



Determinants of Local Responsiveness Strategy: Impact of Host Countries Culture on Global Integration

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ABSTRACT

Purpose: This paper studies how multinational companies (MNEs) choose their strategies to respond to local market needs, especially when their products are not strongly influenced by local culture. The main goal is to understand how the culture of the country where the business operates affects the company's global strategy and performance.

Methods: The method used here to understand this is a quantitative case study analysis. The study focuses on three important questions: First, it looks at how global customer preferences—not just their differences—can influence the way companies plan their strategies and how well they perform. Second, it explores whether flexible and non-traditional approaches can help balance the control of the company's headquarters with the need for local branches to respond to local markets. Third, it examines how the culture of the host country affects the success of global strategies by adopting transnational strategy. Lastly, the Bartlett and Ghoshal's framework is important because it helps us understand 2 major challenges MNC's face: (1) Being efficient globally (keeping costs low); (2) Meeting local needs in each country (being flexible).

Results: The paper suggests that when companies align their strategies with specific local market needs, use adaptive and flexible planning, and take local culture into account, they are more likely to succeed. This is especially important in countries with complex rules and systems. To support these ideas, the study uses real-life case studies and data from trusted sources like Scopus, Web of Science, McKinsey, Statista, and Gallup.

Conclusion: In conclusion, the paper provides useful insights for both researchers and business leaders. It shows that adaptive, culturally aware strategies are key for companies to succeed in global markets while staying connected to local needs.

Keywords: Transnational strategy; Bartlett and Ghoshal's typology; Glocalization; Consumer behavior; Cultural intelligence.

I. INTRODUCTION

Globalization is what integrates the world in different aspects by spreading technology, production, communication, ethnicity etc. In the last few years research shows that many MNCs have integrated and globalised in the world with different countries and changed the level of competition by globalising (Kyove, J., et al., 2021) . Globalization has increased the overall efficiency and productivity of many MNEs through integration of each country's cultures which has led it to go beyond domestic markets and capture a good hold of the international market. Technology- based

enterprises have flourished through globalization especially in the covid 19 pandemic and have acquired huge amounts of profits, power and control of communication. Apart from Globalisation, local responsiveness also plays a major role in the success of MNEs (Kyove, et al.,2021). The term glocalization was first introduced by Robertson. He defines this concept as the process of difference-within-sameness. Whereas, globalisation is more of achieving global organisational goals along with integrating to local culture for a more successful operation. In terms of MNEs, glocalisation serves as a link to global integration and local responsiveness. Also, the idea of “local” can mean different things when talking about how MNCs form their identity. (Pereira, V., & Malik, A. 2018). For example, in the case of McDonalds, India, wherein the company ‘Indianised’ its menu by more than 50% by cutting out the beef products and expanding its vegetarian food menu, a good example of ‘glocalisation’. Without glocalization it would not be possible for MNEs to become successful in different countries which have different cultures and customs. (Pereira, et al., 2018). From 2017–2023, countries like **China, Germany, and the U.S. reduced the geopolitical distance of their trade by 4–10%**, This suggested stronger global integration (*McKinsey Global Institute: 2024 in charts*. 2024, December 12). Fig 1. Gives the insight related to basic concept of globalization and local responsiveness



Fig 1. Integrating Global and Local Strategies

Globalization vs Local responsiveness-

An MNE is an international enterprise expanded over a large geographical sector and consists of a wide range of goals to achieve. With the international market getting more competitive than ever it is important for MNEs to integrate local responsiveness with globalisation to survive. (Luo, Y. 2001). Integrating globalisation with local responsiveness is not an easy task for an MNE but it is important. The study of these two sectors is so important that it has been a top priority research agenda for the international human resource of all MNEs for the past four decades (Reiche, et al.,2023). Coming to what these two imperatives mean.

1. Globalisation mainly means or relates with coordinating activities of the MNE across the globe for the main purpose of expanding and getting a firm hold on the international market. Globalisation aims at building efficiency and effectiveness by taking the similarity across the globe to its benefit.
2. In contrast, local responsiveness is more localised as the name suggests. Its main aim is to only focus on the specific needs or problems occurring within the country itself. These two topics seem very conflicting but are very important for MNEs to understand and integrate. (Luo, Y. 2001).

Culture plays a very significant role in the integration of MNEs with the local market. It serves as a link between globalization and local responsiveness. Cross-cultural management researchers have traditionally used Hofstede's definition of culture, “the collective programming of the mind which distinguishes the members of one group or category of people from another” (Luna, et.al.,2001). Culture plays an extremely important role in giving MNEs a competitive edge over their competitors. Therefore understanding the cultural value of customers can be used as a strategy by firms to predict what the customer desires and satisfy their needs (Hitt et al., 2001). In other words, firms with employees having strong capabilities and relations with important constituencies (e.g., suppliers, customers) are

more likely to move into international markets. Consumer behavior includes a wide range of phenomena which are influenced by culture. Culture is what influences many aspects of the consumer like the thinking style of the consumer, the prices they are willing to pay, the type of advertisements that enables them to purchase the goods etc. (Shavitt,et.al.,2016). These influences decide whether brands, prices, and other marketing elements are related to each other, and shape the role of feelings and personal preferences in consumer decision-making. The HR department of MNEs has increased its study and research on cultural understanding and its influence on consumer behaviour and effectiveness of local responsiveness. Some strategies for making charitable donations and integrating with social brands have improved consumer behaviour (Shavitt,et al.,2016). Fig 2. Gives the insights to the importance and role of culture

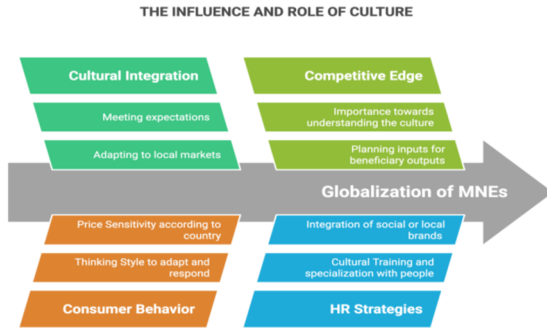


Fig 2. Importance of culture towards integration

There is a positive correlation between local responsiveness and its impact on the efforts taken by the MNEs to globalise. But still they face many challenges. Fig 2. Gives the overall summary of the challenges faced by MNEs on integration.

1)Maintaining Brand Consistency:

Brands are mainly managed at 2 levels; that's the organizational level or the individual product level. Examples of corporate brands include Unilever, Proctor & Gamble, HSBC, Virgin Group and Nissan, whereas product brands include Lipton tea, Head & Shoulders shampoo and Pringles chips. (Khojastehpour,et.al.,2015). Recent research has shown that there has been a steady shift from individual product level to organisational level which is also known as corporate level. The main reason for this shift is that the corporate level integrates organisational vision with corporate culture to increase their target audience of customers and stakeholders (Khojastehpour,et.al.,2015). This shift to the corporate level is beneficial but has raised many issues for the MNEs. Brand complexity is in some ways directly related to raising foreign subsidies and therefore is an issue for MNEs as the process is very complex. Geographical distance, cultural diversity, linguistic differences and conflicting demands/regulations of host governments are also other factors that contribute to brand complexity. (Khojastehpour,et.al.,2015).

2)Another challenge is the issue of knowledge transfer across subsidiaries:

The knowledge that different subsidiaries of an MNE acquire is very critical for global integration. But sharing this knowledge across subsidies is a very tedious job (Baskici, C. 2019). It is said though that strong connections between subsidiaries helps transfer this knowledge very easily. But we still haven't found out how these strong connections are made and how subsidiaries interact with each other. (Baskici, C. 2019). Fig 3. Gives the overall summary of the challenges faced by MNEs on integration.

To explore how multinational enterprises (MNEs) can develop adaptive, demand-driven, and culturally nuanced global strategies through alternative, non-linear approaches that respond effectively to institutional complexity, local responsiveness, and global integration challenges.

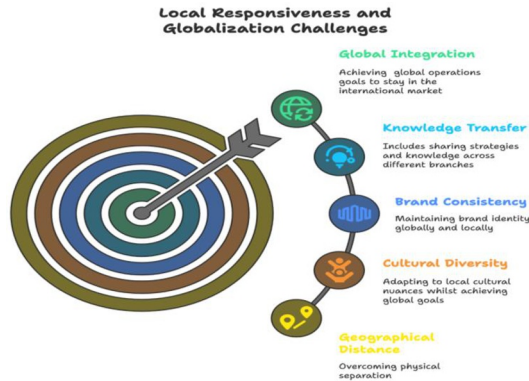


Fig 3. Challenges faced by MNEs during Globalization

II. LITERATURE REVIEW

MNCs face many challenges when they are operating in international markets especially because of the different cultures, environments etc. One of the major challenges is cultural distance. This arises when values, traditions and cultures of the host country differ significantly from those of the home country. This gap makes it harder to apply uniform strategies, pushing MNCs to adapt locally (Park, et.al.,2024b) **The institutional environment** also plays a critical role as a factor in determining local responsiveness. In the countries that are less developed, success of MNCs entirely depends on building strong relationships with the locals. This is known as relational assets. These assets along with some other factors help in building strategies for local responsiveness. (Wei, et.al.,2019). Lastly, **environmental complexity**, such as political or economic instability, adds another layer of risk. In this case the MNCs have to be flexible and adaptive to the surroundings. They should possess the ability of being dynamic. New research methods like Qualitative Comparative Analysis (QCA) help better understand how multiple factors contribute to these risks. (Lawton,et.al., 2023).

1. Theoretical Foundations

To overcome so many challenges many theories have been proposed. One such theory is Bartlett and Ghoshal's typology. When companies do business in different countries, they need a smart plan that works across borders. A helpful guide is the Integration-Responsiveness Framework, which helps businesses decide when to keep things the same and when to adapt to local needs. (Gashenko, et.al.,2023c).

There are four types of strategies in this typology:

1. A multidomestic strategy changes products to fit each country, like how McDonald's offers different foods in India.
2. A global strategy keeps things the same everywhere to save costs, like Coca-Cola;

3. An international strategy sells home-country products abroad with little change, such as Rolex; and a transnational strategy mixes both, aiming to be efficient and flexible.
4. The transnational strategy is great in theory but hard to manage—especially for small and medium-sized companies. They often face legal rules that are different in every country, cultural differences that make communication difficult, and limited money or staff to handle global operations. With good planning like learning about local cultures, using smart technology, and working with local partners, companies can succeed and grow around the world. Shibata, T., & (Shum, K. L. 2025).

The challenges in transnational strategy can be explained using Hofstede's theory by using ideas called *cultural dimensions*. One is **power distance**, which shows how much people respect and follow leaders. Another dimension is **individualism vs. collectivism**. In individualist cultures, like the U.S., people care more about their own goals (Huang,et.al., 2024). In collectivist places, like Japan, people focus on teamwork. The third is **uncertainty avoidance** which shows how comfortable people are with change and risk. Countries like Germany prefer clear rules, while places like India are more okay with surprises. These differences affect how companies talk, lead, and make choices in different countries. By understanding and respecting each culture, businesses can work better with people from around the world and avoid confusion. (Huang,et.al., 2024). Figure 4 depicts a flow chart representing the different cultural dimensions in transnational strategy adopted by different countries.

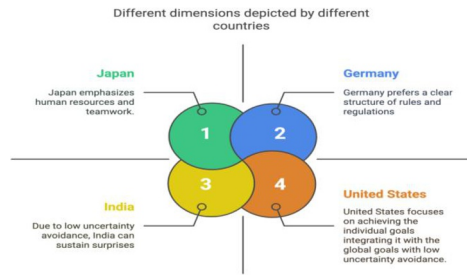


Fig 4. Different Dimensions of Transnational Strategies

2. Determinants of Local Responsiveness

Determinants of local responsiveness can be grouped in these major categories:

1. **Culture differences** make it hard for businesses to adopt the same strategies in every country, so they must adapt to local needs. For example, digitalization. Digital technology has helped MNCs in tremendous ways by cutting costs, creating new models, making work more efficient, etc (Meyer,et.al., 2023). But, international challenges still exist, therefore MNCs need to align their plans considering each country’s own local needs. A framework was developed by research which categorizes the different strategies into three broad categories: building their own platforms, using existing ones, and updating traditional businesses for the digital world (Meyer,et.al., 2023).
2. **National culture** is another determinant in local responsiveness. It shapes consumer preference and business practices. These are mostly external factors which contribute to local responsiveness. Whereas lifestyle acts as a major internal factor in the consumer decision-making process. (Marinković,et.al., 2024).
3. **Institutional and market factors** such as local regulations, market maturity, and consumer behavior significantly influence the need for business adaptation. There was a study which was held in Poland in 2022 (Dudziak,et.al.,2023). This study has 404 subjects which explored consumer preference in purchasing food, particularly local products. The results were that mostly consumer preference varies on factors like age, gender, location, etc The findings revealed that consumer choices vary based on age, gender, and location. Especially the consumers with high incomes often prefer domestically produced goods, showing a strong ethnocentric attitude.

This highlights the importance of understanding diverse consumer behaviors, driven by emotions, habits, and demographics, to effectively adapt marketing strategies to local markets. (Dudziak,et.al.,2023).

Figure 5 represents an update in consumer optimism in Covid-19 depending upon age. This rise in optimism panned all income levels and genders, though more baby boomers and Gen Xers than younger consumers reported feeling optimistic. Meanwhile, slightly more Gen Zers reported feeling pessimistic compared with the previous quarter. Overall, consumers’ outlook about the economy was positive in the fourth quarter (Coggins,et.al. 2024).

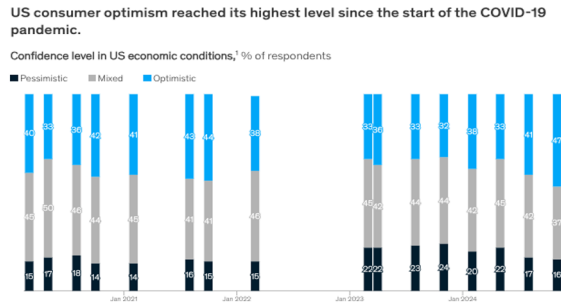


Fig 5. Consumer optimism depending upon age.

4. Impact on Global Integration

MNCs often struggle to balance global integration with local responsiveness, especially as market demands shift over time. A 12 year old case analysis to show how MNEs build flexibility through three main components: legitimizing, leveraging, and launching. These are known as recombination capabilities and they help MNEs seize and sense the various opportunities. These capabilities integrated with local responsiveness strategies can enhance the process of globalisation. (Grøgaard,et.al.,2019).

5. Contemporary Perspectives and Emerging Trends

Today, many companies have people from different countries and cultures working together. This can make the workplace exciting but also a bit tricky, because people may have different ways of speaking, thinking, or doing things. That’s why something called cultural intelligence, or CQ, is very important. CQ means understanding and getting along with people from other cultures. (Kadam,et.al.,2021). A person with high CQ can talk clearly, avoid problems, and work well with others from different backgrounds.They can also thrive in multicultural places and achieve organizational citizenship behaviour. This means that if companies want better teamwork and communication, they should look for or train people with high cultural intelligence. (Kadam, et.al.,2021). Integration of digitalization and localization has become an emerging trend which has helped MNCs in tremendous ways. Digital tools play a major role in reshaping how MNCs respond to the local needs especially during a crisis (George,et.al.,2022). Institutional diversity, shifting work structures, and evolving consumer expectations challenge how MNEs coordinate and deliver value. All these factors help and push MNEs to think out of the box and restrategize. Therefore embracing digitalization can really support the process of integration of local responsiveness And globalisation (George,et.al.,2022). According to Gartner’s CIO Survey, only **48%** of company-wide digital initiatives meet or exceed business outcomes—highlighting the challenge of scaling digital efforts adaptively across countries. **91%** of businesses are pursuing digital initiatives, signaling the widespread embrace of digital tools to support both global standardization and local customization. In today's world profit shouldn't be the only objective for MNCs. It also means responsibility towards the people and the plant. When MNCs align their strategies with achieving sustainability

and fulfilling the values of the society, it benefits both the communities and businesses. As seen in an Italian energy firm’s work in Chile and Brazil, strong leadership and local engagement are key to building trust and making a lasting, positive impact. (Nasta, L., & Cundari, V. 2024).

6. Emerging Themes and Research Gaps

- **The dynamic interaction between host country culture and institutional environment remains underexplored, especially in the context of emerging markets**
- **The effectiveness of relational assets and local networks as mediators between global integration and local responsiveness warrants further empirical investigation**
- **The balance between adaptation costs and the benefits of local responsiveness in culturally distant markets is a critical area for future research**

Table I. Literature Review Table to Impact the host Countries for Local responsiveness Strategy

Ref.	Key Findings	Local Responsiveness Strategy
1	cultural adaptation, selective targeting, cultural transportation;	Cultural adaptation Selective targeting Cultural transportation Product adaptation Utilising cultural intermediaries
2	Development of recombination capabilities	Transnational strategy structures MNEs involving subsidiary roles, shared goals, and collaborative knowledge development and coordination.
3	Tend to customers needs, want integrating with companies strategies	Global demand heterogeneity, managerial international experience strengthens the positive relationship between global demand heterogeneity and dynamic capabilities
	Customer demand and market conditions affect dynamic capabilities of MNEs Dynamic capabilities influenced by human capital, internal and external opportunities.	
4	Challenge of being globally competitive and locally adaptable	Practice centric localization- includes customizing HR practices, Adjusting for local laws and norms
	MNEs use more flexible and diverse HR strategies	
5	Decentralisation needed between the managers of the company,	Top down Bottoms up strategy
		Local strategy processes mainly involved different levels of managers coming together and formulating plans, synchronized global and local temporal structures
6	Multidomestic strategy found to be more profitable than global strategy	Multidomestic strategy
7	Sticking to 1 theory doesn't work, retailers need to flexibly adjust their strategies over time and at different levels of their business.	International strategy keeping resources and control centralised, Global Strategy focusing on economies of scale, Multinational organisations focusing on national differences, Transnational organisation focusing on integration and responsiveness
8	Transnational Strategy is mainly applicable on subsidiaries wholly owned by MNEs and highly export oriented.	Transnational strategy for local responsiveness
	International strategy works best in partially owned subsidiaries	
9	Shift from international strategy to traditional methods to modern ones, including institutional complexity, business sustainability	International Strategy involving diversification and speed
10	The effectiveness of LC depends a lot on local policies, institutions, and business environments.	Be responsive to local content- adapt to local needs build relations etc
	Better supplier development program and clear policies help MNCs more	Maintain Global standards for efficiency and effectiveness
	Building local supplier network helps	Responsive and Defensive strategy

Based on a thorough review of the pertinent literature, a synthesis table was formulated to integrate previous research on international responsiveness strategies, cultural impacts, and global integration paradigms within multinational corporations. It brought into sharp focus significant gaps, including the sparse empirical analysis of the influence upon strategic responsiveness exercised by host-country cultural dimensions as well as the lack of validating integration–

responsiveness models under varying institutional settings. Based on the latter findings, the second phase of this research is dedicated to the conception of a rigorous research strategy designed to alleviate the recognized research questions as well as hypotheses. It would involve systematic multi-host-country data acquisition, cultural and institutional attribute extraction, responsiveness–integration dynamic model building, as well as comparative analysis across cases. By framing the methodological structure around the revealed gaps, this research strategy would keep the empirical analysis on track as a source capable of yielding reproducible, evidence-based results with global strategy making applications.

Research Questions

1. **RQ1:** How do variations in global demand characteristics beyond heterogeneity influence the strategic choices and performance of MNEs operating in culturally neutral product categories?
2. **RQ2:** In what ways can alternative (non-linear, adaptive) strategic approaches improve the balance of control and responsiveness between MNE headquarters and local subsidiaries?
3. **RQ3:** How do national cultural factors moderate the effectiveness of HR and integration strategies in transnational MNEs across different institutional environments?

Hypotheses

1. **H1:** Greater alignment of global strategy with localized demand characteristics beyond heterogeneity leads to improved performance in non-culturally embedded product markets.
2. **H2:** Adaptive and flexible strategic frameworks outperform standardized step-by-step internationalization strategies in managing HQ–subsidiary integration and conflict resolution.
3. **H3:** HR practices that are culturally congruent with the host country led to higher subsidiary performance and effective integration, especially in institutionally complex environments.

III. Research Methodology

To support the research hypothesis the following case studies have been analyzed

Case 1- Microsoft

Microsoft's significant strategic transformation began around 2015. During this time, the company's senior leadership faced challenges regarding stagnant growth and innovation compared to rivals. The central decision involved transitioning from lucrative perpetual software licensing to potentially lower-margin subscription sales to achieve higher growth. Harvard Business School professor Fritz Foley researched this period, explaining in a podcast how Microsoft leaders assessed various options and worked to secure approval from both investors and staff. Ultimately, the study also examines how Microsoft's traditionally risk-averse corporate culture adapted to successfully implement this massive change.

Case 2 - Nestlé'

Nestlé's global strategy adapts to local cultural, social, and economic contexts, aligning with the three hypotheses: Nestlé customizes its products to meet the local society's or culture's needs by improving market performance, particularly in non-culturally embedded product markets. Nestle prioritized enhancing consumer trust and sales especially in emerging markets by leveraging its global brand image. (The expansion of Nestle in the global market 2024). Nestlé's flexible and adaptive approach allows it to manage HQ–subsidiary integration effectively. Nestle overlooked the standardised international strategies adopted by MNCs and focused on regional needs and inclusivity. It focused on resolving any conflicts arising within the organisation and stressing on the overall organisations objectives. This adaptability fosters a stronger connection between subsidiaries and headquarters. (The expansion of Nestle in the global market 2024). Nestle aligned its HR practices with the local norms. Adapting HR practices to

local expectations helped Nestle to make their operational process smooth and efficient and helped in reducing cross-cultural friction. (The expansion of Nestle in the global market 2024)

Case 3 - Process of localisation

Localization aligns global strategies with localizational needs of the subsidiary like local institutional realities rather than just cultural differences. This shift in outlook and strategy helps the MNEs to sustain and thrive in a competitive ecosystem and also have alot to offer to the society In non-culturally embedded product markets, this strategic alignment significantly improves market performance and operational efficiency. (Vishwanath, V., & Rigby, D. 2006, April 1). These strategies were made flexible so as to foster the HQ strategy of the organisation with the subsidiary needs. Unlike rigid internationalization models, adaptive frameworks allow local decision-making, reduce conflict, and align global goals with the precise market needs. This responsiveness enhances coordination, communication and performance in the dynamic environments of emerging markets. (Vishwanath, V., & Rigby, D. 2006, April 1). Localization helps culturally congruent HR practices improve subsidiary performance by aligning with local norms, legal systems, and work expectations. This helps in also improving marketing strategies and client engagement. (Vishwanath, V., & Rigby, D. 2006, April 1)

Case 4 - Indian Automobile Industry

The success of Indian automobile industry is because they aligned their global strategy with local institutional factors like local market pricing, policies, infrastructure, technology etc. MNEs that localized supply chains and adapted to market realities, like Maruti-Suzuki, truly outperformed firms using standardized strategies, giving more importance to the structural alignment over cultural embedding. Adapting rigid strategies has never worked in a dynamic environment like India's which is very culturally specific. Strategies like joint ventures with local brands help MNCs to understand the market better and handle HQ-subsidiary integration more effectively. Flexibility enables better conflict resolution and responsiveness, essential for filling institutional voids and ensuring competitive performance in emerging markets. Their culturally aligned HR practices like hiring local talent, giving validation to hierarchical norms, and most importantly adapting incentives like enhance subsidiary performance in India truly helped establish a strong base in the local market. Localized HR strategies help with compliance, provide workforce stability, and ensure smoother integration. Especially where labor laws and regional differences require unique management practices and due attention.

IV. DISCUSSION AND CONCLUSIONS

MNCs in todays modern world must balance 2 goals which is making sure that the brand gets a firm position in the international market and adapting to local needs. This challenge, described by Bartlett and Ghoshal, shows that companies can't rely on just one global or local strategy. They need a mix of both. For example, in the case of Nestlé; they use a mix of promoting their brand to the international market while adapting and marketing to fit the local needs and tastes of the consumers. Even in tech industries, companies like Microsoft have had a change of outlook and strategy adaptation to switch their models from selling software licenses to subscriptions so as to keep up with the local consumer needs. If spoken about emerging markets, where the infrastructure is not that progressive, localization is even more important to consider. Companies like Hyundai and Volkswagen show that by prioritizing the local subsidies and adjusting their operations to fit the local environment's upgrades and needs, it leads to better results. Research explains that localization can mean connecting values, beliefs, identities—or building operations that fit the local economy. This helps in building trust amongst consumers and increasing client engagement and handling risks. This helps the MNCs to adjust to a fast-changing market and become more globally effective and efficient.

V.CONCLUSION & FUTURE SCOPE

To summaries, the best strategy MNCs can adopt is a transnational strategy balancing global integration with local responsiveness. The ability to sense global needs and coordinate between headquarters and local units is only effective when a deep market and cultural understanding is done. Responding to institutional voids and cultural nuances through localization of both the product and subsidy can turn the challenge of cross-country differences into a source of sustained competitive advantage.

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