

Thinking Globally, Acting Locally: A Pragmatic Approach to International Business Strategy

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Abstract: The article discusses the contemporary challenges and strategies involved in international business operations, emphasizing the importance of balancing global perspectives with local execution, often encapsulated by the principle of “thinking globally, acting locally”. Cultural intelligence and the ability to manage diverse teams become pivotal for multinational corporations (MNCs) to build and maintain successful customer relationships in a globalized economy.

The study contrasts traditional “glocal” businesses, those with a strong national identity operating internationally, with newer e-commerce players that often transcend national boundaries by using Unilever as example.

Keywords: Internationalisation; Localisation; Culture Dimensions; Business Strategy

1. Introduction

Internationalization theory focuses on seeking profit and managing operational risks. Firms face challenges implementing strategies. The theory is used to compare “glocal” businesses tied to a nation with borderless e-commerce. The goal is to see if traditional strategies apply in today’s hybrid and digital landscape. Firms must globalize for competitiveness. Facing intense market competition, rapid technological changes, and resource-intensive technological developments, as well as evolving needs of modern consumers.

2. The Concept of ‘Internationalising’

In theory the PESTLE framework (Marmol, et al., 2015) offers an analytical tool to gain insights into the macro environment of a market, before entering it. It provides enterprises with directions to identify the threats and opportunities during selection process, consisting of Political, Economic, Sociological, Technological, Legal and Environmental factors.

2.1 The eclectic entry mode decision

Explaining eclectic entry mode choices is a dominant area of international business academic theory (Cavusgil, 1980). Theory states a progressive expansion process of firms into overseas markets. Companies are depicted as learning organisms that go through four stages during the move to becoming a completely global company (Johanson and Vahlne, 1990):

1. Status Quo: No regular export activities are observable
2. Exports via independent representatives are conducted: A company might begin by exporting to close, familiar markets first.
3. Progressively, outbound activities.

This theory stream epitomizes the role of managerial learning in the process of internationalisation. However, internationalisation success is highly exposed to cultural factors, as will be demonstrated in the following. A key issue in internationalization is the need to adapt to cultures (Whitelock, 2002).

2.2 The impact of different cultures in the internationalization process

Culture is summed up by Tse et al. (1988) as “general tendencies of persistent preference for particular states of affairs over others, persistent preferences for specific social processes over others, and general rules for selective attention, interpretation of environmental cues, and responses.

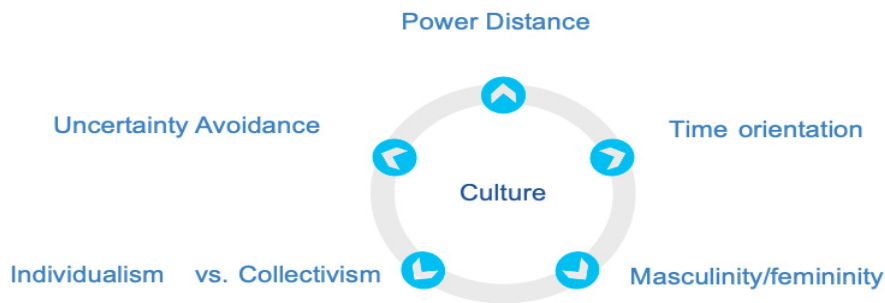


Chart 1 Hofstede's meta-dimensional view on cultures

Hofstede(1980)work-related and values-based framework for national cultures offers a meta-dimensional view on cultures.Hofstede presents differences among nations,along five dimensions of culture: MNCs require cultural intelligence and cross-cultural competence,in order to successfully navigate cultural differences.This has implications for appropriate Human Resource and Capital development:Both elements are responsible for bringing product value to customers of foreign markets.

2.3 Glocalization:Think Globally and Act Locally

Globalization has become to bean irreversible trend in 21th century.However,when multinational companies target diverse markets,various issues including economic shocks, political limitations and culture differences might occur (Friedman,1999).

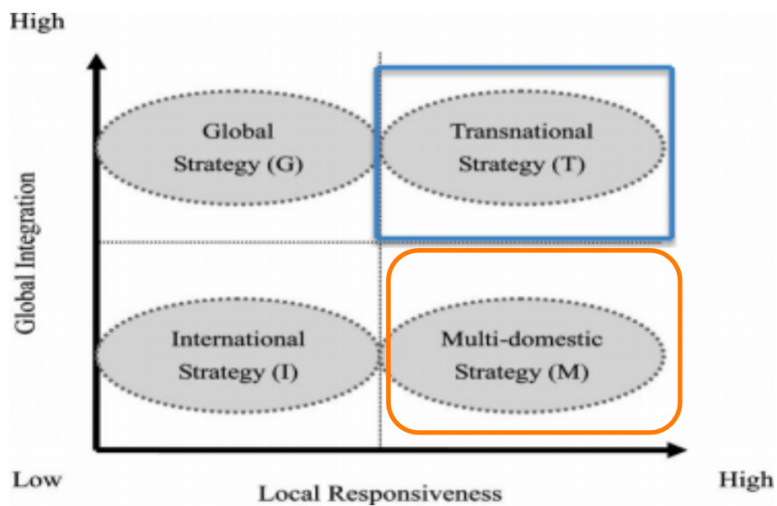


Chart 2: Globalization and national responsiveness Matrix, retrieved from Ryan(2017)

Transnational strategy (refer to chart 2)defines the efforts of an enterprise to integrate the benefits of global scale efficiencies with the benefits of local responsiveness.It can be utilized to maintain global needs,by simultaneously adjusting products and service locally.By employing various tactics and strategies,a company entering local markets can alter its marketing mix,to make its products more appealing for local consumers(Kotler,2001).According to Haidvogl,et.al(2010) and Zhang(2017)four aspects can betaken into account,whenever a company intends to succeed in their glocalisation process,namely the marketing mix.

1. Product:Successful firms won't be generalists but must choose those technologies,products and markets where they can get a critical market share.Product lines will often be filled out by cooperation with other firms,frequently foreign competitors(Kotler,2001).
2. Price:Prices will tend to be relatively low because of strong international competition and economies of scale.On the basis of certain local preferences and needs,re-pricing in the new market may increase the market share(Farrall&Lindsley,2010,p.10).
3. Place/Distribution:The international distribution strategy is closely connected to the foreign operation modes the MNC applies in the diverse markets.It mainly relates to decisions on the structure of the marketing channels and to marketing logistics(Kotler,2001).

4. Promotion defines the market communication method between company and customers. Marketing communication style should be adjusted locally towards building brand awareness, without stepping into cultural pitfalls (Jones, 1991).

2.4 Localization Theory: Think and Act Locally

Localisation (refer to chart 2) is the process of adapting service and products to the local practice in a foreign market by showing respect to local history and traditions (Haidvogl et al., 2010). Besides, it may help to unfold potentials to the fullest by enhancing communication, i.e. by reducing the risk of ambiguity amongst locals pertaining to the brand name or business practices. It has been observed, that localisation might boost sales and drive customer engagement (Smartling, 2017).

The process of localization revolves around the multi-domestic business strategy wherein the firm grants its subsidiaries a high degree of autonomy. The subsidiaries act as independent units and thus ensure high levels of local responsiveness. However, the excessive distribution of power among several business units leads to a lower level of international coordination (Allred & Swan, 2004).

3. An Analysis of the Transnational Approach: Unilever

Unilever, a Dutch-British company operating in Fast-moving consumer goods (FMCG) has successfully been able to employ global coordination, by combining a decentralized structure with an adequate degree of centralized control. Unilever's approach to "Transnationalization" incorporates worldwide cooperation amongst its subsidiaries, who act as self-sufficient units (Unilever, 2023). Firms that understand local markets can adjust their products to match regional preferences. Successful ones adapt global products to compete locally, considering consumer preferences for price and taste (Liu, 2023). Unilever's international marketing mix, which is governed by a combination of business strategies can be explained as follows:

- **Product:** Unilever's brand portfolio shows both features of standardization as well as diversification. For example, in order to pursue its regional approach, the Unilever's R&D Global centre in China extends its support to a Chinese toothpaste brand "Zhonghua".

- **Price:** Unilever's Indian subsidiary, Hindustan Lever used aggressive cost management, making changes in production, packaging, distribution and marketing, to help create a low-cost alternative laundry detergent line to compete with a popular new domestic brand. By price adjustments, Hindustan Lever gained a 36% market share in the laundry detergent segment (Bloch, Shanker & Schaus, 2007).

- **Place/Distribution:** Unilever has pioneered a number of innovations to expand the distribution of its products in rural areas across emerging markets. In countries like Pakistan and India, it has initiated women empowerment programs to boost its sales. While in Philippines, the company used sub-distribution channels to carve its way into rural markets. These tactics strengthened the organization's market position, enhancing credibility and leading to increased growth and profits.

- **Promotion:** Local responsiveness is one of the key drivers behind the success of a global hybrid firm operating across different nations (Frynas & Mellahi, 2011). Unilever has adopted simple strategies which not only enhance the consumer's confidence in its brands, but also leads to a boost in its overall sales. For example, the company captured less wealthy consumers in developing markets by selling smaller, cheaper versions of products that people can afford.

4. Conclusion

The internationalization process involves four stages to achieve global status, with a diverse customer base driving the need for global market strategies. Firms aiming to be "glocal" must assess their position and adapt culturally. Unilever shows how combining global and local strategies successfully navigates diverse markets, embodying unity amid diversity through adaptation and a shared vision.

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