

Global business environment

Business



Global Business Environment Present day business environment comprises a global village which has got integrated in many ways. The restrictions on the geographical boundaries that constrained the movement and growth of the business houses have disappeared since long and have provided the opportunities for the businesses to expand within and outside their respective countries. This paper brings out some of the important features of globalization. As a case study the paper considers the international operations Proctor & Gamble (shortly P&G), a multinational FMCG manufacturer.

Proctor & Gamble – an Overview

P&G started as a small soap and candle company started by William Proctor and James Gamble in the year 1837 in Cincinnati United States now has 138,000 employees working in over 80 countries worldwide. The company's products and services are available to consumers over 180 countries. The company maintains one of the strongest and largest portfolios of trusted brands.

The company markets nearly 300 well known brands in consumer goods and more than 50 percent of its revenues are derived from foreign countries.

Being the market leader in the FMCG market P&G has proved to be one of the aggressive marketers and largest advertiser in the world. Extensive market research and the novel brand-management system are the unique strengths of the company (Proctor & Gamble).

The core strength of the company is its capabilities to build big brands which ultimately become the market leader. The company has successfully retained its ability to build brands based on

understanding and basing the new product developments on customer

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needs

investing in the invention of new product technologies and commercializing and expanding the new product developments

Global Branding Strategy

The success of P&G largely depended on its business technique called ‘brand management’ which implied that the company will focus its attention on a product rather than on a business function. The technique involves a decentralized decision making. The company began its global expansion during early 1990’s when the top management felt the need for streamlining the brand management system. For carrying out a planned expansion the company established a ‘Global Strategic Planning Group’ consisting of 3-20 individuals for each of the product categories. This group was made responsible for developing policies covering global and local brands. The group was also empowered to make decisions concerning ‘brand strategy’ which needs to be standardized across the world markets. It also involved customizing the products according to local markets and the customer requirements.

While developing the branding strategies was made the responsibility of the Global Strategic Planning Group the implementation of the strategies was entrusted to the ‘Global Category Team’. The Global Category Team is headed by an executive vice president who handles each of the product categories. The implementation of the branding strategies in the local markets was the responsibility of the country specific brand managers.

P&G encouraged the formation of ‘branding teams’ at the individual country level to involve them in developing brand building programmes. When any of the brand building programme has been found to be successful in one of the

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countries will be tested in other markets and will be implemented immediately (Management Paradise).

Uniqueness of P&G's Strategy

P&G has adopted the unique technique of expanding the brand management system to its global operations which has not been attempted by any of the competitors. This strategy has made the global expansion of the company to an unimaginable position and has also made the company as the market leader.

Pros and Cons of Globalization

The merits and demerits of globalization can be enumerated as below:

Merits

There is an improvement in productivity when the countries involve in producing goods and services in which they have a comparative advantage

Globalization increases the standard of living of the people

An open economy can make use of innovative ideas that it can obtain from other countries

Foreign direct investments provide the scope for improvement in the infrastructural facilities (Business Week)

Demerits

There may be an increase in the unemployment level in some of the countries from which the production facilities are shifted to low cost locations

When the companies operate under competitive pressure there may be occasions when the companies may have to resort to job cuts or other cost cutting measures

The multinational companies keen on their profit motives may not consider

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the degradation to the environmental conditions in the developing nations which may be detrimental to the countries concerned (Business Week).

Global Marketing

Clustering of market opportunities has provided for a larger number of global opportunities and the organizations because of the existence of similar basic segments are able to have a unified global orientation. Marketing globally enables the marketer with different types of advantages which are unique to global marketing. These advantages which the organisation cannot achieve locally are wider experience and exposure, scale economies, better utilization of resources and global strategy. Global volumes also enable the organizations to make larger investment in the research and development which will help them to improve upon the quality. (FAO)

References

Business Week ‘ The Pros and Cons of Globalization’

FAO ‘ Chapter 1: Introduction to Global Marketing’

Management Paradise ‘ Proctor & Gamble’

Proctor & Gamble Home Page