

A KNOWLEDGE BASE FOR “GLOCAL” BUSINESS MANAGEMENT

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One of the most pressing issues facing companies today is the need to adjust to globalizing markets. It is easy to think of globalization as an external phenomenon, forcing companies and entire industries to rework their business models. But it is also helpful to imagine globalization as a heuristic approach to strategy, bringing to mind the notion that companies ought to actively seek out international opportunities, taking advantage of opportunities for global scale, and making adaptations as they are needed. The GLOBE MANAGEMENT REVIEW has been established to address the needs of companies going global, creating a readable forum for practitioners that bridges theory and practice.

A dialogue about globalization in business invariably includes a discussion of Ted Levitt's article in the Harvard Business Review (May-June 1983), entitled, "The Globalization of Markets." This article has influenced business tremendously and led many companies to aspire to a global ideal. The word "global" here refers to worldwide consistency: selling the same products everywhere, instead of developing subsidiaries and selling products customized to individual locales. At a time when the world was still feeling the stagnation and distance of the Cold War, the concept of an entire globe united with common products must have been thrilling. Said Levitt, "The world's needs and desires have been irrevocably homogenized...Companies must learn to operate as if the world were one large market – ignoring superficial regional and national differences."

The idea of global standardization certainly enticed managers with the opportunity for huge economies of scale, but also seemed noble. It offered the possibility that high quality products could be available and affordable to all, even those in less developed countries. Levitt also painted a hopeful picture of individuals and families in foreign countries who, while still living vastly different customs, used the same modern products found domestically. It aspired to a feeling of international unity like that of the Olympic Games. However, over time, these concepts of helping the poor and promoting global unity were clouded by the controversies and conflicts to which globalization led.

Since 1983, globalization has developed in ways not foreseen. The commonalities among markets are still counterbalanced by significant differences; activists call for the re-localization of the global economy, and the claim may be made that regionalization is *increasing* in the world, not decreasing. Evidence suggests that although the effects of globalization are widely felt and acknowledged, the processes of globalization are far from complete. Trade is not completely free, rich economies remain rich, and for the most part, the poor remain poor. Neither has the concept of global

marketing come to full fruition. Notable failures of global strategy have caused some to question the underlying assumptions of the theory. Many have, in hindsight, pointed out flaws in Levitt’s argument.

For many in the business world, the events of 9/11 represent the backlash against globalization. Terrorists, in a show of irony, used technology to destroy the emblems of world trade. The “Jihad versus McWorld” phenomenon, as coined by Benjamin Barber, characterizes the clash of homogeneity and incongruity that grips the modern world.

The question remains: what does this mean for business today? Many companies face an uphill battle as they attempt to do business internationally. U.S. companies especially can fall into complacency due to the large domestic market, in that they find it easier to sell at home than make the major adjustments needed to compete globally. In attempting to reap global economies of scale, some companies have made serious cultural blunders with tremendous costs.

Marketing professionals and academics have long debated whether standardization or adaptation is the best approach to global marketing. Numerous studies and articles have addressed the issue, but the problem can never be resolved, because the optimal strategy seems to depend on the circumstances. The GLOBE MANAGEMENT REVIEW asserts an editorial belief that “glocal” strategies can be engineered, and that a mix-and-match approach is not only possible, but desirable (meaning that certain aspects of company strategy can be standardized and other aspects can be adapted). Essentially, companies can and should pursue globalization and localization *simultaneously*.

As the Internet age emerged in the 1990s, localization began to take on new meaning. As Levitt predicted, technology pushed the world toward a converging commonality; however it was not manufacturing mere technology, but rather *information* technology. Information technology uses language, which is inherently laden with cultural nuances and idioms. As software companies took their products global, they discovered many technical challenges associated with translating the content and documentation into other languages. Translation agencies gradually picked up this work, and eventually an entire industry developed providing “globalization”, “internationalization”, and “localization” services.

Although industry revenues are in the billions of dollars, localization service does not generally receive high priority designation. This is largely due to the way the industry has developed: as a lower-level, outsourced process. There are a few large localization service companies (over \$50 million) as well as thousands of smaller companies offering translation/localization service. This service generally concentrates on language translation and technical adjustments, not the adaptation of the marketing strategies themselves. But an ineffective strategy translated into the language of the target market is still an ineffective strategy – translation and technical adjustment alone is not enough.

The GLOBE MANAGEMENT REVIEW puts forth specific philosophies regarding optimal approaches to global strategy development:

- A proactive approach is better than a reaction to globalization trends.
- In order to make good global business decisions, careful planning and research is required.

- Companies must be extremely aware of the similarities and differences between domestic and foreign markets.
- Global strategies must be developed which take advantage of any global scale that can be achieved, and are responsive to local differences.
- A centrally managed translation and localization program can help solidify a company’s “glocal” presence, strengthening the global brand while simultaneously cultivating local demand.

The Feature Articles in the GLOBE MANAGEMENT REVIEW highlight the applicable results of rigorous research and analysis. In addition, the GLOBE CENTER publishes GLOBE MANAGEMENT PRACTICE, a non-peer-reviewed forum that provides management updates, interviews, digests, and other materials that are of interest to managers in industry.