

International Business – EPRG Framework



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EPRG Framework

The most challenging task a company may face while entering the international market is the degree of **standardization** or **customization** in its **operations**. The question of standardization or **adaptation** or customization will be affecting all business operations and marketing mix decisions.

However, in the era of **globalization**, where consumers have **access** to all the products and services and have their **own taste and preferences**, scope of customization has increased. Whether a company **chooses** standardization or customization of its operations depends upon its **attitude towards different cultures and environments**.

The **attitude** towards standardization or customization can be explained with the **EPRG Framework**.

EPRG Framework

EPRG full form stands as Ethnocentric, Polycentric, Regiocentric, and Geocentric. It is a framework created by Howard V Perlmutter, Jerry Wind and Douglas in 1969. The EPRG Framework helps organization choose which approach is most suitable for it to achieve successful results in countries abroad.

When organizations decide to go overseas in search of business/market expansion they need to adopt one of the styles as in Ethnocentric, Polycentric, Regiocentric, Geocentric. EPRG model often is also called EPG Model in International Business.

EPRG Framework (Cont.)

Organizations choose **strategies** based on what **suits** them most, therefore making them differently **oriented**. As a result, **costs** and **profits** are generated in different ways, depending on the mentioned kind of **orientation**. Therefore the **identification** of the **right** orientation is essential.

For example, it is important that different **activities** of the organization are **consistent** between **headquarter** and **SBU**s situated in other part of world at various stages. It is also important that the **culture** of organization, its **marketing** strategy, **financial** strategy, **operational** strategy is **consistent**. Only then, the organization can **operate efficiently** in the market.

Video: Why McDonald failed in Vietnam

Source: <https://youtu.be/l9pthhpd7So>



EPRG Framework: Ethnocentric Approach

Ethnocentric: means to apply one's own culture in social science and anthropology.

Ethnocentric comes from ethnicity which means belonging to a social group that has a common national or cultural tradition.

Ethnicity as a frame of reference is used to judge other cultures, practices, behavior, beliefs and people, instead of using the standards of the particular culture involved. Since this judgment is often negative, some people also use the term to refer to the belief that one's culture is superior to, or more correct or normal than, all others especially regarding the distinctions that define each ethnicity's cultural identity, such as language, behavior and customs.

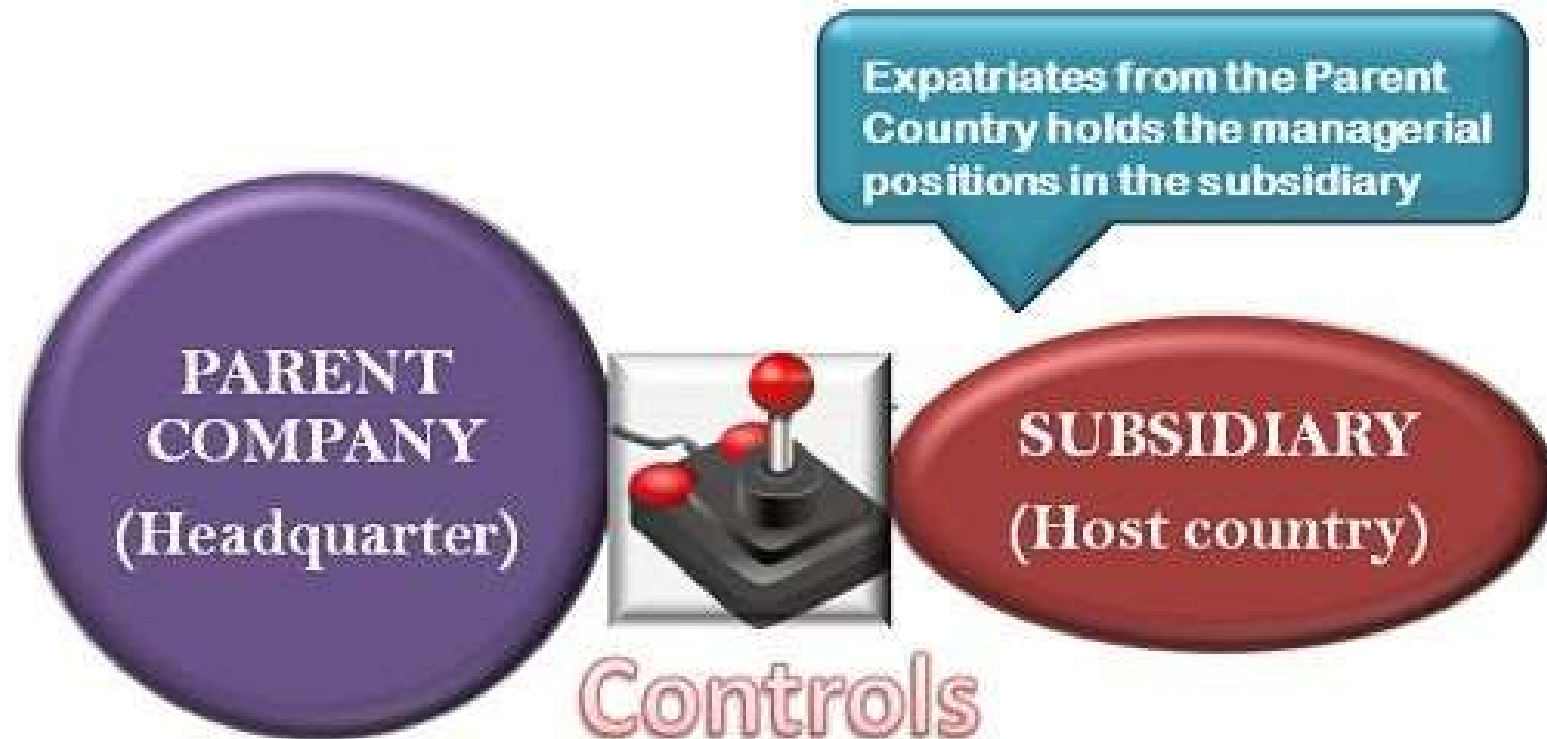
EPRG Framework: Ethnocentric Examples

- Typical examples of Ethnocentric companies are Japanese companies such as Panasonic, Sony and Hitachi.
- In Ethnocentric Approach, the key positions in the organization are filled with the employees of the parent country.
- All the managerial decisions viz. Mission, Vision, Objectives are formulated by the MNC's at their headquarters, and the same is to be followed by the host company. It is based on the rationale that, the staffs of the parent country is best over the others.
- In the host countries in top position the organization appreciates having parent country employees at top.

EPRG Framework: Ethnocentric Case Studies

Nissan's earliest exports from Japan were automobiles designed for mild Japanese winters. When exported to USA, a country with extreme winters, these vehicles were difficult to start. There were locations in Northern Japan where there were comparatively chilled winters but the car owners here would put blankets over car hoods. Nissan management assumed that even US customers would do that. Nissan tried for a long time to design cars in Japan and shove it in the US market. But all was for vain.

EPRG Framework: Ethnocentric Approach



The head office is given more importance as compared to the overseas subsidiaries or offices situated in the international markets. These companies ignore the potent opportunities outside the home country and they are referred to as domestic companies.

EPRG Framework: Ethnocentric Approach

Ethnocentric approach advantages:

1. Better coordination between the host and the parent company.
2. The culture of the parent company can be easily transferred to the subsidiary company, thereby infusing beliefs and practices into the foreign country this also help in controlling the subsidiary effectively.
3. The parent company can have a close watch on the operations of the subsidiary.

Ethnocentric approach disadvantages:

1. Limits career advancement for foreign employees leading to attrition
2. Lack of motivation or lessen productivity it may also create resentment by the foreign country due to failure to fit into the complexities and culture of the host country

EPRG Framework: Polycentric Approach

Polycentric approach of business can be defined as **host country orientation**. Here the host country's customs, behavior, culture, language is considered while doing business.

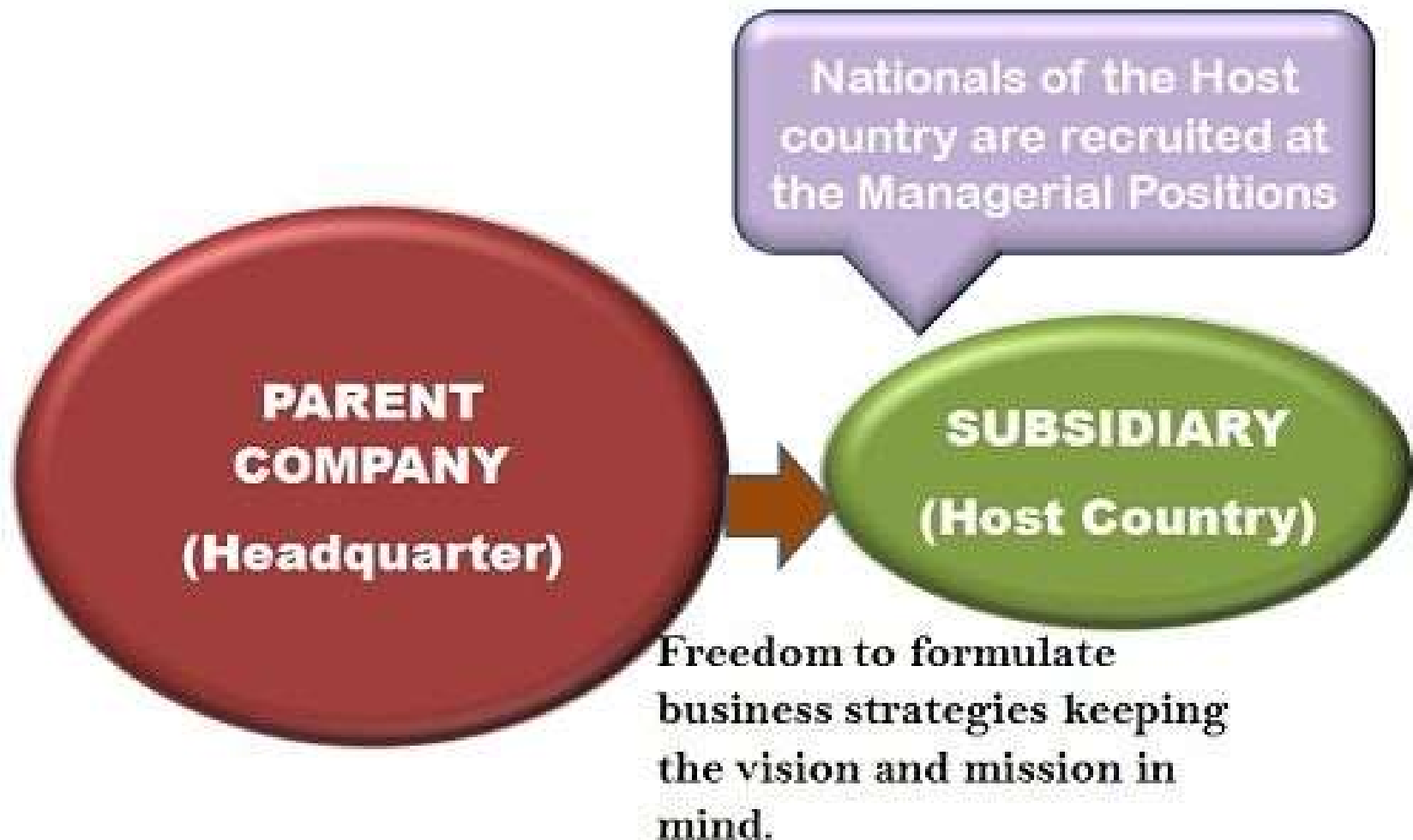
Under a **polycentric** perspective, a company's management team believes that it is better to adopt host country's culture to befriend the customers, suppliers and government.

In **Polycentric** orientation organizations see host country's unique and exclusive conduct because businesses are best run locally as per local culture.

This approach lays a strong groundwork because every subsidiary develops its unique marketing and business strategies for success and the country's domestic market is given equal importance.

This approach is best suited for the developing countries in which certain constraints on the front of finance, political, and cultural front are experienced.

EPRG Framework: Polycentric Approach



EPRG Framework: Polycentric Examples

McDonald's is a prominent example of a firm following polycentric approach. Having originated in USA, its menu in USA is centered around their local preference which is beef and meat. When coming to India, it realized that Indians are culturally averse to eating beef. It not only took off his its offering in beef but came up with vegetarian offerings for the Indian subcontinent. European McDonalds often serves wine in addition to soft drinks. There is a special Dutch cookie Mcflurry on the menu in Netherlands.

Another firm with its polycentric approach is google. Do you care to notice the changing doodles each day! Rather than attempting a single doodle worldwide, it adapts itself according to different countries. There may be a different person being honored in India and at the same time some other festival being celebrated in USA.

EPRG Framework: Polycentric Examples



2016 Doodle Fruit Games – Day 13
17 Aug 2016



Indonesia Independence Day 2016
17 Aug 2016



2016 Doodle Fruit Games – Day 12
16 Aug 2016



Mother's Day 2016 (Costa Rica)
15 Aug 2016



2016 Doodle Fruit Games – Day 11
15 Aug 2016



India Independence Day 2016
15 Aug 2016



South Korea National Day 2016
15 Aug 2016



2016 Doodle Fruit Games Day 10 and Brazilian
Father's Day
14 Aug 2016



2016 Doodle Fruit Games – Day 10
14 Aug 2016



Pakistan National Day 2016
14 Aug 2016



2016 Doodle Fruit Games – Day 9
13 Aug 2016



2016 Doodle Fruit Games – Day 8
12 Aug 2016

EPRG Framework: Polycentric Approach Benefits

The advantages of polycentric approach are as follows:

1. The difficulty in the adjustment of expatriates from the parent country gets removed.
2. The hiring of locals or the nationals of the host country is comparatively less expensive. The morale of the local staff increases.
3. Better productivity due to better knowledge about the host market; the career opportunities for the nationals of the host country increases.
4. Better government support.

EPRG Framework: Regiocentric Approach

Regiocentric Orientation: is an approach adopted by a firm wherein it adopts a marketing strategy across a group of countries, which have been grouped on the basis of their market characteristics; i.e., the market characteristics of these countries would be more or less similar.

The company which follows this approach of framework studies the similarities in markets to design strategies. The management of the company records the economic, social, cultural, and political similarities between the native areas of the overseas region to sell its products and services to potential customers.

It is worth noting that the cultural and regional identity of India, Pakistan, and Bangladesh is quite similar whereas Norway and Spain that both falls in Europe are very different in terms of culture, climate, and transport amongst other aspects.

EPRG Framework: Regiocentric Approach



EPRG Framework: Regiocentric Examples

Coca-Cola and Pepsi are regiocentric companies. Regiocentric strategy assumes that all countries of the region can be regarded as a single market.

HSBC is one of the largest banking and financial services organizations in the world, with well-established Businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. They use a regiocentric approach. Organization group countries on the basis of their market characteristics; i.e., the market characteristics of these countries would be more or less similar.

For example an American company which focuses on countries included in the North American Free Trade Agreement (NAFTA) that is the United States, Canada, and Mexico, has a region-centric orientation.

SAARC (South Asian Association for Regional Cooperation) has eight member countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri-Lanka)

EPRG Framework: Regiocentric Approach Benefits

Some of the advantages of regiocentric approach are as follows:

1. Helps cultural fit. When organizations hire the managers from the same region as that of the host country may not encounter any problem with respect to the culture and the language followed there.
2. It costs less in hiring the natives of the host country.
3. The managers work well in all the neighboring countries within the geographic region of the business.
4. The nationals of host country can influence the decision of managers at headquarters with respect to the entire region.

EPRG Framework: Geocentric Approach

Geocentric Orientation: is practiced when an organization does not organize its strategies based on country or regions. Geocentric firms adopt an approach whereby they have a global mind-set.

They view the whole world as their market and seek to identify global needs and wants and create products and services.

The companies following the geocentric approach of the EPRG Framework are truly the global players. They think global and act global.

Their HR policies for staffing and job position approach to staffing assigns job positions to any person best suited for the position, regardless of the employee's background, culture or country of origin.

It combines ethnocentrism and polycentricism into a "world view" that sees similarities and differences in markets and countries, and seeks to create a global strategy that is also responsive to local needs and wants

EPRG Framework: Geocentric Examples & Benefits

Microsoft is a global company which follows Geocentric approach because it perceives world as a single market and tries to offer products and services to everyone. The Geocentric approach does not connect nationality with the factor of dominance.

Advantages of geocentric orientation are as follows:

1. MNC's can develop a pool of senior executives with international experiences and contacts across the borders in the world. The expertise of each manager can be used for the accomplishment organization's objective as a whole.
2. Reduction in resentment, i.e. the sense of unfair treatment reduces.
3. Shared learning, the employees, will learn from each other's experiences.

Main characteristics of EPRG Framework

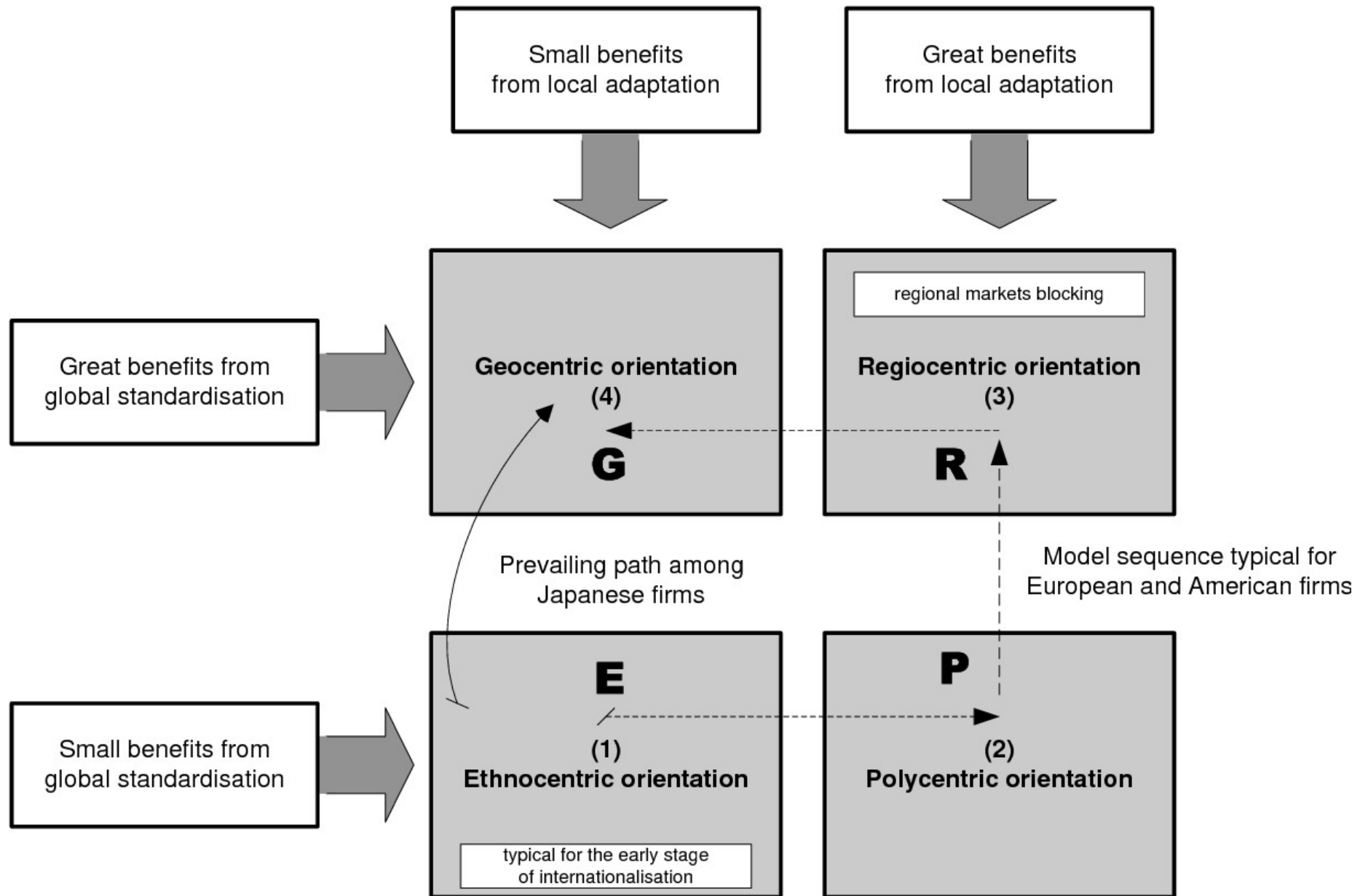
Ethnocentric	Polycentric	Regiocentric	Geocentric
Main decisions made in the headquarter	Lower role of the main headquarter	Main decisions made in regional headquarter	Collaboration with local headquarters
Home standards applied on all markets	Local standards applied on local markets	Regional standards in region	Universal standards
Focus on domestic objectives	Focus on local objectives	Focus on regional objectives	Focus on global objectives
Identification with the owner's nationality	Identification with the nationality of host country	Identification with the region	Global view
High positions taken by managers from owner's country	High positions taken by local managers	High positions taken by regional managers	Having an experience in different countries is a must to take high positions

EPRG Framework

Organizations go through different stages of the EPRG framework in their global lifecycle. They start with ethnocentricity and may eventually change to geocentricism passing through some phases of polycentricism.

The differences in EPRG orientations ultimately lead to companies involving in the market selection process differently. It is understandable that an ethnocentric orientation would lead companies to take up a less rigorous method for market selection as they perceive all countries to have similar markets.

Whereas a polycentric orientation would mean companies indulging in a very rigorous process for market selection.



Video on International Staffing strategies based on EPRG/EPG framework

Source: <https://youtu.be/U9ogq9pqkl8>



Case Study – Disneyland in France

