

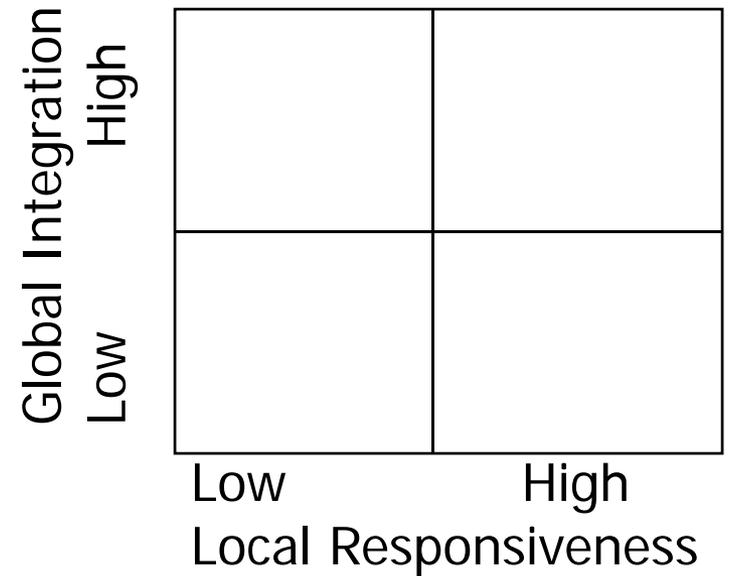
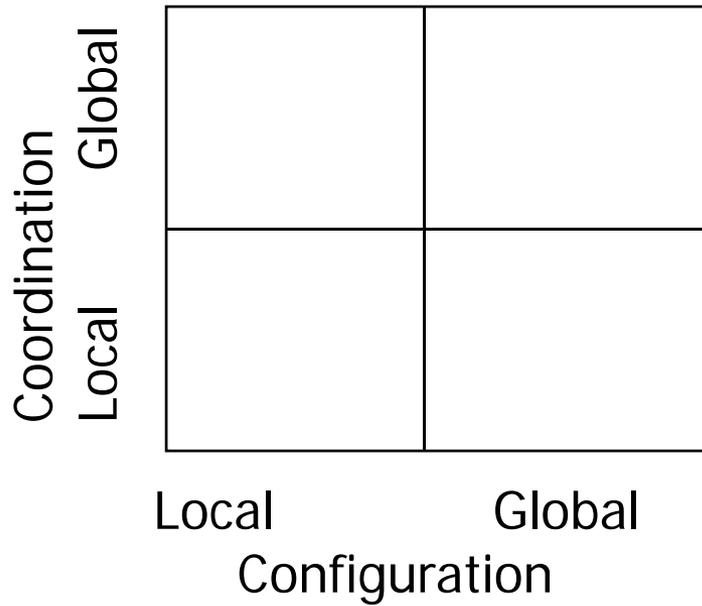
Managing for Global/Regional Integration and Local Responsiveness

Global Strategy and Organization

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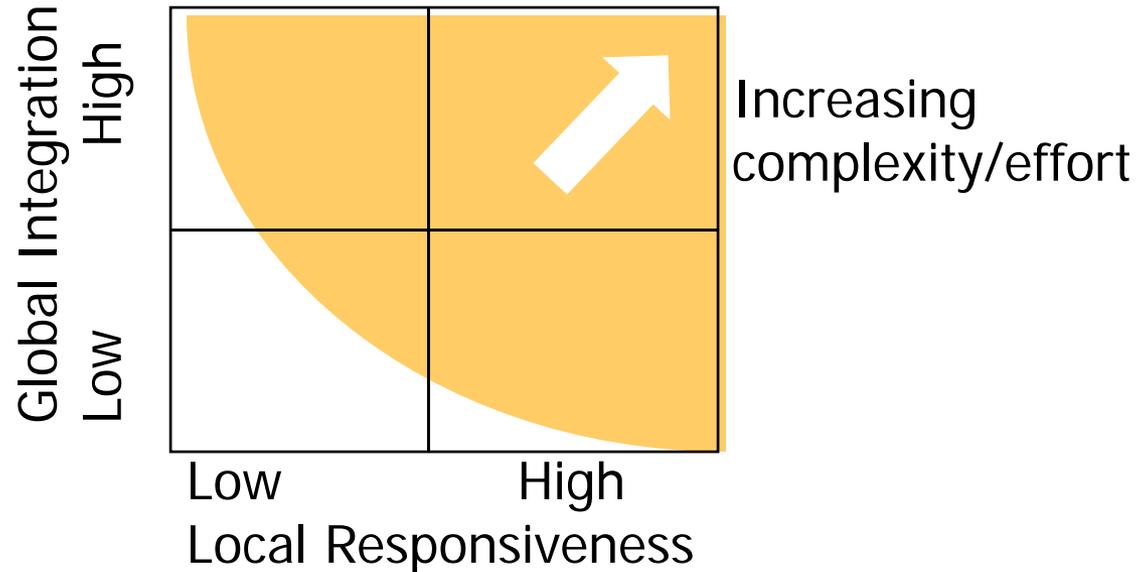
Firm-level Frameworks



Integration-Responsiveness

Two dimensions or one?

- Integration
- Standardization
- Coordination
- Sharing of BP



- Differentiation to match local tastes, channels
- Responsiveness to interests
- Embeddedness to learn
- Embeddedness to influence

I-R for Dell China

- Stick to Dell model

Global Integration High	Wait for market	Franchise agents
Low		Local dist'n
	Low	High
	Local Responsiveness	

- Adapt to local circumstances

Response to Lever Skip

- How should P & G respond to the Lever Skip Micro initiative in France?
- To what extent does your proposed response challenge the Euro-branding approach?

Stay the course

P & G should launch the product as planned while carefully watching the Lever Skip Micro initiative. (Mirza Ahmed, Barry Bunn, Masahide Kawakami, Hyunyoung Kim)

...Lever's product quality is not as good as P&G, thus P&G should avoid direct comparability to Lever's product with either package size or price.

Based on this approach, P&G should launch Ariel Ultra in two sizes,
... P&G should focus marketing differentiation based on environmentally friendly formulation and the ability to get substantially more wash loads
... Pricing should remain at a slight premium as compared to the Lever product. Country specific adjustment off of the regional base price would be at the discretion of the local marketing team.

Future launches should occur in a more simultaneous mode. (Brent Waltz, Masaaki Yajima, Hidenobu Mukai)

Skip Lever -- Issues and Responses

Perspective	Local	Euro
Issue		
Phosphates	Use where allowed	Eliminate
Timing of launch	Local convenience	All at once
Price	Locally determined	Common structure
Package size	Locally determined	One for all
Impact on Lever	Match locally	Match regionally

Underlying Questions for P&G Case

- What are the benefits of a (unified) pan-European product/brand?
- What are the drawbacks?
- Which elements of the product/brand benefit most from a Pan-European approach, which least?

How integrated is European Market?

We will utilize the CAGE framework

Cultural Sensitivity: Environmental considerations were the primary issues driven by culture..

Administrative Sensitivity: Organizational structure measures and incentivizes GM by the profits of their local country sales.

Geographic Sensitivity: The European strategy of marketing a consistent product across all local markets ignores the local product needs and preferences of each country. Levels of phosphate, perfume, packaging size, and other product attributes need to be tailored to each local market.

Economic Sensitivity: The willingness to pay in each country is different. P&G strategy of a consistent premium of 15% above their standard brand price allows for flexible pricing for each country.

The pan-European initiative attempts to commoditize the product. The one size fits all argument does not make sense here.

(Dawood Mohammed Al-Dawood, Mikko Uusitalo, and Mark Gustafson)

Application of the Lessard radar chart reveals:

1. A desire by P&G management to take advantage of scale/scope – though these synergies are not quantified
2. Significant differences in local country regulations (e.g. 4 France has no anti-phosphate laws, West Germany does)
3. Significant differences in local markets (e.g. significant differences in wash temperatures, powder/liquid balance, package size preference)
4. Some question about comparative advantage (How much better are the P&G brands in France vs. Lever when the market shares are within 3 percentage points of one another).

...**relatively small area of the radar chart**

More “coordination”

In the future releases of the Ariel Ultra or other products should be better coordinated between counties to reduce the time between releases. ..

After this incident with Ariel Ultra, the GMs should see the benefit of cooperating to release the product on a tight schedule since they will be significantly affected by the reaction and increase in work needed to repackage the release.

(Justine Li, Rohit Kashyap, Steven James Martin, and Virgil Chan)

More “adaptation”

P&G should adjust its European brand strategy and allow local adoptions in its marketing mix. The European brand building strategy is lacking the local adaptation required to achieve market leadership and is out performed by its competition.

(Wang Tien-Chen, Joerg Hermann Walter Sommer, Ravshan Djeyenbekov, Soo Jin Chun)

..should understand what functions can be centralized and what cannot be. Core competitive activities such as research and development, product formulation, and competitive positioning should be made in a more centralized mode. Market specific activities such as product package sizing and pricing, should be made in a country by country basis to adjust for specific customer’s behavior, competitive situation, and distribution structure. (Brent Waltz, Masaaki Yajima, Hidenobu Mukai)

Process

We believe that P&G did not manage well the Ariel Ultra innovation process because it did not understand the difference between regional integration and national responsiveness. The project leaders (Meyer and Mancel) were committed to a **personal** agenda of proving the new Euro-brand organization by rolling out a single formulation, packsize range and pricing across the whole Europe. 'Integration' seemed a noble idea, but poorly-served in the marketing function with a one size fits all approach which blindly ignored relevant local consumer differences. Their beliefs were challenged when Unilever launched Skip Micro in France, a country which Meyer was also responsible for... (Amy Schumacher, Clara Pombo, Teck Heng, Luis Prata)

We were all uncomfortable with the internally focused nature of this discussion (e.g. one product formula = more leverage/lower costs vs. our customers will be trying to wash this way in the future, here are some ways we might help our customers to that). We didn't like the lack of customer-focus in these discussions and we were disappointed with what we view as a repeated and limited understanding of the power structure of the firm (e.g. Sub GM's were powerful, less involved, and motivated to avoid risk). **Determine what customer problem needs to be solved, then organize about solving that problem** – which we admit is a messy problem .. (Devon Kinlead, Juan Carlos Munoz, Toshi Kajino, Shuey (Shuichi) Yokoyama, Fernando Diarte)

Euro Segmentation

- How do you get a customer focused discussion that does not automatically segment by country?
- Dimensions
 - Green
 - Urban vs Hyper
 - Price vs. performance
- Conversion vs. Flanker
 - Flanker strategy with 2 (even 3) sizes of Ariel Ultra, existing sizes (perhaps trimmed) of Ariel
 - Can fully convert in some places
- Need to have regional level incentives to get there

P & G Evolution

- **1948: Overseas Division** most value added at home, most direction from home, most innovation home for home (profits by country) (Europe, LA)
- **1950's-60's: Replicating Multi-domestic** value-added localized, local org's and processes "copy-exact" (profits by country) (Asia)
- **1980's: Redundant Multi-Domestic** value-added deeply localized, many redundant activities, limited diffusion (profits by country)
- **Mid-1980's Regional coordination** of functions, brands (profits by country)
- **1989 Global Category Executives** for strategy, technology, product development (profit by countries)
- **Mid 1990s** – frustration, slowdown in innovation, slow diffusion, limited adoption of "outside" ideas.
- **2005: GBUs on top** (including profit responsibility), MDOs to implement, functions in GBS.
- 2006 – back to the future

Written Assignment # 2: Due March 10

- Using one or more of the frameworks presented in class, discuss how your firm (or a firm of your choice) is organized in a particular country/region in order to exploit or enhance its core (often home-based) competencies (RATs description in CEMEX article may be useful here).
 - Focus on a single business and a single country or region other than the home base.
 - Describe the whether the country in question is a global/ regional platform, or a local market or source for the firm. (Ferdows' classification may be useful here)
 - Briefly assess the contribution to the firm's global (regional) competitiveness of the conditions (Porter-'s resource diamond or my extended virtual diamond) of the country/region in question. (this may repeat part of your analysis in Paper # 1)
 - Describe the nature and degree of global integration and local responsiveness/ embeddedness of (the focal unit of) your firm, using the Bartlett-Ghoshal global integration-localization chart (or another framework that fits the situation better).
- To put in context, you might "map" a series of businesses in first I-R grid, but only "explode" one. Do the same with activities and regions. If possible, provide some historical context and compare and contrast the integration and localization of this unit with other units of the firm and/or competitors.