

Globalization of Service

Shin-Ming Guo
NKUST First Campus

- Growth & Expansion
- International Strategies
- Planning International Operations

Is Globalization Good?

Yum! Brands, Inc. 百勝餐飲集團

- ✓ Owns **KFC**, **Pizza Hut**, and **Taco Bell**
 - Operate in more than 130 countries
 - Open more than 1,000 stores overseas per year
- ✓ Believes business is local
 - Teriyaki crispy stripe in Japan
 - Gravy in northern England
 - Portuguese egg tarts in HK & Taiwan



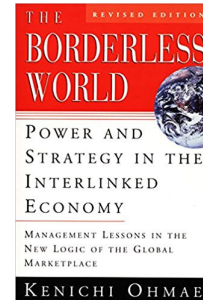
Nature of the Borderless World

Customers worldwide 顧客不分國界

- Aware of the best products and services 資訊充足
- People vote with their pocketbooks
 - Price, quality, design, value, etc.

Competition 全球競爭與合作

- Nothing stays proprietary for long
 - Rapid dispersion of the technology available to all firms
- Operating globally means operating with partners
合資經營、關鍵零組件



I. Business Growth & Expansion

Participation: Need to be near customers 接近市場

Simultaneity: Inability to transport services 服務無法運輸

	Single Service	Multiservice
Single Location	<i>Focused service:</i> <ul style="list-style-type: none"> • Dental practice • Retail store • Family restaurant 	<i>Clustered service:</i> <ul style="list-style-type: none"> • Stanford University • Mayo Clinic • USAA Insurance
Multisite	<i>Focused network:</i> <ul style="list-style-type: none"> • Federal Express • McDonald's • Red Roof Inns 	<i>Diversified network:</i> <ul style="list-style-type: none"> • NationsBank • American Express • Accenture

Focused Service: Single Site, Single Service

Service innovation at a single location with a well-defined service concept (Shouldice)

- Success leads to increased demands
 - Facility is expanded and personnel are added
- Advantage
 - Simpler management and control 管控
- Risks
 - Captive to the future economic growth of that area 受限於當地經濟
 - Competition move in 競爭者



Focused Network: Multisite, Single Service

Adding sites to achieve growth 連鎖經營、海外展店

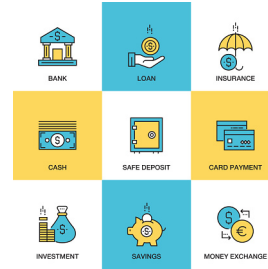
- Readily accessible to customers is important 接近客戶
 - Fast-food restaurants, Retail banking
- Management must ensure consistency of service across all locations 複製服務
 - Franchising: “cookie-cutter” concept of replicating service
- Managing network of service
 - Communication and control
 - Nationally marketing efforts 整體行銷
- Risks: overexpansion or loss of control



Clustered Service: Single Site, Multiservice

Diversify the service

- Service firm with large fixed facilities 原址擴充
 - Small colleges expanded into four years university
 - Medical centers
- Concentric diversification 專注相關業務
 - Synergistic logic around the core service
 - Economies of scope
- **Risks**
 - Potential loss of focus 營運失焦
 - Facility management becomes extremely complex



Diversified Network: Multisite, Multiservice

Combining multisite & multiservice

- Growth thru acquisition 併購上下游企業
 - United Airlines: Hotels, car rentals
 - Japan Rails: Hotels
- Advantage: 產品到解決方案、全球佈局
 - Brand name 品牌價值
- **Risks:** very complex managing task



II. Globalization of Services

- Most growth opportunities comes from overseas 海外商機
- Globalization is more than duplicating service overseas 複製貼上

Global integration 全球整合

- Economies of scale (commodity)
- Opportunity to exploit certain assets
- Competitive advantage globally

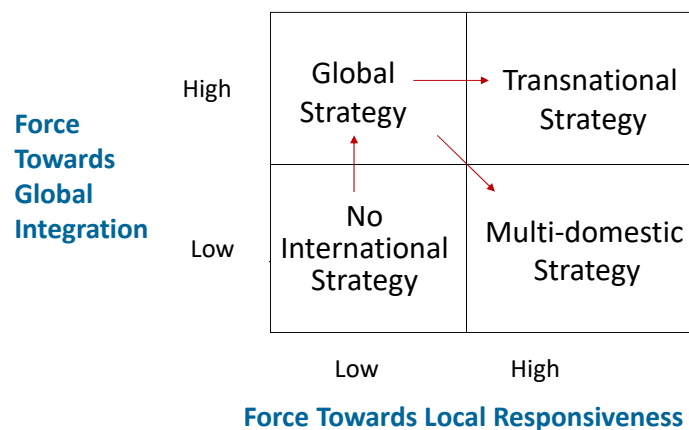


Local responsiveness 在地回應

- Customization
- Government control



International Strategies



High Integration and Low Responsiveness

Global Strategy: The world is one big market

- Doing business 中央集權
 - in a homogeneous way
 - or integrated across countries
- For firms with a strong brand and special identity
 - **IKEA**
 - Citibank, global retail bank: Do banking anywhere, anytime, anyway



Low Integration and High Responsiveness

Multi-domestic Strategy 多重國內化策略

- Confederation of autonomous units
 - Professional service firms adapting to local laws
 - Law and Consulting: **Deloitte**
 - Publishers
 - International Editions for local students
 - Food and household items 食品與家庭用品

Deloitte.

Carrefour 

High Integration and High Responsiveness

Transnational Strategy 跨國策略

- Leveraging certain corporate assets
 - R&D expertise
 - Formula store layout and centralized procurement
- Service delivery adapted to local needs
 - Yum! Brands, Inc. (KFC, Pizza Hut, and Taco Bell)
 - In China the chicken is spicier inland than coastal cities
 - McDonald's
 - Beer in Germany
 - No beef or pork in India



III. Planning International Operations

Service Delivery System	Operating Strategy	Service Concept	Target Market Segments
Available technology? Infrastructure? Utility service?	Appropriate managerial practice? Participative? Autocratic?	What are customer expectations? Perception of value? Service ethic?	What are the market segments? Domestic? Multinational? Tourist?
Labor market norms and customs?	Labor market institutions? Government regulations? Unions?	Service encounter? Language? Acceptance of self-serve?	What are important cultural differences? Language? Life style? Disposable income?
Space availability?	Host government policies?	What are the usage patterns?	What are the workforce demographics? Skills? Age distribution? Attitudes? Work ethic?
Interaction with suppliers?	Language? Front office? Back office?	Cultural transferability?	

International Elements of Service Vision

Culture transferability 文化轉換

- Balance global standardization with local customization
- 語文、思維、價值、法律、習俗



Host-government policy 當地政府

- Creative discrimination forms
 - Banning the sales of insurance by foreign firms
 - Preferential treatments to local shippers
 - Restrictions on international flow of information
 - Airlines landing rights



Labor Market Norms

- **Power distance index:** Degree of equality between people in the society 種姓制度
- **Individualism:** Degree of society reinforce individual or collective achievement 團體制約
- **Masculinity:** Degree the society reinforce the traditional masculine work role model 性別
- **Uncertainty avoidance index:** The level of tolerance for uncertainty and ambiguity within the society 規避問題
- **Long-term orientation:** Degree the society embrace long-term devotion to traditional, forward thinking values

Global Service Strategies

- Multicountry expansion 跨國設立營運分部
- Importing customers 調整營運以吸引海外顧客
- Following your customers 跟隨主要客戶
- Service offshoring 服務外包
- Beating the clock 克服時差

Global Operations Decisions

- Customization: 標準化？本土化？
- Complexity: 流程複製？成本取向？配合客戶？
- Information intensity: 中衛系統？區域自主？
- Cultural adaption: 堅持特色？在地文化？
- Customer contact: 派駐員工？當地取才？輪值？
- Other Issues: 物流、品質、跨國合作、法令

Global Service Operations

Globalization Factors	Global Service Strategies				
	Multicountry Expansion	Importing Customers	Following Your Customers	Service Offshoring	Beating the Clock
Customization	Usually a standard service	Strategic opportunity	Re-prototype locally	Quality and coordination	More need for reliability and coordination
Complexity	Usually routine	Strategic opportunity	Modify operations	Opportunity for focus	Time compression
Information intensity	Satellite network	On-site advantage	Move experienced managers	Training investments	Exploit opportunity
Cultural adaptation	Modify service	Accommodate foreign guests	Could be necessary to achieve scale	Cultural understanding	Common language necessary
Customer contact	Train local workers	Develop foreign language and cultural sensitivity skills	Develop foreign customers	Specialize in back-office service components	Provide extended hours of service
Labor intensity	Reduce labor costs	Increased labor costs	Hire local personnel	Reduced labor costs	Reduced labor costs
Other	Government restrictions	Logistics management	Inadequate infrastructure	Home office employee morale	Capital investments