Not so long ago, “globalisation” was a favourite paradigm in international business. It was a trend that began in the late 1970s and accelerated in the 1980s, when corporate takeovers were the order of the day and multinational companies fixated on maximising short-term profits and boosting share prices. One approach was “global sourcing”, also called outsourcing or offshoring. The strategy typically involved moving the company’s operations to wherever labour was cheapest. First the production work went abroad, and then companies were offloading all but their most essential core activities.

Today this paradigm seems out of date, at best. The era of offshoring at any cost has ended. Some of the largest multinational corporations are re-localising—that is, re-rooting their activities at the community level. To stay competitive in the global marketplace, companies have no choice but to focus on new priorities and adopt a more sustainable vision.
I see two explanations for this shift. First, businesses are taking a harder look at their real return on investment. Between 2000 and 2011, wages doubled in Asia, while they inched upwards by only 5% in developed countries. Factor in added expenditure due to poor or inconsistent manufacturing quality, soaring transport costs or the risks of counterfeiting, and the competitive advantage of offshoring shrinks dramatically. No wonder that, in the US, the movement to re-localise is gaining traction: one survey shows that 54% of corporate leaders are planning to bring production back home in the next five years.

Second, consumer demand has clearly changed. From the popularity of farmers’ markets and food co-ops to the revitalisation of community banking, consumers are embracing the sustainable and the local. Purchasing decisions increasingly take into account the environmental impact and the social costs of production. Despite the economic downturn, consumers will spend more to buy local: in France, more than two-thirds of consumers (up from less than half in 2005) are ready to pay more for a “Made in France” label.

This new social, cultural and environmental awareness also affects how companies operate: their top management and staff are also global citizens, knowledgeable consumers and demanding clients. They understand that ruthlessly chasing profits in a global, fossil-fuelled economy is no longer viable, and that “going local” is the way forward. Today, many business leaders are finding ways to increase proximity to local markets. Although this strategy is not easy to roll out, it can certainly lead to improved efficiency and a better bottom line. But those are not the only payoffs. This is a way of achieving long-term benefits, sharing advantages as well as meeting challenges with local talent, producers, and communities.

I am convinced there’s nothing contradictory in having a local foothold and a global footprint: both aspects are inextricably linked in the quest for sustainable growth. For a services company like Sodexo, with operations in 80 countries, this approach underpins our core business. All industries, in which we provide quality-of-life services, are impacted by these fundamental changes: health care, education, corporate, in-home care, to name a few. Given that the added value of a service depends by definition on being close to our clients, we strive to always have a local presence. As such, local development is an integral part of our mission and boosts our own growth.
Every time we set up a new location, we tailor our organisation and working practices to the specific local context. Most of our staff are local, and very often we are the biggest employer in the region. So as to attract and retain the best talent, we offer a stable job and training in order to give them opportunities to move within the company and advance in their career.

We also serve large numbers of local small businesses. It is in our own interest to help them grow. Being close to local suppliers and building long-term relations with them has a number of advantages. It gives us better control over the quality of our own service and production; it lets us be more nimble; and it helps us build closer bonds with the local business communities where our clients, our partners and consumers are located. Sodexo’s Supply Chain Inclusion Program (see reference) encourages our subsidiaries to source more from small businesses and to provide them with training so they may improve quality and, ultimately, gain access to new markets. At the most recent annual Clinton Global Initiative conference, we pledged to invest US$1 billion with 5,000 small businesses by 2017, which we expect will lead to more than 250,000 new local jobs.

In step with governments and non-governmental organisations (NGOs), global companies have a new role to play, expressed through their commitments and priorities with respect to economic, social and environmental development in local markets. The booming digital economy that is rewriting the rules of production, with national regulations and tax laws struggling to keep pace, will be one more hurdle to overcome. More than ever, we must be exemplary in how we
do business and set our priorities, so that wherever we operate we build sustainable trust-based relations with our locally-based clients and communities.

Sodexo is a sponsor of the OECD Forum 2016

References
