CHAPTER 1

Theodore Levitt's "The Globalization of Markets"

An Evaluation After Two Decades

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Two decades ago, Theodore Levitt published "The Globalization of Markets" in the *Harvard Business Review*. Doing business across national borders had long been a topic of academic analysis, but Levitt's article, published in the "magazine of decision makers," was aimed separately at business managers. It hit its target.

Levitt himself was "globalized" by 1983. He was world famous for his provocative pronouncements on the new thinking and new action needed to propel business management into the new world it had to create. His articles were widely translated and anthologized, and the *Harvard Business Review* made a small fortune selling his reprints. When Levitt spoke (through the medium of the printed word), managers listened.

Teaching globalization today, it is not difficult, with the priceless benefit of hindsight, to see the flaws in Levitt's argument. In the pages that follow, we make those flaws quite clear. We do, however, believe that this article remains important not just as an artifact of its time but as a picture of the world from which managers can benefit today. It is no accident that this article is still so widely read.

In this chapter, we seek to locate globalization in the context of Levitt's oeuvre. We then offer a new way of thinking about this article, an angle of vision that we believe demonstrates its enduring usefulness.

The Marketing Message of Theodore Levitt

"And if you want biographies," Friedrich Nietzsche once wrote, "do not look for the legend 'Mr. So-and-so, and his times,' but for one whose title might be inscribed 'a fighter against his time.'" That is the role—as a "fighter against his time"—that Theodore Levitt has played during his intellectual life.

This was a role he earned the right to play. Levitt mastered "normal science" before setting off in search of new "paradigms."[1] His doctoral dissertation, "World War II Manpower Mobilization and Utilization in a Local Labor Market," was squarely in the mainstream of academic endeavor.[2] Firmly grounded in economics through his doctoral training at Ohio State, Levitt proved he could satisfy the most rigorous standards of his profession by publishing in the *American Economic Review,* the *Review of Economics and Statistics,* the *Journal of Finance,* and elsewhere.[3]

Levitt's goal, however, was always to make a difference—a big difference not only in his own discipline but in academics as a whole and indeed in society. He wanted to think creatively. It was the combination of his background in formal economics along with a jagged streak of lightning called genius that enabled him to succeed at so doing. One of Levitt's articles is entitled "Marketing Success Through Differentiation—of Anything."[4] His own greatest achievement in differentiation has been of himself.

Theodore Levitt has written numerous articles that have changed the way important people think about important matters (which was his own standard when he served as editor of the *Harvard Business Review*). Among the most noteworthy of these is "The Globalization of Markets," published in 1983.[5]

The article's argument is that new technology, which has "proletarianized" communication, transport, and travel, has created "a new commercial reality—the emergence of global markets for standardized consumer products" of a hitherto undreamed-of magnitude. The era of the "multinational corporation" was drawing to a close, Levitt asserted. The future belonged to the "global corporation." The global corporation did not cater to local differences in taste. Those differences were being overwhelmed by the ability of the global corporation to market standardized products of high quality at a cost lower than that of competitors due to "enormous economies of scale in production, distribution, marketing, and management." The global corporation was being called forth by a new era of "homogenized demand."

Levitt's claim was breathtaking in its inclusiveness. "Nothing," he declared, "is exempt." Not steel, not automobiles, not food, not clothes. Variety costs money, and the modern consumer demanded the best for less.

Levitt is a man of the world, quite aware of the conflicts that pockmark it. He makes reference to the 1979 Iranian uprising that resulted in the downfall of the shah, to the Nigerian-Biafran civil war, to life in Bahia in Brazil and in Krasnoyarsk in Siberia. But though beliefs might differ sharply from one nation or region to the next, consumption patterns were converging. The rebels in Iran were wearing "fashionable French-cut trousers and silky body shirts." In Biafra, "soldiers carrying bloodstained swords" were "listening to transistor radios while drinking Coca-Cola." The world was witnessing nothing less than the "vindication of the Model T," the basic transportation vehicle of which Henry Ford said, "It takes you there, and it brings you back."

There is no other appeal like price. People like money, and they want to spread it over as many goods as they can. What the global company understands, which the multinational does not, is the power of scarcity: "Nobody takes scarcity lying down; everybody wants more."

If "The Globalization of Markets" were the only article one had ever read about marketing, one would find its argument compelling. But in the context of its times, what Levitt was proposing was little short of a revolution in both how companies organized themselves and in how they thought about what they were doing. Levitt's argument flew in the face of hallowed principles of marketing both and what seemed to be the stark realities of the world as it was in 1983.

Consider, for example, what had come to be known during the quarter-century prior to the 1983 publication of "Globalization" as "the marketing concept." We do not mean *a* marketing concept; in fact we must italicize the article: *the* marketing concept.[6]

By 1983, this idea, so simple that it scarcely seems to deserve the label "concept," was that companies should give customers what they want. The marketing concept gained currency during the 1950s and was founded on the belief that the "problem of production" had been solved. Supply-side shortages not being in the offing, there was no need for companies to be guided by a production analogue to the marketing concept. "The sales concept," such as it was, had also fallen into disrepute in the literature. The sales concept was about pushing a product onto the consumer through sales techniques.[7] The "sales concept" was waning as early as 1941. IBM, for example, which was in the process of developing one of the greatest sales forces in history, was instructing its salespeople by that time to tell prospects that their job was not "to sell" but "to serve."[8]

Thus, we arrive at "the marketing concept." Behind the phrase lay the idea that business begins not with the factory but with the customer. Marketing was the most important of business functions because it drove everything else—or at least that was the ideal. In practice, businesses kept seeming to revert to the satisfaction of their own internal needs at the expense of customer desires. Look around, and you will find that this is true today. The promise of customer satisfaction is omnipresent. (No company promises customer dissatisfaction.) Delivering on the promise is a good deal less common.

There are two specific references to the Marketing Concept in "Globalization," and the idea is alluded to elsewhere without being labeled. Levitt treats this central idea of his discipline without much respect. Somehow, corporations had allowed themselves to fall prey to "the perverse practice of the marketing concept and the absence of any kind of marketing imagination. . . ." (p. 98). "Most executives in multinational corporations are thoughtlessly accommodating. They falsely presume that marketing means giving the customer what he says he wants rather than trying to understand exactly what he'd like."

What Levitt appears to be saying is that it is up to the company to know more about what the customer wants than the customer himself or herself does, or at least more than the customer can articulate. He uses as an illustration the failed attempt by Hoover to market its washing machine throughout western Europe. The cause of this failure was Hoover's "'proper' marketing orientation." The company conducted consumer research at a fine-grained level that revealed that customers in various countries wanted different features. The manufacturing costs of providing these features drove the price of the appliance up, and the product did not sell.

What went wrong? Two things. First, Hoover asked the wrong questions. It sought, in the type of phrase for which Levitt became famous, to learn "what features [customers] wanted in a washing machine rather than what they wanted out of life."[9]

Second, Hoover paid too much attention to what people said and too little to what was actually going on in the marketplace. Did everyone want a washing machine specifically customized to their living space? Yes. Was everyone willing to pay substantially more money for such a washing machine, thus depriving themselves of other possessions? No. "[People] preferred a low-priced automatic . . . even though [it] failed to fulfill all their expressed preferences. The supposedly meticulous and demanding German customers violated all expectations by buying the simple, low-priced Italian machines" (p. 98).

The conclusion was that a cursory examination of the Hoover story would leave one with the belief that global marketing is impossible because of the strength of national wants and needs. But what a little digging reveals is that we have seen a "distorted version" and the "perverse practice" of the marketing concept. And we have seen something else: what Levitt referred to as a "failure of nerve."

Marketers must be more than mere receptacles of information (which is sometimes poorly specified and collected). They must actively mold the markets to which they sell. If Hoover had acted in that aggressive fashion, it would have succeeded. With will and vision, global marketing could become a reality.

Levitt was well aware at that time of the appeal of low prices.[10] In recent years, Clayton Christensen of the Harvard Business School wrote *The Innovator's Dilemma,*[11] a book that became world famous and in which he asserted ideas quite similar to Levitt's. Christensen's thesis is that in their rush to give customers precisely what they want, companies customize too much, spend too much, and therefore charge too much. They thus leave themselves open to the "disruptive innovator," marketing a product that is not perfect in terms of every function and feature but is good enough and a lot less expensive. Although Christensen's book is not concerned with world trade, the basic market dynamic he sees conforms to

Levitt's. Variety is often generated by organizational dynamics internal to the firm. Customers tend to be unwilling to pay as much for that variety as marketers may like to think.

In one sense, the ideas in "The Globalization of Markets" are not surprising. For years, people had been coming to think of the world as a single unit rather than as a patchwork of nations and customers. The first armed conflict deemed a "world" war took place between 1914 and 1918 (even though it was less a global conflict than, say, the Seven Years' War of 1756 to 1763, which stretched from Canada to India). The term *global village* was coined in 1960.[12] The realization that radioactive fallout from nuclear weapons could have global consequences led to the Nuclear Test Ban Treaty of 1963,[13] and general concerns for the environment led to Earth Day in April 1970.[14] The space race, beginning with *Sputnik* in 1957 and climaxing with the moon landing in 1969, endowed human beings with a whole new perspective on "spaceship earth."

Meanwhile, a little closer to home, social critics following World War II were beginning to complain of the very homogenization that Levitt was inviting corporations to exploit. The term *Coca-Colonization* gained a certain currency during the 1940s and 1950s, suggesting the imposition of American cultural values on the world through the spread of its consumer products.[15] In 1967, the French journalist Jean-Jacques Servan-Schreiber published *The American Challenge,* in which he portrayed Europe being overrun by American capital and American business organization practices.[16] Various domestic observers as well were noting with disapproval the "global reach" of what appeared to be the inexorably growing American business firm.[17]

That said, there is another sense in which the ideas in "The Globalization of Markets" are daring. In 1983, the world was still very much a bipolar place, divided between "communist" and "democratic" nations. The cold war had heated up considerably with the Soviet invasion of Afghanistan in 1979. It was in 1983 that President Ronald Reagan called the Soviet Union the "evil empire," and this cartoon-strip phrase struck a responsive chord in much of the American public.[18] Those people living under communist regimes knew precious little of markets in the Western sense, never mind marketing.

In 1983, there were, in fact, only a handful of countries in which corporations had home offices that sold products or services outside the home country borders. North America, western Europe, and Japan fairly much exhaust the list. Firms located in these nations accounted for the overwhelming bulk of world trade, and very little of that trade was with the approximately 32 percent of the world's population living in communist countries.[19] Thus, when Levitt spoke of globalization, he was excluding a large portion of the globe as it was at that time.

Even among the democratic, capitalist countries, barriers to trade were far more daunting than they have since become. Tariffs, subsidies, orderly marketing agreements, and outright prohibitions were everywhere apparent. Markets were, and are, governed by rules. Indeed, markets cannot exist without rules.[20] The rule-making unit in 1983 (as is also predominantly true today) was neither the corporation nor some supranational body such as the World Trade Organization. It was the nation in which goods were being bought and sold, from which goods were being exported and to which imported. Levitt wrote that technology was the unstoppable force leading toward globalization, but all the technology in the world could not have opened up the Japanese home market to foreign imports in 1983.

A marketing textbook published in 1972, *Marketing: A Contemporary Analysis,* devoted only 27 of its 776 pages to international marketing. On the first of those pages, it declares: "Since this chapter is based entirely on distinctions among national markets, it is important to establish at the outset that the nation is a meaningful unit for market analysis."[21] Table 1.1, from that textbook, outlines how countries differ and the importance of those differences for marketing. Let us look at just one of the entries in this table and see what impact it might have on the globalization of marketing. The text at the bottom of the last column on the right mentions "Specific restrictions on messages."

When Polaroid introduced in the United States its camera that developed its own film, the company advertised heavily on television. The product was particularly sensitive to television advertising, which could demonstrate the seemingly miraculous phenomenon of instant photography. It was no accident that by 1960, Polaroid was selling at more than ninety times earnings as advertisements prompted excited customers to flock to retail outlets.[22] This was the essence of the "pull" strategy in marketing, and it made Polaroid the channel commander in its product category.

Table 1.1. Elements of a Marketing Program

Factors Limiting Standardization	Product Design	Pricing	Distribution	Sales Force	Advertising and Promotion; Branding and Packaging
Market characteristics					
Physical environment	Climate Product use conditions		Customer mobility	Dispersion of customers	Access to media Climate
Stage of economic and industrial development	Income levels Labor costs in relation to capital costs	Income levels	Consumer shopping patterns	Wage levels availability of manpower	Needs for convenience rather than economy Purchase quantities
Cultural factors	Custom and tradition Attitudes toward foreign goods	Attitudes toward bargaining	Consumer shopping patterns	Attitudes toward selling	Language, literacy Symbolism
Industry conditions					
Stage of product life cycle in each market	Extent of product differentiation	Elasticity of demand	Availability of outlets Desirability of private brands	Need for missionary sales effort	Awareness, experience with products
Competition	Quality levels	Local costs Prices of substitutes	Competitors' control of outlets	Competitors' sales forces	Competitive expenditures, messages
Marketing institutions					
Distributive system	Availability of outlets	Prevailing margins	Number and variety of outlets available	Number, size, dispersion of outlets	Extent of self-service
Advertising media and agencies			Ability to "force" distribution	Effectiveness of advertising, need for substitutes	Media availability, costs, overlaps
Legal restrictions	Product standards Patent laws Tariffs and taxes	Tariffs and taxes Antitrust laws Resale price maintenance	Restrictions on product lines Resale price maintenance	General employment restrictions Specific restrictions on selling	Specific restrictions on messages, costs Trademark laws

Source: Adapted from R. D. Buzzell and others, *Marketing: A Contemporary Analysis,* 2d ed. (New York: McGraw-Hill, 1972), p. 641.

Pull marketing failed in France with the same product and the same customer benefit. Why? In France, commercials were not allowed on television. That tremendous power of demonstration coming right into their living room therefore could not drive customers into stores and pull the product through the distribution system. Push marketing, with heavy reliance on the retailer, was the only alternative.[23] This one illustration could be multiplied a thousandfold.

One of the authors of *Marketing: A Contemporary Analysis,* the textbook just referred to, was Theodore Levitt. What had happened in the decade between the publication of the textbook and "The Globalization of Markets" to change his mind? A lot. The position of the United States as economic hegemon was being rapidly eroded. The oil shocks of 1973 and 1979 had exposed American vulnerability to shortages of the most basic of raw materials of what was still the auto-industrial age. The disastrous war in Vietnam and the Watergate scandal had fundamentally shaken the public's faith in government. The stagflation of the Carter administration during the late 1970s did nothing to restore that faith.

On the business scene, the decade was just as gloomy. In industry after industry, from television to tires, American firms were losing share in foreign markets as foreign-based corporations were making significant inroads in the United States. In 1980, the United States ceased being the world leader in automobile manufacture, a position that it had held since the introduction of the Model T Ford in 1908.[24] The bilateral trade deficit between Japan and the United States in this industry alone had reached previously unimaginable levels.

In this context, the moment had come for new ideas, and so the timing of "The Globalization of Markets" was perfect. Perhaps by intellectual reorientation, changes could be made in the organization and operation of business that would lead to a rebirth of growth and greatness. Perhaps the remarkable changes in technology that were taking place would enable globalization to become a reality if business executives had the courage to cast aside old ideas and adopt the new views that the future demanded.

Levitt did not hedge his bets in "Globalization." Indeed, it is the categorical nature of his expression that makes the article so easy to criticize.[25] But therein also lies its genius. As often with Levitt's work, the medium is the message. He does not offer a "ten-step program" systematically to improve the efficiency of marketing beyond the borders of the home country. Instead, he shouts, "Wake up!"

What we now propose to do is discuss the extent to which markets really have become globalized. We have read Levitt's article, and we are awake. When we look around, what do we see having happened between 1983 and today?

Two Ways to Think About Globalization

There are two ways to think about globalization—as a trend and as a heuristic—and most people do not distinguish between them.[26] We argue that they should and that if they did, they would look at the economic environment in which they make decisions in a more useful way. The first way to think about globalization is as an actual process of economic integration: the acceleration of flows of goods and capital and perhaps many other things as well. In this sense, there may be not a single globalization process but many linked processes of globalization, each of which demands an answer to the question: "The globalization of *what*?" Thus, we hear and read about the globalization of finance, of trade, of policy ideas, of culture, of almost anything else. This is perhaps the most common way people think and talk about globalization, and it is useful.

This first conception of globalization—as an evolving trend changing the world in which we live—inherently creates a certain kind of debate because there are naysayers who marshal evidence to suggest that the economic integration we have supposedly seen in the past decades is either not new, historically speaking, or, when looked at in strictly economic terms, not nearly as complete as its votaries would have us believe.

The historical question rests on whether the world economy was more globalized in the late nineteenth and early twentieth centuries, the heyday of the gold standard and British hegemony, than it is today. Some find that levels of trade and financial integration were higher (or at least as high) then as now. This historical concern with globalization rests on a particular counterfactual about the past and the future, and it is a debate encapsulated by the question, "Is globalization today really different than globalization a hundred years ago?"[27] One could push this line of thought even further back in time to the early modern world or back even further to the Phoenicians.[28] There was world trade before there were nations in the modern sense.

The economic question about globalization implies a different counterfactual: that the integration of markets for goods and capital is complete, and the evidence brought to bear on the question most often deals not only with the size of the flows but the differences in prices in national markets for goods as well. Here again the debate is not settled, but the available evidence certainly indicates that markets for goods and capital are quite far from "perfect integration," as the economist would put it.[29] In other words, the issue is whether the world's markets really function as though they are, in the words of Kenichi Ohmae, "borderless."[30] The answer is that they do not, save perhaps a few instances in Europe, Asia, or North America that did not encompass the broader perspective of the whole world.

Rivers of ink, undammed by a great many smart and well-informed scholars, have been spilled on these historical and economic debates that surround the process of globalization. We cannot resolve the debates in this chapter. Indeed, we are happy enough to conclude the following: that the markets for goods and capital across national borders are more vibrant than they were at the end of World War II (though not, perhaps, before World War I) and that there are some new aspects of the process of globalization (such as increasing intra-industry, even intrafirm trade) as well as some not-so-new aspects. One of the drivers behind all of this activity certainly was technology, but technology has been only part of the story.

Much more profound has been the revolution in politics: the ideological triumph of markets that led so many governments around the world to embrace the world economy. This revolution is not independent of technology. To some important degree, the two are intertwined. Would the Berlin Wall have fallen had there been no television or no fax machine? Television made it clear, even to the illiterate, that there was a cornucopia of consumer goods generated by market economics that communist nations knew not of. One of the hottest items that Western "subversives" smuggled (literally) into the former Soviet Union were blue jeans. This is evidence that in some form, Coca-Colonization persisted. Even such consumer goods, long taken for granted in the West, were not at all trivial to people to whom they were denied. And technology meant that knowledge of such products literally floated over the most heavily fortified of national borders on the air.[31]

One of the most important lessons derived from the study of history is not only that today's reality is different from yesterday's but that it may also be different from tomorrow's. Governments chose openness before World War I, but they chose closure after it. Governments have chosen openness again in recent years. Might some of them try to close their borders once again in the future?

Politics is fundamentally unlike technology in this respect. The steam engine, or atomic weaponry, once invented, can never be made to disappear. The genie is out of the bottle. The rules that govern trade can, by contrast, be changed by the stroke of a pen. An advantage of conceiving of globalization as a process is that it brings such thoughts to the forefront.

But what does all this mean for the business manager, Levitt's target audience? Addressing this question is a task our colleague at Harvard Business School Pankaj Ghemawat has performed admirably in the *Harvard Business Review.* Starting implicitly from the premise that the Levitt thesis is flawed, he argues that national markets are more "distant" in various ways than most managers appreciate. According to Ghemawat, national markets may be distant culturally (including religion, race, social norms, and language), administratively (including political and economic relationships), geographically, and economically (including disparities in wealth and income).[32] Moreover, Levitt's analysis does not help us to understand any of these distances. Geographical distance still limits the extent to which some markets can be penetrated with some products and services. Economic distance does so even more, since countries have not converged in their incomes during the past twenty years. Far from it. With the exception of several East Asian countries, poor countries have stayed poor, and rich countries have stayed rich.

Administrative distance is shorthand for world politics, and the politics of trade, finance, and production have unambiguously changed: the embrace of market-oriented policies by countries around the world is a defining feature of the cold war world and has been even more of the post–cold war world. This policy convergence set the stage for the economic processes in which we are interested. Without international cooperation and openness, the expansion of trade, finance, and production across national boundaries would have been impossible. Why this happened is a fascinating question, about which scholars do not agree except on one point: that it was not solely or perhaps even primarily technological change, as Levitt argues, that led to the political change that made the expansion of markets possible. Technological change played a role, as we suggested in our brief discussion of television. But although technology may have played a part in the drama of this great policy transformation, experts agree that it was a supporting actor, not the star of the show.

It is on the issue of cultural distance that Ghemawat and Levitt most clearly disagree. For Ghemawat, cultural distance is a parameter that firms should analyze and take for granted. But Levitt tells us this is changing, in part through the influence of firms. What we can see clearly is that the world of consumers did not become fully homogenized in the twenty years since Levitt wrote his article. If it were true, then the symbols of the twin towers of the World Trade Center would not have been so full of meaning for those who admired and despised them.

The events of September 11, 2001, are full of tragedy and irony with regard to the debate about the globalization of markets. Rather than homogeny, it would appear that modern products and services have generated a profound and unanticipated reaction. Groups of religious fundamentalists are using the fruits of high technology—the aircraft, the Internet, cellular telephones, and others—to attack the businesses that have created that technology and the governments under which these businesses have prospered. These antimodernists employ the most modern means to fight the modern world, which they seem to view as a godless kleptocracy. Al-Qaeda has no "homogenized" consumers.

If a prediction about trends in market integration were the only contribution of Levitt's article, then the usefulness of the concept of globalization to today's manager would be beyond questionable. Indeed, we have discovered a veritable cottage industry devoted to the task of exploring how wrong Levitt was about the trend. But if Levitt is so wrong, why would anyone still read his article? We should preface our discussion of this point by emphasizing that people do. When Harvard Business School professor Pankaj Ghemawat created the course "Globalization and Strategy," his M.B.A. students read Levitt on the first day of class, and it is still true in 2003 when Tarun Khanna teaches it. In 2002, students in Debora Spar's doctoral seminar, "The Political Economy of International Business," at Harvard Business School still read Levitt—on the first day of class. The introduction to John Quelch and Christopher Bartlett's *Global Marketing Management* has exactly one footnote: to Levitt's article.[33] This is almost twenty years later, when practically everyone is prepared to pronounce Levitt's argument wrong. One might well say that this is a puzzle that needs to be explained.

We can explain it. The reason to read Levitt is to find out not what is true about global markets but how a manager ought to begin to think about them. It is one thing to say that what Levitt argued about globalization was wrong, that what he predicted did not come true, and that the implications he derived for managers were (almost outrageously) overdrawn. It is quite another to suggest that therefore his analysis was not deeply insightful. We believe it was, and that if one treats Levitt's views on globalization as a heuristic, as an analytical lens through which to understand markets that cross national borders, then the continuing usefulness and remarkable prescience of an article that is maligned as often as it is misunderstood in the early twenty-first century becomes clear.

If one understands globalization as a heuristic, it becomes clear that there can be more than one heuristic. And this is the second perspective on globalization, shared by many other scholars, more often political scientists and sociologists than economists. Pankaj Ghemawat has translated the work of economists into English (from algebra) for managers. We want to offer just a suggestion of what might be gained by making the pertinent work of political scientists and sociologists similarly accessible.

Our View: Levitt's Globalization as a Conceptual Lens

Globalization has not always been a word, and the phrase *global markets* is a recent invention as well. There were perfectly good words to describe the markets of the world—words like *international*—and the firms that operated in international markets—like *multinational.* So why would Levitt insist on using the language of the *globe*? The answer is to indicate a qualitative change in the character of the world's markets, not a quantitative change. The world that Levitt described did not consist of more trade; it consisted of trade that was different and transformative. This is what is missing from the economists' account of globalization and from the debates about globalization as a process. From Levitt's perspective, one could not resolve the debate he sought to spark about globalization with data on world trade as a percentage of world product, or the size of capital flows across national borders, or how many countries have high ratios of exports and imports to their gross domestic product, or whether the price of an undifferentiated product was the same in Boston or Bombay. All those measures are of how internationalized the world economy is, not whether it is globalizing.

The distinction between internationalization and globalization is a deeply meaningful one and important for managers to understand. The reason is that in principle, the evidence about the size and expansion of markets could be consistent with both, since they are ways of describing the world, of interpreting the economic interdependence of societies living in different countries. We are amazed to find that the most provocative idea in Levitt's article is so systematically misunderstood. For Levitt, globalization is a concept that describes much more than just an increase in economic exchange across borders; it describes a change in the character of those exchanges, which then transforms the societies engaged in the exchange.

Thus, Levitt's central argument is that communications technology has allowed all societies to engage modernity, leading them toward the "same common goals—alleviation of life's burdens, and the expansion of discretionary time and spending power."[34] The implications for firms are his central, enduring insight: "Preferences are constantly shaped and reshaped."[35] Thus, globalization implies economic activity in the absence of national boundaries, whereas internationalization implies an increased number of transactions across the borders of nation-states, which are still very much controlled by governments that can choose, and unchoose, openness. Global corporations operate in a globalized economy, whereas multinational corporations flourish in a highly internationalized economy. Levitt insists that "the multinational and global corporation are not the same thing."[36] The multinational corporation produces goods tailored for national markets, while the global corporation produces standardized goods for all markets.

These views have, in retrospect, provided Levitt with bedfellows he may not have expected, because while not necessarily strange, they are strangers to some scholars of economics and business. We have in mind political scientists and sociologists. For the most astute students of globalization among these social scientists, the Levitt interpretation of globalization has become quite standard, although his name rarely appears in their footnotes. Perhaps his overstatement was overkill, or perhaps these scholars should be better informed of what is written in the *Harvard Business Review.* Either way, there is no getting around the fact that Levitt's views on globalization have become part of an emerging paradigm in the study of the politics of the world economy.

For political scientists and sociologists, who have developed their insights outside the radar of many managers, the distinction between globalization and internationalization as ways to understand the world is largely an elaboration of Levitt's basic insight into what economists would call the "endogeneity of preferences"—that people might change their minds about what they want depending on how they interact with others. Economic globalization is convergent and transformative, while economic internationalization is divergent and additive. Globalization is a description of a new kind of density of economic interactions among societies, while internationalization implies a reduction in national restrictions in commercial exchange. Globalization results from convergence of the preferences of consumers, who are increasingly members of a global society; internationalization results from the behavior of firms and governments in a merely international economy. Globalization is about new types of relations and new kinds of economic actors; internationalization emphasizes the behavior and attributes of traditional actors, such as multinational firms and national governments.[37]

The issue for an individual firm is to take these conceptual lenses and look at their markets through them. Is your market global or international? These are important debates to have, just as the two debates about globalization as a process are important. But answers are more elusive, since the real question is not whether the globalization heuristic is right or wrong, but whether it is useful or not—useful to understand the world, useful for marketing strategy, and useful for production strategy. One can think about the degree to which a market, or even the world economy, is internationalized. The internationalization of trade and finance has ebbed and flowed during the past 150 years, primarily in response to the conditions for political order in the world economy.[38] But whether a market is globalized, in Levitt's terms, is a matter of qualitative change.

The best tool for managers to understand their markets may be neither globalization nor internationalization. There are other ideas about how best to describe the world economy and the markets that compose it. Regionalization, for example, is another lens through which to view markets.[39] Regional integration tends to increase trade among members of a region, and perforce divert it from those outside it. And so the European Union, the North Atlantic Treaty Organization, the Association of Southeast Asian Nations, MERCOSUR, and various other regional groupings have changed the world's markets in ways that neither Levitt nor analysts of globalization can describe. To make things more complicated, the world's regionalisms are different. Each regionalism has its own logic and process, its own dominant countries, its own formal and informal political and economic ties. Managers must also therefore consider the differences between, for example, a process of European economic integration (with Germany at its center) based on formal rules and a distinctly different process of Asian economic integration (with Japan at its center) based on informal business and social networks across borders.[40] In any case, it may turn out that the regional strategy, rather than the global or the local strategy, becomes the dominant response of firms.

The central point is that each of these concepts—globalization, internationalization, and regionalization—is merely a concept, and judgment is required to apply each of them to specific situations. We believe that for many managers, the analytical lens of globalization—certainly of the extreme variety—will not significantly help them to understand their markets better or to defeat their competitors in them. John Quelch and Edward Hoff made substantially the same point just a few years after Levitt wrote his essay, arguing, "Too often, executives view global marketing as an either/or proposition—either full standardization or local control. But when a global approach can fall anywhere on a spectrum from tight worldwide coordination on programming details to loose agreement on a product idea, why the extreme view?"[41] Levitt was right that when a global strategy works, it works astonishingly well. But we believe global strategies work, and will work, much less frequently than Levitt predicted.[42]

Concluding Reflections

In sum, we offer some reflections on the two globalizations that exist uneasily in Levitt's article—the process and the heuristic—the former about which he was mostly wrong and the latter for which his analysis is immensely useful. Levitt foresaw the power of globalization. In some ways, he overestimated its power, as we have seen. Even in France, a country that is in many ways very tightly integrated with both the European and the world economy, society has reacted against this very power and bought so many copies of a book entitled *L'Horreur économique* to make it a recent bestseller.[43] With Enron's behavior in the state of Maharahstra in mind, Indian novelist Arundhati Roy, author of *The God of Small Things,* wrote an influential antiglobalization essay that put forth a parable about Rumpelstiltskin.[44] Environmental protesters have descended on Seattle and Geneva. Governments too tend to be jealous of their autonomy from markets, as Malaysia's celebrated and infamous (depending on whom you ask) capital controls during the Asian financial crisis indicate.[45] Today we would place these reactions to globalization among the milder and less disconcerting of them.

Levitt assumed that globalization, the process of which he discerned so early on, would proceed until its ultimate completion. However, there have been many pitfalls along the way. The political and social constraints on globalization that appear more evident to us every day may not undermine the process of globalization, but they will probably prevent it from reaching an end point.

However, Levitt also underestimated the power of globalization. He wrote about nationalism as though it is a force that inherently pushes against the pressures of globalization.[46] But even some nationalisms have been transformed. Many of the nationalist movements that arose as the Soviet Union was disintegrating sought to embrace capitalism and democracy and anything else deemed by global civil society to make a state advanced, modern, and especially "European." Their idea was that if whatever came before—Soviet communism—was wrong, then its opposite must be right. Not only were we reminded about how variable nationalisms can be in their goals but how much the world really did change during the past twenty years.[47]

What constitutes globalization, in our way of thinking, is interaction that changes things rather than leaving them the same. Successful firms and the managers who run them rarely leave the world the way they found it. The same is true of the global economy, whose markets have, as Levitt predicted, been transformed by the efforts of firms to listen more deeply to consumers. Rather than taking consumers' preferences as given, as facts of lives and markets, they have treated them as outcomes themselves, with profound effect. Not all consumers have been persuaded, and not all markets transformed. Some are merely still international. Some are regional. But there are some global markets out there, and Levitt's story has rightly convinced managers to think about whether those are their markets, and if not, whether they can be made so by their efforts. If all markets were global, the world of managers would become dull. One strategy would fit them all; the relentless drive for scale and scope would dominate their thinking. In that sense, Levitt was writing about the end of business history, just as Fukuyama had written about the end of political and economic history, when a few ideas were ascendant, with nothing to challenge them.[48] Fukuyama fretted that our world at the end of history would become a boring place, as Levitt's world of globalized markets would have been for us. We are lucky that he was wrong about the outcome.

And we are lucky that he was right about the way the global markets work, through changes in preferences as firms and consumers, capitalisms and cultures, interact with one another. Globalization is transformative. The market is not what firms find; the market is what firms make of it.

Finally, we are also unlucky that Levitt was right. We now live in a world where people react negatively as well as positively to the entreaties and devices of dominant, global, and often emphatically Western firms. One other thing Levitt missed was the possibility that the globalization of markets would produce reactions against it. The various fundamentalisms of the world are frequently antimodern, occasionally anti-Western, and sometimes strikingly violent. Some societies may have witnessed increasing homogeneity in their preferences, but others have seen increasing heterogeneity, a divergence from the direction of trade and financial integration, a withdrawal from the marketization of social life.