



LOCALIZATION BASED DYNAMICS IN THE RENEWABLE ENERGY SECTOR

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ABSTRACT

Purpose- This research examines the ascend in utilizing localization as a strategy by Multinational Enterprises in the energy sector. The sector is driven by governments, due to the ever-growing need for survivability and sustainability in a world increasingly dependent on energy.

Methodology- In-depth interview is the chosen method to collect the critical opinions of small number of respondents who play a crucial role for decision-making in a leading company that prefers to utilize localization. This data is collated into a content analysis to determine the factors influencing it.

Findings- Localization from a global company engaging in renewable energy sector can be desirable, and indeed, profitable, insomuch as the right conditions outlined by the interviewees are created.

Conclusion- It is the intent of the author to build the first step of a guide to attract more positive attention from MNEs to encourage more technology transfer.

Keywords: Renewable energy, multinational corporation strategies, localization, government policies

JEL Codes: G32, D81, C44

1. INTRODUCTION

Globalization strategy has been one of the most important strategies of the Multinational Enterprises (MNEs from hereon) for years. The term international strategy has been more concerned with the article of "The Globalization of Markets" by Theodore Levitt; who coined the term globalization (Feder, 2006), explains the importance of the global strategies which should be applied by the MNEs focusing on the permanent growth. "Which strategy is better is not a matter of opinion but of necessity" (Levitt, 1983) is actually what created the backbone for the decision-making process of MNEs. The help of easier international business and less economic obstacles between the countries let MNEs that aim higher, expand their potential markets and allowed them to have more profit by not only making business in their own country but also worldwide. According to Sachs Goldman (2003) and Vaclav (2012), emerging markets such as BRIC countries would become more attractive for the MNEs located in developed markets. With the "expanding consumer bases, rising income level and gradual opening to global trade," the MNEs provide a better potential and guarantee their future successes (Maha, Ignat, & Maha, 2010). Along with this strategy, the great benefits provided with the localization make it more attractive and applicable for the MNEs. It has been argued that companies should emphasize localization strategies because adaptation to local norms is essential for the success of a new subsidiary, and in this context numerous benefits have been attributed to localization in its various forms (Johri & Petison, 2008).

Utilizing localization as a strategy has increased especially in the energy sector, due to the ever-growing need for survivability and sustainability. Energy is defined as something essential that cannot be substituted. Therefore, governments have started to take energy needs into consideration when planning for the future and finding local sources of energy as well as managing them became a priority in this context (Pamir, 2005). Following this framework, renewable energy production is a new trend to provide a clean and sustainable energy. It appeals to both the governments and entrepreneurs with a shorter pay-back time and longer lifetime of the investments, grabbing the attention of private and governmental sectors alike (Serifsoy, 2019).

This article aims to be an exploratory study that showcases the dynamics of the localization strategy on the renewable energy sector. The MNEs' strategies on the localization front will be examined through one of the more well-known companies in the sector; ABB. Its approach to localization in renewable energy sector and the governmental actions to prompt these responses will be highlighted. There are two different phases for the conducting of the research. The first phase is collecting all the necessary information about the energy market of Turkey and the governmental position on the renewable energy with relevant policies. In the second stage, ABB is evaluated to ascertain how willing it is to comply with localization strategy in a new and developing market; Turkey having been selected as the case study. ABB executives who are directly involved and one of the determinants to achieve the success for the adaptation of the localization in the renewable energy market in Turkey, are interviewed to accomplish this objective. In-depth interview is the chosen method to get the critical opinions and the perspective of the small number of respondents who play a critical role for the determination of the strategy of the

aforementioned MNE. This data is then collated into a content analysis to determine the behavior of a giant in energy sector regarding localization.

2. DATA AND METHODOLOGY

The strategy to obtain the data for this study includes both primary and secondary. With the secondary data, the literature will be reviewed to get initial knowledge not only about the strategy but also about the market and the sector. The most essential information is taken from the managers of a global company that experiences the localization strategy in many ways. Due to the limitation of the dedicated managers who play an active role in the decision-making stage of the localization strategy of the selected MNE, unstructured in-depth interview plays an important role to get all that essential information in detail. As it is mentioned in the Research Onion (Saunders, Lewis, & Thornhill, 2009), strategy should be defined to collect the required data. Unstructured interview is generally used for the exploratory studies to get more detailed information instead of receiving short answers for the same questions. Instead of the quantity of the informants, quality matters to get the correct information.

The in-depth interviews that were conducted with the aforementioned managers occupying both global and local positions in ABB, as well as a governmental employee of Turkish Republic, are collated into Tables 1 through 3 that are displayed below. These executives are selected for the interviews due to the positions they occupy in ABB hierarchy, both on a local and on a global level. Of the seven executives that are interviewed, all of them have localization experience on multiple levels on multiple fronts. It is one of the points that this article aims to prove that if the government indeed is looking for localization in the renewable energy sector; consequently, technology transfer, there are steps that need to be taken in accordance with these executives' vast experiences in other countries in relevant positions. Tables 1 through 3 display the data gathered from the interviews to build the basis for later content analysis. In these tables, the information on the interviewees, such as their attitude towards renewable energy or what they consider success factors for strategies they applied in renewable energy sector are put into a matrix. The content collected from these interviews is divided into seven different categories across every interviewee with two sub-groups for each category in order to acquire a clear picture as to their concept of localization in renewable energy industry and in turn, as to how necessary they consider it is (Erlingsson & Brysiewicz, 2017). The implications inferred from each interview are gathered using the answers the interviewees have for the questions, defined in Appendix A, and the points they intersected are highlighted throughout this section using the categories as a template to formulate upon. In each category, the interviewees are divided into the sub-categories according to certain facts that have in common (e.g. the type of engineering degree each interviewee has, whether or not they are Turkish citizens, or the level of reporting they do in their respective organizations) as well as what can be inferred as common ground according to the answers they come up with to same type of questions that are indicative of their mindsets and the relative levels they occupy in management. The following parts explains in detail of all the seven categories and each sub category that they contain.

Table 1: Summary of Semi-Structured in-depth Interviews

INTERVIEWEES	Summary of renewable energy issue (why, how and how much) regarding the world and specifically Turkey	Attitude towards renewable energy use	Strategy of the governments for renewable energy (tariffs, incentives and projects)	Renewable energy and localization strategy
AÜ BÜLENT KAPÇI	World: Clean Turkey: Better Pace, Following the technology, localization	World: Increasing trend due to the cleanliness Turkey: Updating the 2023 targets (beyond the estimation P3	Projects (Yeka) Change in Tariffs Local Content P4-P7, P11	Technology Transfer P8-P9
SAMI SEVİNÇ	Decrease of the production costs increases the usage Cleanliness Sustainable energy, Continuity P3-P4	World: cleanliness Turkey: prefer cleanliness instead of price? P4	USA's strategy in 1970 YEKA (Negative) P5 P6	Technology stealing instead of technology transfer P9
TANER TEZCAN	Growing trend P3	Fest Follower P3-P4	Local Content Tariffs Yeka P4-P5-P6	Technology Transfer P6
TAMER KUZGUNKAYA	Growing trend Environmental conscious Kyoto Protocol P2-P3, P4	Wealth and Technology drives the renewable energy sector Emissions Level P4	Renewable energy should be focused if the country doesn't have the required oil reserves P6	Producing continuous energy Producing own technology P6
EREN AYDIN	Localational advantage Increasing pace with captured technology Cleanliness P3-P4	Political issues increase the usage of renewable energy P5	Tariffs Yeka P6 P8	not able to produce its own renewable energy with the transferred technology Lack of R&D Knowledge P7-P8
ROBERT REINIUS	Huge potential but storage problems P3	Wealth and Technology drives the renewable energy sector P3	Free Market: The technology will be more developed and more adapted to the local conditions P5	Sustainable employment and work for people P6
TONI TIHONEN	Cleanliness P3	Paris Agreement Energy Mix P3	Tariffs Yeka P5	Free Market attract the investors P6
RAIMO SAKKI	Potential P3	People's mind changes. Solar vs Wind P4-P5	Smarter way of the government to make more open competition. P9-P10	IKEA Model, Local components P10-P11

Table 2: Summary of Semi-Structured in-depth Interviews

INTERVIEWEES	ABB's approach to renewable energy issue	ABB's approach to localization strategy regarding renewable energy	Positive and negative consequences of localization strategy	Measure of success factors
ALİ BÜLENT KAPÇI	One of the two companies P6	One of the greatest power which is able to achieve P6	Creating local brands that has the technology P2, P8	Creating local brands that has the technology P2, P8
SAMI SEVİNÇ	Huge product range that is suitable for renewable energy P10	focused P11	Feasibility P12	Strategy of the government P12-P13
TANER TEZCAN	Focusing on the localization to produce good quality products to lower prices P6	Similar attempts from ABB P6-P7	Labor force Technology Transfer export potential P8-P9	Technology transfer P9
TAMER KUZGUNKAYA	ABB's manner toward the environment	Supportive Feasibility P7-P8	Investment, and the risks P9-P10	transferring the technology that allows production in ABB Standarts P10-P11
EREN AYDIN	Thinking globally acting locally P9	Supportive, sharing all the information and know how P9	Positive P10-P12	Continuity of the sales, Sustainable development P13-14
ROBERT REINIUS	Mobile Test Bench P7	Similar attempts from ABB P8	Market Entry Risks P9	Overall profitability and that consists of cost of the save P9
TONI TIIHONEN	feasibility P7	to overcome high taxes, bureaucracy and general high interest rates P7-P9	Acting locally but finalizing all the project in global 9	feasibility, suitability P10
RAIMO SAKKI	Partnership requires more commitment Creating own competitor So careful P14	Careful Similar attempts P15	Creating own competitor Not to ham the quality not to ham brand P14-P16	Knowledge of people Understand the process P15-P18

Table 3: Summary of Semi-Structured in-depth Interviews

INTERVIEWEES	Difficulties and obstacles localization strategy faces	Recipe of success for MNEs regarding the application of localization strategy in renewable	Suggestions for successful future endeavors for ABB
ALİ BÜLENT KAPÇI	Raw materials Certification P15,P18	Step by step growth (localization, global brand) P19	
SAMI SEVİNÇ	Raw Materials P14	Financially Feasibility P15-P16	Local Production if it is feasible P17
TANER TEZCAN	Uncertainty about government strategies P10-P11	First movers get the market Correct Strategy P11-12	Localized production brings competition that increases the quality lowers the prices P6
TAMER KUZGUNKAYA	Bureaucracy Convincing the decision makers Qualified labor force P11	Technology transfer and increasing the know how P10-P11	
EREN AYDIN	Lack of knowledge in Turkey Qualified labor force P14-P15	Strategic movement P15-P16	
ROBERT REINIUS	Production and local business P10-P11	competence and commitment P11	PG (product group) level understanding of localisation P11
TONI TIIHONEN	The lack of skilful people Learning process P12	long term cooperation is needed for the success of ABB P13	Development of the products Lower costs and better productivity P14
RAIMO SAKKI	Protecting the quality P16-P18	feasibility Know-How Process knowledge P16-P18	Market driven sector Risk analysis

3. FINDINGS AND DISCUSSIONS

The in-depth interviews that were conducted with the aforementioned managers occupying both global and local positions in ABB, as well as a governmental employee, are collated into the table that is displayed below. The content is divided into seven different categories across every interviewee with two sub-groups for each category in order to acquire a clear picture as to their concept of localization in renewable energy industry and in turn, as to how necessary they consider it is. Table 4 displays these seven categories in a matrix, using the data gathered from the interviews and collated into the Tables 1 through 3. The categories described in the Table 4 are explained in detail in the discussion sections below.

Table 4: Classification of Content Analysis

INTERVIEWEES	1		2		3		4		5		6		7		LOCALIZATION
	ELECTRICAL ENG.	OTHERS	GLOBAL LEVEL	LOCAL LEVEL	FOREIGNER	TURKISH	GOV. EMPLOYEE	ABB EMPLOYEE	HIGH LEVEL	MEDIUM LEVEL	TECHNICAL MINDSET	MANAGERIAL MINDSET	RENEWABLE	NON-RENEWABLE	
ALİ BÜLENT KAÇI	✓			✓		✓	✓			✓		✓	✓		✓
SAMI SEVİNÇ		✓	✓			✓		✓	✓			✓		✓	✓ (IF PROFITABLE)
TANER TEZCAN	✓			✓		✓		✓	✓		✓			✓	✓
TAMER KUZGUNKAYA	✓			✓		✓		✓		✓	✓			✓	✓
EREN AYDIN	✓			✓		✓		✓		✓	✓			✓	✓ (IF PROFITABLE)
ROBERT REINJUS		✓	✓		✓			✓	✓			✓		✓	✓ (IF PROFITABLE)
TONI TIINONEN		✓	✓		✓			✓		✓		✓	✓		✓ (IF PROFITABLE)
RAIMO SAKKI	✓		✓		✓			✓	✓				✓		X

From careful review of the existing literature on the subject and the analysis conducted on the contents of the interviews, it can be inferred that localization is established beneficial for MNEs under right conditions. When it is implemented as intended, the strategy can bring immense benefit to a company, as it is considered by the executives of ABB. Nevertheless, it is conditional, not absolute, and does not have de facto set rules of application that can be implemented in every country by every company. While literature showcases that localization, when applied correctly, can bring out a lot of benefits; as a contrast, the executives interviewed have varied in their answers. While the ones that report on a local level have answered with a resounding yes, the global level executives employed a more cautious outlook and identified the special conditions where engaging in localization prove to be beneficial to their company. The benefits of a steady and loyal supply chain, cost cutting due to employing local personnel, the flexibility achieved with local R&D are just but a few selected advantages that companies enjoy with well-applied localization strategy (Johri & Petison, 2008). The analysis of the interview content, while supporting these findings, also cautions against the pitfalls of localization, such as the loss of valuable R&D data and knowledgeable personnel via the inevitable technology transfer that Sakki emphasizes in his interview.

4. CONCLUSION

Localization from a global company engaging in renewable energy sector can be desirable, and indeed, profitable, inasmuch as the right conditions outlined by the interviewees are created. In which sphere the company operates is needed to be constructed carefully to create the right conditions under which a company penetrates a market and establishes dominance thereof. These considerations that are established in the article are meant to become a guide for the future governmental decisions that are taken to encourage localization in renewable energy sector. As pointed out extensively by the interviewees, the governments are concerned with ensuring localization in renewable energy sector for a variety of reasons, most of which are tied with the need to bring much needed technology transfer and boosting local economy with the added labor. To achieve this aim, governments have an obligation to create ideal conditions under which global companies operate; so that they consider investing locally in a country. The best way to achieve this is seen as bringing out tariffs and other capitulations a country may provide global companies. And while this approach has seen a considerable amount of success in Turkey, the new tariff policies that are to be crafted after 2020 should be more in tune with the needs and requirements of MNEs that operate in this sector. This article, in this way, is intended as a first step of a guide for the government for policy making. To be able to attract more investment from global companies in the renewable energy sector and encourage more technology transfer despite the misgivings regarding the issue, the government should be more amenable to the perspective presented by the global companies. This topic will benefit from more analysis pertaining to the relation between the government policies and the private sector perspective, and further studies can shed light on the outline that the author of this article intends for the policy making in renewable energy sector.

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APPENDIX A: IN-DEPTH INTERVIEW PROTOCOL

An Explanatory Study on the Dynamics of Localization of Renewable Energy Industry Among the Managers of a Leading Company.

- 1) Acknowledgement for the participation
- 2) Introducing the interviewer
- 3) General information about the interviewee
- 4) Main purpose of the study
- 5) Note Taking / Taping permission
- 6) Summary of renewable energy issue (why, how and how much) regarding the world and specifically Turkey
- 7) Attitude towards renewable energy use
- 8) Strategy of the governments for renewable energy (tariffs, incentives and projects)
- 9) Renewable energy and localization strategy
- 10) ABB's approach to renewable energy issue
- 11) ABB's approach to localization strategy regarding renewable energy
- 12) Positive and negative consequences of localization strategy
- 13) Measure of success factors
- 14) Difficulties and obstacles localization strategy faces
- 15) Recipe of success for MNEs regarding the application of localization strategy in renewable energy
- 16) Suggestions for successful future endeavors for ABB

Thanking the participant