

# The next glocalisation: opportunity out of crisis in Asia

While globalisation may be under threat, so-called glocalisation looks set to resurge. In essence, to be "glocal" means making the most of both global and local resources—creating standalone ecosystems in individual markets. The term was popular in marketing parlance several years ago, but in a new incarnation it could apply as much to services and operations.

#### Dawn of de-globalisation

By many accounts, the advent of covid-19 promises to accelerate an end to the globalised world taken for granted in the 21st century. Boston Consulting Group (BCG), for example, forecasts global trade to drop by 20% in 2020 and doesn't expect trade to return to the US\$18trn recorded in 2019 until 2023.<sup>1</sup>

With supply chains thrown into chaos, countries are turning their gaze inwards with a new appreciation for self-sufficiency. Symbolic of this shift, the world's two largest economies appear to be on a path to decouple their economies and technology ecosystems. A Bain & Company report released in October 2020 foresees "two walled gardens in global trade", one allied with China and the other with the US, presenting major barriers to companies operating across them. The result is a corporate rethink of everything from supply chains to employees.<sup>2</sup>

As companies prepare to revise how they do business, they should also be ready to seize on growth opportunities that still exist in certain geographies. By 2023, as global trade recovers, BCG predicts that US-China trade could still shrink by about 15% compared

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<sup>&</sup>lt;sup>1</sup> Boston Consulting Group, July 20th 2020, Redrawing the Map of Global Trade

<sup>&</sup>lt;sup>2</sup> Bain & Company, October 2020, Technology Report 2020: Taming the Flux

with 2019, equating to US\$128bn. Meanwhile, China's trade with the EU could contract by US\$30bn.

#### Asia's ascent

A beneficiary could be South-east Asia, where trade with China looks set to grow by US\$41bn—and US\$26bn with the US and US\$22bn with the EU.<sup>3</sup> While growth rates remain lower than pre-pandemic forecasts, the trade flow underscores a shift in the world's economic centre of gravity from west to east.

"There are a lot of people in Asia, and they're working to make a better life for themselves and their families," says Andy Zook, senior vice-president of Asia-Pacific at SAS, a US-based analytics software developer. Mr Zook agrees "100%" that the balance is shifting. "When you have people working that hard, they're going to keep the momentum moving forward."

For companies such as SAS, having been slow to globalise could be an advantage in the current environment. Mr Zook says SAS embarked on its globalisation process only about five years ago, having taken an individual country-based approach to operations. As a result, the pandemic has been less disruptive than it might have been for larger competitors further along the globalised path.

Mr Zook sees de-globalisation partly as a reaction against the sheer difficulty of staying competitive on an individual level in such a fast-changing, technologically advanced world. Countries "are trying to hold onto what they have for their people," he says. But a deglobalised world doesn't necessarily equate

to a less interconnected one. He likens it to a circuit board. "It took us 30 years to build that complexity," he says. "So even if we want to change it, it can't change very fast."

### Global to glocal

In some cases, bringing operations "onshore or nearshore" makes sense in order to simplify networks and guard against future disruptions. Many of the arrangements that US automakers have with factories in Mexico are early examples of successful nearshoring—where cars designed in the US are partially or completely built in Mexico and shipped to the US for sales. Another example comes from Taiwan Semiconductor Manufacturing Company (TSMC), which announced plans to build a factory in Arizona<sup>4</sup> (perhaps an example of far-shoring for TSMC, but nearshoring for its primary US buyers, such as Intel).

But Mr Zook notes that this will be a tall order for many businesses. US auto manufacturers, such as Tesla and Ford, for example, are suing US president Donald Trump's administration over recently imposed import tariffs on parts from China that are essential to building vehicles. Likewise, few consumers would be willing to pay twice as much for an Apple iPhone that was assembled in the US as opposed to China.

"I think we'll get to a point where we realise the benefits are not going to be worth the cost," Mr Zook says, in reference to disconnecting from the circuit board. That point will be defined by how secure people feel, more than any other consideration. "I just can't see high-tech manufacturing getting totally unwound because it's just too complex today."

 $<sup>^{\</sup>rm 3}$  Boston Consulting Group, July 20th 2020, Redrawing the Map of Global Trade

<sup>&</sup>lt;sup>4</sup> Supply Chain Dive, July 13th 2020, How an expanded US footprint would add resilience to TSMC's supply chain

He does, however, anticipate that multinationals will have to contend with stricter regulations in individual markets. As with regulations around social media, they will recognise the benefits of those companies to society but also their more negative aspects. For SAS, which derives much of its business from the financial sector, the regulatory landscape is already highly complex, involving multiple bodies. "Every regulator in Asia wants it their way," he says, adding that "feet on the ground" and a local mindset have been essential to operating in this reality.

Although its product is quite different, Netflix, a streaming service, takes a similar view and has witnessed its own shift from global to glocal—producing and offering content suited to different markets rather than a one-movie-fits-all approach. While consumer preferences vary, with some countries favouring Hollywood over local productions, much of the company's growth results from tailoring entertainment to local audiences. This is only possible through having a local presence alongside the creative community and help from domestic partners—for example, KDDI, a telco in Japan, provides insights on what people are watching.

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Initially, creators in Asia "had a lot of ambition to go global," Ms Kim says, which invariably meant producing English-language content in a Hollywood style. "What has changed significantly is that I'm seeing less and less of our partners talking about wanting to do English content. It's still there, but then there's a lot more excitement in creating a story that they know is authentic to their culture and their life. And then those stories have the potential to become global. So they realised that 'I can go to Hollywood without leaving Korea'." Having production facilities in different parts of the world also helps offset the risk of disruption to a particular geography, Ms Kim adds.

#### Where there's opportunity

Asia is, unsurprisingly, a key growth region for both SAS and Netflix. Mr Zook has seen the pandemic hasten digital transformation efforts, while Tony Zameczkowski, vice-president of business development for Asia-Pacific at Netflix, says the company is "just getting started" as more people in emerging markets come online.

For Netflix, its globally consistent culture of "freedom and responsibility" combines with local-market empowerment, making it relatively easy to cater to the diverse needs of consumers across regions. "What we're really trying to do is leverage the global product to succeed locally by having true localisation and people on the ground," Mr Zameczkowski says. "The team on the ground can make their own decision as to what is best for Netflix. I think having this culture is truly a competitive advantage for us, where we can be very nimble and move fast, and be a learning machine."

In India, for example, Netflix launched a mobile-only plan priced at about half the standard subscription rate. The company has since extended it to other emerging markets, such as Indonesia and the Philippines. In markets with high rates of unbanked populations, it bills via mobile operators and offers a lighter version of its app where connectivity is low.

Devising local-specific products and distribution mechanisms is a "big change" but a "natural next step" from investing heavily in local production, says Mr Zameczkowski. He advocates being "mindful of your market" and says it is important "that our culture is not set in stone" but able to evolve continuously. This also has a strong bearing on staffing.

Despite the recent rise in remote work, a physical in-market presence—in terms of operational staff—may still be essential for a glocalised approach to work. Mr Zameczkowski is a strong proponent of workforces featuring diverse thought processes and social backgrounds, which he says "makes us richer".

Advances in technology, and greater comfort using it, also means expertise from one region can be more readily transferrable across global teams. Mr Zook sees the normalisation

of virtual conferencing as "an opportunity like none we've seen before" that will help emerging markets "move faster".

#### **Embracing a glocal future**

Being glocal means treating offices individually and not being afraid to diverge from a global directive when it makes sense. Ms Kim recalls a blanket shutdown of Netflix offices at a time when South Korea was already recovering from the first wave of covid-19. Staff there responded vocally, and headquarters allowed the office to open. This conveyed company sensitivity "to how things are", she says. As a result, despite being absorbed with the local-market situation under the pandemic, ultimately, "we felt more connected".

Trade wars, climate change and the pandemic may have put globalisation under threat. But those same forces, combined with technologies that enhance communication and collaboration such as cloud computing and video conferencing, may be what drives the world to fully embrace a glocalised future. Building that sense of connection that Ms Kim describes may be just what companies need to focus on to get there.

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