



Systematic Planning of Globalizing Local Firms (SPG)

Hakan Butuner¹, Ali Amjad Qazi²

ABSTRACT

Globalization is the growing integration of economies and societies around the world. It is the process of interaction and integration among people, companies, and governments from different countries through international trade and investment. It allows a country to perform international trade and business to enjoy the expansion of market and trade links between various countries around the globe. The key issue for a local company in penetrating and enjoying maximum revenue in a host country is identified as studying the differences in political, economic, cultural, and business ethics between the home and host countries. The world consists of various dimensions of differences, and it is the organization's responsibility to identify and understand them and match them with its vision. This paper outlines a systematic planning methodology for helping local businesses, which in some way have the potential to grow in the international market but feel insecure regarding the risks and threats involved, to grow globally, and will further create a sense of motivation and ambition. In here, we try to solve their issues using a systematic procedure by passing through six steps (orientation and collect key data, clarify vision, clarify environment and relate to vision, develop penetration plans, evaluate and accept the best plan, implementation) and considering three fundamentals (vision, environmental analysis, and penetration strategy) to further enhance their horizons with the relevant knowledge. Our main objective here is to boost the confidence of the local companies by introducing a systematic planning tool that they can use which helps them to give the chance to become global and compete in the international market.

Keywords: Globalization, Marketing, Planning globalization, Systematic planning of globalization.

JEL Codes: M10, M16, M31, 019.

Available Online: 15-02-2017

This is an open access article under [Creative Commons Attribution 4.0 License, 2016](https://creativecommons.org/licenses/by/4.0/).

1. INTRODUCTION AND OBJECTIVES

Over the last 20 years, the world has become a much smaller place, as people around the world are more connected to one another through the rapid flow of information and money and as goods and services produced in one part of the world are easily accessible in other parts of the world. In simple terms, it is the economic and cultural communication between various countries around the world. According to the

¹ Industrial Management and Engineering Co., Istanbul, Turkey. E-mail: Hakan.butuner@imeco-tr.com

² Industrial Management and Engineering Co., Istanbul, Turkey.

World Bank, globalization is the growing integration of economies and societies around the world. It is the process of interaction and integration among people, companies, and governments from different countries through international trade and investment. It allows a country to perform international trade and business to enjoy the expansion of market and trade links between various countries around the globe.

This paper outlines a systematic planning methodology for helping local businesses, which in some way have the potential to grow in the international market but feel insecure regarding the risks and threats involved, to grow globally, and will further create a sense of motivation and ambition. *Figure 1 illustrates SPG – short version.* In here, we try to solve their issues using a systematic procedure by considering three fundamentals to further enhance their horizons with the relevant knowledge.

Our main objective here is to boost the confidence of the local companies by introducing a systematic planning tool that they can use which helps them to give the chance to become global and compete in the international market.

2. THREE FUNDAMENTALS

Three fundamentals of SPG are Vision, Environment and Penetration.

2.1 VISION

Every company should have a clearly defined vision and mission. Once the frame of its vision is well understood, then basic research is conducted to identify the firm’s potential target (Butuner 2015).

2.2 ENVIRONMENT

A business tends to explore its further potential while competing with its local competitors by using all kind of marketing activities and focusing on managerial issues to grow further in the market. After becoming successful in any industry locally, companies want to grow in the international market. Normally, however, companies hesitate due to the language barriers, foreign business policies, taxation, currency fluctuations, and interest rates.

Accordingly, both the macro and micro environments of the country need to be taken into consideration by every company. According to Porter (1998), macro-environment factors are political, economic, social, technological and legal. It is vital to analyze macro-environment variables that are likely to influence the business’s demand and supply levels and costs. Besides, it is also important to analyze how these factors will affect the business.

The macro-environment also has its own significance to be taken into consideration, as it consists of various factors that are not within our control. First, the political factor plays the crucial role in every country, as it can affect the business operation in many ways. The strategies adopted by government can remove many obstacles and offer several substantial incentives for foreign investors.

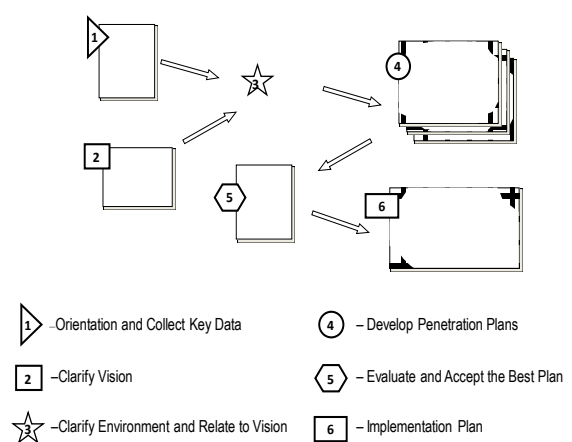


Figure 1. Systematic planning of globalizing local firms (Source: Author)

Second, the economic factor is important in determining people's purchasing power. According to [Index Mundi \(2010\)](#), if a country's purchasing power drastically increases with time, this means that its standard of living is likely to increase, and people will be willing to spend more on the offered goods and services.

Third, regarding the social factor, it is imperative that local firms understand the tastes, needs, and preferences of consumers in the international market. According to [Index Economic Forum \(2011\)](#), it is important to know the population growth of a certain country is in accordance with its growing potential at the same time. All local firms must thoroughly investigate the social environment of the international target market to reduce the risks of failure.

Fourth, technology is a very important and useful tool for expanding the business. For example, the number of internet users in the world has been increasing drastically, as the internet has become a favorable tool to promote a product or service, can deliver the message to the audience very fast and effectively, and moreover, can reduce the cost.

Fifth, the basic facilities and amenities, all means of transportation, communication channels, and security have to be environmental friendly. This can add more value to the foreign businesses, as they can enjoy the benefits of convenience.

2.3 PENETRATION

Penetration here refers to international business expansion and the necessary strategies and tools to be developed to conduct the most suitable platform for simplifying the major hurdles of a local business ([Wickham 2004](#)).

Today the internet and the latest communication channels help local market capacity to penetrate more easily into the international market, though we aim to further critically analyze the best way of implementing the right and viable marketing strategies to grow most effectively in the targeted international market.

3. SIX STEPS

3.1 ORIENTATION AND COLLECT KEY DATA

The main question of the orientation is "What is our objective?" in this project. This means to orient ourselves and to understand the project, the process, and the people involved. Then we organize how we propose to plan and schedule the planning. The main issue is "What we do?" and "How we do it?" ([Muther 2011](#)):

- Understand the project: What? Why? Who? When? Where?
- Understand the purpose or objective(s), the external conditions, the situation(s), the scope/extent, any budget limitations, and the desired form of our planning output
- Understand and document the planning and people issues
- Make a schedule for the project planning

We can use "Project Orientation Worksheet" that is designed by [Muther \(2011\)](#). *Table 1 has three components:*

- Project Essentials
- Planning Issues
- Planning Schedule

In "Project Essentials," enter:

- The objective(s) or propose(s) or goal(s) of this project
- The external conditions, such as synchronization with other projects, specific limitations, overall policies, or larger operational procedures...
- The situation(s): Physical, procedural, and personal situation circumstances
- Scope/extent of the project: How big? How detailed? When needed?
- The form of this planning output: Written report? Action plan approved?

In “Planning Issues,” we enter each problem, uncertainty, and question-one line for each-on the left. In the first column, record how important the issue is to this project. Here, we enter a vowel-letter as our order-of-magnitude judgmental rating:

- A – Absolutely important
- E – Especially important
- I – Important issue
- O– Ordinary important
- U – Unimportant

In the “Responsible” column, enter who is responsible for getting the issue resolved, and mark the initials of the approver.

Table 1: Project orientation worksheet

Planning Issues	Imp.	Resp.	Proposed Resolution	Ok'd by
1.				
2.				
3.				
4.				
Planning Schedule				Notes & Act
Task or Action Required to Plan	Who			
1.				
2.				
3.				

Project essentials: 1. Project Objective(s), 2. External Condition(s) 3. Situation(s)/Extent4. Scope 5. Form of Output (Source: [Muther, 2011](#))

In “Planning Schedule,” list each action required to plan what we intend to do to prepare a market penetration plan. List one action on each line, and show who is responsible for doing it. Set a calendar schedule at the top of the vertical lines.

3.2 CLARIFY VISION

Our first fundamental is to understand the Vision of the company, and whether or not it contains an international expansion ideal.

Before a company expands its business across the world, there are three important systems that must be considered: political, economic, and legal systems. Each country has different types of system that might create problems, obstacles or opportunities for the businesses ([Butuner 2015](#)).

The basic interest for the companies that may want to go abroad is to eventually enjoy the benefits of the strong brand names created in the countries of their origin and to earn higher profits than they can

imagine under certain circumstances. However, there are some barriers to entering into the international market, which need to be taken very seriously (Hitt 2005). These are considered in the next step.

3.3 CLARIFY ENVIRONMENT AND RELATE TO VISION

In this step, understanding the cultures, values, and political economic status of the prospect country or region is essential, as entering to the international market needs to be taken very seriously.

3.3.1 CULTURES AND VALUES

We need to consider the cultures, traditions, norms, and values of the region where we desire to go global. Therefore, it is important to identify the differences between cultures before penetrating into the market (Sullivan 2008):

- *Power distance*: A higher power distance shows that a society accepts an unequal distribution of power, and people understand where they stand in the system. Besides that, organizations are usually centralized, with strong hierarchies and large gaps between top management and employees. However, low power distance shows that power is shared equally, such as in flatter organizations.
- *Individualism*: This describes the relationship strengths and ties of people within the organization. High individualism shows a loose connection with other workmates because of a lack of interpersonal connection and a share of responsibility. Low individualism shows a society with high collectivism, loyalty, and respect for one another as a group.
- *Masculinity*: This refers to the differences between the male and female roles in the organization or society. This is where dominance occurs, such as when high masculinity indicates that men are masculine and women are feminine, men are expected to be strong and tough, and there is a distinction between men's and women's jobs. Low masculinity means women and men are treated equally.
- *Uncertainty avoidance*: High uncertainty avoidance shows that people in the organization avoid uncertain situations whenever possible because they need defined structures in which differences are avoided. In contrast, low uncertainty avoidance shows that organization values differ, and organizations prefer informal business attitudes.
- *Long-term orientation*: High long-term orientation has positive effects on strong work ethics, high importance of training employees, and so on. Low long-term orientation shows promotion of equality and self-actualization.

3.3.2 POLITICAL ECONOMY

This can also be defined as the relationships of a country. In general, it is the study upon economics, politics, and legal systems with the purpose of explaining the existing relations among different countries, since each country has different political economy.

In the modern world of globalization, political economy not only associated with politics, economics, and legal systems; it also includes technology, international relations, human psychology, and many more. Lastly, political economy has always been one of the core tools used to analyze the trends of the current global economy (O'Brien 2016).

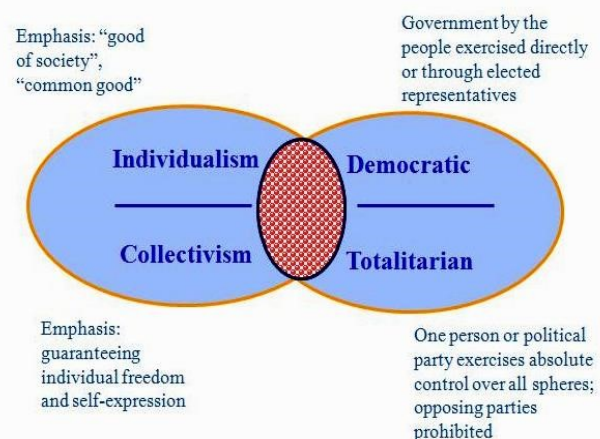
3.3.2.1 POLITICAL SYSTEM

A political system is a form of government that consists of a group of people who have the authority to decide how to manage their nation. It is a social system of politics and government that is interrelated with the legal and economy systems. According to Easton (1965), the political system is the authoritative allocation of values in society. It consists of political organizations, institutions, interest groups such as

political parties and trade unions and the relationship between those institutions, political norms, and rules and regulation that administrate the nations. *Figure 2 illustrates the summary of political systems.*

3.3.2.2 ECONOMIC SYSTEM

The economic system is the way a society organizes the production, consumption, and distribution of goods and services (Gregory 2013). It is composed of people, institutions, and their relationships. It deals with the problems that occur in the economy, such as allocation and scarcity of resources. It focuses on what and how much will be produced, how it will be produced, and for whom it will be produced.



3.3.2.3 LEGAL SYSTEM

The legal system consists of rules and regulations or law that regulate the behavior of business practices. It classifies how companies, either domestic or private, carry out their business transactions. A domestic firm must follow the laws and customs enforced by its country, and an international firm must abide by the law of both its home country and the host countries in which it operates (Kritzer 2002). For instance, China used to enforce laws that prohibited foreign investment and restricted foreign trade. Then, laws were passed permitting joint ventures using Chinese firms and helping China to increase its market potential, market performance, infrastructure, and strategic position.

Figure 2: The summary of political systems (Reprinted from D. Easton, *A Systems Analysis of Political Life*, Wiley, New York, 1965.)

It is important for an international business that operates its business in a different country to abide by the laws of that country. Different courts in different countries could make judicial decisions that affect day-to-day business transactions, such as embargo and extraterritoriality. It is important for an international business involved in shipping products to another country to obey with the rules and regulations of that country (Beatty 2015):

- **Common law:** Originally British, this is based on the concept of precedence, custom, and tradition. The facts and decisions of a case are determined based on previous cases that have had similar facts and situations rather than written laws. Under this law, courts play an important role in interpreting the law. Nations that practice common law include Pakistan, Hong Kong, the United Kingdom, and Barbados. For instance, manufacturers of faulty products are more vulnerable to lawsuits in the United States than in the United Kingdom as the evolutionary differences in both countries' case laws.
- **Civil law:** This focuses on resolving non-criminal activities such as disagreements over contracts, property ownership, child custody, property damage, and divorce. Civil law is codified and not determined by judges based on precedent. It needs to be written and published before it can be applied to people. It consists of various types of civil cases, such as consumer law, international law, employment law, and business law.
- **Theocratic law:** Known as religious law, this is based on religious doctrine, precepts, and beliefs. It is a form of government in which God is recognized as the state's supreme civil ruler, because it carries out the interpretation of the will of God as set out by religious scripture and authorities. Laissez-faire attitudes toward trade and investment policies remove the barriers to internationalizing trade and enable firms to view the world as their market. Besides this, government increase in foreign acquires of corporation, reduce tariff barriers allowing local consumer to have higher buying power and increase in level of world trade.

3.4 DEVELOP PENETRATION PLANS

Local companies need to find their critical competitive advantages in foreign markets to penetrate successfully. It is vital to take into consideration the political, economic, and legal issues of the targeted foreign market, and moreover, the culture, norms, and values and the acceptability of the offered products or services play an important role in penetration into the international market (Wortzel 1996).

The most viable strategy for a local to go global is to start its business via joint venturing. In this way, the local companies in foreign countries will understand the legal, economic, and political situations better than foreign businesses. The franchising model can also play a very important role, as this model involves fewer risks compared with others. The franchisor bears less involvement and responsibility for its business going international.

By considering these two fundamentals (understanding the scope and the factors of globalization), we can get a clearer idea of what essential measures are needed for local firms to prosper in the foreign market.

In this step, considering these fundamentals, we need to develop a penetration plan for the targeted market via marketing, technological, promotional, and other means (Hill 2007):

- *Technology:* An efficient and productive business always ensures that its machinery, technology, and information are up to date. Technology changes the work the business does and the way business operates, such as the relationships between suppliers, producers, retailers, and customers. Besides this, technology differences drive firms to plan their products and their sales on a global basis. Airplanes, televisions, telephones, and computers allow information flow from one place to another without direct meetings. Moreover, communication, information-processing, and transportation technologies have been dramatically improved by technological advancement. Cell phones, emails, the internet, and microprocessors make it easier for firms to communicate and exchange information with each other, which in turn, leads to efficient production. The growth of the internet has created a low-cost global platform for communicating and doing business among people across borders. For example, previously, to book a flight ticket we had to travel to a retail outlet; nowadays, it can be done by a click of the mouse.
- *Market:* The demand for goods and services will increase, which leads global customers to the companies that expand globally. If a firm's customers are other global businesses, globalization may require it to reach these customers in all their markets. Furthermore, global customers require globally standardized products. Common market needs and global marketing channels make globalization easier. If firms only operate their businesses locally, the income that they earn will be limited. Besides, goods will not be upgraded due to the lack of exposure.
- *Competition:* Competition is a contest among individuals or groups. It is the concept of firms striving for a greater market share. Competition continues to increase dramatically due to the increase in the number of manufacturers and service providers, which may result in more countries becoming key competitive battlegrounds. Usually, global competitors have cost advantages over local firms.

3.5 EVALUATE AND ACCEPT THE BEST PLAN

Alternative Penetration Plans should be separately evaluated, and the best applicable one should be selected using the Evaluation of Alternatives Worksheet. Identify each alternative appropriately, as described in Step 4. Prepare a worksheet showing the comparable costs of each alternative. Also, on a separate worksheet, make a comparison of the intangible benefits and risks of each alternative. Compare alternatives based on costs, benefits and risks, select the best, and get the others to approve it (Muther 2011).

Enter the headings on a fresh copy of the worksheet (See Table 2), generated by Muther (2011), checking the box marked "Intangibles" (upper left.) Identify each alternative by a letter-X, Y, Z-and give a brief two-to-five-word description of each.

List all factors, considerations, or objectives the organization wants the project's intended plan to achieve. Select, or ask your approvers to select, the most important factors. Then, ask them to weigh the importance of each other factor relative to the most important (10). Indicate each selected weight on the worksheet, and record by whom the weight values were determined.

Ask your operations team and/or staff members who will use the proposed plan when installed to rate, for each factor, the effectiveness of each alternative in achieving that factor. Use A, E, I, O, or U to represent the descending order of effectiveness, as noted in the upper left-hand box of the worksheet. Enter, in the small rectangular "boxes within boxes" on the form, the selected vowel-letter ratings. Record the name(s) of the person(s) doing the rating.

After rating all alternatives for each factor, convert letters to numbers (A=4, E=3, I=2, O=1, U=0) and multiply the rated number by the respective weight value. Enter the resulting weighted-rated values on the worksheet.

Down-total the weighted-rated values for each alternative, enter into the worksheet, and record by whom the tally was made. The alternative with the highest total should be the "winner"—subject to cost factors determined separately. In the lower left corner, indicate that these are weighted-rated down totals. Record any explanatory notations at the bottom, suitably referenced by an encircled lower-case letter.

3.6 IMPLEMENTATION PLAN

This step is dedicated to carrying out the selected plan. In implementation, who does what is very important. It includes the actions needed to make the plan come true. Who will be responsible and the duration of action need to be clarified. This step sets the framework for dealing with the "expectations" on time. We can use the MS Project tool in this step.

4. CONCLUSION

The key issue for a local company in penetrating and enjoying maximum revenue in a host country is identified as studying the differences in political, economic, cultural, and business ethics between the home and host countries. The world consists of various dimensions of differences, and it is the organization's responsibility to identify and understand them and match them with its vision.

This paper outlines a systematic planning methodology for helping local businesses, which in some way have the potential to grow in the international market but feel insecure regarding the risks and threats involved, to grow globally based on three fundamentals (vision, environment, and penetration.) In the framework of the simplified planning pattern, you need to pass through six steps (orientation and collect key data, clarify vision, clarify environment and relate to vision, develop penetration plans, evaluate and accept the best plan, implementation) to develop the best possible penetration plan. Short version is applicable to short or small planning assignments or situations.

Main objective here is to boost the confidence of the local companies by introducing a systematic planning tool that they can use which helps them to give the chance of to become global and to compete in the international market.

Table 2: Evaluation of alternatives worksheet

EVALUATING ALTERNATIVES

<input type="checkbox"/>	COSTS:
Estimated by Approved by	
<input type="checkbox"/>	INTANGIBLES:
Weight set by Tally by	
Ratings by Approved by	
EVALUATING DESCRIPTION	
A = Almost Perfect, O = Ordinary Result	
E = Especially Good, U = Unimportant Results	
I = Important Result, X = Not Acceptable	

Project _____ Number _____
 By _____ With _____
 Date _____ Sheet _____ of _____

Description of Alternatives:
 X. _____
 Y. _____
 Z. _____
 V. _____
 W. _____

	FACTOR/CONSIDERATION	WT.	ALTERNATIVE				
			X	Y	Z	V	W
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
15.							
TOTAL	Annualized Cost (Line ____ Plus Line ____)						
	Weighted Rated Down Total						

Reference Notes:

a. _____	d. _____
b. _____	e. _____
c. _____	f. _____

(Source: Muther, 2011)

REFERENCES

- Beatty JF, Samuelson SS, (2015). Business law and the legal environment. 7th ed. Boston, MA: Cengage Learning.
- Butuner H, (2015). Systematic strategic planning: A comprehensive framework for implementation, control and evaluation. Boca Raton, FL: CRC Press.
- Easton D, (1965). A systems analysis of political life. New York, NY: Wiley.
- Gregory PR, Stuart RC, (2013). The global economy and its economic systems. Mason, OH: South-Western College Publications.
- Hill CWL, (2007). Global business today. 5th ed. Columbus, OH: McGraw-Hill.
- Hitt MA, Ireland RD, Hoskisson RE, (2005). Strategic management: Competitiveness and globalization. Mason, OH: Thomson South-Western.
- Index Economic Forum, (2011). Annual Report.
- Index Mundi, (2010). Annual Report.
- Kritzer HM, (2002). Legal systems of the world. Santa Barbara, CA: ABC-CLIO
- Muther R, (2011). Planning by design. Kansas City, MO: Institute for High Performance Planners.
- O'Brien R, Williams M, (2016). Global political economy. 5th ed. London, UK: Palgrave.
- Porter ME, (1998). Competitive strategy: Techniques for analyzing industries and competitors. Florence, Italy: The Free Press.
- Sullivan DP, Daniels JD, Hradebaugh L, (2008). International business. London, UK: Pearson.
- Wickham PA, (2004). Strategic entrepreneurship. London, UK: Pearson Education Limited.
- Wortzel HV, Wortzel LH, (1996). Strategic management in a global economy. New Jersey: John Wiley & Sons.