

## GARRARD JAPAN: GLOBAL OR LOCAL?

*Ramasastri Chandrasekhar wrote this case under the supervision of Paul Beamish solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.*

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In late September 2017, Toshio Tanaka, president and chief executive officer (CEO) of Garrard Japan, received a follow-up from his team to a public opinion survey Tanaka had commissioned in mid-July. Garrard Japan was a wholly owned subsidiary of Garrard S.A. (Garrard), one of the world's largest packaged foods companies by revenue. The European-based multinational enterprise (MNE) had been a major contributor to the long-standing phenomenon of the globalization of trade and commerce.

Tanaka had recently witnessed several trends that were running contrary to globalization. There was, for example, growing protectionism, as in the “Made in America” campaign in the United States; rising nationalism, as in Britain’s pending exit—“Brexit”—from the European Union (EU); and conversations at various platforms in the public domain around the negative aspects of globalization. Tanaka was not sure whether the trends were populist or substantive. He had commissioned the survey in July 2017 to ascertain the ground-level perceptions of MNEs among Japanese people.

The findings of the survey were both qualitative and quantitative: 64 per cent of Japanese people saw MNEs as being more concerned with profit than anything else; 50 per cent thought MNEs were impersonal; and 41 per cent thought they were bureaucratic (see Exhibit 1). The survey also indicated how Japanese people saw MNEs in terms of their “glocal appeal”—a blend of global and local appeal—and how they rated Garrard Japan on the “glocal scale.” Garrard Japan had secured a rating of 3.5 on a scale of 1 to 10, giving it a median ranking among its peers in the consumer packaged goods (CPG) industry (see Exhibit 2).

The results of the survey were the subject of a meeting Tanaka had convened with his direct reports in early September. The consensus at the meeting was that there was scope for improving the rating on the glocal scale and that Garrard Japan should develop an interim strategy to improve the rating.

The document now in front of Tanaka had set forth the action plan he had requested. The plan said that Garrard Japan should (a) define its business purpose in Japan and communicate it clearly to stakeholders; (b) define employee behaviours and secure their alignment with the business’s purpose; and (c) pursue local relevance by applying Japanese filters to the company’s global actions.

As he reviewed the strategy document, Tanaka had two areas of concern: First, would the strategy improve Garrard Japan’s glocal rating, and if not, where did the strategy need to be reinforced? Second, did the company have the needed resources to execute the strategy, and who would provide the needed financial banking—Garrard Japan or Garrard headquarters (HQ)?

## MULTINATIONAL ENTERPRISES

An MNE could be defined by three attributes: (1) it directly invested in foreign countries, instead of merely exporting goods and services to them; (2) it actively coordinated the management of its offshore assets, instead of holding them as part of a passive financial portfolio; and (3) it integrated its operations in different countries, both strategically and organizationally, rather than keeping them separate.<sup>1</sup>

Securing a balance between serving global needs and serving local needs was a continuous exercise for MNEs. The extent to which an MNE responded to local needs was influenced by local factors like culture, consumer preferences, ways of doing business, infrastructure, technical standards, distribution channels, government demands, national regulations, and domestic competitors.

In recent decades, attitudes within the United States toward free trade had become more inward-looking. The shift was driven by a perception that job losses were primarily the result of globalization on the part of individual companies rather than advancements in technology. MNEs were thus facing increasing levels of scrutiny from policy-makers.

MNEs were also dealing with an increase in state capitalism. Examples included the growing economic role of state-owned enterprises and sovereign wealth funds and the increased direct government support of domestic industries. In 2017, sovereign wealth funds were managing portfolios valued at US\$7.3 trillion,<sup>2</sup> compared with the \$4.2 trillion in assets under management by closed-end private funds, according to the financial market research firm Preqin.

Four major geopolitical changes were affecting MNEs as well. First, protectionism was on the rise; the United States, Russia, and India had each announced more than 500 discriminatory trade measures since 2009. Second, bilateral trade agreements were gaining ground over multilateral trade agreements. Third, new regional financial institutions, like the Asian Infrastructure Investment Bank, were beginning to play a larger role. And fourth, state capitalism was on the rise, as was evident in the growing economic role of state-owned enterprises and the increased direct government support of domestic industries.<sup>3</sup>

## THE PACKAGED FOODS INDUSTRY

The retail sales value of packaged foods worldwide was \$2.11 trillion in 2016.<sup>4</sup> The industry was fragmented with the five largest companies together holding less than 10 per cent of the global market share.<sup>5</sup>

Although it was global in terms of its trade transactions, the foods industry was rooted in local cultures. Companies could trade in food products, but they could not trade in taste, which was an integral part of food consumption. Most meals had local origins; this was particularly true of fresh foods—such as vegetables, meat, and fruit—and also true of snacks where local brands were the clear favourites.

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<sup>1</sup> Christopher A. Bartlett and Paul Beamish, *Transnational Management: Text and Cases in Cross-Border Management*, 8th ed., (Cambridge, UK: Cambridge University Press, 2018).

<sup>2</sup> All dollar amounts are in US\$ unless otherwise stated.

<sup>3</sup> Arindam Bhattacharya, Dinesh Khanna, Christoph Schweizer, and Aparna Bijapurkar, "Going Beyond the Rhetoric," BCG Henderson Institute (blog), April 25, 2017, accessed October 12, 2017, [www.bcg.com/publications/2017/new-globalization-going-beyond-rhetoric.aspx](http://www.bcg.com/publications/2017/new-globalization-going-beyond-rhetoric.aspx).

<sup>4</sup> "Packaged Food," Euromonitor International, December 2018, accessed February 27, 2019, [www.euromonitor.com/packaged-food-in-japan/report](http://www.euromonitor.com/packaged-food-in-japan/report).

<sup>5</sup> Ibid.

MNEs in the foods sector sometimes offered products that were homogenous across the markets in which they operated. Homogeneity was also their way of leveraging economies of scale. They were not always successful against local competitors, however small, because the latter had not only a better understanding of customer preferences but also an ability to respond more quickly to changing customer tastes.

The business models of packaged foods companies were becoming untenable for three reasons. First, demographics were changing in many economies. Millennials, defined as those born between 1977 and 1995,<sup>6</sup> were not only a major cohort at 27 per cent of the global population,<sup>7</sup> but were also well on their way to their prime working and spending years. Their shopping and consumption habits were influenced by the unique experiences of their time (such as 9/11 and economic downturn) and anti-establishment movements (such as Occupy Wall Street and Arab Spring). Millennials' relationship with food was also different from that of the preceding generation of baby boomers: millennials wanted fresh foods, sought local ingredients in their foods, and were keen on tracing the supply chains of foods they consumed to ensure they were being ethically sourced.

Second, new distribution channels were coming into play, shrinking the traditional role of grocery chains. The home delivery of food was becoming common. Sales on direct-to-consumer sites and e-commerce platforms accounted for 36 per cent of specialty food and beverage sales.<sup>8</sup> Using their mobile devices, customers could order from their locations of choice, perhaps while at work, and pick up their food on their way home.

Third, the product portfolios of packaged foods companies had long been laden with salt, sugar, and fats. Processed foods were known primary contributors to the prevalence of obesity, diabetes, and heart disease, which, in turn, were adding to the costs of health care. Foods companies were under compulsion to make their product portfolios healthier. All three pressures varied across countries.

## JAPAN AND THE PACKAGED FOODS INDUSTRY

The packaged foods industry in Japan had revenues of ¥19,860 billion<sup>9</sup> (\$182.5 billion) in 2016. Although millennials comprised only 14 per cent of the Japanese population,<sup>10</sup> foods companies in Japan were grappling with two major demographic trends—a shrinking population (characterized by a negative growth rate of -0.2 per cent per annum)<sup>11</sup> and an ageing consumer base (characterized by the highest number of people over the age of 65 in the world).<sup>12</sup> These trends had led manufacturers to focus on adding value to products rather than increasing sales volume.

Japanese consumers frequently purchased ready-to-eat meals while on the go, but unlike in many developing economies, they purchased them from the convenience stores that were closest to their homes or offices. In a bid to retain customers, convenience store operators in Japan had put significant effort into product design and launching seasonal products every week alongside the classic lineups.<sup>13</sup>

<sup>6</sup> Jeff Fromm, Celeste Lindell, and Lainie Decker, *American Millennials: Deciphering the Enigma Generation* (Kansas City, MO: Barkley, 2011), accessed April 1, 2018, <https://barkley.s3.amazonaws.com/barkleyus/American Millennials.pdf>.

<sup>7</sup> Erik R. Peterson, Ari Sillman, and Courtney Rickert McCaffrey, "Where are the Global Millennials?," AT Kearney (blog), n.d., accessed February 27, 2019, [www.atkearney.com/web/global-business-policy-council/article?/a/where-are-the-global-millennials-](http://www.atkearney.com/web/global-business-policy-council/article?/a/where-are-the-global-millennials-).

<sup>8</sup> John Nicolopoulos "Top 5 Trends for Food and Beverage Industry Businesses in 2018," *Boston Business Journal*, January 29, 2018, accessed April 1, 2018, [www.bizjournals.com/boston/news/2018/01/29/top-5-trends-for-food-and-beverage-industry.html](http://www.bizjournals.com/boston/news/2018/01/29/top-5-trends-for-food-and-beverage-industry.html).

<sup>9</sup> ¥ = JPY = Japanese yen; average exchange in 2016 = US\$1 = ¥108.80.

<sup>10</sup> Ken Moriyasu, "We Lucky Few: Japan's Millennials Reshape Their Country's Drab Workplaces," *Nikkei Asian Review*, July 2, 2015, accessed January 05, 2019, <https://asia.nikkei.com/Business/We-lucky-few-Japan-s-millennials-reshape-their-country-s-drab-workplaces>.

<sup>11</sup> Worldometers, [www.worldometers.info/world-population/japan-population/](http://www.worldometers.info/world-population/japan-population/) accessed March 29, 2019.

<sup>12</sup> WorldAtlas, [www.worldatlas.com/articles/countries-with-the-largest-aging-population-in-the-world.html](http://www.worldatlas.com/articles/countries-with-the-largest-aging-population-in-the-world.html) accessed March 29, 2019.

<sup>13</sup> "Packaged Food in Japan," op. cit.

In another major trend, Internet retailing was yet to catch on with Japanese consumers; however, the move was being led by Amazon.com Inc. The global retailer had launched its Amazon Fresh service in Japan in April 2017.<sup>14</sup> Choosing from a list of over 100,000 items, including not only fresh food such as fish but also packaged food products, customers could order online and have their food delivered to their doorstep within four hours.

The leading companies in the Japanese packaged foods industry were Meiji Co. Ltd. (also the fourth largest confectionery company in the world), Fujiya Co. Ltd. (a manufacturer of cakes and beverages), Morinaga & Co. Ltd. (a candy maker), and Ezaki Glico Co. Ltd. (a manufacturer of food products). MNEs marketing their products in the Japanese packaged foods market included Godiva Chocolatier of Belgium, the Hershey Company of the United States, Mondelēz International Inc. of the United States, and Nestlé S.A. of Switzerland.<sup>15</sup>

### **GARRARD S.A.**

Garrard had revenues of nearly \$100 billion in 2016. It had over a dozen brands in its portfolio, with sales of more than a billion dollars each. It had several hundred factories, was operating in most countries, and employed 250,000 people.

The Garrard approach to globalization was rooted in history. The need to grant autonomy to local managers arose originally from the need to manage distribution disruptions caused by wars in Europe. Over time, while local managers held on to their autonomy, headquarters (HQ) also held on to its control of the subsidiaries. HQ's interest in a firm grip over subsidiaries was not driven by a desire to pursue potential scale economies in manufacturing, as was common among MNEs; rather, its interest in control was driven by a desire to capitalize on the marketing ideas that its local foods business managers around the world were regularly generating.

Soon HQ was using its grip in a novel way to further the cause of both globalization and localization. It was relocating line managers with track records in managing local businesses within the sprawling Garrard network to the central marketing pool at HQ. Although those line managers now held staff roles as product directors at HQ, they could persuade line managers in various subsidiaries to accept product and marketing ideas from HQ because they were once successful at the ground level in remote corners of the Garrard universe. Such credibility was important with their former peers.

Garrard had subsequently refined its globalization strategy to develop strong national subsidiaries sensitive to local opportunities and encourage them to adapt products from the rest of the world to suit local needs. Product development was localized to some extent. All new products emanating from within the Garrard universe for global replication had to be validated locally before launch using the singular barometer of local taste. When the Garrard offering was served unbranded to a panel of local end-users alongside a competitive, reigning local product, the new product had to be selected first by a majority of the panellists for taste. It was only then that the global product would be rolled out in the local market. If the product failed the test but was still believed to have local demand (based on market intelligence from field sales personnel), the product would be reconfigured to suit local tastes and then marketed.

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<sup>14</sup> Amazon Launches Fresh Grocery Delivery Service in Japan," *Mainichi*, April 21, 2017, accessed December 15, 2018, <https://mainichi.jp/english/articles/20170421/p2a/00m/Ona/016000c>.

<sup>15</sup> "Packaged Food in Japan," op. cit.

This approach had set a virtuous cycle in motion. Growing levels of localization led to a proliferation of brand variants generating new revenue streams. Certain products might have numerous local blends, seasonings, or formulations; they varied with each country because local tastes varied.

By the late 1990s, Garrard was present in nearly 100 countries. The company had grown so large that various shortcomings soon came to light. For example, data had become a disconnected resource. Every country ran its own data centre and developed its own software programs, which were unlinked to the rest of Garrard. To set things right, the company launched a program called International Business Achievement (IBA). IBA was a vital step in meeting the seemingly constant need to strike a balance between globalization and localization. It had three goals: unifying data management protocols, harmonizing business processes, and standardizing information technology (IT) platforms. Its rollout began in stages and lasted nearly a decade.

IBA led to greater control over three specific activities at Garrard—sourcing, production, and distribution. The control, however, was exercised by HQ—not directly, but through regional headquarters. Garrard devolved its control to regional headquarters, which monitored operations day to day in their zones. It was through such devolution that HQ was exercising control on its hundreds of individual factories. Very soon, internal sourcing (i.e., the movement of raw materials and finished goods among Garrard subsidiaries) also came within the purview of IBA, giving HQ a better snapshot of what was happening at the ground level.

A major benefit of the IBA initiative was that it generated internal competition. A Garrard factory in Colombia, for example, was no longer comparing itself to its peers in Colombia alone; standardization of metrics had ensured that the factory would benchmark its performance against peers in its zone and beyond. Internal competition led gradually to performance improvements. IBA also enabled greater outsourcing of production because Garrard could now extend its standardized data systems, best practices, and IT systems to co-packers and third party contractors operating outside Garrard's orbit.

Another medium of the time that helped achieve global–local balance was a portfolio management tool that ensured all who were involved in planning for Garrard's future—irrespective of their location—spoke the same language. For example, a product planner in a market in Ghana could use the tool to decide whether to allocate resources to a local product with the same eagerness with which the CEO at HQ used it to decide whether to allocate more resources to a global value driver.

Garrard saw itself as being in the business of affordability. Unlike the many MNEs that were targeting their products to the premium end of the market, Garrard had tailored its products to multiple price points, including the three billion low-income consumers found worldwide. The idea was that all Garrard's products would be of high quality, spanning many food categories and providing nutritional value, at affordable prices. This strategy relied on three ways of lowering costs: local sourcing, local manufacture, and local distribution. It used local channels like mobile food vendors to deliver products to the doorsteps of end-users. In addition to generating jobs, the approach also generated entrepreneurial opportunities in developing markets.

The company avoided the trap of chasing market share for its own sake—a common occurrence in low-priced markets—by focusing on both market share and margins. This meant pursuing top-line and bottom line growth, serving customers in emerging and developed markets, improving operational and capital efficiencies, and delivering in the short term while investing for the long term.

Garrard was using a combination of hierarchical and matrix structures to execute its strategy. The hierarchical part prevailed in businesses that were homogenous across markets and therefore could be managed globally from HQ. The matrix part prevailed in businesses requiring decentralization and was organized into a mix of zones and products. Products were organized as individual strategic business units—some located at the HQ and some at different regions managed by zonal heads.

Each product category was led by a product director who developed long-term strategies for the category on a global basis. Product directors were responsible for operational issues like plant capacity utilization and deciding how much of each product should be produced at which factory and in which location worldwide. The product directors were staff executives with no line authority. Each product was also coordinated by a manager in charge of a specific geographical area within a zone. The area manager had profit and loss responsibility, and line managers had dual reporting relationships—with product heads and area managers.

The system was complex, and pressure points were prone to erupt regularly. They were being doused locally, by and large, before they flared up. There were also two mechanisms for conflict resolution at the global level. First, the company's executive board, led by the CEO, met monthly to formulate overall responses to a multitude of headwinds and tailwinds swirling in the system. The executive board would also examine internal feedback regarding the fine details of what was working, what was not working, what was moving fast, and what was moving slow, and make the appropriate adjustments. Second, all the country managers, heads of globally managed businesses, and product heads—about 180 individuals—would meet at HQ every two years for a week-long summit, during which time the fine tuning of internal alignments was a priority item on their agenda.

Over 90 per cent of what was sold in most country markets was produced locally. Local manufacture was a competitive advantage for Garrard that was fully realized during the Brexit crisis beginning in January 2013, when the UK government announced its intention to seek a referendum on continuing with the EU.<sup>16</sup> Brexit represented a top risk for many MNEs with operations in the EU, but for Garrard, it did not even figure in its top 10 risks. That Garrard UK was locally producing much of what it sold locally gave it a natural hedge.

All entry-level jobs at Garrard were local. The company had a history of not only giving young people first job experiences; it would also recruit from universities and colleges, offering a career path including international mobility as part of its hire-to-retire system.

In a bid to address youth unemployment, which was reaching critical levels in excess of 40 per cent in European countries like Greece and Spain,<sup>17</sup> the company had launched a global program in 2010 called “Garrard Foot in the Door.” This program was aimed at helping young people in local markets around the world develop job-related skills and enter the job market. The program was also extended to countries like Japan where, although overall unemployment was low, youth unemployment was higher.

Garrard was characterized by a stable tenure of leadership at the top, ensuring consistency of strategy. Recent CEOs, for example, had joined Garrard at entry-level jobs and risen to become CEOs, where they had prevailed for a decade. Yet the global trend was for more outside CEOs.<sup>18</sup>

## GARRARD JAPAN

Launched in the 1930s, Garrard Japan generated sales of \$4 billion in 2016. It had 20 manufacturing, sales, and distribution sites across the country. Sixty per cent of Garrard Japan's finished products were imported from 30 of its subsidiaries.

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<sup>16</sup> Nigel Walker, “Brexit Timeline: Events Leading to the UK's Exit from the European Union,” Briefing Paper CBP-7960, House of Commons Library, British Parliament, March 22, 2019, accessed March 25, 2019, <https://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7960>.

<sup>17</sup> Katrin Oesingmann, “Youth Unemployment in Europe,” *ifo DICE Report* 15, no. 1 (2017): 52–55, accessed December 15, 2018, [www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Training/DR-2017-1-oes--youth-employ/fileBinary/DR-2017-1-oes--youth-employ.pdf](http://www.cesifo-group.de/ifoHome/facts/DICE/Labour-Market/Labour-Market/Training/DR-2017-1-oes--youth-employ/fileBinary/DR-2017-1-oes--youth-employ.pdf).

<sup>18</sup> “Are CEOs Less Ethical Than in the Past?,” PwC, accessed January 15, 2019, [www.strategyand.pwc.com/ceosuccess](http://www.strategyand.pwc.com/ceosuccess).

Garrard Japan had several top-selling brands in its portfolio. The company employed 6,000 people in various roles and sourced \$1.4 billion worth of Japanese products and services annually.

Tanaka was Japanese and had joined Garrard Japan in 1990 in sales and marketing and moved through leadership roles in local business divisions, rising to become the subsidiary's president and CEO in 2013. He had 11 employees who reported directly to him including four product heads and seven function heads. As Garrard's country leader, he also oversaw in-market activities for globally managed businesses. He reported to a zone executive vice-president at HQ.

Social media had exacerbated the global–local pressure points for Garrard Japan. Issues happening globally within Garrard would affect the Japanese subsidiary, even when those issues had no bearing locally. For example, Japanese consumers were made aware of product recalls through social media and were raising questions locally about product safety.

Whenever HQ tracked the performance of each zone in terms of margins, average selling price, and cost of distribution, Garrard Japan had a disadvantage with its peers in some other zones because the regulatory requirements of Japanese translation in packaging among others had added to the costs of trade in Japan. HQ was regularly asking Garrard Japan, “Why are your margins not as good? When will you improve your profitability? Do something.”

## **GARRARD SURVEY**

The Garrard Survey, as it was called, was carried out by a public opinion and market research firm based in Tokyo. It was conducted online from July 26 to August 2, 2017, with a sample of 1,201 Japanese adults. The most recent Japanese census was used to make the sample representative in terms of age, gender, and region. The margin of error was pegged at  $\pm 2.8$  per cent.

Tanaka was keen on exploring the idea that an MNE could embody both the global attribute of leveraging scale in expanding into new markets and the local attribute of serving the needs of the local communities in which it was doing business. Ten major CPG firms were chosen for the survey.

Tanaka's own idea of Garrard as a glocal company was that Garrard would not only have the size, scale, and expertise to offer the best products from around the world to the Japanese, but it would also make more and more of the products in local factories, using local ingredients sourced from local suppliers, engaging local resources, and employing local people.

## **ISSUES BEFORE TANAKA**

The context in which Tanaka's team developed the strategy had several dimensions. First, the results of the survey were mixed, not uniform. While taking a negative stance on some aspects of MNEs, the respondents had also held out hope for change on the part of MNEs; for example, 94 per cent of the Japanese who were surveyed believed that it was indeed possible for a large global company to act in local interests. The strategy had to build on those positive elements of the survey.

Tanaka also noticed an undercurrent of skepticism showing that “it is hard for people to like businesses, once the businesses grew beyond a certain size, despite how much they may contribute to the economy.” The strategy under review had to deliver the message that big was not bad and that big was, in fact, good.

The Japanese respondents were also unaware—despite being part of a global company—that Garrard Japan was, in many ways, a local company. Any plan would need to reinforce the “localness” of Garrard Japan.

### **WAS THE STRATEGY ADEQUATE?**

The parent company’s business purpose was clear—“Ensuring quality of life through healthy food”—and had remained unchanged over time. It served as a guide to subsidiaries in serving the needs of customers. Its appeal was global, but the manner in which it was brought to life locally was left to the subsidiaries. Garrard Japan thus had a basic framework in place; it only had to communicate it locally in a manner that appealed to local consumers.

Employee behaviours were already aligned with the business purpose and moored to its three core values of “equality, diversity, and sustainability”—values that had evolved over time to adapt to a changing world. They served as signposts to employees on the standards to which they would hold themselves day to day. Driving those values was an ongoing task at the level of subsidiaries and living these values was an ongoing task at the level of individual employees.

While there was one global purpose and one set of values at Garrard, the one-size-fits-all approach was not implemented in the subsidiaries, where flexibility kicked in. Coming into play at that stage were filters that were fine-tuned to national, regional, and local circumstances.

As the CEO of Garrard Japan, Tanaka had to identify what mattered to Garrard as a global company, as well as identify what mattered to local communities. He also had to identify where the two converged—that would be the challenge. He wondered whether the strategy he was reviewing would stand the acid test of convergence.

### **COULD THE STRATEGY BE EXECUTED?**

Tanaka approved the broad direction of the strategy. As president of Garrard Japan, he only had to reiterate the strategy at every opportunity to ensure that people understood it and stayed committed to it. However, execution of the strategy had raised three dilemmas for Tanaka.

First, Garrard’s historical investment in generating consumer demand was in promoting individual brands rather than in promoting Garrard as a company. Consequently, consumers seemed able to identify individual brands but could not identify the company behind those brands.

This had led to the second dilemma. Garrard Japan had no provision for a budget on corporate campaigns, which were typically played in the mainstream media. Garrard Japan was not a big spender on either television advertising or print advertising; it instead focused on store-level promotions and social media. The latter was designed to drive sales—nothing more.

The third dilemma concerned the conceptual difficulties in tailoring product advertisements to convey the company’s overarching business purpose. For example, one way of embedding the business purpose might be to focus on product ingredients. The advertisement could say that the Garrard product contained no artificial additives and therefore contributed to a healthier lifestyle. Another way would be to focus on ethically sourcing raw materials and say that by producing a sustainable product, Garrard enhanced the customer’s quality of life and contributed to a healthier future. The difficulty was that the message had to be tailored to each product. The costs would be huge—in the millions of dollars—because Garrard Japan had so many products in its portfolio. Who would pay?

**EXHIBIT 1: GARRARD JAPAN, GLOCAL SURVEY HIGHLIGHTS, AUGUST 2017**

64%	...of respondents perceived MNEs as being more concerned with profit than anything else.
50%	...of respondents thought that MNEs were impersonal.
41%	...of respondents thought that MNEs were bureaucratic.
94%	...of respondents believed that it was possible for a global company to act in local interests.
67%	...of respondents thought that MNEs provided better, higher quality products at more competitive prices than smaller, local firms.
70%	...of respondents believed that MNEs championed research and development.
57%	...of respondents agreed that MNEs had initiatives designed to benefit the environment of their region.

Note: MNEs = multinational enterprises.  
Source: Company records.

**EXHIBIT 2: RATING ON GLOCAL SCALE**

MNE #	Acting in self-interest	Acting in the best interests of the local community	Striking a balance between the two	Average rating on glocal scale
1	40%	42%	18%	4.0
2	40%	46%	14%	3.9
3	42%	42%	15%	3.8
4	43%	43%	14%	3.8
5	47%	38%	15%	3.6
<b>*6</b>	<b>48%</b>	<b>39%</b>	<b>13%</b>	<b>3.5</b>
7	49%	42%	9%	3.4
8	48%	43%	9%	3.4
9	49%	42%	9%	3.3
10	50%	42%	8%	3.3

Among other questions, the respondents were asked the following: "When making a decision that may affect local communities, do these (ten) brands/companies act in the best interests of the global company as a whole, or do they act in the best interests of the local communities that might/will be affected, or do they strike a balance between finding the benefits and reducing the possible negative impacts for both the company and the local communities?" The responses were analyzed to arrive at the rating on a glocal scale for each of the ten brands/companies.

Note: \*Gerrard S.A.; MNE = multinational enterprise.  
Source: Company records.