to say that globalization 3.0 began prior to 1989, and indeed it may have contributed a small role in this historical event, but certainly since the fall of the Berlin Wall, globalization “has become the governing principle of commerce” (“The Berlin Wall,” 2009). Removing this barrier to trade and political and economic freedom spearheaded the integrated economy present today.

The rise of the personal computer (PC) and Netscape was the next step, thrusting businesses and individuals across the world together. In reality, the development of the PC marks just the beginning of an era of technological improvement that would flatten the world and increase accessibility. Known as Information and Communication Technology (ICT), innovations, starting from the development of the computer to the world-wide web to the computing power of a mobile phone, have revolutionized the world (Bang and Markeset, 2012, p 236). This new technology makes more information available to more people and allows companies to better streamline, process, and analyze data. Indeed, the massive leaps in ICT created a foundation for the remaining flatteners to globalization to emerge.

Work-flow software, according to Friedman, elevated computing capability to a competitive and international level. He explains: “But as a result of the Wall-PC-Netscape innovations, work flow took a huge leap forward...[and] gave everyone in the office the ability to create and manipulate digital content—words, data, pictures—at their fingertips on their desktops” (Friedman, 2007, p 80). This seamless integration of digital content progressed through the development of software protocols like SMTP (simple mail transfer protocol), HTML (for documents), HTTP (for transferring the content to the Internet), and TCP/IP

(transmission control protocol/Internet protocol), to name a few (Friedman, 2007, p 82). Highly integrated and efficient workflow results in greater information and communication available to individuals and therefore better management of a business. No longer did businesses have to constantly wait on higher-ups or rely on a specialized service to fulfill their needs; the world was beginning to place everyone on the same level.

Following these major innovations, individuals continued to hone and harness the power of the computer and internet and community collaboration. The next few flatteners—uploading, outsourcing, offshoring, supply-chaining, insourcing, and in-forming—describe various elements of this process. Nowadays, the word “upload” is nothing novel, but in an era where downloading had previously been the primary method to receive information, the ability for individuals to contribute their personal knowledge, research, software, etc. to a general community database was a huge step forward in flattening the information sphere. This power in the hands of the individual “is fundamentally reshaping the flow of creativity, innovation, political mobilization, and information gathering and dissemination. It is making each of these things a bottom-up and globally side-to-side phenomenon, not exclusively a top-down one” (Friedman, 2007, p 95). Websites like Wikipedia or bloggers who track the news are a few examples of community-created content that is broadening access and transparency. Uploading is truly a revolutionary step in globalization 3.0 that brought the information hierarchy down to a horizontal-level community.

Once the ability to share information seamlessly was in common use, naturally these technological flatteners paved the path towards global, business practices. Outsourcing enables business to utilize foreign companies’ work that will aid the domestic business by allowing it to focus on its core products and services rather than accessory work. One of the primary incentives

that pushed forward the model of outsourcing was the Y2K computer crisis. Essentially, as year 2000 came at the turn of the millennium, computer time clocks were only able to track calendar dates up to 12/31/99. When 01/01/2000 came, these clocks would reset to 01/01/00, presuming the 00 stood for 1900. In order to avoid a global crisis with computerized management systems shutting down with errors due to the time change, the internal clocks needed to be completely reset (Friedman, 2007, p 131). So, India stepped in to bear the grunt work. This outsourcing from America to India represented a new form of collaboration, and many businesses and countries soon followed suit. Increased technology along with foreign workers hungry for a chance to jump in on the global market flattened the world even more. Reliable communication mechanisms allow an individual to almost instantly transfer data to someone in another country. When used effectively, this process of outsourcing essentially generates 24/7 operations (Friedman, 2007).

New collaboration was not limited to just outsourcing, however. Offshoring, which is the “relocation of production processes abroad, leading to trade in intermediate goods across borders,” meant domestic firms were now shopping for land and facilities in the world market (Görg, 2011, p 21). The more attractive a country was, either for tax benefits or natural resource available or an abundance of labor, the more likely a firm would choose to reach across the globe to take advantage of its benefits. This collaborative development has “created a process of competitive flattening, in which countries scramble to see who can give companies the best tax breaks, education incentives, and subsidies, on top of cheap labor, to encourage offshoring” (Friedman, 2007, p 140).

Such intense competition in a fast-paced world necessitated that supply-chains become as efficient as possible. As Forbes notes, “[Because] manufacturers are outsourcing more work to

suppliers across the globe and are managing second and third tier suppliers, it has become difficult to track, trace and monitor production” (Savitz, 2012). Nevertheless, such meticulous tracking must be done, and the companies that have the best methods for supply-chain management will survive this globalized world. Wal-Mart was one of the first major businesses to nail its supply-chain management. Through RFID tags and computerized terminals, managers were able to track trends based on supply and demand and systems were able to order new products in demand at the pace they were being sold (Friedman, 2007, p 161-162). Not only do such methods eliminate waste and increase profit, but they also increase consumer satisfaction and build brand loyalty.

In an attempt to flatten the world and put global competition on a level playing ground, some companies turned inward rather than only outward. Many people understand insourcing to be the return of outsourced jobs to the U.S. or the decision to keep production facilities and factories on domestic soil. This has certainly been a growing focus for the American economy. But Friedman’s insourcing is something different. To him, insourcing refers to solutions utilized to allow small companies to compete against larger companies in a global market. These smaller companies can see larger market potential and resource acquisition but they may not know how to go about managing a global supply chain. As a result, companies like UPS created a solution for a new global business opportunity. This ‘insourcing’ allows UPS engineers (and their equivalents in other industries) to “come right inside your company; analyze its manufacturing, packaging, and delivery processes; and then design, redesign, and manage your whole global supply chain” (Friedman, 2007, p 169). Insourcing can also be used by companies that formerly worked as intermediaries between a business and a consumer to expand their capabilities to

provide a specialized service within the existing supply-chain that benefits both the supplier and the consumer.

Finally, “in-forming” refers to “the [individual’s] ability to build and deploy [their] personal supply chain—a supply chain of information, knowledge, and entertainment” (Friedman, 2007, p 178). With websites like Google and Yahoo! available for seamless internet searching and personalized consumer entertainment websites and apps like Netflix, Hulu, and Spotify, individuals are able to find information at the click of a button or tailor movies and music to their preference in a moment’s time. This unlimited access to knowledge results in a more well-informed citizenry and places small towns on par with big cities regarding information advantage.

All of these elements of global flattening have converged and propelled each other forward in the last three decades. As the world moves forward, the so-called “steroids” of digital mobile, personal, and virtual forms of collaboration “amplifies” and “turbocharges” all the other global flatteners (Friedman, 2007, p 187). According to former HP CEO Carly Fiorina, these four factors together mean that “all analog content and processes...can be shaped, manipulated, and transmitted...at very high speeds...from anywhere, with anyone, through any device...by you, [and] just for you, on your own device” (Friedman, 2007, p 187). This revolutionary access and ability leaves much to yet be explored and developed. They are game-changers of the economic market of the world.

The shift in the global economic structure has opened up countless opportunities for the small-business owner. Since the fall of the Berlin Wall, the advancements in technology, software development, communication, data tracking, and cloud storage, to name a few, allow information to be disseminated anywhere within seconds. All of the elements that have flattened

the markets benefit both developed countries and emerging economies by providing jobs and simultaneously increasing efficiency. They make the world a smaller place with greater possibilities. In other words, “globalisation goes further than inter-dependence. It describes a process in which the world moves towards an integrated global society and away from merely internationalised societies” (Zürn, 2010, p 2). By continuing to develop in Globalization 3.0, individuals can compete on the same level as large, established corporations. There will be many obstacles to overcome in the near future with such global collaboration—issues of legality, ownership, ethics, and privacy are just a few of these concerns. Nevertheless, since the fall of the Berlin Wall, the world has been slingshotted into a new era where the rules of the game of economics are up in the air, ready to be rewritten, revised, and revitalized. In 1492, Columbus set out to prove the world was round. In 2018, we have now discovered it is, indeed, flat.

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