Global or Glocal : The future course for strategy?

Reshmi Menon

Som Lalit Institute of Management Studies, St. Xavier’s Corner,
University Road, Navrangpura, Ahmedabad, Gujarat-380009

Abstract

With globalization as a concept being adopted by growing businesses worldwide for the past few decades, the journey for the businesses per se has been quite a tumultuous one, divided in two extremes. At one end of the spectrum are the vast advantages associated with being a globalised business, be it cost based, consumer based, competition based, technology based or in terms of globalization of government policies. These advantages have been leveraged by these ever expanding businesses in terms of increasing market shares and multiplying profits, while crossing domestic market boundaries and standardizing their product offerings.

However, the other end of the spectrum is characterized by the increasing realization among companies going in for globalization that the one strategy fits all approach that they have been trying to work on, may just not be the right direction to take. A whole array of research articles have gone into delineating the importance of incorporating the local tastes, preferences, cultural differences in terms of dealing with external consumers and addressing the competition (which again may not be considered to be completely global). Again, not only the external environment, a lot of discussion is also being focused now on the adaptations that may be required to be made in terms of the working environment, norms and practices within an organization, treading the global path. The era of glocalization has thus set in, as indicated in the experiences of various successful companies on the global front.

This paper tries to assimilate the various views and concepts discussed in the considerable research studies done in the areas of globalization and glocalization, as strategies of various successful organizations worldwide, delineating the importance of going local, while being global - in their efforts to survive and grow in the so called global village, achieved by the forces of globalization.

Keywords : glocalization, globalization, standardization, adaptation
Introduction
The wave of globalization has swept the world off its feet for the past two and a half decades, leaving almost no nation of the world untouched by its influences. Used for the first time by Levitt in the early eighties, and later popularized in business practice by the works of Kinichi Ohmae, the term globalization has now moved on from being just used in the economics to various other disciplines including sociology and politics [1].

Globalization brought with it the emergence of global firms and businesses, with many of these trying to replicate their successful business model and strategies in their domestic markets onto the global arena. However, the businesses soon began to realize that success with a global product in various markets could not be achieved in the long term, without understanding and incorporating the contextual or local differences in terms culture, preferences, competition and other such market based realities. This has ushered in an era of globalisation or in other words, the growing interface between the global outlook and the local considerations, while strategizing by the globalised companies for global success.

Globalization to Glocalization
While discussing the movement towards globalization, Levitt envisioned that in order to be successful (even as early as in the early eighties and beyond), the businesses had to consider the world to be a global market place, unified irrespective of the shallow differences perceived to exist at the national or regional levels [2]. The increasing trend towards globalization could be envisaged in the standardization happening in terms of products or services being offered into increasingly accessible international markets, the entry of various businesses into these markets being characterized by the large number of strategic alliances as well as mergers and acquisitions taking place around the world [3].

This view was further strengthened by the categorizing of the varied advantages of globalization in terms of markets, costs, government policies and competition by Yip in 1992. As discussed by Yip, the market based globalization is characterized by similarity in terms of customer needs, facilitating the transfer of all major elements of the value chain, including the marketing activities for the various brands at a global level. The advantages of low costs flow in terms of economies of scale, due to the large scale of operations, to being able to access low cost sources in terms of suppliers or labour available in the global market. Moreover, beyond a certain point it becomes difficult for the companies to grow in the domestic front with an existing set of products, while development of new products may come at a very high cost. Hence, firms strategize to enter global markets to leverage on the maximum advantage possible on its limited set of existing products rather than developing new ones and thereby incurring higher costs. The beginning of the 90’s further saw a large number of governments across the globe talking the common language of having free markets in an effort to boost trade between the countries. Moreover, the standardization of
various products and activities across industries like automobiles and information technology have helped the companies to reducing the barriers existing in terms of product improvements or changes required, furthering the establishment of value networks beyond geographical boundaries. Government policies globally are woven around these similarities and standardization, apparently transforming the world into a global village. As firms start competing on a global level, it further adds pressure on the domestic players to stand up to the competition (since it becomes a question of their survival as well as their growth), thereby inducing almost all firms across countries to start competing and strategizing globally or be left out [4].

This standardization and related advantages achieved through globalization however also set a few arguments against the very concept of having a unified global strategy for companies per se. Kotler, while agreeing to the fact that strategies emphasizing standardization of the marketing mix elements ie. product, price, place and promotion may be beneficial under certain circumstances in terms of increased returns; but may also prove to be detrimental to a company in certain other circumstances for companies crossing boundaries, while attempting to be a part of the global bandwagon. Also, Kotler places Levitt’s approach towards globalization as a step in the backward direction in terms of modern marketing approaches, which harps on understanding and fulfilling according to the local tastes and preferences and other contextual requirements of the customer or the consumer [5]. In other words, one strategy fits all approach being adopted by the businesses and companies going the global way started getting questioned.

Wind (1986) was among the first researchers to conceptualize the idea of thinking globally and acting locally, wherein he discussed the requirement of following an approach oriented towards the local market conditions and requirements, while taking care of the drawbacks associated with standardization that the firms employ in the various national and regional markets, as a part of its global strategy [6].

The term glocalization was introduced by Robertson [7] in the early 90s, a combination of the words globalization and localization. Globalization, as discussed earlier, involves the flexibility brought about by the nations by allowing the global forces to influence the local market conditions, to achieve economic growth. On the other hand, as a part of reiterating localization, regions try to protect and maintain a part of the local conditions and local culture, without being totally swept away by the forces of globalization. Glocalization tries to balance both these approaches in terms of catering to the local tastes and preferences, while attempting to follow the global corporate philosophy and vision that the firms have [8]. However, the key question that is raised by many firms is whether they need to go in for a glocal strategy or should they continue with a unified global strategy with which they may have succeeded in several other markets including their domestic market.

The answer to the above question does lie in the experiences of various global and multi national corporations including Wal-Mart, Disney, MTV, McDonald’s, Panasonic etc. Matusitz [9,10] highlights the classic case of Disneyland Paris and
Disneyland Hongkong, wherein Disney initially experienced huge failure when they tried to enforce the strategies that gave them success in the US, onto the markets of China and France and not giving importance to the influences of the local culture and local market requirements. This led Disney to change directions in following a four pronged approach which included price reduction, organizing menus according to the local tastes and eating habits, adjusting the décor and settings to the local preferences, as also becoming flexible in the working practices and policies related towards the local employees, and thereby achieving success.

On the similar lines, the global behemoth in retail Wal-Mart went into the glocalization mode to achieve success in China. One of the major learning for Walmart there, was that understanding of the local Chinese culture, habits and environment was pivotal for its retail success in China, rather than its location or its prowess in use of information technology. The magnificent success got by Wal-Mart was achieved through realization by the organization of the necessity to get glocalized at its very outset, and being able to cater to the sharply differing tastes and preferences’ existing within such a large country as China [11].

Another global giant Panasonic treaded the path of glocalization successfully with its foray into China by having a unit totally focused towards balancing the attempts to gain competitive advantage through global operations and taking care of the local needs of the consumer, and the company’s mission statement aligned towards the same with the development of their local employees to take care of the coordination between the global and the local approaches. Another important initiative that ensured Panasonic’s success in this glocalization path, was in being able to give ample authority and responsibilities to the local operations in order to facilitate adaptation to the local requirements while maintaining requisite coordination with the global operations and strategies [12].

**The Way Ahead**

Globalization and global strategies to tread the globalised path brought with it several advantages to businesses across the world and is set to continue in the times to come. However, as realized by the experiences of many globalized businesses worldwide, the pursuit of this oneness of being global cannot achieve its true potential in business sense, without considering the differences at the regional and national level. Standardization as a part of globalization needs to be integrated with adaptation to the local tastes and preferences, customs, work culture etc. as businesses strategize for long term survival and growth in this business world moving the globalization way. Businesses need to realize sooner than later, that going glocal is the mantra of the future, because glocal includes global as well. The question which needs to be pondered more now is not, Only Global, Why Local?, but How much Global, How much Local?, and thereby decide the future course for strategy for respective businesses.
References
