

THE ORGANIZATIONAL FACTORS OF GLOBALIZATION AND LOCALIZATION: A “TRAVEL OF IDEAS” APPROACH

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Globalization in the context of business and corporate management literature has espoused a variety of connotations ever since the term gained traction among management scholars about two decades ago. Levittⁱ distinguishes between the multinational corporation and the global corporation, both operating in a number of countries but the former adjusting its products and practices in each while the latter maintaining resolute constancy across all. Bartlett and Ghoshalⁱⁱ offer a more fine-grained assortment of globalization strategies and corresponding organizational forms so marked as international, multi-domestic, global and transnational. Globalization as organizational process has evolved back and forth along the continuum between universalization of particularism and particularization of universalism and assumed various practical terms, such as localization, globalization, glocalization, micro-globalization and macro-localization,ⁱⁱⁱ and such practical adages as to think globally and to act locally.^{iv}

In practice, the overall approach to global strategy has begun with an emphasis on similarities, standardization, homogenization, concentration and coordination on a worldwide basis.^v But throughout the past decade, corporations adopting this approach have been faced with the mounting challenge of dramatically changing local business climate and experienced setbacks in globalization. They are increasingly aware of the key strategic challenge of balancing how much to standardize products, practices or strategies across countries and how much to adapt them to local differences. This balancing act, whether described as globalization or localization, suggests an organizational process in response to its external conditions. For the sake of parsimony, this paper uses glocalization to describe the organization process and strategy in balancing between standardization from country to country and response to local differences.

In search of the appropriate balance between standardization and local adaptation, or a glocalization strategy, researchers and managers subscribe predominantly to an externally-oriented function. Several authors argue the balance is a function of four external drivers: the market, competition, cost, and government drivers.^{vi} The market drivers consist of homogenous needs, global customers, global channels and transferable marketing. The competition drivers take account of the interdependence between countries and the globalized or globalizing competitors. The cost drivers cover economies of scale and scope, learning and experience, sourcing efficiencies, favorable logistics, labor cost and skill arbitrages and product development and production cost arbitrages. Finally, the government drivers include favorable trade policies, compatible technical standards and common market regulations.

Presumably firm glocalization strategy is a joint product of its environment and internal characteristics. The literature, however, has little coverage on the organizational factors that directly affect a company’s glocalization outcome. Although organizational alignment with global strategy is the overall theme of a couple of seminal works,^{vii} these studies do not predict or argue explicitly that globalization, localization or anything in between is an outcome of a company’s internal struggle. Linear thinking implies that these studies assume an organizational goal and a set of strategies that are externally mandated, and consequently identify organizational heritages that are misaligned with the strategic choice. Organizational alignment or misalignment with a chosen strategy predicts organizational performance rather than glocalization strategy or outcome. Studies that provide direct links between organization and choice of glocalization strategy are sparse.^{viii} In terms of both theoretical perspective and research methodology,

this presents a missing link as well as a research opportunity. For this reason, this paper focuses on the direct relationship between organizational strategy and its glocalization.

THE INSTITUTIONAL PROCESS AND GLOCALIZATION STRATEGY

To establish the direct link between organizational factors and firm glocalization strategy, this paper assumes that glocalization be characterized as an organizational process in which products, practices or strategies are homogenized across units, regardless of point of origin. It further assumes that firm glocalization strategy and its organizational outcome (e.g. global, multi-domestic or transnational firm) in part result from that process. To develop a theory to describe the characteristics of the glocalization process, this paper adopts the expanded new institutional perspective.^{ix}

The new institutional perspective explains that organizations grow homogeneity of form on the “institutional myths” of their environment while maintaining their heterogeneous core activities.^x Although this explanation sheds much light on the organizational homogenizing outcome, it offers only a static qualitative state rather than a process and a compression of the time dimension which leads to an oversimplification of the institutional process.^{xi} Czarniawska and Joerges^{xii} expand the perspective with such concepts as translation, imitation, and editing to culminate into the model of “travel of ideas” to view both stability and change as institutional norms. In the light of that perspective, glocalization can be viewed as an institutional process through which ideas of business activities become dislodged from the context of the originating organization. These ideas are then translated or packaged into text, image or prototype to be sent away, re-translated or unpacked by the recipient organization, which is often situated in a different geography or culture. Eventually the transformed concepts are re-embedded in the context of the recipient organization. The process involves a series of context-sensitive translations as ideas travel in time and space between organizations, resulting in a varying degree of homogeneity or heterogeneity.

Perceiving globalization as an institutional process is not without precedent. Domke-Damonte^{xiii} proposes the use of the “travel of ideas” concept to model internationalization after a process of technology transfer. He hypothesizes that the nature of technology, dimensioned by inseparability and intangibility, determines the mode of internationalization that firms adopt. His empirical results show significant interaction between firm international strategy and type of throughput technology used by the firm.

When tracing every idea or business activity back to its origin, all are local. Glocalization is then a process to consolidate commonalities and maintain, resolve, or transcend differences in ideas across localities. When the number of localities is small, one may view that process as internationalization rather than glocalization, which befits when the number is big. Since not all differences can be resolved or not all resolutions are desirable, the outcome of that process—such as changed business practices, names, forms or asset allocations—qualifies an organization as “global” when overall similarity is found across a large number of localities, “multi-domestic” when overall dissimilarity is found, or “transnational” when the outcome falls in between.

Furthermore, “glocalization” suggests additional organizational outcomes that complement the institutional outcome of isomorphism in which organizations adopt similar ritual or form while maintaining different routines. Erlingsdottir and Lindberg^{xiv}

demonstrate in their case studies that a glocalized idea has actually been transformed into action and generated new, common routines. They call this process of creating homogeneous practices isopraxism. In other cases, they found practices of homogenizing only the name across different locations (isonymism), while different daily routines (described as polypraxism) or forms (described as polymorphism) remain standardized. Conceivably, in the extreme case of institutionalization failure, an idea is not adopted in name, form or practice.

TABLE 1. The Glocalization Strategy Continuum

Idea or Practice	Local Strategy ----- Global Strategy			
Form	<i>Diverse</i>	<i>Similar</i>	<i>Diverse</i>	<i>Similar</i>
Core Activities	<i>Diverse</i>	<i>Diverse</i>	<i>Similar</i>	<i>Similar</i>

Table 1 describes how the “travel of ideas” model is used to describe glocalization strategies. Complete institutionalization marked by organizations across different countries adopting similar form and core activities of an idea shows the highest degree of standardization and homogeneity, i.e., the global strategy. Total institutionalization failure marked by diverse forms and core activities of an idea shows the highest degree of heterogeneity, i.e., the local strategy. Glocalization strategy is thus an outcome of the institutional process or the balancing act measured by the degree of homogeneity of ideas across different geographies, depicted on a continuum between these two extremes.

ORGANIZATION FACTORS AND GLOCALIZATION STRATEGY

While acknowledging the effects of the external environment on firm globalization and localization strategy and outcome presented from the economics perspective,^{xv} resource dependence perspective^{xvi} or institutional perspective,^{xvii} this paper deliberates inside the organizational time and space where “travel of ideas” unfolds. The purpose of this deliberation is to introduce several factors internal to an organization and hypothesize how they may affect glocalization strategy. These hypotheses are intended to compete with and complement the prevalent hypotheses developed through the externally driven perspectives on globalization.

Organizational Context

Hypothesis 1a: The more similar the two organizations’ contexts in which the transfer of an idea or business practice takes place, the more likely the organizations will adopt similar forms and core activities of the idea or practice.

Hypothesis 1b: The more dissimilar the two organizations’ contexts in which the transfer of an idea or business practice takes place, the more likely the organizations will adopt different forms and core activities of the idea or practice.

As an institutional norm, stability and change of ideas through travel are determined in a process that involves a series of context-sensitive translations.^{xviii} These contexts range from individual circumstances to professional situations to organizational functions. They also include other product, business, market, politically, socio-economically or technologically related context. An idea departing from an original organizational structure has to be removed from the organization’s context, which may differ from that of the receiving organization, in which the traveling idea has to be re-embedded. Similar organizational contexts help ensure the fidelity of the idea and increase the chance of the recipient assimilating the idea at the practice level. (For example, Adali and his colleagues^{xix} report a recent explosion of media departments unbundling from their full-service parent ad agencies. The business practice spread across many countries where the complexity and pace of media fragmentation have increased drastically. Simultaneously, the once more or less similar media buying strategies and practices diverge since the media buying contexts have become increasingly divergent across those countries.)

Resource Asymmetry

Hypothesis 2a: The greater the resources within the organization from which the transfer of an idea or business practice originates, the more likely the receiving organization will adopt similar forms but not necessarily the core activities of the idea or practice.

Hypothesis 2b: The fewer the resources within the organization from which the transfer of an idea or business practice originates, the more likely the receiving organization will adopt different forms and core activities of the idea or practice.

Dislodging, translation, packaging, re-translating, repackaging, and re-embedding of business practices through the “travel of ideas” model require resources in the form of organizational time, effort and other tangible and intangible assets from both originating and recipient organizations. Organizational allocation of resources is likely to be a factor that affects its glocalization strategy. For example, Lee and Chen^{xx} found that corporate headquarters with weaker manufacturing competence are more likely to undertake an entrepreneurial approach to corporate technology transfer, allowing varying deals across different countries. Alternatively, corporate headquarters with a greater strength in manufacturing competence are more likely to undertake a systematic, task-specific approach to transfer both the tangible and intangible aspects of corporate technology, resulting in a higher degree of conformity.

Salcedo^{xxi} describes the globally uniform concept of shopping mall – a civil, capitalist marketplace – fending off the pressure for adopting the local bargaining practice in Saudi Arabia, because the design and operation of most shopping malls worldwide is controlled by a small international design clan. On the other hand, non-conflicting local adaptations do occur, which are ensured by the capital contributions

from local partners. For example, Saudi Arabia has women-only malls and the anchoring entities in many malls in the Philippines are not commercial stores, but churches instead.

Thompson and Arsel^{xxii} argue through their case study of Starbucks brand globalization that interpretations of the global and the local do not occur in a strictly symmetrical fashion. The culture game is slanted toward transnational corporations because they wield considerable economic, political and cultural clout. Globalization is hegemony of form—not content—which celebrates particular kinds of diversity while submerging, deflating, or suppressing others. However, organizational homogenization influenced by resource asymmetry is also likely to assume the outcome predicted by the institutional perspective. For the sake of survival, the recipient organization, under the originating organization’s “clout”, may morph only the form of the idea or business practice in travel while maintaining the core activities.

Organizational Structure

Hypothesis 3a: The more centralized authority over an organization to which the transfer of an idea or business practice takes place, the more likely the organization will adopt similar forms but not necessarily core activities of the idea or practice.

Hypothesis 3b: The more autonomous an organization to which the transfer of an idea or business practice takes place, the more likely the organization will adopt different forms and core activities of the idea or practice.

As an extension to the argument on the resource factor in the preceding section, centralization in an organization’s structure reflecting the hierarchical control of organizational resources, may affect the organization’s globalization strategy. Kogut^{xxiii} argues that centralization is effective in coordinating for global benefits but constrains local subsidiary responsiveness. There is no lack of supporting empirical evidence for that argument. Tai and Wong,^{xxiv} for example, found a positive relationship between the degree of decision centralization and the extent of advertising standardization.

The classic case of the two consumer electronics giants, Matsushita and Philips, describes a highly centralized organization (Matsushita) reaping many benefits of globalization while suffering from the disadvantage of little local innovation. The contrasting story of the locally autonomous organization (Philips) tells of the company’s superb responsiveness to various demands across countries, but also its chronic incompetence in scaling up innovation or production to meet the global competition. However, an institutional perspective would caution against the decoupling of practice from the name or form of an idea. A receiving organization may be pressed by authority to assimilate the idea in its name or form but still keep the core practice. A noteworthy intervening factor may also be organizational control.

Organizational Controls

Hypothesis 4a: The greater the use of outcome controls in organizations between which the transfer of an idea or business practice takes place, the more likely the organizations will adopt different forms and core activities of the idea or practice.

Hypothesis 4b: The greater the use of process controls in organizations between which the transfer of an idea or business practice takes place, the more likely the organizations will adopt similar forms but not necessarily core activities of the idea or practice.

Hypothesis 4c: The greater the use of clan controls in organizations between which the transfer of an idea or business practice takes place, the more likely the organizations will adopt similar forms and core activities of the idea or practice.

The “travel of ideas” approach to glocalization process is analogous to the view that sees organizational knowledge transfer linked to its information processing capabilities. Turner and Makhija^{xxv} theorize the role of organizational control in firm knowledge management. They draw on three categories of controls: outcome, process and clan, which are well accepted in the control literature,^{xxvi} and examine the information processing capabilities of each control type. Outcome controls are those mechanisms that focus on the outcomes of tasks, or specific desired outputs. They rely on explicit, complete and common outcome-related knowledge and are useful when process-related knowledge is tacit, incomplete and diverse. Process controls are mechanisms that clearly specify the appropriate behaviors and processes in which employees must engage. When both types of knowledge are tacit and diverse, clan controls may be most appropriate. Clan controls are defined as the informal socialization mechanisms that take place in an organization and facilitate shared values, beliefs, and understanding among its members. Clan controls require those involved in the organization to have a high amount of interaction and communication.

An idea traveling between organizations goes through a series of interpretations. Divergent interpretations may result in different applications of the idea, different forms or even different names. The interpretations of the ideas are influenced by the type of organizational control. Turner and Makhija^{xxvii} argue that greater use of outcome controls is associated with diverse interpretation of process-related knowledge, resulting in original and diverse application of both process- and outcome-related knowledge. Greater use of process controls, without favoring facilitation of sharing of knowledge interpretations among organizations, ensures precise application of process-related knowledge because of its explicitness, completeness and commonality. However, variability of actual practice is likely to be high since a shared interpretation of outcome-related knowledge is not likely due to the tacit, incomplete and diverse outcome-related knowledge. The actual practice is likely to be driven by local interpretation of outcome-related knowledge. Finally, clan controls encourage moderate to significant knowledge acquisition and transfer by and between affected organizations. Common interpretations of both process- and outcome-related knowledge are likely, resulting in adaptable knowledge application.

DISCUSSION

Business and management literature on globalization is biased toward external factors in explaining its process and predicting its outcome. Organizational factors are often brought up in the context of organizational alignment or misalignment with intended strategies, which are a function of predominantly environmental drivers such as

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market, cost, competition and government. Moreover, the organizational factors are seldom described explicitly and hypothesized in globalization theories. This paper makes an attempt to demonstrate a direct, explicit link between organization factors and globalization strategy. It defines the organizational act of balancing between standardization across countries and response to local differences as glocalization and postulates the institutional process modeled after the concept of “travel of ideas” at the business level. Furthermore, this paper deliberates inside the organizational time and space where “travel of ideas” unfolds and hypothesizes the relation of several organizational factors including organizational context, structure, resource and control to glocalization strategies.

Glocalization strategy is a joint product of external and internal contingencies. The views and hypotheses presented in this paper are intended to compete with and, more importantly, complement the prevalent externally-driven perspectives on globalization. The intention is to start a conversation that will generate an inward focus for researching globalization issues. No claim is intended, either explicitly or implicitly, to declare that the organizational factors presented are the most significant factors or that they are exhaustive. Moreover, these arguments are based primarily on the expanded institutional perspective and the organizational control and knowledge management perspective. Augmentation with other perspectives may yield a better understanding on the issue raised.

Practical implications may be drawn from this paper about the directions in which companies develop organizational consistency with strategic choice. As Ghemawat^{xxviii} points out, all companies remain focused on similarities across countries and the potential for the scale economies that such commonalities unlock as their primary source of added value. Differences from country to country are regarded as obstacles that need to be overcome. Perhaps such action bias is rooted in and confounded with overlooking the direct and significant effect of organizational factors on globalization strategy. A better understanding of the aforementioned organizational factors is also beneficial to developing a more easily implemented glocalization strategy, hence ensuring glocalization success.

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