

## EPRG Model of International Business

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**Abstract:** The increasing globalization of business has compelled organizations to expand beyond domestic markets and adopt appropriate international strategies. One of the most widely used frameworks for understanding international orientation is the EPRG model, developed by Howard V. Perlmutter, Jerry Wind, and Douglas in 1969. The EPRG framework categorizes multinational corporations' international strategies into four orientations: Ethnocentric, Polycentric, Regiocentric, and Geocentric. Each orientation reflects a distinct managerial mindset toward foreign markets, staffing policies, marketing strategies, and decision-making processes. This paper aims to explain the EPRG model in detail by examining the characteristics, advantages, and practical examples of each orientation. By analyzing how organizations align their strategies with cultural, regional, and global considerations, the study highlights the importance of selecting the right international orientation to achieve operational efficiency, market acceptance, and long-term global success.

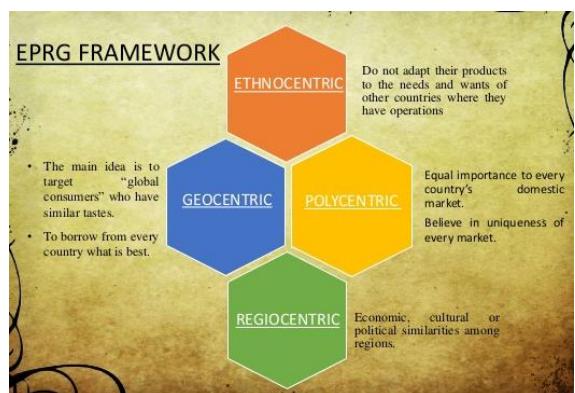
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## Introduction

In the modern business environment, globalization has become an essential driver of growth and competitiveness. Organizations seeking market expansion beyond national boundaries must adopt strategies that align with international market dynamics, cultural diversity, and global competition. The success of multinational corporations (MNCs) largely depends on how effectively they manage cross-border operations while maintaining consistency in organizational culture, marketing, finance, and operations.

The EPRG model, introduced by Howard V. Perlmutter along with Jerry Wind and Douglas, provides a structured approach to understanding how firms perceive and manage international markets. The model identifies four strategic orientations—Ethnocentric, Polycentric, Regiocentric, and Geocentric—that guide organizational behavior and decision-making in foreign markets. This framework helps organizations choose the most suitable approach based on their goals, resources, and market conditions.



EPRG full form stands as Ethnocentric, Polycentric, Regiocentric, and Geocentric. It is a framework created by Howard V Perlmutter, Jerry Wind and Douglas in 1969. The EPRG Framework helps organization choose which approach is most

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suitable for it to achieve successful results in countries abroad. When organizations decide to go overseas in search of market expansion they need to adopt one of the styles as in ethnocentric, polycentric, regiocentric, geocentric. EPRG model often is also called EPG Model in International Business.

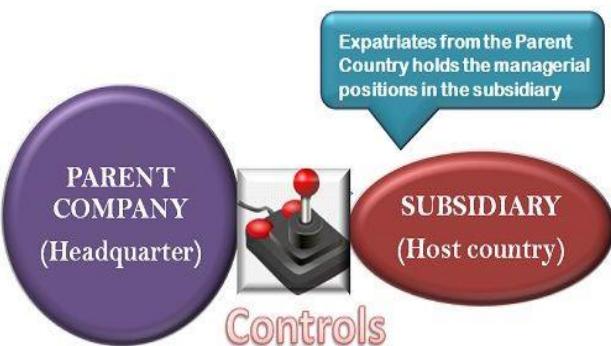
Organizations choose strategies based on what suits them most, therefore making them differently oriented. As a result, costs and profits are generated in different ways, depending on the mentioned kind of orientation. Therefore the identification of the right orientation is essential. For example, it is important that different activities of the organization are consistent between headquarter and SBUs situated in other part of world at various stages. It is also important that the culture of organization, its marketing strategy, financial strategy, operational strategy is consistent. Only then, the organization can operate efficiently in the market. Let us look at the four approaches as follows:

**Ethnocentric:** means to apply one's own culture in social science and anthropology. Japan has a reputation for being ethnocentric. Ethnocentric comes from ethnicity which means belonging to a social group that has a common national or cultural tradition. Ethnicity as a frame of reference is used to judge other cultures, practices, behaviour, beliefs and people, instead of using the standards of the particular culture involved. Since this judgment is often negative, some people also use the term to refer to the belief that one's culture is superior to, or more correct or normal than, all others especially regarding the distinctions that define each ethnicity's cultural identity, such as language, behaviour and customs.

There is no change in terms of product specifications, price, promotion, and other aspects and is same as compared to the native market.

Typical examples of ethnocentric companies are Japanese companies such as Panasonic, Sony and Hitachi. In Ethnocentric Approach, the key positions in the organization

are filled with the employees of the parent country. All the managerial decisions viz. Mission, vision, objectives are formulated by the MNC's at their headquarters, and the same is to be followed by the host company. It is based on the rationale that, the staffs of the parent country is best over the others. In the host countries in top position the organization appreciates having parent country employees at top.

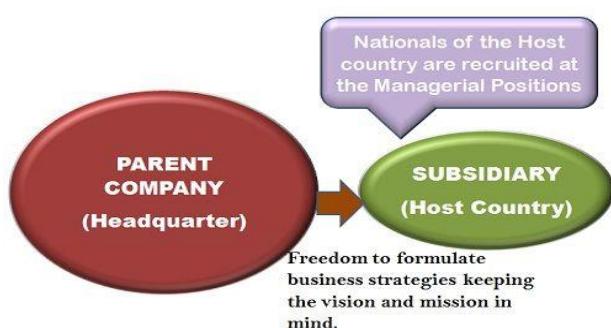


The head office is given more importance as compared to the overseas subsidiaries or offices situated in the international markets. These companies ignore the potent opportunities outside the home country and they are referred to as domestic companies.

The advantages of ethnocentric approach can be as follows:

- Better coordination between the host and the parent company.
- The culture of the parent company can be easily transferred to the subsidiary company, thereby infusing beliefs and practices into the foreign country this also help in controlling the subsidiary effectively.
- The parent company can have a close watch on the operations of the subsidiary.

**Polycentric Orientation:** Polycentric approach of business can be defined as host country orientation. Here the host country's customs, behaviour, culture, language is considered while doing business. Under a polycentric perspective, a company's management team believes that it is better to adopt host country's culture to befriend the customers, suppliers and government. In Polycentric orientation organizations see host country's unique and exclusive conduct because businesses are best run locally as per local culture. This approach lays a strong groundwork because every subsidiary develops its unique marketing and business strategies for success and the country's domestic market is given equal importance. This approach is best suited for the developing countries in which certain constraints on the front of finance, political, and cultural front are experienced.



The best example of polycentric organization is McDonald. The familiar offerings in their restaurants in the United States may

be somewhat less familiar if you venture abroad. In India, where many people do not eat beef, McDonald's offers the McAlloo Tikki, a vegetable patty with characteristic Indian spices. European McDonald's often serve wine in addition to soft drinks. Customers in the Netherlands can order a Stroopwafel McFlurry, a dessert that mixes in a popular Dutch cookie treat. The product offerings are fine-tuned to individual country or regional tastes, polycentric advertising strategies are equally diverse, relying on music, spokespeople, language and cultural references that are familiar to the local population.

The Google search engine is well-known for its clever "Doodles" the images and text that appear almost daily to celebrate a particular person or event in a country. Google Doodles are made as per polycentric approach. The doodles announce events around the world; special doodles are designed for Olympics, Soccer World Cup, and Cricket World Cup etc.

The advantages of polycentric approach are as follows:

- The difficulty in the adjustment of expatriates from the parent country gets removed.
- The hiring of locals or the nationals of the host country is comparatively less expensive. The morale of the local staff increases.
- Better productivity due to better knowledge about the host market; the career opportunities for the nationals of the host country increases.
- Better government support.

**Regiocentric Orientation:** is an approach adopted by a firm wherein it adopts a marketing strategy across a group of countries, which have been grouped on the basis of their market characteristics; i.e., the market characteristics of these countries would be more or less similar. The company which follows this approach of framework studies the similarities in markets to design strategies. The management of the company records the economic, social, cultural, and political similarities between the native areas of the overseas region to sell its products and services to potential customers. It is worth noting that the cultural and regional identity of India, Pakistan, and Bangladesh is quite similar whereas Norway and Spain that both falls in Europe are very different in terms of culture, climate, and transport amongst other aspects.



Coca-Cola and Pepsi are regiocentric companies. Regiocentric strategy assumes that all countries of the region can be regarded as a single market.

HSBC is one of the largest banking and financial services organizations in the world, with well-established Businesses in Europe, the Asia-Pacific region, the Americas, the Middle East and

Africa. They use a regiocentric approach. Organization group countries on the basis of their market characteristics; i.e., the market characteristics of these countries would be more or less similar.

**Some of the advantages of regiocentric approach are as follows:**

- i) Helps cultural fit. When organizations hire the managers from the same region as that of the host country may not encounter any problem with respect to the culture and the language followed there. It costs less in hiring the natives of the host country.
- ii) The managers work well in all the neighbouring countries within the geographic region of the business.
- iii) The nationals of host country can influence the decision of managers at headquarters with respect to the entire region.

**Geocentric Orientation:** is practiced when an organisation does not organise its strategies based on country or regions. Geocentric firms adopt an approach whereby they have a global mind-set. They view the whole world as their market and seek to identify global needs and wants and create products and services. The companies following the geocentric approach of the EPRG Framework are truly the global players. They think global and act global. Their HR policies for staffing and job position approach to staffing assigns job positions to any person best suited for the position, regardless of the employee's background, culture or country of origin. These organizations understand costing in hiring in terms of immigration policies; costs of worker relocation and diversity management create pressure on HR management.



McDonalds is a global company which follows Geocentric approach because it perceives world as a single market and tries to offer low cost products and services everyone. Even MTV (24 hours music channel) is a geocentric organization. The Geocentric approach does not connect nationality with the factor of dominance.

**Advantages of geocentric orientation are as follows:**

- i) MNC's can develop a pool of senior executives with international experiences and contacts across the borders in the world. The expertise of each manager can be used for the accomplishment organization's objective as a whole.
- ii) Reduction in resentment, i.e. the sense of unfair treatment reduces.
- iii) Shared learning, the employees, will learn from each other's experiences.

## Methodology

This study is based on a **conceptual and descriptive research methodology**. Secondary data were collected from academic literature, textbooks, and documented examples of multinational corporations practicing different EPRG orientations. The analysis focuses on explaining each component of the EPRG model, supported by real-world corporate examples, to illustrate practical implementation. The framework is analyzed qualitatively to understand its strategic implications for international business management.

### EPRG Model of International Business

#### Ethnocentric Orientation

Ethnocentric orientation refers to a home-country-centered approach, where organizations apply their domestic culture, policies, and strategies to international operations. In this approach, the parent company's practices are considered superior, and key managerial positions in foreign subsidiaries are typically filled by employees from the home country. Decision-making authority remains centralized at headquarters, and products, pricing, and promotional strategies are largely standardized across markets.

Japanese companies such as Panasonic, Sony, and Hitachi are often cited as examples of ethnocentric organizations. This approach allows for strong control and coordination between headquarters and subsidiaries, ensuring consistency in corporate culture and operational practices. However, ethnocentric firms may overlook local market opportunities and cultural differences, limiting their adaptability in foreign markets.

#### Polycentric Orientation

Polycentric orientation emphasizes a host-country approach, where each foreign subsidiary operates as a relatively independent unit. Organizations adopting this orientation believe that business practices should be adapted to local customs, culture, language, and consumer preferences. Local managers are hired to lead subsidiaries, and strategies are tailored to meet domestic market needs.

McDonald's is a classic example of a polycentric organization. Its product offerings vary significantly across countries, such as the McAloo Tikki in India or region-specific desserts in Europe. Google's country-specific Doodles also reflect a polycentric strategy. This approach enhances local responsiveness, improves employee morale, and strengthens government and customer relations, though it may increase operational costs and reduce global integration.

#### Regiocentric Orientation

Regiocentric orientation lies between polycentric and geocentric approaches. Under this strategy, organizations group countries into regions based on similar economic, cultural, or market characteristics and develop regional strategies accordingly. Decision-making is decentralized at the regional level rather than the country or global level.

Companies such as Coca-Cola, Pepsi, and HSBC use regiocentric strategies by treating regions like Asia-Pacific, Europe, or the Middle East as unified markets. This approach enables firms to balance regional integration with cultural

sensitivity, reduce operational costs, and improve managerial coordination across neighboring countries.

### Geocentric Orientation

Geocentric orientation represents a truly global approach, where organizations view the entire world as a single market. Firms adopting this strategy develop standardized global policies while remaining flexible enough to accommodate local differences. Staffing decisions are based on competence rather than nationality, and the best talent is selected globally.

Global companies such as McDonald's and MTV exemplify geocentric orientation. This approach promotes shared learning, reduces resentment among employees, and builds a strong pool of international managers. However, it requires sophisticated management systems and may involve higher costs related to staffing and global coordination.

### Conclusion

The EPRG model provides a valuable framework for understanding how multinational corporations approach international markets. Each orientation—Ethnocentric, Polycentric, Regiocentric, and Geocentric—offers distinct advantages and challenges depending on organizational goals, resources, and market conditions. Selecting the appropriate orientation is critical for achieving consistency, efficiency, and competitiveness in global operations. As globalization continues to intensify, organizations increasingly move toward regiocentric and geocentric approaches to balance global integration with local responsiveness. Thus, the EPRG framework remains a relevant and practical tool for strategic decision-making in international business.

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