

A Book Report on
The World is Flat
(*A Brief History of the Twenty-First Century*)

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(Book Report by Gary Tomlinson)

How the World Became Flat: We are entering a phase where we are going to see the digitization, virtualization, and automation of almost everything. The gains in productivity will be staggering for those countries, companies, and individuals who can absorb the new technological tools. And we are entering a phase where more people than ever before in the history of the world are going to have access to these tools – as innovators, as collaborators, and alas, even as terrorists. The real information revolution is about to begin. I call this new phase Globalization 3.0 because it followed Globalization 2.0, but I think this new era of globalization will prove to be such a difference of degree that it will be seen, in time, as a difference in kind. That is why I introduced the idea that the world has gone from round to flat. Everywhere you turn, hierarchies are being challenged from below or transforming themselves from top-down structures into more horizontal and collaborative ones.

Globalization is the word we came up with (during the Clinton Administration) to describe the changing relationships between governments and big businesses. But what is going on today is a much broader, much more profound phenomenon. It's not simply about how governments, businesses, and people communicate, not just about how organizations interact, but is about the emergence of completely new social, political, and business models.

Change is hard. Change is hardest on those caught by surprise. Change is hardest on those who have difficulty changing too. But change is natural; change is not new; change is important. And that is why the great challenge for our time will be to absorb these changes in ways that do not overwhelm people but also do not leave them behind. None of this will be easy. But this is our task. It is inevitable and unavoidable. It is the ambition of this book to offer a framework for how to think about it and manage it to our maximum benefit.

I have shared with you in this chapter how I personally discovered the world is flat. The next chapter details how it got that way.

The Ten Forces That Flattened the World:

Flattener #1 – 11/9/89: When the Walls Came Down and the Windows Went Up:

The fall of the Berlin Wall on 11/9/89 unleashed forces that ultimately liberated all the captive peoples of the Soviet Empire. But it actually did so much more. It tipped the balance of power across the world toward those advocating democratic, consensual, free-market-oriented governance, and away from those advocating authoritarian rule with centrally planned economies. The world became a better place to live in after 11/9, because each outbreak of freedom stimulated another outbreak.

If I had to point to another factor as first among equals, it was the information revolution that began in the early-to mid 1980s. The first IBM PC hit the markets in 1981. The first version of the Windows operating system shipped in 1985, and the real breakthrough version that made PCs truly user-friendly, Windows 3.0, shipped on May 22, 1990, only six months after the wall went down.

Flattener #2 – 8/9/95: When Netscape Went Public: What Netscape did was bring a new killer app –the browser – to this installed base of PCs, making the computer and its connectivity inherently more useful for millions of people. This in turn set off an explosion in demand for all things digital and sparked the Internet boom. This development, in turn, wired the whole world together, and without, anyone really planning it, made Bangalore a suburb of Boston.

Flattener #3 – Work Flow Application: Let’s Do Lunch: Have Your Application Talk to My Application: For the world to get flat, all your internal departments – sales, marketing, manufacturing, billing, and inventory – had to become interoperable, no matter what machines or software each of them was running. And for the world to get really flat, all of your systems had to be interoperable with all the systems of any other company. In short, we had to go from an Internet that just connected people to people and people to their own applications, to an Internet that could connect any of my software programs to any of your software programs. Only then could we really work together.

These work flow software platforms enabled you to create virtual global offices – not limited by either the boundaries of your office or your country – and to access talent sitting in different parts of the world and have them complete tasks that you need completed in real time. And so 24/7/365 we are all working. And all this has happened in the twinkling of an eye – the span of the last three or four years.

Flattener #4 – Open Sourcing: Self-Organizing Collaborative Communities: The open-source movement involves thousands of people around the world coming together online to collaborate in writing everything from their own software to their own operating systems to their own dictionary to their own recipe for cola – building always from the bottom up rather than accepting formats or content imposed by corporate hierarchies from the top down. Open-source is nothing more than peer-reviewed science.

Open-source is an important flattener because it makes available for free many tools, from software to encyclopedias, that millions of people around the world would have had to buy in order to use. Open-source network associations can challenge hierarchical structures with a horizontal model of innovation that is clearly working in a growing number of areas.

Flattener #5 – Outsourcing: Y2K: Any service, call center, business support operation, or knowledge work that could be digitized could be sourced globally to the cheapest, smartest, or most efficient provider.

One of the greatest mistakes made by many analysts in the early 2000s was conflating the dot-com boom with globalization, suggesting that both were just fads and hot air. When the dot-com bust came along, these same wrongheaded analysts assumed that globalization was over as well. Exactly the opposite was true. The dot-com bubble was only one aspect of globalization, and when it imploded, rather than imploding globalization, it actually turbocharged it.

Y2K should be called India Independence Day because it was India's ability to collaborate with Western companies, thanks to the interdependence created by fiber-optic networks. Until then, India was a country with virtually no natural resources. But it got very good at doing one thing – mining the brains of its own people by educating a relatively large slice of its elites in the sciences, engineering, and medicine. Louis Pasteur said it a long time ago: "Fortune favors the prepared mind."

Flattener #6 – Offshoring: Running with Gazelles, Eating with Lions: "... It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running." Ever since the Chinese joined the WTO, both they and the rest of the world have had to run faster and faster. This is because China's joining the WTO gave a huge boost to another form of collaboration – offshoring. Offshoring, which has been around for decades, is different from outsourcing. Outsourcing means taking some specific, but limited, function that your company was doing in-house – such as research, call centers, or accounts receivable – and having another company perform that exact function for you and then reintegrating their work back into your overall operation. Offshoring, by contrast, is when a company takes one of its factories that it is operating in Canton, Ohio, and moves the whole factory offshore to Canton, China. There, it produces the very same product in the very same way, only with cheaper labor, lower taxes, subsidized energy, and lower health-care costs. Just as Y2K took India and the world to a whole new level of outsourcing, China's joining the WTO took Beijing and the world to a whole new level of offshoring.

If American and Europeans want to benefit from the flattening of the world and the interconnecting of all the markets and knowledge centers, they will all have to run at least as fast as the fastest lion – and I suspect that lion will be China, and I suspect that will be pretty darn fast.

Flattener #7 – Supply-Chaining: Eating Sushi in Arkansas: Supply-chaining is a method of collaborating horizontally – among suppliers, retailers, and customers – to create value. No company has been more efficient at improving its supply chain (and thereby flattening the world) than Wal-Mart; and no company epitomizes the tension that supply chains evoke between the consumer in us and the worker in us than Wal-Mart.

Wal-Mart focused relentlessly on three things. The first was working with the manufacturers to get them to cut their costs as much as possible. The second was working on its supply chain from those manufacturers, wherever they were in the world, to Wal-Mart's distribution centers, to make it as low-cost and frictionless as possible. The third was constantly improving Wal-Mart's information systems, so it knew exactly what its customers were buying and could feed that information to all the manufacturers, so the shelves would always be stocked with the right items at the right time.

Wal-Mart is the China of companies. It has so much leverage that it can grind down any supplier to the last halfpenny. And it is not at all hesitant about using its ability to play its foreign and domestic suppliers off against each other.

Flattener #8 – Insourcing: What the Guys in Funny Brown Shorts are Really Doing: UPS has become a huge force flattening the world. UPS is not just delivering packages anymore. It is synchronizing global supply chains for companies large and small. UPS comes inside a lot of companies now and takes over their branded vehicles to assure on-time delivery (ex. Papa John's)

This process has come to be called insourcing, which is a whole new form of collaboration and creating value horizontally. Insourcing came about because once the world went flat, the small could act big.

UPS maintains a think tank, the Operations Research Division, in Timonium, Maryland, which works on supply-chain algorithms. This school of mathematics is called "package flow technology," and it is designed to constantly match the deployment of UPS trucks, ships, airplanes, and sorting capabilities with that day's flow of packages around the world.

Insourcing is distinct from supply-chaining because it goes well beyond supply-chain management. Because it is third-party-managed logistics, it requires a much more intimate and extensive kind of collaboration among UPS and its clients and its clients' clients. In many cases today, UPS and its employees are so deep inside their clients' infrastructure that it is almost impossible to determine where one stops and the other starts. The UPS people are not just synchronizing your packages – they are synchronizing your whole company and its interaction with both customers and suppliers.

Flattener #9 – In-Forming: Google, Yahoo!, MSN Web Search: Informing is searching for knowledge. Companies like Google, Yahoo!, Amazon.com, and TiVo have learned to thrive not by pushing products and services on their customers as much as by

building collaborative systems that enable customers to pull on their own, and then responding with lightning quickness to what they pull.

Search engines flatten the world by eliminating all the valleys and peaks, all the walls and rocks, that people used to hide inside of, atop, behind, or under in order to mask their reputations or parts of their past. In a flat world, you can't run, you can't hide, and smaller and smaller rocks are turned over.

Flattener #10 – The Steroids: Digital, Mobile, Personal, and Virtual: I call certain new technologies the steroids because they are amplifying and turbocharging all the other flatteners. They are taking all the forms of collaboration highlighted in this section – outsourcing, offshoring, open-sourcing, supply-chaining, insourcing, and in-forming – and making it possible to do each and every one of them in a way that is digital, mobile, virtual, and personal.

The Triple Convergence

First, right around the year 2000, all ten of the flatteners discussed in the previous chapter started to converge and work together in ways that created a new, flatter, global playing field. As this new playing field became established, both businesses and individuals began to adopt new habits, skills, and processes to get the most out of it. They moved from largely vertical means of creating values to more horizontal ones. The merger of this new playing field for doing business with the new ways of doing business was the **second convergence**, and it actually helped to flatten the world even further. Finally, just when all of this flattening was happening, a whole new group of people, several billion, in fact, walked out onto the playing field from China, India, and the former Soviet Empire. This was the **third convergence**.

The message here is that what's happening now is just the tip of the iceberg. What is really necessary is for everybody to wake up to the fact there is a fundamental shift that is happening in the way people are going to do business. And everyone is going to have to improve themselves and be able to compete.

The Great Sorting Out: Political science may turn out to be the biggest growth industry of all in this new era, because as we go through this great sorting out over the next decade, we are going to see some very strange bedfellows making some very new politics.

America and the Flat World

The simple message of this chapter is that even as the world gets flat, America as a whole will benefit more by sticking to the basic principles of free trade, as it always has, than by

trying to erect walls. Sure, there is fear, and that fear is good because it stimulates a willingness to change and explore and find more things to do better.

It happened when the railroad connected New York, New Mexico, and California. It happened when we connected Western Europe, America, and Japan. And it will happen when we connect India and China with America, Europe, and Japan. The way to succeed is not by stopping the railroad line from connecting you, but by upgrading your skills and making the investment in those practices that will enable you and your society to claim your slice of the bigger but more complex pie.

So if the flattening of the world is largely unstoppable, how does an individual get the best out of it? What do we tell our kids? There is only one message: You have to constantly upgrade your skills. There will be plenty of good jobs out there in the flat world for people with the knowledge and ideas to seize them.

It was never good to be mediocre in your job, but in a world of walls, mediocrity could still earn you a decent wage. In a flatter world, you really do not want to be mediocre. So my advice to my children and all our children in this flat world is very brief and very blunt: “Girls, when I was growing up, my parents used to say to me, “Tom, finish your dinner – people in China and India are starving. My advice to you is: Girls, finish your homework – people in China and India are starving for your jobs.”

Being adaptable in a flat world, knowing how to “learn how to learn,” will be one of the most important assets any worker can have, because job chum will come faster, because innovation will happen faster.

The Quiet Crisis: The U.S. is still the leading engine for innovation in the world. It has the best graduate programs, the best scientific infrastructure, and the capital markets to exploit it. But there is a quiet crisis in U.S. science and technology that we have to wake up to. The U.S. today is in a truly global environment, and those competitor countries are not only wide awake, they are running a marathon while we are running sprints. If left unchecked, this could challenge our preeminence and capacity to innovate.

Dirty Little Secret #1: The Numbers Gap – The generation of scientists and engineers who were motivated to go into science by the threat of Sputnik in 1957 and the inspiration of JFK are reaching their retirement years and are not being replaced in the numbers that they must be if an advanced economy like that of the United States is to remain at the head of the pack.

Dirty Little Secret #2: The Ambition Gap – CEOs tell us that when they send jobs abroad, they not only save 75 percent on wages, they get a 100 percent increase in productivity. Foreign students are taught early on that they can never live like Americans and Canadians because they don’t have the resources. Therefore they must study hard, work hard, and export hard. In China, Bill Gates is Britney Spears. In America today, Britney Spears is Britney Spears – and that is our problem.

Dirty Little Secret #3: The Education Gap – A lot of the jobs that are starting to go abroad today are very high-end research jobs, because not only is the talent abroad cheaper, but a lot of it is as educated as American workers – or even more so. We cannot hope to fight jobs lost to international competition without a well-trained and educated workforce.

Compassionate Flatism – is a policy blend built around five broad categories of action for the age of flat: leadership, muscle building, cushioning, social activism, and parenting.

Leadership – We need politicians who are able and willing to both explain and inspire. Politicians not only need to explain to people the flat world, they need to inspire them to rise to the challenge of it.

Muscles – Lifetime employment depends on preserving a lot of fat. Lifetime employability requires replacing that fat with muscle. Government and Companies should focus on giving you the tools to make you more lifetime employable. The two main tools are “portable benefits” and “opportunities for lifelong learning.”

Good Fat – Cushions Worth Keeping – Social Security is good fat. As the saying goes: If you want to live like a Republican, vote like a Democrat – take good care of the losers and left-behinds. The only way to be a flatist is to be a compassionate flatist.

Social Activism – One new area that is going to need sorting out is the relationship between global corporations and their own moral consciences. Social and environmental activists and progressive companies can now collaborate in ways that can make both the companies more profitable and the flat earth more livable.

Parenting – Helping individuals adapt to a flat world is not only the job of governments and companies. It is also the job of parents. They need to know in what world their kids are growing up and what it will take for them to thrive. Put simply, we need a new generation of parents ready to administer tough love: There comes a time when you’ve got to put away the Game Boys, turn off the television set, put away the iPod, and get your kids down to work. The sense of entitlement, the sense that because we once dominated global commerce and geopolitics, and Olympic basketball, we always will, the sense that delayed gratification is a punishment worse than a spanking, the sense that our kids have to be swaddled in cotton wool so that nothing bad or disappointing or stressful ever happens to them at school is, quite simply, a growing cancer on American Society. And if we don’t start to reverse it, our kids are going to be in for a huge and socially disruptive shock from the flat world.

Our children will increasingly be competing head-to-head with Chinese, Indian, and Asian kids. I'm suggesting that we do more to push our young people to go beyond their comfort zones, to do things right, and to be ready to suffer some short-run pain for longer gain.

Developing Countries and the Flat World – Will Rogers said it a long time ago: “Even if you’re on the right track, you’ll get run over if you just sit there.” The flatter the world gets, the faster that will happen. Mexico got itself on the right track with reform wholesale, but then, for a lot of tangible and intangible reasons, it just sat there and reform retail stalled. The more Mexico just sits there, the more it is going to get run over. And it won’t be alone.

Companies and the Flat World: What I have learned in researching this book, is that companies that have managed to flourish today are the ones that best understand the triple convergence and have developed their own strategies for coping with it – as opposed to trying to resist it. Here are the highlights:

Rule #1: When the world goes flat, and you are feeling flattened, reach for a shovel and dig inside yourself. Don’t try to build walls.

Rule #2: And the small shall act big... One way small companies flourish in the flat world is by learning to act really big. And the key to being small and acting big is being quick to take advantage of all the new tools for collaboration to reach farther, faster, wider, and deeper.

Rule #3: And the big shall act small... One way that big companies learn to flourish in the flat world is by learning how to act really small by enabling their customers to act really big.

Rule #4: The best companies are the best collaborators. In the flat world, more and more business will be done through collaborations within and between companies, for a very simple reason: The next layers of value creation – whether in technology, marketing, biomedicine or manufacturing – are becoming so complex that no single firm or department is going to be able to master them alone.

Rule #5: In a flat world, the best companies stay healthy by getting regular chest x-rays and then selling the results to their clients.

Rule #6: The best companies outsource to win, not to shrink. They outsource to innovate faster and more cheaply in order to grow larger, gain market share, and hire more and different specialist, not to save money by firing more people.

Rule #7: Outsourcing isn’t just for Benedict Arnolds. It’s also for idealists.

Geopolitics and the Flat World: I know that the world is not flat. I am certain, though, that the world has been shrinking and flattening for some time now, and that process has quickened dramatically in recent years. Half the world today is directly or indirectly participating in the flattening process or feeling its effects. But there are some countries that are not participating. Until and unless we can meet some of these grand challenges, much of that 50 percent of the world that is still not flat will stay that way – no matter how flat the other 50 percent gets.

The Dell Theory of Conflict Prevention: The flattening of the world is too young for us to draw any definitive conclusions. What is certain, though, is that as the world flattens, one of the most interesting dramas to watch in international relations will be the interplay between the traditional global threats and the newly emergent global supply chains. Countries whose workers and industries are woven into a major global supply chain know that they cannot take an hour, a week, or a month off for war without disrupting industries and economies around the world and thereby risking the loss of their place in that supply chain for a long time, which could be extremely costly.

Conclusion: Imagination

The flattening of the world, as I have tried to demonstrate in this book, has presented us with new opportunities, new challenges, new partners but also, alas, new dangers, particularly as Americans. It is imperative that we find the right balance among all of these. It is imperative that we be the best global citizens that we can be – because in a flat world, if you don't visit a bad neighborhood, it might visit you.

We Americans will have to work harder, run faster, and become smarter to make sure we get our share. On such a flat earth, the most important attribute you can have is creative imagination – the ability to be first on your block to figure out how all the enabling tools can be put together in new and exciting ways to create products, communities, opportunities, and profits. That has always been America's strength, because America was, and for now still is, the world's greatest dream machine.

You can flourish in this flat world, but it does take the right imagination and the right motivation. While your lives have been powerfully shaped by 9/11, the world needs you to be forever the generation of 11/9 – the generation of strategic optimists, the generation with more dreams than memories, the generation that wakes up each morning and not only imagines that things can be better but also acts on that imagination every day.

Message from Gary Tomlinson: This book report should not take the place of you reading “The World is Flat”. Friedman, in his eye-opening, thought-provoking book explains how the flattening of the world happened at the dawn of the twenty-first century. He then goes on to say what it means to countries, companies, communities, and individuals; and how governments and societies can, and must adapt. This is an important book, so enjoy the education.

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