

## WHAT DO WE KNOW FROM EPRG MODEL?

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### Abstract

*The aim of this paper is to present the fundamental ideas behind EPRG model. They are discussed with some illustrating examples. Moreover, some attention is drawn on the evolution from one orientation to another. In particular, the geocentric orientation is widely discussed. General Electric is studied in more details as a particular case of the geocentric orientation. Finally, some non-market dissertations are presented, on how geocentrism can evolve and some threats to the public interest are sketched.*

**Key words:** corporations; EPRG model; General Electric; geocentrism; internationalization.

**JEL Classification:** F23, F60, L20, M14, M30

### I. INTRODUCTION

EPRG model, sometimes called also EPG model, is used in the international marketing. It was introduced by Perlmutter (1969). The strategy of the organization is characterized by three factors: ethnocentrism, polycentrism and geocentrism. Hence, the original name - EPG. A little later, Wind, Douglas and Perlmutter (1973) extended this model by another factor - regiocentrism. The extended model is known as EPRG model, in short.

This model aims to identify the orientation of the organization. The strategy can be differently oriented, indeed. As a result, costs and profits are generated in slightly 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 with each other at various stages. It is also important that the culture of organization, its marketing strategy, etc. are consistent. Only then, the organization can operate efficiently on the market.

The following essay presents the main ideas of the EPRG model in the context of the modern economies. Some arguments are illustrated by particular examples from markets.

### II. ETHNOCENTRISM

As mentioned before, the model takes into account four different orientations: ethnocentric, polycentric, regiocentric and geocentric. The first one is very common amongst companies just starting the international activity. Such companies concentrate their efforts on production and sales, but mainly on the domestic market. Activity on a foreign market is usually perceived as a temporary activity. Hence, patterns of market behavior are based on the experience gained from the domestic market. Moreover, such patterns are usually not modified in any significant way to fit the foreign market. Organizational culture, marketing, procedures and so on, are copies from the domestic market. The foreign market is considered as a secondary one. For example, no significant research activity is done on the foreign market (Radomska, 2010).

Ethnocentrism arises from the dominance of one culture over another in some sense. This dominancy can relate to the cultural sphere, manual, technical, mental or even ethical and moral skills. This orientation is somehow natural because of some psychological factors. People have a tendency to unite in a compact, somehow similar groups. According to Ahlstrom and Bruton (2010, p. 42) „ethnocentrism (...) reflects a sense of superiority about a person's or firm's homeland. Ethnocentric people believe that their ways of doing things are the best, no matter what cultures are involved. (...) Ethnocentric people tend to project their values onto others, and see foreign cultures as odd or of little or no value to them.”

In this orientation, domestic strategies are assumed the best ones and superior over any other, foreign ones. Since national rules were verified by market and occurred good, they are believed to be good on another market also. Therefore managers are brought from the domestic country to subsidiaries. The hierarchy of the organization is usually highly centralized and directly subordinated to the headquarter located in the home country.

These factors generate significant costs. Managers must be recruited in the domestic country. As a result, compensation costs for work in another country must be added to the basis salaries. However, bringing own