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The success of Thomas Friedman's *The World Is Flat: A Brief History of the Twenty-First Century* is nothing short of astonishing. First published in 2005 by Farrar, Straus and Giroux, it's since sold more than 4 million copies and picked up numerous accolades along the way, including a Business Book of the Year award from the *Financial Times* and Goldman Sachs. The book (and its updated versions) has retained its relevance over the years and is still on the recommended reading list of many MBA programs.

Friedman's globalization thesis has not gone uncontested, however, especially in academic circles. Pankaj Ghemawat, the Anselmo Rubiralta Professor of Global Strategy at IESE Business School in Barcelona, has been particularly vocal in his criticism. Starting with an acerbic *Foreign Policy* article in 2007, he's carried out a veritable anti-Friedman campaign in books, articles, and speeches. In 2011, with IESE senior research associate Steven A. Altman, he released the first DHL Global Connectedness Index to measure cross-border interactions. Ghemawat appears to have developed the index as an antidote to the hallucinating effects of a condition he calls "globaloney," meaning the exaggerated perception that the world is flat.

Who is right? How flat is the world?

Although Friedman certainly wrote with his customary flair in *The World Is Flat,* he nevertheless fell well short of supporting his provocative thesis with convincing data and analysis. Instead, *The World Is Flat* consists mainly of personal observations and anecdotes. He groups them into 10 structural changes he calls *flatteners,* such as outsourcing, offshoring, and "supply chaining." And he wrote about two key trends: the adoption of more collaborative business processes and the addition of 3 billion Chinese and Indian consumers to the global marketplace. It is this "triple convergence" that, according to Friedman, has flattened the world over the last two or three decades and changed the rules of the game forever.

Ghemawat backs up his contrarian view, that the world is actually only about 10 to 25 percent globalized, with a fascinating set of statistics. The expanded version of his DHL Global Connectedness Index, released in November 2012, measures the depth and breadth of 10 types of international flows—and finds them lacking. For example, who knew that cross-country-border telephone calls represent at most 7 percent of all voice calling? Or that first-generation immigrants account for only about 3 percent of the world's population? Or, more significantly, that foreign direct investment typically accounts for less than 10 percent of all investment in a given year?

Nevertheless, one can't help but feel that Ghemawat is not being entirely fair in his critique. First,

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no reasonable person who has read *The World Is Flat* could come away thinking that Friedman truly believes the world is, in fact, flat today. More important, it is quite clear that the business leaders interviewed in the book didn't believe so either.

Second, although much of Friedman's supporting evidence is indeed anecdotal, his thesis still reflects the collective experience of numerous senior business leaders, and is clearly still relevant to the issues these executives grapple with on a daily basis.

Third, although convincing, Ghemawat's statistics don't necessarily contradict Friedman's flatteners directly. For example, is the local nature of telephone calls and Internet traffic really inconsistent with Friedman's offshoring and outsourcing trends? Does the domestic volume of social networking activity truly negate the impact of uploading as an important flattener?

In fact, Ghemawat's overly literal interpretation of Friedman's book may obscure some of its biggest flaws. The real problem with *The World Is Flat* is not so much that it overstates—even considerably—the flatness of today's world. The crucial conceptual error in Friedman's thesis is that he assumes his 10 flatteners would automatically and rapidly lead to a more interconnected and, therefore, flat world. But the opposite has often been the case. The empirical evidence suggests that the global economy is increasingly being driven by urban clusters and, if anything, becoming more instead of less "curved."

The danger of Friedman's flat-world thesis is that it could cause executives to misinterpret the trends they observe in their own businesses and make potentially serious strategic errors. Instead of pursuing an aggressive localization strategy, for example, executives from multinational firms often decide to "wait it out" in emerging markets such as China and India. They hold the mistaken belief that demand-side and supply-side conditions will soon flatten and converge with those in developed markets. They may, for instance, believe that China's retail environment will consolidate relatively quickly; as a result, they may fail to invest in localized distribution channels that are more appropriate for today's market conditions. In reality, such consolidation is highly unlikely to occur within any reasonable planning horizon. And the impact of such wishful thinking is far from trivial. It could result in missed profit opportunities, but could also cause multinationals to fail to check the advance of competitors from these emerging markets until it is too late.

The world is still far from flat today, and, in many industries, it's likely to retain its curvature for quite some time to come. Executives should be wary of relying too much on Friedman's superficially persuasive, but seriously flawed, evidence. Instead, they would do well to adopt a more analytical approach for evaluating how flat their world actually is, now and in the future. This will require a deep, fact-based understanding of the specific flatteners in each of their businesses, as well as a careful consideration of whether to ignore, adapt to, or try to shape those drivers.

On balance, Ghemawat wins the argument hands down. +

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