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Globalization: A View from the Bottom Up

The IPC Globalization Study

Suzanne Berger

Raphael Dorman-Helen Starbuck Professor of Political Science

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Research Team

SENIOR RESEARCHERS

Akintunde I. Akinwande, *EECS*

Suzanne Berger, *Political Science*

Richard K. Lester, *Director, IPC | Nuclear Engineering*

Charles Sodini, *EECS*

Edward S. Steinfeld, *Political Science*

Timothy J. Sturgeon, *IPC*

GRADUATE RESEARCHERS

Marcos Ancelovici (2007: *McGill*)

Dan Breznitz (2007: *Georgia Tech*)

Edward Cunningham

Douglas Fuller (2007: *American University*)

Sara Jane McCaffrey

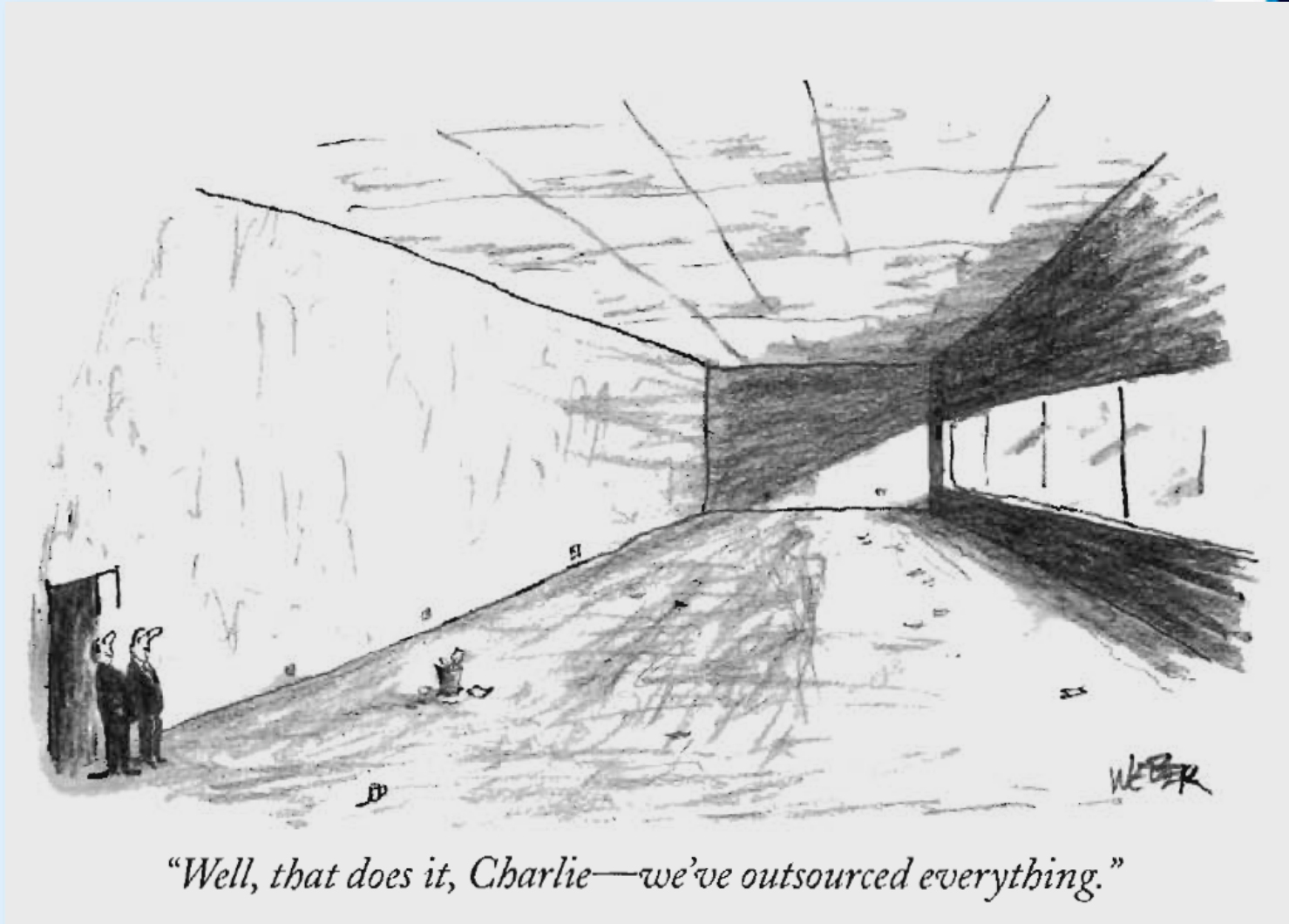
Teresa Lynch

Eric Thun (2007: *Oxford*)



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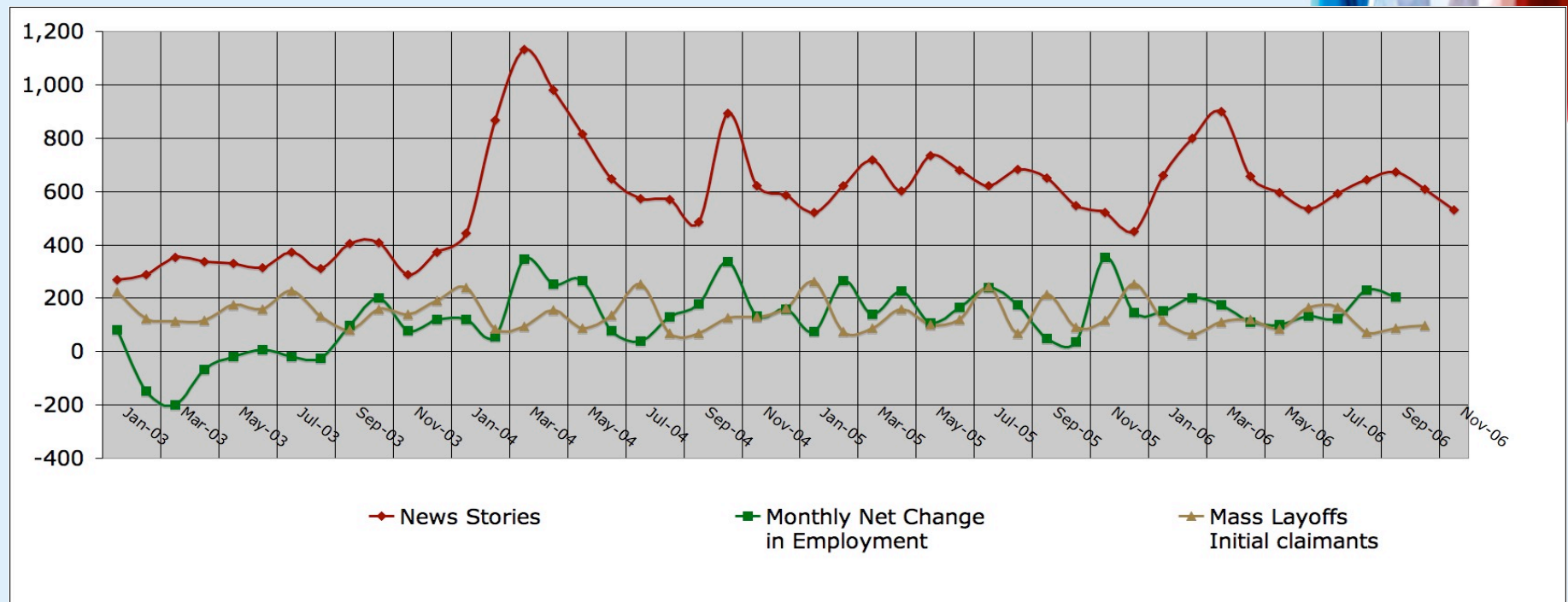
The Fear



"Well, that does it, Charlie—we've outsourced everything."

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Outsourcing News Stories and Employment



Employment data in 1,000s of persons

Source: Lexis Nexis and U.S. Bureau of Labor Statistics

Research Goal

To analyze the impact of globalization on the prospects for innovation, economic growth, social wellbeing and political stability in different societies.



Note: '*Globalization*' refers to the set of changes in the international economic arena and in the domestic economies of nations that tend towards the creation of a single world market for wages, capital, goods, and services.

The Two Questions

1. Reorganization?

- + What to keep within the four walls of the company?
- + What to outsource?

2. Relocation?

- + What to keep at home?
- + What to offshore?



Competing Hypotheses

a. Convergence

Competition and modularization (the “lego model”) drive **one best strategy**

b. **Varieties** of Capitalism drive **varieties** of globalization

c. The **Legacy** Model



Interview Data



Companies Interviewed by Sector

Textile, Retail, Apparel	188
Electronics	187
Automotive	59
Other/industry	50
Publishing	22
	506

Note: 38 additional organizations were interviewed. This includes government officials, trade associations, and academics.

Interview Data

Country of Company Ownership

USA	70
Germany	56
Italy	42
France	33
United Kingdom	31
Other-Europe	26
Romania	2
Israel	24
Japan	32
China	34
Taiwan	134
Other-Asia	18
Canada	4
	506

Other Europe: Ireland, Monaco, Netherlands, Sweden,
Scotland

Other Asia: Indonesia, Philippines, Malaysia,
Thailand, Singapore, India, South Korea

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Processes of Change



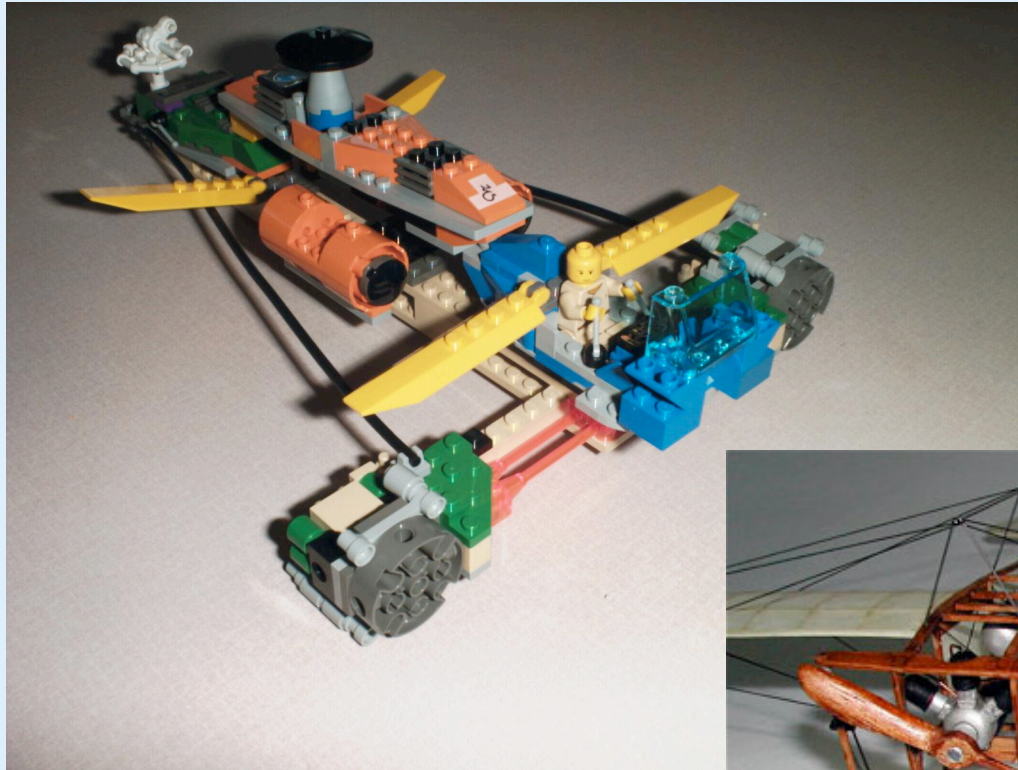
Drivers

- a. New markets
- b. Market volatility
- c. Liberalization of trade, finance and investment

Enablers

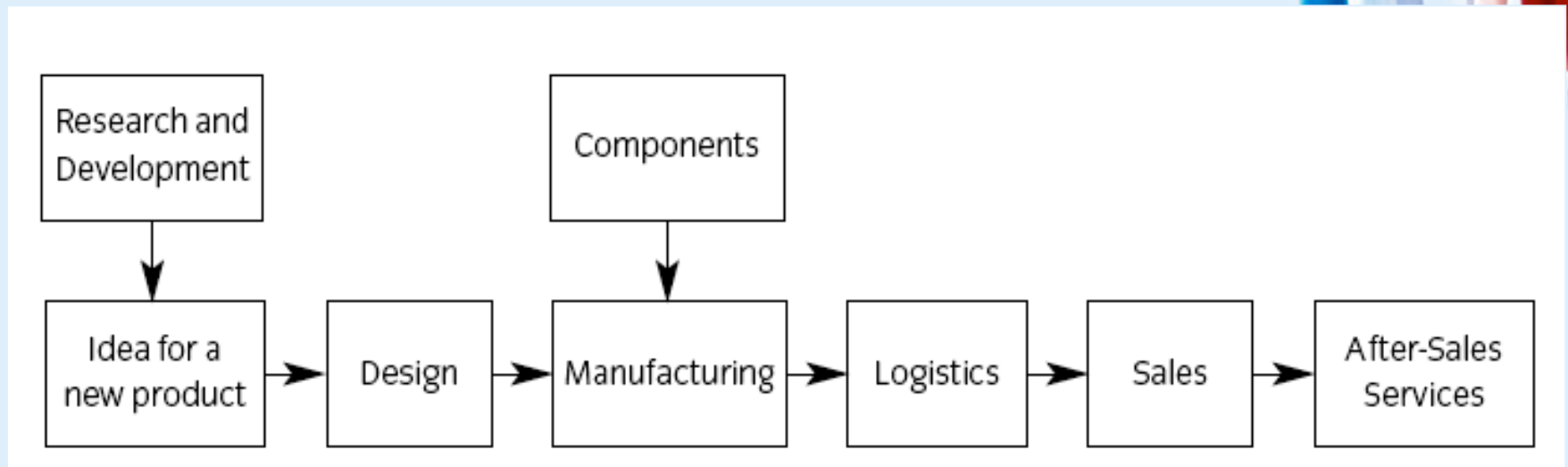
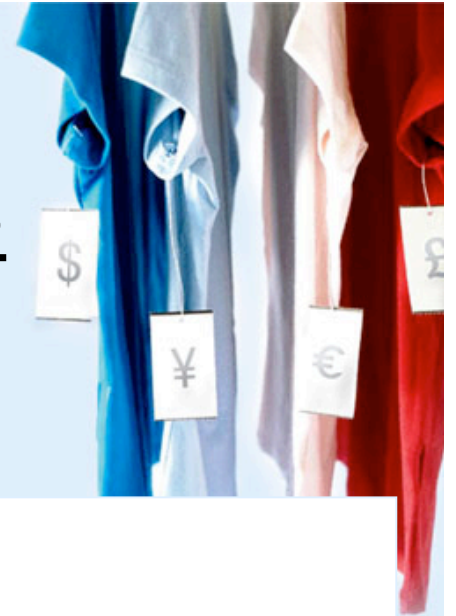
- a. New technologies (codifiable specifications; industry standards)
- b. New spaces for production

Legos or Models?



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From Ideas to Customers



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Some of the Findings



Resilience of Diversity

- Many models of Success: No Silver Bullet
 - + Dell vs. Sony
 - + Zara vs. Gap
- No Sunset Sectors
 - Why do high wage Italians still make eyeglasses?

Some of the Findings

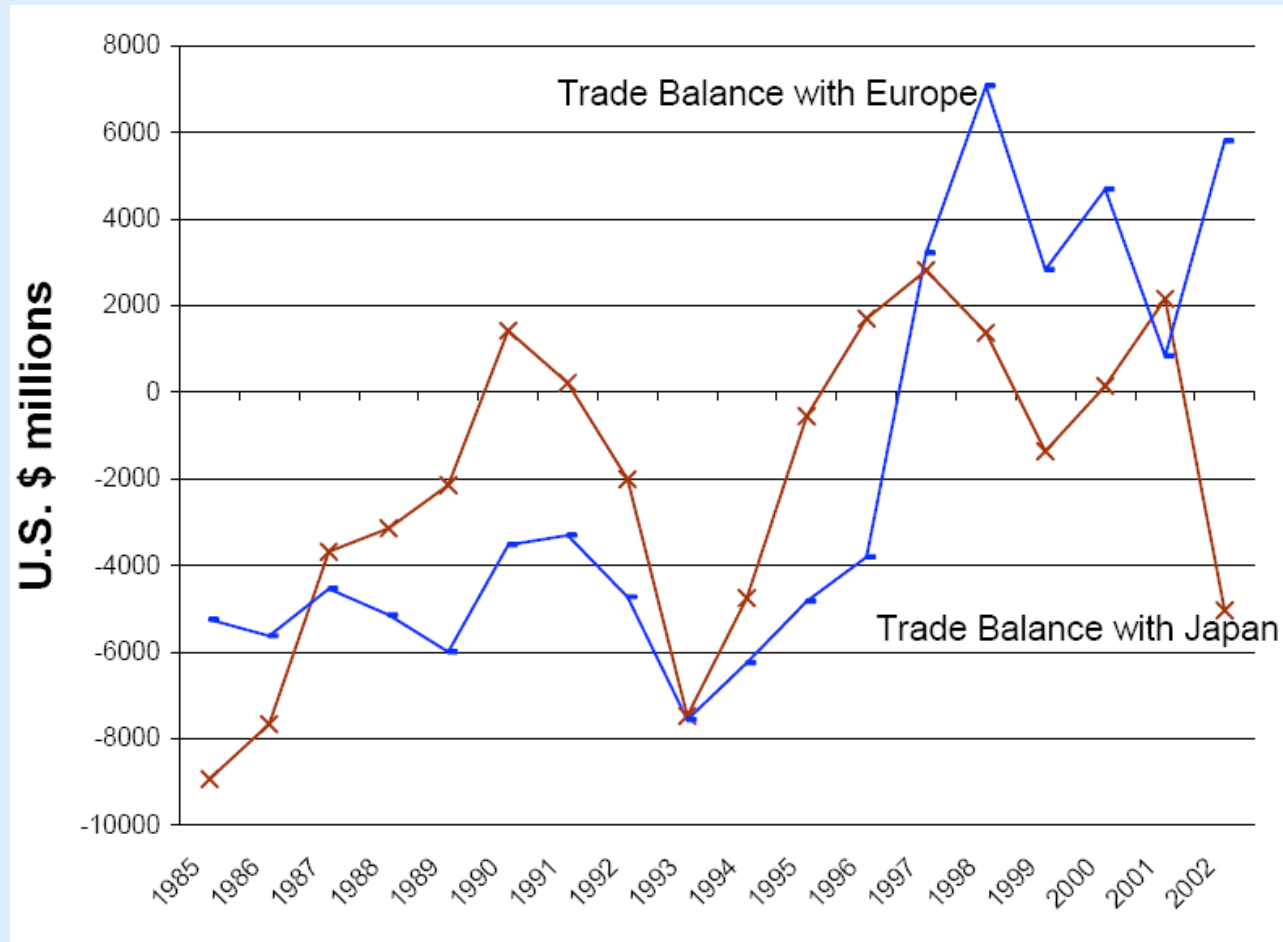
Build on Legacies at Home

- How to Live with China
 - + Japanese Firms
 - + US Firms



Some of the Findings

Chinese Bilateral Trade with the EU and Japan

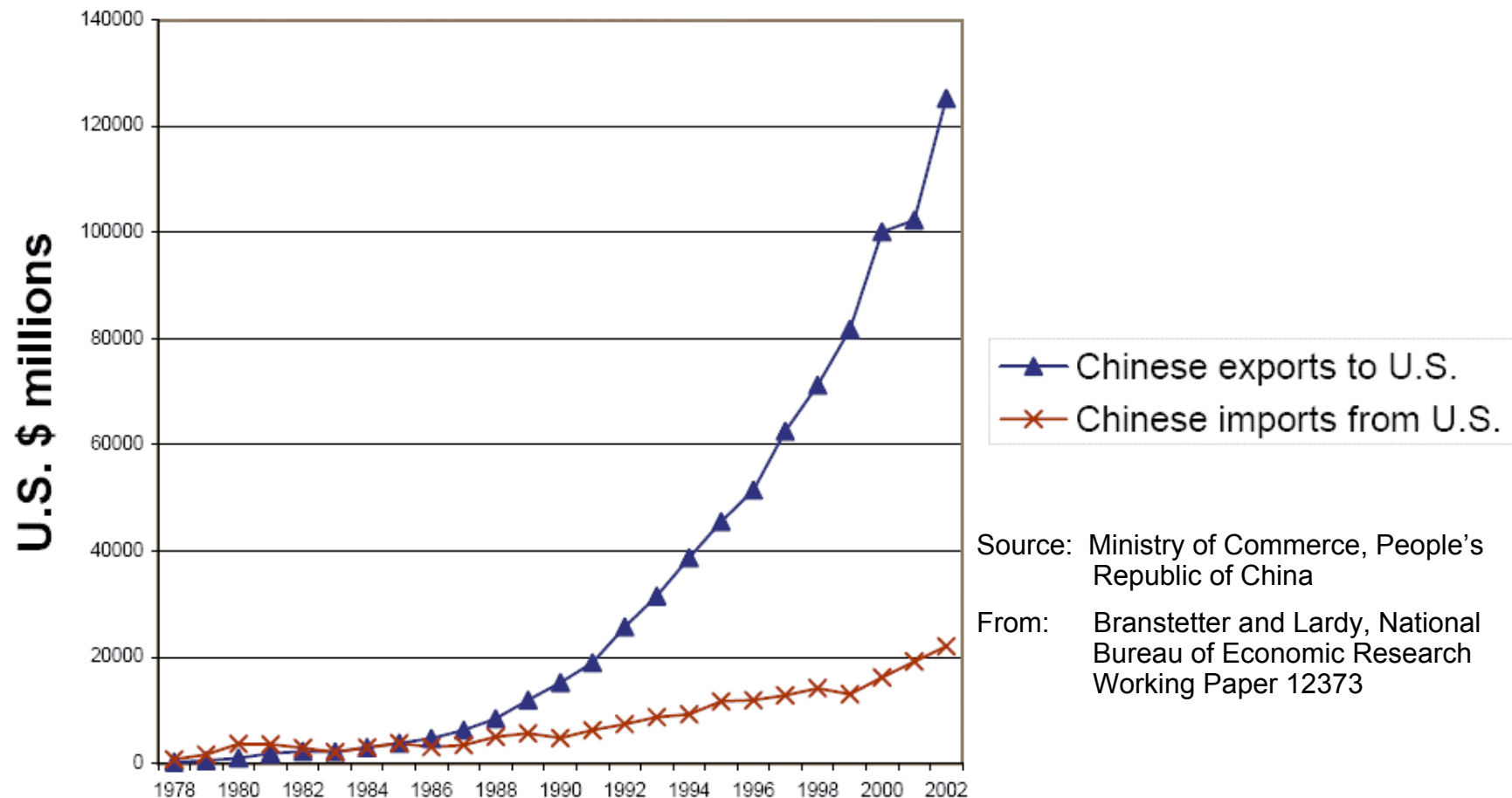


Source: Ministry of Commerce,
People's Republic of China

From: Branstetter and Lardy,
National Bureau of Economic
Research Working Paper 12373

Some of the Findings

U.S.-China Bilateral Trade Imbalance



Some of the Findings

Build on Legacies at Home

- How to Sustain Innovation in a Fragmented System



Some implications for education

Our graduates will work in a world in which fragmentation of production and the fragmentation of research, design, development and distribution require them to know how to:

- **Locate and access knowledge and production capabilities round the world;**
- **Coordinate activities and cooperate with partners across the borders of their own lab or company and across the borders of their own home country;**
- **Understand markets and organizations in large new emerging societies like India and China**

