

## Interrelationship Between Globalisation And National Responsiveness: An Analytical Approach

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### Abstract

*This paper presents a theoretical argument on the 'Globalisation' and 'National Responsiveness'; the most talked about issues of today's business world, whether they are diametrically opposed or symbiotic. The degree of relationship between Globalisation and National Responsiveness are also shown through the analysis of different cases of MNCs. Different international cases of MNCs have been critically discussed in the argument in different viewpoints of Globalisation and National Responsiveness. However, a matrix, 'Globalisation and National Responsiveness' has been discussed to analyze the strategic viewpoints of MNCs while considering the globalization effect and national responsiveness in global business operation. The argument of the paper has been viewed in two dimensions, one is how does national responsiveness impact on the corporate culture of MNCs international business and two is how does national responsiveness affect the business operation (Such as marketing) in international business.*

### Keywords

*Globalisation, National Responsiveness, International Management.*

### 1. Introduction

The evolution of today's world is really a far cry from those preached by Adam Smith and the concepts that created Ford Motors. Today strategies of national responsiveness are required. The global market has been replaced by Triad (Asia-Europe-American: regions) or regional blocks where upon they respond to local customer tastes rather than global ones (Rugman, A. M. 2001). However, on the other hand, a fundamental shift is occurring in the world economy. We are moving towards a world in which barriers to cross-border trade and investment are tumbling. Material culture is starting to look similar the world over and national economies are merging into an interdependent global economic system. The process by which this is occurring is commonly referred to as globalisation (Hill.W.L.C, 2003).

Many writers have different views about globalisation, for example, 'the globalisation strategy can be defined by the integration of world wide operations and the development of standardised products and marketing approaches (Helen.D, 2000)'. According to Noel Tichy, 'Globalisation is the capacity to treat the world as one market while dealing with many culturally diverse merchants'. However, in this study, our objective is to clarify the conceptual framework of 'Globalization' and

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'National Responsiveness' and to generalize the relationship between these two focal issues; whether they are diametrically opposed or symbiotic?

Before going to further elaboration, we should make the concept precise. According to Hodgetts & Luthans, (2003), '*Globalisation is the production and distribution of products and services of a homogeneous type and quality on a worldwide basis. On the contrary, he said, 'National responsiveness is the need to understand the different consumer tastes in segmented regional markets'.* From the above definitions, we see that in the global operation of production and distribution, homogeneous type and quality of products are being marketed successfully with an understanding of different consumer tastes in segmented regional markets. Therefore, Hodgetts & Luthans (2003), in their recent book '*International Management: Culture, Strategy, Behaviour*, has shown a very close relationship between globalisation and national responsiveness. **Degree of Relationship between Globalisation and National Responsiveness:** Most of the time 'National Responsiveness' comes from the cultural distinctions, but often it also comes from religion, race or chauvinism. Therefore, understanding of vast-cultural perspective can let us know about the relationship, and its nature, between 'Globalisation' and National Responsiveness'.

According to Kinichi Ohmae (1990), '*Globalisation as a concept that focuses on the ability of firms to leverage certain resources and compete in the world wide markets'.* An example of global branding, whether it is franchising or product branding, could be that of MacDonal'd's, where operations and ambiance are consistent although there may be difficulties in the menu offering to accommodate local tastes and values. Thus, the ability to transfer knowledge is possibly the most common definition of globalisation. An article in the Fortune magazine (1997) had, Mr.J.Walch the former CEO of General Electric, stated that current stage is that of Globalisation of the intellect (Simmonds.P, 2001). Thus, products and services may be manufactured and sold on a regional basis the leverage of knowledge and talent worldwide is the true indicator of globalisation (Fraser.J & Oppenheim.J, 1997), cited in Banerjee.S (2003). However, we realize a close content between globalisation theme and regional responsiveness as tastes, practice, culture etc.

On the other hand, Fraser & Oppenheim say that leverage of knowledge and talent worldwide stimulates globalisation towards regio-centred (Regional) manufacturing and selling. Thus, the precise conception is that cultural homogeneity of the region is considered in order to sustain in globalisation. Moreover, in regio-centred operation (TRIAD), national responsiveness is often very crucial to understand in order to compete in global business arena, as MacDonal'd's experienced typical resistance from the religious point of view in India. Daniel.D and Radebugh.H (2001) have pointed out some cultural collisions in international business are when: (a) A company implements practices that work less than intended (May be because of parochialism attitude), (b) And, a company's employees encounter distress because of an inability to accept or adjust to foreign behaviours. Business

employees, sell to, buy from, are regulated by, and are owned by people. Because international business includes people from different cultures, every business function-managing a work force, marketing output, purchasing supplies, dealing with regulators, securing funds- is subject to potential cultural problems.

An international company must be sensitive to those cultural differences to predict and control its relationships and operations. Thus, the national responsiveness comes into consideration in global business behaviour. The famous slogan can be noted here to understand the degree of closeness of national responsiveness in globalisation is that 'Think globally act locally', likewise, the HSBC uses the slogan '*The world's local Bank*'.

*Not only in international operations*, but MNCs in its control-management also discovered the need to understand differences across cultures, modify approaches appropriately:

- Foreign subsidiaries differ in standard used to evaluate personnel.
- Provide wage and benefits considering differences.
- Useful to develop a contingency model to analyze HRM practices on a country-by-country basis.
- Different degree of HRM differentiation according to rank/ responsibilities in terms of cultural differences (Hodgetts & Luthans, 2003).

Thus, the concept of globalisation, whatever it is, is never free from strong consideration of national responsiveness. However, one factor that inhibits the levelling of cultures is nationalism. Without perceiving cultural differences, people would not see themselves so apart from other nationalities; thus cultural identities are used to mobilize national identity and separateness. This is done by regulating and encouraging the so-called national culture. International companies, therefore, are likely to continue to face diverse cultures in different parts of the world and for different parts of their operations (Daniel.D & Radebugh.H, 2001:75). Hence, we see, MNCs realize the national responsiveness as an integral part of global business operation, rather than a separate entity itself.

An interesting potential scenario is that cultural competition (national responsiveness), the promotion of ideas, attitudes, norms and values among nations will become increasingly important as nations try to harness their distinctive human resource capabilities as a means of out performing other countries economically (Mollar,1991) .

## **2. Globalisation and National Responsiveness are Diametrically Opposite**

Although increased contact among people is evoking more widespread cultural similarity among nations, people nevertheless tend to hold on their basic values. These values are bolstered by efforts to protect cultural separateness and national identity (Daniel.D, Radebugh.H, 2002).

To some extent, only because of strong national responsiveness, (apart from physical factor and economic environment) MNCs can not globalise their

operation. Though point should be noted that the strategies MNCs are using for globalisation may not be consistent with the national separateness, but even then strong national responsiveness tends to appear as barrier in globalisation.

In globalisation, MNCs have to be very much careful in strategic decision making, a wrong strategy may result failure in international business at certain region or country. There are two ways that national responsiveness might hamper MNC's operations in globalisation. *'One is its operational level, which is related to market place and consumers; two is its own corporate management environment.'*

For example, in operational level, strong national responsiveness often resists MNCs in global market: The well-known case 'PEPSICO in India' is also one of the examples of it. Due to strong government restriction (Because of chauvinism), PEPSICO had to leave the market in 1997, and later on though it wanted to entry into India, but could not do so because of political resistance. Afterwards, PEPSICO negotiated a joint venture arrangement with two Indian companies and also changed the name to LAHAR PEPSI to create nationalistic image (Daniel .D, Radebugh .H, 2001). Furthermore, another case shows how national responsiveness can resist globalisation- 'The Bangladesh High Court has ruled that Government approval (considering the labour union's movement and public sentiment) for the construction of a private container terminal by a U.S company at Chittagong was granted illegally. The decision is likely to hit FDI flows in Bangladesh, as this was the largest FDI project in the country's history. The scheme was being financed by Stevedoring Services America (SSA), which had already bought 162 of 200 acres of coastal land it needs to build the US\$550 million port (Financial Times, Business, 2002- online)'.

On the other hand, the example of 'corporate management environment' will make the concept clear that how it can hamper the globalisation movement.

***'Motorola joins the Siemens- Toshiba-IBM alliance: high tech and cross cultural challenges'***- In the small town of East Fishkill, New York, three competing companies from three continents- Siemens AG of Germany, Toshiba Corporation of Japan, and IBM of the USA formed a research joint venture in 1995. But since starting of project, workspace has been a problem for Siemens employees. They were shocked to find that most of their offices in East Fishkill were windowless; no one would be asked to work in a windowless office in Germany. Like the Japanese ,they were unused the doors having pens of glass in them, and often hung their coats over the glass, annoying the IBMers, who could not then tell, before entering , whether the occupant was busy. Overworked managers in Japanese close their eyes to rest during meeting whenever the talk does not concern them, a practice very disturbing to the Siemens scientists who were talking (Dreskey. H, 2000).

From the above examples, it is very transparent that often 'national responsiveness' reacts very adversely in global operation.

### 3. Globalisation and National Responsiveness are symbiotic

Mainstream view of globalisation, at least among the people who 'matter'- the vast majority of economists, many political scientists and political commentators- is that globalisation is a benign force leading us ultimately to the era of converging world income (as poor countries such as China open up to the world and see their income rise), converging institutions as democracy becomes a universal norm, and cultural richness as people of different back ground interact more frequently (Milanovic, 2003). This statement explains the requirement of understanding national responsiveness in the converging globalisation.

However, Hamel and Prahalad (1994) contented that core competencies for a firm must pass three tests in globalisation:

- (a) *Customer value*: A core competence must make disproportionate contribution to customer perceived value.
- (b) *Competitor differentiation*: To qualify as a core competence, compatibility must be competitively unique.
- (c) *Extendibility*: Core competencies must be the gateway to tomorrow's markets.

Hamel and Prahalad (1994) reinforce the global strategy framework of strategic intent supported by core competencies, with a mode for global multistage competition. As a result, keeping a view to the international business operation, firms have to be strategically supportive to cope with different national responsiveness to sustain in global environment, therefore, sustainability of MNC's in globalisation refers to the compatibility with national responsiveness. So, there is a symbiotic relationship between these two variables.

However, in depth analysis, we see in 'Footwear International- Bangladesh' a case study in Deresky H. (2000), the story titled 'Footwear's unpardonable Audacity' suggested that the company had knowingly insulted Islam by including the name of 'ALLAH' in a design used on the insoles of sandals it was manufacturing. To compound the problem, the paper had printed a photograph of one of the offending sandals on the front page. As a result students group were calling for public demonstrations against Footwear. There was mass protest against the Footwear Company.

The Managing Director of Footwear Bangladesh had acted quickly to defuse a potentially explosive situation. To know the real mystery, he immediately contacted to the supervisor of the design department and knew that the design had been based on a set of Chinese temple bell the designer had purchased in the local market and the set of temple design was similar to the calligraphy of 'ALLAH' (R. William Blake, Faculty of Business administration, Memorial University of Newfoundland, St. Johns, Canada). Hence, a failure to understand national responsiveness was the mistake of the firm, so the proposition is- 'understanding national responsiveness is an integral part of global business operation: not the view of ethnocentrism but to adopt the geocentric approach in globalisation'.

On the other hand, very popular abbreviation, TNC ( Translational Corporations), mostly used by World Bank,- is defined ' *multinational corporations that are truly globalizing by viewing the world as one market and crossing boundaries for whatever functions or resources are most efficiently available; structural co-ordination reflects the ability to integrate globally while retaining local flexibility*' ( Helen.D, 2000).

However, local flexibility refers to national responsiveness; therefore TNC itself defines a keen symbiotic relationship between globalisation and national responsiveness. Many previous studies have found cultural proximity to the host country to be a significant determinant of FDI (Hofstede, 1983). Moreover, some scholars have argued that the preferences and tastes of consumers in different nations are converging to a global norm (Levitt, 1983), and hence, the effect of cultural distance is likely to dilute progressively. Moreover, MNEs might also be compelled to ignore the greater culture distance of developing countries in favour of their low-wage advantages and opt for them as ' the next best' location (Sethi, Guisinger, Phelan, Berg, 2003).

Although it is important to consider the cultural separateness, but the converging-globalisation is removing the greater distances of cultural differences, as a result, MNCs do not hesitate to move around from low context culture to high context culture. Nonetheless 'National Responsiveness' in greater sense that will always be an integral part of pure globalisation and will tend to be symbiotic,; only the strategic decisions will be changed in order to different market condition.

**4. Globalization Vs National Responsiveness: A Matrix Analysis**

Hodgetts &Luthens (2003) in their book *International Management* have shown a close relationship between globalization and national responsiveness through matrix analysis, which enables MNCs determining particular strategy in global market place:

		<b>National Responsiveness (Differentiation)</b>	
		Low	High
<b>Globalization (Integration)</b>	High	Globalization Strategy	Mixed (Transnational Strategy)
	Low	Mixed (International Strategy)	National Responsiveness (Multi-domestic Strategy)

In the above matrix, since the intensity of globalization is very high, while the national responsiveness is very low, the management can take the global strategy for the product. But on the other hand, if the scope of globalization becomes low as well as national responsiveness too, then international strategy for a certain region can be made to fit with the homogeneous markets.

However, when national responsiveness is become very high and globalization scope is also high, management should make transnational (Mixed) strategy for different heterogeneous markets. On the contrary, since intensity of national responsiveness is become high, but globalization scope is low, management can make multi-domestic strategy to sustain in the market.

This matrix analysis shows the rays on the argument that the relationship between globalization and national responsiveness is not diametrically opposed, rather both are interrelated and interdependent in order to sustain in global operation as long as the strategic decision is correctly taken.

## 5. Conclusion

It is rather difficult to say if or not firms compete regionally and not globally. Experts have argued and counter argued this point. The fact remains that although there are a number of global brands, getting one global product that is similar all over the world is tough. Possibly with the exception of the Microsoft Windows, arms, ammunitions, may be some other software products and Vaccinations, most of other firms have had to change according to local sensitivity. McDonalds on the other hand, tries to sell its global ambiance within the boundaries of local sentiments and tastes. It is thus very obvious that local tastes and sentiments have to be looked into and a regional bias has to exist for firms to succeed (Banerjee.S, 2003). However, according to Milanovic B. (2003) 'Thus, we believe, today too, as in the past globalization has two faces, the benign one, based on voluntary exchanges and free circulation of people, capital goods, and idea, and the other face, based on coercion and brute force'. The author shows the light that how controversial the nature of globalization is? The 'True' globalization is macro concept and may never become reality nor is it a major necessity for economic expansion. However, therefore, interdependence between national responsiveness and globalization will determine global competitiveness. It's, therefore, not straight forward as there is a fight between firms that are global or local as we see that there is no perfect market competition concept and even pure monopolistic market. The ideal would be to have a 'Glocal' situation where you have a global company catering to local tastes. Although there is a bias towards regional based competition, the reality is that the firms that can transfer knowledge and skills within their network shall be successful in the concurrent pressures for global efficiency and local responsiveness.

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