BOOK REVIEW HOW WE COMPETE

The uncertain certainties of ‘made all over’

Stefan Stern finds serious points made in an evidence-based account of how businesses are responding to the worldwide challenge

It's worth noting that "there are usually no "hubs made in the US," writes Suzanne Berger, professor of management science at Massachusetts Institute of Technology, and author of this impressive study of global business.

Her point is a serious one. The textile industry has been turned upside down by the series of phenomena commonly described as "globalisation": technological advances, liberalisation of markets and the entry of low-cost competition.

But Prof Berger and her colleagues at MIT's Industrial Performance Centre have not tried to offer yet another top-down analysis of what globalisation may or may not have in store for us. Their five-year programme of research, whose findings are presented in this book, involved talking to 50 companies around the world to discover what specific approaches they were taking to meet today's challenges. This is an evidence-based, bottom-up account of the realities of globalisation. It is more varied, more subtle and more substantial than many of the popular works available on the subject.

"Virtually everyone people think they know about [globalisation's] consequences comes either from opinions, anecdotes or very general economic theories," Prof Berger writes. But this book is not an attempt to uncover "the one best way" of facing the future. "We discovered no misconception about globalisation more dangerous than this illusion of certainty."

What does globalisation mean in practice? For many, "the prediction is not only that Big Macs drive out the French croque-monsieur but that the culture portrayed on American television comes to be the standard of the good life presented to audiences around the world," Prof Berger writes.

This is a vision of the future that excites many business leaders. Think of China and its market of 1.3bn consumers (or, as Procter & Gamble has allegedly put it, 2.6bn armpits). But perhaps convergence is not the only possible outcome. National and even regional variants are still possible: the clusters of northern Italy's textile industry, for example - menaced but not yet killed off by China's low-cost alternatives, or Japan's high-tech products still manufactured at home.

Prof Berger sees the challenge of globalisation leading to two central strategic choices for businesses: reorganisation and relocation. What is the right structure - and right sector - for us to be in? And where should we base ourselves to prepare for the fight?

While the pressures leading to convergence are real, they do not dictate a single best strategy for surviving and growing, even for businesses in the same industries. The "dynamic legacies" inherited by companies leave them with a range of options.

The low-wage, low-cost route may be the least advisable, says Prof Berger. "As low-end firms that compete on price move from one overcrowded segment of the market to the next, there is virtually no chance of gaining any durable advantage," she writes. "In the end, what matters are unit labour costs, and these may be very high in low-wage economies where workers are inexperienced, need close supervision, work on old or poorly maintained equipment, and move frequently between jobs."

We used to worry about products being "made in America" or "made in Britain". Prof Berger says, but with the "modularity" of modern business, perhaps products should simply have "Made All Over" stamped on them.

Consider the iPod. It contains a Toshiba hard disc, a Nidec disc-drive spindle, an ARM core processor, a Texas Instruments firewire controller, a USB interface chip from Cypress, and flash memory from Samsung. It is assembled by the Taiwanese company, Inventec. Half the retail cost of the iPod is made up of the cost of all the components and services that Apple buys in.

"It's the combination of modularity and the break-up of the production system, together with the opening of the international economy, that delivers the real punch of globalisation," Prof Berger says. "Reorganisation and relocation go hand in hand, creating threats and opportunities at home and abroad."

No should the rush to offshore be adopted by everyone. As Prof Berger notes, some successful companies keep jobs in-house, while others move the same ones offshore. In certain cultures offshoring everything is unthinkable. There is a risk, as some Japanese businesses put it, of "creating your own competitors."

Globalisation offers no easy choices. Prof Berger says, but the point is to choose. Whichever route you take, you will be managing by the seat of your Timbuktu Everest-designed, made-in-China, Marks and Spencer pants.