

MARKET ORIENTATION IN INTERNATIONAL BUSINESS

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INTRODUCTION

In the majority of studies on market orientation it is claimed that compelling evidence exists that market orientation has a positive effect on firm performance. It is important to investigate the mediating effect of market orientation on firm performance. "The marketing of goods and services across national borders" Marketing in an internationally competitive environment, no matter whether the market is home or foreign. The marketing operations of an organization that sells and/or produces within a given country when:

- i. that organization is part of, or associated with, an enterprise which also operates in other countries; and
- ii. there is some degree of influence on or control of the organization's, marketing activities from outside the country in which it sells and/or produces.

Different Orientations of International Marketing

There are 4 different types of orientations or dimensions of International Marketing known as EPRG framework;

- Ethnocentrism (home country orientation)
- Polycentrism (host country orientation)
- Regiocentrism (regional orientism)
- Geocentrism (world orientation)

INTERNATIONALISATION STAGES

Domestic Company: Most international companies have their origin as domestic companies. The orientation of a domestic company essentially is ethnocentric. A purely domestic company "operates domestically because it never considers the alternative of going international. The growing stage-one company, when it reaches growth limits in its primary market, diversifies into new markets, products and technologies instead of focusing on penetrating international markets.

A domestic company may extend its products to foreign markets by exporting licensing and franchising. The company, however is primarily domestic and the orientation essentially is ethnocentric.

International Company: International company is normally the second stage in the development of a company towards the transnational corporation. The orientation of the company is basically ethnocentric and the marketing strategy is extension, i.e, the marketing mix 'developed' for the home market is extended into the foreign markets.

Multinational Company: When the orientation shifts from ethnocentric to polycentric, the international company becomes multinational. In other words, "when a company decides to respond to market differences, it evolves into a stage-three company is multinational that pursues a multi-domestic strategy. The focus of the stage-three company is multinational or, in strategic terms, multi-domestic (that is, the company formulates a unique strategy for each country in which it conducts business).

Global/Transnational Company: Global company re presents stage four and transnational company stage five in the evolution of companies. The global company will have either a global marketing strategy or a global sourcing strategy but not both. It will either focus on global markets and source from the home or a single country to supply these markets, or it will focus on domestic market and source from the world to supply its domestic channel

The Transnational Corporation is much more than a company with sales, investments and operations in many countries. This company, which is increasingly dominating markets and industries around the world, is an integrated world enterprise that links global resources with global markets at a profit.

International marketing Decisions

- (i) **International Business Decision:** The first decision a company has to make, of course, is whether to take up international business or not. This decision is based on serious consideration of a number of important factors, such as the present and future overseas opportunities, present and future domestic market opportunities the resources of the company, company objectives etc.
- (ii) **Market Selection Decision:** The next important step is the selection of the most appropriate market. For this purpose, a thorough analysis of the potentials of the various overseas markets and their respective marketing environments is essential. Company resources and objectives may not permit a company to do business in all the overseas markets. A proper selection of the overseas market(s), therefore, is very important.
- (iii) **Entry and Operating Decisions:** The next important task after the market selection decision is to determine the appropriate mode of entering the foreign market.
- (iv) **Marketing Mix Decisions:** The foreign market is characterized by a number of uncontrollable and controllable variables. The marketing mix consists of internal factors which are controllable. The success of International marketing, therefore, depends to a large extent on the appropriateness of the marketing mix. The elements of the marketing mix should be suitably designed so that may be adapted to the characteristics of the overseas market.
- (v) **International Organization Decision:** A company which wants to do direct exporting has also to decide about its organizational structure, so that the exporting function may be properly

performed. This decision should necessarily be based on a careful consideration of such factors as the expected volume of export business, the nature of overseas market, product, size and resources and length of its export experience.

Future of International Marketing

Globalisation of supply chain and operations management

International Investments

Information surge and consumer choice

World growth

Domination of the world economy

Trade cycle decision rule

Pervasiveness of free markets

Accelerating growth of global markets

The rise of the Internet and Information technology

Polycentric Orientation:

Polycentric orientation is close to the ethnocentric one, but requires activity on several foreign markets. Moreover, activities on these markets are individualized. So, polycentrism is connected with specialization depending on the considered foreign market. For example, in polycentric orientation factors such as the marketing strategy, customer preferences and expectations, cultural diversity, etc. are taken into account. A polycentric organization needs, and is interested in, studying the specifics of each of the foreign market where it is present. Therefore market researches are lead independently on each market. In case of the polycentric orientation, the organization focuses on individualities of foreign markets and all their local specificities, which distinguish them from the domestic market. This orientation is based on the philosophy that it is better to use local methods to cope with the local problems, rather than force alien solutions. However, extreme polycentrism is also not effective, since it assumes that the local market is understood only by local managers, so any flow of know-how is useless. Management holding a polycentric orientation, on the other hand, believes that each country is unique and therefore it allows its subsidiaries to have more control in developing strategies that will work in a particular country. Since each country is so unique, complete

control should be given to local managers since they obviously know what is best for the company in that country. As long as these subsidiaries are profitable, headquarters is apt to leave them alone. So while a polycentric viewpoint is an improvement over an ethnocentric one in that a company realizes that strategies should be tailored for specific markets, it does not take into account the potential benefits of taking a more active role in the running of subsidiaries in those differing markets. Lastly, it should be noted that though it is realized that each country is different, the polycentric viewpoint often leads to ethnocentricity within each region where the company operates. Thus, though a company based in New York will give its India-based subsidiary complete control over a project, management still believes that the home-country is superior.

Advantages

Operating under a polycentric approach affords companies several advantages. One advantage is that prospective customers in each country often identify the products as local, not foreign. With a well-marketed product, this often leads to greater sales and reduces or eliminates nationalistic backlash. Another advantage: Companies reduce or eliminate marketing faux pas that arise from cultural misunderstandings. In addition, a skilled country manager can greatly increase sales and profitability locally.

Disadvantages

Most of the disadvantages of a company operating under a polycentric approach arise from the level of decentralization. Multinational companies typically have reduced economies of scale because products tailored for each country market require localized marketing efforts and smaller production sizes. The cost of tailoring products for each market drives product costs higher. In addition, because each country division operates autonomously, companies often replicate functions in each market.

Geocentric Orientation:

A geocentric company is one where the management looks at opportunities on a global scale. Instead of focusing on the way that business gets done in a given country, it looks at how to conduct business anywhere in the world, based on common ways of communicating. Geocentricity can be applied to hiring

practices when you mix people from all of your locations equally based on their skills rather than their home country. Management holding a geocentric orientation believes that the entire world is a potential market and strives to develop strategies that will work in every market. Instead of stating that things are inherently different in each market and thus must be handled in a distinctive manner, a geocentrically oriented company will look for universal as well as local best practices to help a company thrive in all markets. For example, in a Polycentric company, management would allow full reign over decision making to take place at the local level. If that same company began to operate in India, it would recreate all business processes based on what the local managers thought. But what if there were certain things that would work well in both countries? Would it not be more efficient to leave those processes alone while custom tailoring the processes that really needed to be differentiated? In geocentrically oriented companies, authority is not simply placed with headquarters at home or with subsidiaries abroad, but rather it is dispersed more equally between the two so that a collaboration is formed. Also, a view of superiority is not based on nationality. A geocentric orientation seeks to find a compromise between allowing headquarters to do things its way and allowing local managers to do it theirs. Geocentrism “involves a collaborative effort between subsidiaries and headquarters to establish universal standards and permissible local variations.

Geocentric Business Advantages

Given that the entire world is drawing closer together, geocentric approaches make it easier for your business to be competitive wherever you end up. Creating ways of doing business that are sensitive to different styles of communication or business in other countries makes it easier for you to communicate if you need to have subsidiaries elsewhere. On the other hand, given the large number of immigrants in the United States and the millions of foreigners that visit every year, it can also make it easier for you to do business with people in your own backyard when they have different cultures.

Geocentric Business Disadvantages

Doing business on a geocentric level poses two key challenges. First, you will need to find managers and employees that have the ability to adopt multiple styles at once. Second, you lose some of the benefit of being an expert in one country and culture. An alternative if your business only does business in one additional country is to adopt a polycentric orientation. This method of doing business looks for people that are able to follow the norms of the country in which they are actually doing business. Looking for people who understand German culture to staff your Munich office would be an example of this.

Geocentric Hiring Advantages

Geocentric hiring refers to putting the best people in your offices regardless of where they come from. If you have a star performer in your Taipei production office and your Toronto-based support team needs him, you'd bring him over under the geocentric model. The key benefit of using every office as a pool for every other one is that it allows you to use all of your talent where it's most needed.

Geocentric Hiring Disadvantages

When you're a small business, you may not build the extensive global infrastructure that allows you to truly leverage a geocentric model. Given just a few offices outside the home country, the costs of the model may outweigh its benefits. When you start pulling employees from overseas, your training and relocation costs can skyrocket while you also have the added complexity of dealing with visas and other immigration-related requirements. At the same time, you risk diluting the cultures in each of your offices.

Ethnocentric orientation :

The term ethnocentrism is derived from the Greek word "ethnos" meaning "nation" or "people", and the English word centre or centrism. Ethnocentrism is nothing but a view that one's own ethnic group's system of beliefs and values is far more superior than others. It is often regarded as "tunnel vision" meaning narrowed outlook. Ethnocentrism is based on the attitude that one's own group is superior to others. Ethnocentric behavior is more observed in marketplaces or companies where

people of many nationalities and culture groups work together. Ethnocentrism is based on past experiences and learned behaviors and norms.

An ethnocentrically oriented manager may think : "Since a product works so fine in his hometown, it will also work as gem in the foreign market". He will not conduct any further market research and surveys for the product and this might cause the product to fail in the foreign market. Even companies can act ethnocentrically and choose to ignore many foreign opportunities in the first place.

The ethnocentric attitude is seen often when home nationals of various countries believe they are superior to, more trustworthy and more reliable than their foreign counterparts. Ethnocentric attitudes are often expressed in determining the managerial process at home and overseas. There is a tendency towards ethnocentrism in relations with subsidiaries in developing countries and in industrial product divisions.

Organizations that are designed with an ethnocentric focus will portray certain tendencies. These include an organizations headquarters that's decision-making authority is relatively high. Home standards are applied to the evaluation and control of the organization. These standards are to ensure performance and product quality. Ethnocentric attitudes can be seen in the organizations communication process. This is evident when there is constant advice, and counsel from the headquarters to the subsidiary. This advice usually bears the message, "This works at home; therefore it must work in your country". Organizations that portray ethnocentrism usually identify themselves with the nationality of the owner. For example, Wal-Mart is seen as an American company because its headquarters are located in America. The crucial critical concept of ethnocentrism in international organizations is the current policy that recruits from the home country are hired, and trained for key executive position in the organization. The ethnocentric attitude is a centralized approach. With the centralized approach, the training originates at the headquarters and than corporate trainers travel to the subsidiaries, and often adapt to local situations.

There are many costs that ethnocentrism can incur on an international organization. Using the centralized approach can cause inefficient staffing problems in the organization, this is because the employed staff will incur high financial costs to the global business as they have to pay for the transfer costs of the staff coming from the home country to overseas. This also could bring inefficiency to the business if the new staff is not able to fit in and be culturally compatible in their newly situated location. There is often ineffective planning due to poor feedback from the international subsidiaries. The organization may see capital flight, as the best men in the foreign subsidiary will seek other employment opportunities. Ethnocentric organizations may lose their ability to build a high caliber local organization, which could lead to fewer innovations. This in turn could cause a lack of flexibility and local responsiveness.

Regiocentric orientation :

Regiocentric orientation is similar to the polycentric one, but an organization not only recognizes the specific nature of different foreign markets, but also perceives some similarities of these foreign markets. Therefore it makes groups of similar markets (regions) with similar characteristic features. In other words, similarities between the countries and their markets located in one region are used in order to develop an integrated regional strategy. It should be notice that groups of countries naturally emerges due to processes of trade liberalization. Examples of such regions are NAFTA and the European Union.

An multinational corporation (MNC) “with a regiocentric predisposition will be interested in obtaining both profit and public acceptance (a combination of the ethnocentric and polycentric approaches) and will use a strategy that allows it to address both local and regional needs. The company is less focused on particular country than on a geographic region. For example, an MNC doing business in the EC will be interested in all the member nations.”

Market segmentation is based on finding regions (groups of countries) similar to each other. These similarities may exist on the economical, cultural or political background. For example, customers in North America may have different taste preferences than

customers in the post-Soviet countries. In this sense, for example Coca-Cola and Pepsi are regiocentric companies. Regiocentric strategy assumes that all countries of the region can be regarded as a single market. This allows for much greater economy of scale than the polycentric strategy. An interesting example of a company with the regiocentric orientation is General Motors. The company has significantly different strategies in Europe, Americas and Asia. Top managers in different regions have considerable freedom in decision making.

- Regiocentrism is a transitional phase between polycentric and geocentric orientation.
- Firm accepts a regional marketing policy covering a group of countries which have comparable market characteristics.
- Operational strategies are formulated on the basis of the entire region rather than individual countries.
- The company views the similarities and differences between regions
- Reflects a regional strategy and structure.
- Regional autonomy in decision making.
- Staff move within the designated region rather than globally
- Staff transfers between regions are rare.

CONCLUSION

In relation to cultural similarities and differences, management orientation is important to the success and efficiency of an organization. Should management run things the same way regardless of which country it is operating in? Should management give complete control to local management in different countries with a view that only local people can possibly understand the local culture? Or should management seek a way to identify business processes that work universally while at the same time seeking to identify cultural differences and allow local control over certain processes accordingly? The best company is the one that is able to consistently take in more money than it spends. In order to do this, it must be able to satisfy customers and ensure that these customers will remain loyal to the company. In addition, no company can operate without employees, so a successful company must be able to train efficient employees and keep them loyal to the

company as well. An ethnocentric orientation simply does not work anymore because consumers can choose a different supplier that is willing to take their preferences into account. In addition, the usefulness of a polycentric orientation is also in question when the goal is global competitiveness. A company which relinquishes complete control over subsidiaries to local management is in a way cut off from those subsidiaries. If a company has no means of taking in meaningful feedback from these subsidiaries, does not make an effort to integrate this feedback into its business processes, or if the company does not seek ways in which to universally improve its business practices using foreign experiences, then how competitive can that company be when compared to a company that does? A geocentrically oriented organization seeks to find the best person for the job and the best business process for a particular market. A geocentrically oriented company is able not only adapt, but to shape business processes within different markets so that they are both more efficient and more productive. Geocentrically oriented organizations are able to perform well because they are able to implement successful strategies for adapting taking culture into account.

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