International marketing decision governance, standardisation, and performance

A framework in the cross-market scenario

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Abstract

Purpose – The purpose of this paper is to establish a decision-making governance framework for transferring a product/service from one EU host market to another.

Design/methodology/approach – Prior research concerning the relation between marketing decision governance (centralised versus decentralised) and standardisation strategy/performance tends to focus on the home-host scenario. This study has utilised the experience of 70 firms operating in the cross-market scenario in the EU region – i.e. transferring a product/service from one EU host market to another – in order to establish its decision-making governance framework. The respondents were operating in both the manufacturing and service sectors.

Findings – It was found that firms with large size and a high level of business experience, operating in a similar cross-market environment, or in a country pair that has a difference in market potential, are more likely to pursue a decentralised governance. Firms operating in a highly different market environment and in host markets with a high variation in market potential are likely to adopt an adaptation strategy. Marketing decision governance is not suggested to be related to standardisation strategy. Decentralised governance is found to be related to profitability, while adaptation was associated with market share. Market share is related to profitability.

Originality/value – The research findings suggest that firms can utilise their decision-making and standardisation strategy separately to achieve their performance objectives when operating across the EU region. The outcomes established in the study have provided a new guidance on the research concerning structure, strategy and performance.

Keywords Corporate governance, Marketing decision making, International business, Business performance

Paper type Research paper

Introduction

Decision-making governance has long been viewed as a central topic in the study of organisational behaviour (Miles and Snow, 1978; Carter and Cullen, 1984; Andrews *et al.*, 2007). This group of research works provided useful guidance regarding the relations between decision-making structure, strategy, and performance. The two business strategies often examined by organisational theorists are Miles and Snow's (1978) prospector-defender strategy and Porter's (1980) differentiation-low cost strategy (Govindarajan, 1986; Miller, 1988; Stathakopoulos, 1998; Andrews *et al.*, 2007). International marketing decision governance has also been identified as one of the key factors of standardisation strategy (Daniels, 1987; Jain, 1989; Harvey, 1993; Duncan and Ramaprasad, 1995; Gould *et al.*, 1999; Solberg, 2002). The results established in

international marketing researches have significantly enhanced the research scope uncovered by the organisational theorists, with another group of options for achieving firms' financial objectives being provided. Despite its importance, however, research in this latter area is still under-developed (Ozsomer *et al.*, 1991; Picard *et al.*, 1998; Laroche *et al.*, 2001; Samiee *et al.*, 2003; Okazaki *et al.*, 2006). The two major types of decision-making governance structures are centralised and decentralised (Gates and Egelhoff, 1986; Samiee *et al.*, 2003). Centralised governance represents the case where marketing decision making is mostly conducted at a firm's head office, while the decision making of the decentralised structure is mainly delegated to the local representative (Steer, 1977; Solberg, 2002). Standardisation strategy denotes that a uniform programme is used across national borders (Sorenson and Wiechmann, 1975; Jain, 1989). When formulating marketing strategies for a new foreign host market, firms can rely on those strategies they have used in their home market, or those they have employed in another foreign host market. The former approach is referred to as the home-host scenario and the latter as the cross-market scenario (Chung, 2003; Laroche *et al.*, 2001; Katsikeas *et al.*, 2006). The home-host scenario is concerned with the issues of transferring a product/service from a firm's home country (e.g. New Zealand) to a given host country (e.g. the UK), while the cross-market scenario is related to transferring a product/service from one foreign host to another host market (e.g. from the UK to Germany). The home-host scenario is suitable for firms that have adopted a polycentrism orientation, where the focus is on an individual host market. The cross-market scenario, on the other hand, might be ideal for firms that have adopted a regiocentrism approach, where the focus is on firms' operations across an economic region such as the EU (Perlmutter, 1995). The cross-market scenario is particularly important when conducting business activities across two or more host markets within the EU region, because its Member States often share a similar set of business environment and business opportunities. In contrast to the home-host scenario (Quester and Conduit, 1996; Katsikeas *et al.*, 2006), research concerning the cross-market scenario is still in its early development stage, and very little guidance has been provided in the literature (Sorenson and Wiechmann, 1975; Chung, 2003). This study intends to provide guidance on the cross-market scenario by focusing the structure-strategy-performance framework in the marketing domain (Picard *et al.*, 1998; Andrews *et al.*, 2007).

The findings of prior research on decision-making governance can be generally grouped into three streams. These findings have provided some foundation for future research concerning decision-making governance. Though useful, these studies do, however, still leave a number of gaps in the research.

The first stream of research has investigated the factors attributed to the firms' choice of governance structure (Garnier, 1982; Gates and Egelhoff, 1986; Hall *et al.*, 1993; Picard *et al.*, 1998; Laroche *et al.*, 2001). Most of the existing findings are established within the home-host scenario (Ozsomer *et al.*, 1991; Quester and Conduit, 1996). The outcomes of this stream of research have provided guidance on the selection of explanatory factors for further research concerning organisational structure. For example, a key finding identified in the home-host scenario is that firms are more likely to adopt a high degree of control over their foreign subsidiaries (i.e. centralised governance structure) when operating in a host country whose environment is similar to that of the home country (Quester and Conduit, 1996; Laroche *et al.*, 2001). This

finding implies that firms operating in the cross-market scenario are likely to retain a high degree of decision-making power within their HQs when transferring a product/service from one host market to another, where the environment in both host markets is similar. In addition, it is also possible that a firm's choice of decision governance structure in the cross-market scenario might also be related to other factors – such as firm size, international business experience, market size, and product type – due to their importance in the decision-making process (Ozsomer *et al.*, 1991; Quester and Conduit, 1996; Picard *et al.*, 1998). Nevertheless, without any empirical evidence, it is still unknown whether the findings established in the home-host scenario can be transferred to the cross-market scenario. The findings established in the cross-market scenario can provide new insight to those intending to operate in this scenario (Sorenson and Wiechmann, 1975; Baalbaki and Malhotra, 1993; Roper, 2005; Schuh, 2000).

Studies in the second group have explored the relation between decision governance and marketing standardisation strategy (Jain, 1989; Ozsomer *et al.*, 1991; Samiee *et al.*, 2003; Okazaki *et al.*, 2006). This group of research works was carried out with the intention of establishing whether or not a firm's decision-making structure has a significant impact on the choice of standardisation strategy (Harvey, 1993; Quester and Conduit, 1996; Samiee *et al.*, 2003; Okazaki *et al.*, 2006). Most of the existing studies have confirmed that the extent of centralisation is positively related to the degree of standardisation strategy. These studies have reported that firms can often ensure that their standardised marketing programme will be implemented by their local representatives when a high degree of decision-making power is retained within their HQs (Okazaki *et al.*, 2006). This significant correlation result signifies that firms are probably more likely to pursue a high degree of standardisation strategy when the decision of transferring a product/service from one host to another host market is made at the firms' HQs.

Research in the last stream has mainly explored the relation between the choice of organisational structure and a firm's financial performance in the host markets. Existing research exploring the relation between organisational decision-making structure and performance are evidenced in that research concerning organisational behaviour and marketing strategy (Miller, 1987; Picard *et al.*, 1998; Stathakopoulos, 1998; Andrews *et al.*, 2007). Among the links uncovered, the relation between structure and performance has commonly been found in previous research to be non-direct (Bozeman, 1982; Picard *et al.*, 1998; Stathakopoulos, 1998; Andrews *et al.*, 2007). This group of research works indicates that organisational structures are often used to provide a foundation for achieving coordination and control within an organisation. The impact of structure on performance is likely to be contingent on the strategy adopted by the organisation. That is, the influence of structure on performance is mediated, or moderated, by organisational strategy (Pfeffer, 1981; Miller, 1987; Stathakopoulos, 1998; Andrews *et al.*, 2007). Therefore, a direct relation between organisational structure and performance is unlikely to exist. As previous findings are associated with the general behaviour of an organisation, they are likely to exist in different operational scenarios, such as the home-host and cross-market scenarios (Picard *et al.*, 1998; Andrews *et al.*, 2007; Okazaki *et al.*, 2006).

As outlined above, firms can use both the home-host and cross-market scenarios when entering a new host market. The cross-market scenario is probably important when:

- the home and host markets do not belong to the same regional economic bloc (e.g. the EU; New Zealand versus the UK);
- their domestic market size is significantly different (e.g. New Zealand versus Germany); and
- the geographical distance between the home and the host market is large (e.g. New Zealand versus the UK/Germany).

In such cases the strategies formulated by the cross-market basis might be more effective and efficient than those constructed using the home-host scenario. Therefore, the cross-market scenario is likely to be more important for firms from an economy such as New Zealand when operating in the EU region. For these reasons, it is decided that this study will focus on the cross-market scenario. The proposed framework will consist of explanatory factors, the relation between decision governance and standardisation, and performance. Unlike prior research, which tends to focus on selected programme elements, this study seeks to integrate all four programme elements (product, price, place, and promotion) within its research framework (e.g. Laroche *et al.*, 2001; Okazaki *et al.*, 2006). The proposed framework will be examined by utilising the experience of New Zealand firms operating in the cross-market scenario in the EU region. The EU region is a suitable location for the practice of a cross-market approach (Sorenson and Wiechmann, 1975; Roper, 2005). The results established in this study are likely to make contributions to the literature concerning structure, strategy, and performance research (Miles and Snow, 1978; Dalton *et al.*, 1980; Miller, 1987; Quester and Conduit, 1996; Beamish *et al.*, 1999; Okazaki *et al.*, 2006). This study will begin with a literature review and hypothesis proposal. The research methodology and findings will then be reported. The discussion, conclusion, and limitations are presented in the final section of the research.

Hypotheses
The conceptual framework is shown in Figure 1. Details concerning individual hypotheses are discussed below.

Firm factors
Firm size is an often cited as a firm-related factor that has an influence on the choice of decision making governance and standardisation strategy (Gates and Egelhoff, 1986; Hall *et al.*, 1993; Chung, 2003). Previous research tends to support a negative relation between the degree of centralisation and firm size. For example, in a study of MNC's operations in Australia, Quester and Conduit (1996) suggested that larger sized firms are more likely to employ decentralised decision governance. This result is supported by several organisational theorists. Blau and Schoenherr (1971) indicated that large sized firms often adopt a high power delegation structure, so that their optimum level of decision-making efficiency can be reached. Gates and Egelhoff (1986) concurred with this finding by revealing that MNCs based in Europe and the UK tend to employ a decentralised decision-making structure when the size of their foreign operation is large. Garnier (1982) produced a similar result. Though Picard *et al.* (1998) were unable to reveal a significant relation between firm size and the degree of autonomy given to a
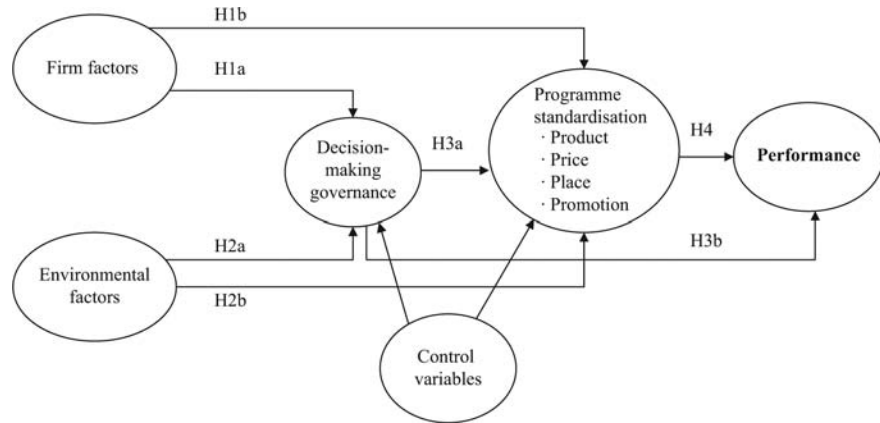
Figure 1.
Research framework in the
cross-market scenario

local representative, their insignificant result might relate to the specific type of firms included in their study.

The findings of previous studies have provided useful guidance for those that intend to operate in the cross-market scenario. In light of prior results, it is expected that large sized firms are more likely to adopt a decentralisation decision-making structure because this structure can allow them to interact more efficiently with local environments when transferring a product or service from one host to another host market. In addition to its effect on decision-making governance selection, firm size is also suggested to be associated with the choice of marketing standardisation strategy. Previous studies have indicated that larger sized firms are more likely to pursue an adapted programme, as this strategy often requires a higher degree of resources (Whitelock and Pimblett, 1997; Jain, 2001). Larger sized firms are usually associated with a larger amount of available resources.

A firm's international business experience is another firm-related factor that might have influence on a firm's decision regarding its organisational decision governance and marketing standardisation strategy. Among those who have investigated the relation between experience and decision-making structure, it is suggested that a decentralised decision-making structure is likely to be more feasible when firms have accumulated a higher degree of international business experience (Gates and Egelhoff, 1986). Among the research exploring the relation between business experience and standardisation strategy, the majority seems to support the theory that firms with a larger degree of business experience are also more likely to pursue an adapted strategy (Chung, 2003; Okazaki *et al.*, 2006). It is argued that firms are more likely to execute an adapted programme when they have accumulated a higher degree of international business experience. The results concerning business experience are also expected to occur within the cross-market scenario, as the capabilities of firms' internal strengths can be applied to different situations, such as the home-host and cross-market scenarios. The following hypotheses are expected to hold.

H1a. Firms with larger size and greater international business experience are more likely to pursue decentralised decision governance when operating in the cross-market scenario.

H1b. Firms with larger size and greater experience are more likely to adopt an adaptation strategy when operating in the cross-market scenario.

Environmental factors

Environmental factors are another group of key factors in decision-making governance and standardisation strategy (Garnier, 1982; Jain, 1989; Waheeduzzaman and Dube, 2002). Quester and Conduit (1996) indicated that when the extent of environmental difference is large between the home and host markets, there is a greater tendency for firms to adopt decentralised decision governance. Garnier (1982) also supported this view by reporting that the greater the difference, the stronger the tendency to adopt a highly decentralised decision-making configuration. These results are further supported by Laroche *et al.* (2001), whose study indicated that the extent of control over a multinational corporation's subsidiary is significantly related to the degree of environmental similarity between the home and host countries. Previous studies cite the key elements of environmental factors, including economic, political-legal, competitive, and culture-customer (Garnier, 1982; Boddewyn *et al.*, 1986; Jain, 1989; Harvey, 1993; Okazaki *et al.*, 2006).

High levels of environmental difference would also encourage firms to adopt a highly adapted strategy (Boddewyn *et al.*, 1986; Jain, 1989; Baalbaki and Malhotra, 1993). A high extent of market similarity has been found to be a pre-condition for the employment of standardisation strategy in the home-host scenario (Katsikeas *et al.*, 2006). This result is also confirmed by firms operating in the cross-market scenario (Sorenson and Wiechmann, 1975; Baalbaki and Malhotra, 1995; Chung, 2003). In light of the above discussion, the following hypotheses are proposed.

H2a. Firms that operate in a highly different environment are more likely to adopt decentralised decision governance when operating in the cross-market scenario.

H2b. Firms that operate in a highly different environment are more likely to adopt a highly differentiated strategy when operating in the cross-market scenario.

Decision-making governance, and standardisation and performance

Though the results concerning the relation between decision making governance and standardisation strategy are not completely universal (Ozsomer *et al.*, 1991; Quester and Conduit, 1996), most of the studies seem to support a significant association. Previous conceptual research indicates that a centralised structure can assist firms to implement their universal global strategy (Walters, 1986; Jain, 1989; Harvey, 1993; Duncan and Ramaprasad, 1995). Several empirical studies have reached this conclusion (Garnier, 1982; Daniels, 1987; Jain, 1989; Laroche *et al.*, 2001; Samiee *et al.*, 2003). Laroche *et al.* (2001) found a strong link between the degree of control and advertising standardisation strategy. Samiee *et al.* (2003) also revealed that organisational and control constructs are a significant factor in the application of an international standardisation strategy. Okazaki *et al.* (2006) also reached a similar conclusion by revealing a significant relation between the level of control and the level of standardisation strategy. Though previous findings are not specifically established using the cross-market basis, the findings concerning the decision making structure and standardisation strategy are likely to be universal, as a centralised structure can

assist firms to execute their uniform strategy in scenarios such as the home-host and cross-market scenarios.

As stated earlier, the effect of the decision making structure on performance has been examined in the literature concerning organisational behaviour and marketing standardisation strategy (Dalton *et al.*, 1980; Miller, 1987; Ozsomer *et al.*, 1991; Quester and Conduit, 1996; Solberg, 2002; Andrews *et al.*, 2007; Okazaki *et al.*, 2006). The organisational theorists propose that a function of the type of organisational structure is on its influence on a firm's performance. Previous conceptual studies have offered three possible relations. Proponents of the centralised decision structure suggest that it leads to better performance by facilitating greater decision speed and providing firm direction and goals to subordinates. Opponents of this structure argue that centralisation structure harms performance, because it prevents managers from making independent decisions and undermines the responsiveness to changing environmental situations. Studies in the last group have suggested that organisational structure is unlikely to have a direct effect on performance, because an organisation's structure provides a foundation for the organisation's coordination and control, with its effect on performance being subject to the type of strategy employed by the organisation (Pfeffer, 1981; Miller, 1987; Stathakopoulos, 1998; Andrews *et al.*, 2007). Thus, a direct effect on performance is not likely to exist. Among these three possibilities, the latter receives support from empirical research on both organisational behaviour and marketing strategy. Due to its focus, this study also adopts this conclusion in its hypothesis proposal. For example, Picard *et al.* (1998) were unable to locate any significant direct link between centralisation decision governance and financial performance (market share, sales growth, and profitability), in their study of firms' operations in the EU region. Myers and Harvey (2001) also failed to conclude a direct, significant relation between the extent of price controls and financial performance. Their study confirmed that the effect of price controls over performance becomes significant only when they are considered together with the extent of economic volatility. Andrews *et al.* (2007) confirmed that the effect of a centralised structure on performance is mediated by organisational strategies, such as the defender strategy (Miles and Snow, 1978). It has been revealed that structure has no direct effect on performance. By supporting this result, Miller (1987) reported that the match between a decentralised structure and rational and interactive strategies is critical for a higher level of performance. Though no specific directions have been established concerning the cross-market scenario, the findings of existing studies might provide guidance on the hypothesis proposal, because the relation between organisational structure and performance is likely to be a phenomenon within an organisation, regardless of the types of scenarios it operates (Dalton *et al.*, 1980).

 H3a. Firms that have adopted decentralised decision governance are more likely to adopt an adaptation strategy when operating in the cross-market scenario.

 H3b. Firms that have adopted decentralised decision governance are unlikely to perform better when operating in the cross-market scenario.

Standardisation and performance
The results concerning the effect of standardisation on performance are varied (Xu *et al.*, 2006). Some studies have located a positive relation between standardisation and

performance (Zou and Cavusgil, 2002). Some are unable to support a significant relation between these two factors (e.g. Samiee and Roth, 1992; O'Cass and Julian, 2003). Others have reported a negative relation between standardisation and performance (Shoham, 2002). In the cross-market scenario, it has been stated that firms might perform at a higher level when cross-market standardisation strategy is applied. It has been argued that, when a strategy has proved to be successful in one host market, it is likely that this strategy might work equally well in another host market that shares a similar environment (Chung, 2003). A cross-market standardisation strategy also tends to be more cost effective (Levitt, 1983; Walters, 1986; Baalbaki and Malhotra, 1993; Schuh, 2000). Thus, a uniform strategy might assist a firm to perform better. This study also adopts this proposition.

H4. Firms that have adopted a highly standardised strategy are more likely to perform better when operating in the cross-market scenario.

Control variables
In addition to the above factors, product characteristics, market potential, and size are also suggested to have an effect on the choice of decision-making governance and standardisation (Kirpalani *et al.*, 1988; Ozsomer *et al.*, 1991; Quester and Conduit, 1996).

The type of product is likely to be a factor in decision making governance and standardisation strategy selection (Picard *et al.*, 1998). Gates and Egelhoff (1986) and Goehle (1980) suggested that firms tend to adopt a more decentralised decision making structure when their products require more interactions between suppliers and customers. Compared to their manufacturing counterparts, the marketing of services often requires closer supplier-customer contact. Meeting this requirement can mean that more sensitivity to the environmental differences across the host markets is required (Dahringer, 1991). Thus, a decentralised decision governance structure is likely to be more desirable for the marketing of services. In contrast to manufacturing operators, service firms were also found to more greatly customise their marketing programme (Nicoulaud, 1989). When compared to manufactured products, service items are suggested to be more sensitive to environmental variations, which often require a higher degree of customisation.

Rau and Preble (1987) also indicated that firms operating in a host market whose product life cycle stage is similar to that of the home market would be likely to adopt a standardisation strategy. Baalbaki and Malhotra (1993, 1995) suggested that a greater extent of customisation strategy is often needed for products that are in different life-cycle stages, when operating in the cross-market scenario. Decentralised decision-making governance might assist firms to implement a customisation strategy when the stage of the product life cycle is varied across the different host markets. Furthermore, the findings of prior research have proposed that the size of the host markets is probably a factor of standardisation and decision-making structure (Rau and Preble, 1987; Ozsomer *et al.*, 1991). Garnier (1982) drew the conclusion that unpredictability in the host market(s) is related to the selection of decision-making governance. It is more difficult to make a prediction when the market size and potential vary across different host markets. Ozsomer *et al.* (1991) proposed that future research should investigate whether firms standardise more of their marketing offering for a larger sized market.

Research methodology
Data collection and research measurement
This study has employed a postal survey to collect its primary data. Firms in the sampling frame were drawn from a number of sources, including commercial firms' industrial listings and government websites. Firms in the sampling frame were based in New Zealand, and were conducting business in the European Union (EU) region in the cross-market scenario. The initial size of the sampling frame was about 300. A number of sampled firms were excluded from the sampling frame for the reason of not conducting business in the subject region, no longer being in business, or for other reasons. The questionnaire was completed by the highest ranking staff member of the firm, such as the managing director, or the marketing manager overseeing their firm's operations in the EU region. The number of useful questionnaires returned was 70, representing a net response rate of about 31 per cent. The non-response bias issue was determined by the method suggested by Armstrong and Overton (1977), using a wave response technique. The results showed that this study has not suffered a non-response bias issue.

The key measurement approach adopted in this study was borrowed from studies of a similar nature (Sorenson and Wiechmann, 1975; Walters, 1986; Baalbaki and Malhotra, 1993; Chung, 2003). Participants were first directed to reply to the survey based on information related to their most important product/service marketed in their most and second most important host markets in the EU region. The participants were then requested to compare the similarities and dissimilarities of their marketing programme in their most and second most important host markets in the EU region. The extent of standardisation of various aspects of the programme (product, price, place, and promotion) elements was assessed using a five-point scale (1 = highly similar; 5 = highly different). Each element was estimated by several sub-items. The measurement of these sub-items was drawn from the practices and suggestions of prior research (e.g. Walters, 1986). Details concerning these constructs and their sub-items are listed in Table I.

The respondents were then asked to indicate the decision-making locations of the cross-market similarity/dissimilarity of their overall programme elements (i.e. product, price, place, and promotion). This question was designed to enquire as to the role of a firm's headquarters (HQs) in the transfer of a marketing programme from one EU host, to another EU host, market. Only four items were used to represent this construct (Table I). Two groups of decision-making governance structures emerged from this question; decisions were made completely at the firms' head offices (HQs) (coded as 1) (i.e. centralised decision-making governance), and decisions were made via local inputs (shared with, or completely made by, local representatives) (coded as 0) (i.e. decentralised decision-making governance) (Krum and Rau, 1993). The key local representatives identified include regional offices, subsidiaries (first/second host market), distributors, and agents (second host market). The results indicate that the percentage of decisions made at HQs and those made with local input were 64 per cent and 36 per cent (product), 56 per cent and 44 per cent (pricing), 43 per cent and 56 per cent (promotion), and 41 per cent and 59 per cent (place), respectively. These results indicate that the majority of the product and price decision making was made at the firms' HQs.

Participants were also asked to indicate the similarity/dissimilarity of several key environmental factors between their most, and second most, important host markets. These factors include political-legal, economic, competitive, and customers. Prior

Constructs	Construct items	Mean values	Loading	t-values	CR	CR	AVE	AVE
Firm[a]	FIRM SIZE	465	1.00	1.00	1.00	0.87[b]	1.00	0.70[b]
	Number of employees	465	1.00	1.00				
	BUSINESS EXPERIENCE (IBE)				0.85		0.74	
	Years in international business	22	0.89	29.31				
	Number of countries operating	22	0.82	6.48				
Environment[a]	POLITICAL-LEGAL				0.91		0.71	
	Legal: content	1.81	0.84	15.32				
	Legal: price and sales conditions	1.77	0.88	30.46				
	Legal: packaging	1.64	0.84	15.76				
	Political environment	1.88	0.79	12.66				
	ECONOMIC				0.94		0.80	
	Labour cost	2.38	0.91	36.92				
	GNP/capita	2.30	0.92	41.34				
	Purchasing power	2.16	0.93	47.14				
	Stage of development	2.09	0.79	11.42				
	COMPETITIVE				0.94	0.95[b]	0.88	0.59[b]
	Market share position	2.10	0.93	55.49				
	Nature of competition	2.53	0.94	50.14				
	CUSTOMER				0.93		0.77	
	Consumer preference	2.28	0.91	45.82				
	Consumer purchasing habits	2.22	0.91	41.21				
	Condition of usage	1.88	0.79	10.51				
	Consumption pattern	2.04	0.88	22.00				
Decision-making governance	Product decision structure[c]	–	0.84	15.90	0.91		0.68	
	Price decision structure[c]	–	0.85	16.76				
	Place decision structure[c]	–	0.83	15.13				
	Promotion decision structure[c]	–	0.80	13.19				
Program[a]	PRODUCT				0.94	0.96[b]	0.65	0.52[b]
	Characteristics	1.50	0.77	7.55				
	Branding	1.62	0.76	8.67				
	Design	1.52	0.85	14.33				
	Positioning	1.60	0.83	14.99				

(*continued*)

Table I.
Constructs and factors

Table I.

Constructs	Construct items	Mean values	Loading	t-values	CR	AVE
	Packaging	1.61	0.84	14.90		
	Labeling	1.86	0.77	14.30		
	Warranty	1.56	0.83	13.66		
	After-sales service	1.65	0.73	10.99		
	PRICE				0.96	0.85
	Wholesaling	2.08	0.93	52.43		
	Retailing	2.13	0.91	38.53		
	Pricing method	1.97	0.92	34.95		
	Price discount	1.90	0.90	29.34		
	PLACE				0.94	0.71
	Retailing outlets	1.94	0.77	10.64		
	Channel of distribution	2.02	0.85	16.26		
	Role of salesforce	1.85	0.89	19.87		
	Management of salesforce	1.79	0.83	15.58		
	Role of middlemen	2.04	0.87	8.75		
	Physical distribution	1.83	0.83	21.44		
	PROMOTION				0.94	0.72
	Role of advertising	1.85	0.81	5.15		
	Advertising theme	1.83	0.87	8.58		
	Copy	2.03	0.86	8.73		
	Expression	1.88	0.88	8.39		
	Media allocation	2.02	0.82	8.75		
	Role of sales promotion	2.82	0.83	7.10		
Profit	Annual profitability	4.08	1.00	1.00	1.00	1.00
Market share	Market share	2.35	1.00	1.00	1.00	1.00
Sales growth	Sales growth	3.29	1.00	1.00	1.00	1.00
Product characteristics (control variable)	Type (service versus manufacturing)[c]	–	0.76	3.85	0.65	0.48
	Product life cycle	1.76	0.60	2.21		
Market potential (control variable)	Market potential	2.34	1.00	1.00	1.00	1.00

Notes: [a]Second order constructs; [b]second order CR and AVE values; [c]binary variables

studies have suggested that these are key factors for cross-market standardisation strategy in the EU region (Boddewyn *et al.*, 1986; Daniels, 1987; Picard *et al.*, 1998). Details concerning these factors are also listed in Table I. Environmental sub-items were also determined using a five-point scale (1 = very similar; 5 = very different). Firm-related characteristics were estimated by two factors:

(1) firm size; and

(2) international business experience (IBE).

Firm size was determined by the number of full-time employees, with international business experience estimated by two aspects:

(1) the number of countries operated in; and

(2) the number of years in international business (Walters, 1986).

Performance was determined by profit, market share, and sales growth. Consistent with the literature, these items are related to a firm's performance in the second host market (Chung, 2003). Profit was decided by a seven-point scale (1 = high level of loss; 7 = high level of profit) over a three-year period. Sales growth was also estimated on a three-year period using a seven-point scale (1 = negative growth; 7 = greater than 25 per cent). Market share was determined by a ten-point scale (1 = 10 per cent or less; 10 = 91 − 100 per cent). The first group of control variables (product-related characteristics) was determined by whether firms operate in service, or manufacturing, industries (1 = service; 0 = manufacturing). Product life cycle was determined by cross-market similarity/dissimilarity of the most, and second most, important host markets on a five-point scale, where 1 represents highly similar and 5 denotes highly different. The second group of control variables was determined by whether or not the extent of the market potential and the size of the market was similar across the most and second most important host countries in the EU region (1 = very similar; 5 = very different).

Description of participants
The primary most and second most important host markets included the UK, Germany, Italy, France, Belgium, Ireland, Austria, and Sweden. The most important pair-markets are the UK-Germany (17 per cent), Germany-the UK (11 per cent), Germany-France (6 per cent), the UK-France (6 per cent), the UK-Belgium (4 per cent), France-the UK (4 per cent), Germany-Italy (4 per cent), Italy-the UK (4 per cent), the UK-Ireland (3 per cent), France-Germany (3 per cent), Germany-Austria (3 per cent), Germany-Sweden (3 per cent), and so on. The research results indicate that the general environment across the host markets is similar. The mean ratings of the overall environmental factors are around 2.07 (1 = very similar; 5 = very different), with higher similarity in the political-legal, and lower similarity in the economic, competitive, and customer, environments (Table I). In general, participants use a standardised set of programme elements when operating across the EU countries, as the average ratings of the overall programme elements are about 1.87 (1 = very similar; 5 = very different). These results are in line with previous research that has adopted a similar approach (Chung, 2003). In a study of Australian and New Zealand firms' operations in the cross-market scenario in the Greater China region, it is reported that the environment in that cross-market scenario is similar and the adopted

marketing programme is also standardised. The extent of product standardisation is higher than for the other three elements. The average firm size of the respondents is 465 full-time employees. The average number of years, in terms of international business experience and the number of countries operated in, is 21. About 23 per cent of the firms surveyed operate in the service sector, while the remainder operate in the manufacturing sectors (consumer and industry).

Statistical analysis method
This study has used partial least squares (PLS) to analyse its path framework (Chin, 2001), using a bootstrap $n = 200$ method. This choice is justified, as this study contains both continuous (e.g. firm size) and categorical variables (e.g. decision-making structure). The convergent validity of the PLS analysis was determined by whether or not the *t*-values of the outer model loadings are greater than 1.96. The discriminant validity was decided by item loadings, construct correlations, composite reliability (CR) (> 0.7), average variance extracted (AVE) > 0.5), and the ratio of the square root of the AVE of the proposed constructs (Table I) (O'Cass and Julian, 2003; Gefen and Straub, 2005). This study has met all of these validity requirements (Table II). The AVE value for the product characteristic construct is slightly lower than for those of the other constructs (AVE $= 0.48$) (Table I). This value, however, does not significantly affect the established outcomes (Gefen and Straub, 2005). The path analysis outcomes are listed in Figure 2. The extent of the path relation among all significant constructs are strong (standardised coefficient > 0.2). The R^2 value of the significant constructs (decision-making, standardisation, market share, and profit) are also greater than 0.1 (listed underneath each construct in Figure 2) (O'Cass and Julian, 2003).

Firm, environmental, and marketing standardisation constructs are treated as second-order constructs due to the reason that there is a high correlation of the items within the constructs. All other factors in the framework are investigated as first-order factors (Table II). Profit, sales growth, and market share are treated as individual dependent variables for two reasons:

(1) the low correlation among these variables; and

(2) the mixed directions of their relations with decision-making governance and standardisation (Figure 2).

Initially, the control variables of product type and product life cycle were separately entered into the PLS model, but it was found that both factors were closely correlated. Thus, these two factors were grouped together as one set of control variables in the PLS model. The control variable of market size was excluded from the analysis, due to its strong correlation with other explanatory factors. The correlation testing showed that the variables included in this framework do not suffer from a serious multicollinearity issue. Correlation coefficient results of each key construct in the path framework are listed in Table II.
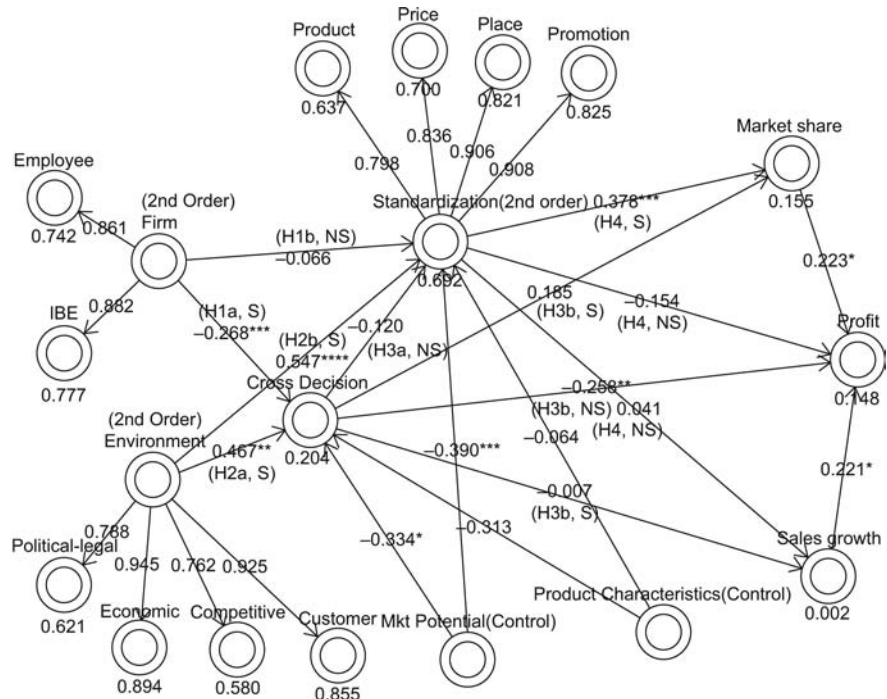
Findings
The revised conceptual framework is shown in Figure 2. Details concerning individual results are listed hereafter.

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Table II.
Correlation matrix of all constructs (with CR and AVE assessment)

	CR	AVE	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
Firm[b] (A)	0.87	0.70	0.83[a]																		
Employee (B)	1.00	1.00	0.55	1.00																	
IBE (C)	0.85	0.74	0.84	0.42	0.86																
Environment[b] (D)	0.95	0.59	0.04	0.18	0.04	0.77															
Political-legal (E)	0.92	0.71	0.00	0.18	−0.02	0.67	0.84														
Economic (F)	0.94	0.80	0.06	0.20	0.06	0.86	0.59	0.89													
Competitive (G)	0.94	0.88	−0.03	0.13	−0.03	0.70	0.53	0.65	0.94												
Customer (H)	0.93	0.77	0.05	0.16	0.07	0.82	0.61	0.76	0.68	0.88											
Decision governance (I)	0.91	0.68	0.20	−0.23	−0.23	0.11	0.05	0.10	0.15	0.08	0.82										
Standardisation (J)	0.96	0.52	0.07	0.18	0.06	0.64	0.54	0.57	0.56	0.60	0.01	0.72									
Product (K)	0.94	0.65	0.00	0.12	−0.02	0.47	0.49	0.41	0.47	0.49	0.06	0.68	0.81								
Price (L)	0.96	0.85	0.11	0.23	0.09	0.65	0.45	0.67	0.61	0.57	0.05	0.72	0.54	0.92							
Place (M)	0.94	0.71	0.08	0.21	0.05	0.47	0.41	0.46	0.44	0.47	0.02	0.72	0.50	0.60	0.84						
Promotion (N)	0.94	0.72	0.08	0.22	0.08	0.56	0.53	0.53	0.47	0.54	0.00	0.71	0.48	0.64	0.65	0.85					
Profit (O)	1.00	1.00	0.06	0.14	0.08	0.19	0.13	0.24	0.20	0.18	−0.04	0.18	0.06	0.23	0.17	0.11	1.00				
Market share (P)	1.00	1.00	−0.12	0.02	−0.09	0.30	0.33	0.29	0.24	0.34	0.14	0.30	0.23	0.22	0.23	0.24	0.38	1.00			
Sales growth (Q)	1.00	1.00	−0.12	−0.06	−0.09	0.27	0.25	0.29	0.29	0.25	0.13	0.17	0.07	0.22	0.14	0.13	0.45	0.35	1.00		
Product characteristic (control) (R)	0.65	0.48	0.10	0.17	0.16	0.39	0.33	0.34	0.30	0.39	−0.16	0.29	0.26	0.25	0.18	0.24	0.12	0.15	0.20	0.69	
Market potential (control) (S)	1.00	1.00	−0.01	0.09	−0.01	0.60	0.54	0.56	0.63	0.66	0.01	0.64	0.52	0.54	0.60	0.59	0.17	0.35	0.20	0.07	0.32

Notes: [a]Diagonal represents SQRT AVE values; [b]second-order constructs

Figure 2.
Results and revised
research framework in the
cross-market scenario

Notes: S: supported; NS: not supported. All constructs were estimated by "reflective"
method. *: $p < 0.1$; **: $p < 0.05$; ***: $p < 0.01$; ****: $p < 0.005$

Firm and environmental factors

The statistical results show that firms which have a larger size, and which have a higher degree of business experience, are revealed to be more likely to adopt decentralised decision-making governance. This result supports *H1a*. *H1b* is unconfirmed, because the firm construct has no significant link with the standardisation construct. The results of the PLS analysis suggest that large environmental differences would also contribute to firms employing a highly differentiated strategy. This outcome is consistent with the original proposal (*H2b*). It is indicated, however, that firms are more likely to adopt a decentralised organisational structure when the extent of cross-market environmental similarity is high. This outcome suggests that *H2a* is supported, but that its direction of influence needs to be revised.

Decision-making governance, and standardisation and performance

As indicated in Figure 2, the choice of decision-making governance is not significantly related to the selection of a standardised marketing strategy. Thus, this result fails to confirm *H3a*. *H3b* is supported, however, as the decision governance is found to have no significant impact on performance in respect to market share and sales growth. *H3b* related to profit is, however, unconfirmed due to the significant relation between the

decision-making structure and profitability. Firms that have adopted decentralised decision-making governance are revealed to perform better on profitability. The PLS results reveal that firms that have adopted a highly differentiated strategy are more likely to perform better on market share in the cross-market scenario. This result directly contradicts that proposed in *H4*. The original hypothesis requires revision. Though not initially proposed, market share and sales growth are found to be significantly related to profit. This indicates that firms adopting an adaptation strategy can still achieve their profit performance objective, but indirectly via market share.

Control variables
The statistical outcomes also suggest that firms operating in those host markets whose cross-market potential is highly different are more likely to commit to decentralised decision-making governance. Firms operating in a market with a large potential variance are also revealed to be more likely to pursue a highly adapted strategy. The effect of product characteristics, however, has no influence on either decision-making, or standardisation strategy, selection.

Discussion
Decision-making governance, standardisation and performance
As reported, this study is unable to locate a significant relation between decision-making governance and standardisation strategy in the cross-market scenario. Although this result is not consistent with previous studies which have revealed that organisational decision making structure is significantly related to the choice of standardisation strategy (Jain, 1989; Ozsomer *et al.*, 1991; Laroche *et al.*, 2001), it is in line with others which also fail to find a significant relationship between these two factors (Quester and Conduit, 1996). A number of reasons might explain this outcome. The first possible explanation is that firms operating in the cross-market scenario might view decision-making structure and marketing strategy as two separate issues (Quester and Conduit, 1996). This proposition, which is supported by this study, suggests that governance structure and standardisation strategy can be used individually to achieve firms' financial objectives (Carter and Cullen, 1984; Cavusgil and Zou, 1994; Beamish *et al.*, 1999). Because previous research has not examined the effect of structure and strategy together, the contribution of this study is in finding that both structure and strategy can be used to achieve firms' performance and that the operational setting can be extended to the cross-market scenario (Cavusgil and Zou, 1994; Beamish *et al.*, 1999; Katsikeas *et al.*, 2006). Another possible explanation is that the effect of decision-making governance on the choice of standardisation strategy might relate to the subject countries under investigation (Ozsomer *et al.*, 1991; Laroche *et al.*, 2001). For instance, the key home countries reported in Ozsomer *et al.* (1991) include the USA, Germany, Swit\erland, and The Netherlands, with the host country being Turkey. As indicated, the country-pairs reported in this study include the UK-Germany, Germany-France, and the UK-France, among others. The average environmental differences in Ozsomer *et al.* (1991) are significantly higher than those reported in this study. It is possible that the relationship between structure and standardisation is more evident when environmental differences between countries are high. This suggests that the relationship between

decision-making and standardisation strategy might relate to the scenario (home-host versus cross-market) as well as the geographical areas examined. Another possible reason is that, when operating in the cross-market scenario, the choice of standardisation strategy might be related to other factors, such as environmental and market potential similarity. The importance of these factors might have outweighed the importance of the choice of decision-making governance structure in the formulation of standardisation strategy.

The findings of this study imply that future research should investigate both home-host and cross-market scenarios, as the conceptual frameworks for both scenarios might be not compatible (Sorenson and Wiechmann, 1975; Boddewyn *et al.*, 1986; Jain, 1989; Baalbaki and Malhotra, 1993; Schuh, 2000; Chung, 2003; Katsikeas *et al.*, 2006). As the findings reported here suggest, it is still unclear that a definite relationship between structure and standardisation strategy exists in the cross-market scenario. As mixed results are apparent in the literature, it is important that this relationship be subject to further examination (Ozsomer *et al.*, 1991; Quester and Conduit, 1996).

The decision governance structure appears to have a significant effect on profit, though its impact on market share and sales growth is unconfirmed. The findings with regard to profit offer a new direction to research that has found no direct link between decision making governance and performance (Miller, 1987; Picard *et al.*, 1998; Andrews *et al.*, 2007). In this study a decentralised decision making structure appears to be positively related to profitability. This indicates that firms employing a decentralised decision making governance in the cross-market scenario are likely to experience higher profitability. We offer two explanations for this result. One, perhaps related to geographical proximity, is that a decentralised structure might allow firms operating in the cross-market scenario to make prompt and effective decisions in responsive to the rapid changing environment across the EU region (Quester and Conduit, 1996; Andrews *et al.*, 2007). The conjunction of delegation of decision making and sound local knowledge might have also allowed the local representatives of firms operating in the cross-market scenario to only transfer a product/service from the first host market that is really needed by the second host market. These advantages might have enabled firms to acquire a competitive edge when operating in the EU region, facilitating attainment of their profit objectives.

The second possible reason is that the effect of the decision making structure on profit performance might relate to the type of structure examined. As demonstrated above, unlike prior research (Picard *et al.*, 1998; Myers and Harvey, 2001), this study has considered the decision-making structure of all four elements of the marketing programme in its framework. This more detailed consideration of structure and strategy might account for the differences in results between this study and those of organisational theorists (Miller, 1987; Quester and Conduit, 1996; Andrews *et al.*, 2007). The structure and strategies categories considered by these researchers tend to focus more on those proposed by Miles and Snow (1978) (e.g. defender).

The outcome of this study indicates that it would be worthwhile to examine the effect of decision-making governance on performance using various performance outcomes (e.g. profit, sales growth, market share, ROI; Miller, 1987; Chung, 2003) as well as in both the home-host and cross-market scenarios, so that more conclusive findings can be drawn. It is possible that the relationship between decision-making

structure and performance might only be significant in selected performance areas
(Dalton *et al.*, 1980). Furthermore, when exploring the effect of decision making
governance structure it is important to consider the impact of decision-making
structures across functional areas (e.g. marketing, manufacturing, financial; Gates and
Egelhoff, 1986). It is possible that relationships between decision-making governance
and performance might be apparent only within particular structures (Laroche *et al.*,
2001; Samiee *et al.*, 2003). Finally, the results reported here offer some insight into
studies that have not included performance in their research framework (Ozsomer *et al.*,
1991; Quester and Conduit, 1996; Laroche *et al.*, 2001; Solberg, 2002). The findings
suggest the need for a complete path framework consisting of explanatory factors,
decision-making, standardisation, and performance.

Standardisation and performance
The outcomes of this study also provide some support for the relation between
standardisation and selected performance measurement. As demonstrated, firms that
have adopted a higher differentiation strategy are more likely to perform better on
market share in the second host market. Market share is also positively associated with
profit. One possible explanation for this result is that customisation strategy might
have helped such firms to obtain a higher competitive advantage over their key
competitors (Jain, 1989; Cavusgil *et al.*, 1993; O'Cass and Julian, 2003). Thus, this
strategy has assisted firms to gain higher market share from their competitors. This
result has offered some new insights to the literature, though it contradicts the original
proposal. A key reason for the inconsistent result might relate to the different approach
adopted by this study to that adopted by some others. In this study, an integrated
framework is adopted, while previous research tended to examine the relation between
a single program element and performance (Chung, 2003). Thus, future research should
explore both the integrated approach, as employed in this study, and those approaches
used in prior studies, so that a more complete conclusion can be drawn.

As both decision-making and standardisation strategies can be used to achieve their
financial profit objective, this new result has an important implication for future
research and marketing managers when considering the options for achieving their
financial objectives. They should consider using an adaptation strategy, as this
strategy can assist them in achieving a higher market share. Market share might also
lead to higher profitability. If this strategy is not possible, they might need to authorise
a higher degree of autonomy for their local representation, as this strategy could also
assist them in achieving a higher profit performance.

Firm factors
Firm-related factors are suggested to be a group of explanatory factors of
decision-making governance. As presented, firms that are larger in size and
equipped with a higher level of business experience are more likely to adopt localised
decision making governance. This result is consistent with those that have proposed
that large sized firms and those with a high level of business experience are more likely
to select decentralised decision making governance (e.g. Gates and Egelhoff, 1986;
Quester and Conduit, 1996). Prior studies are mostly established in the home-host
scenario; however, this new result has extended the impact of firm-related factors to the
cross-market scenario. In light of these new findings, firms operating in both

home-host and cross-market scenarios should employ a decentralised decision making structure when they are large in size and have more international business experience, in order to make use of the advantages offered by their local representation, such as sound knowledge of local environmental conditions, flexibility, and efficiencies (Garnier, 1982; Daniels, 1987; Quester and Conduit, 1996).

Environmental factors

The environmental construct is another explanatory factor of decision-making governance. This factor is also confirmed as an antecedent of standardisation strategy. These outcomes indicate that firms can adopt two different types of strategies when dealing with the barriers associated with environmental differences, or similarities. First, this study has confirmed that firms operating in a country-pair that has shared a high extent of environmental similarity opt to choose decentralised decision-making governance. This finding, however, is contrary to those reported in previous studies in the home-host scenario, which have suggested that firms are more likely to employ a decentralised governance structure when operating in a highly different environment (Garnier, 1982; Gates and Egelhoff, 1986; Quester and Conduit, 1996; Laroche *et al.*, 2001). Two possible issues might have attributed to this result. First, firms might have adopted a different decision making process for the home-host and cross-market scenarios. As outlined above, prior research is unable to confirm a significant relation between centralisation structure and financial performance in the home-host scenario, thus, firms might have decided to change to the decentralised structure in the cross-market scenario, even when the cross-market environment is similar. As demonstrated, this strategy has been identified to be positively associated with profitability. Second, when operating in the EU countries, the speed of making a prompt marketing decision might be crucial to a firm's operation across the EU region. It is likely that a firm's success in the EU region might relate to their speed in transferring a set of marketing programmes from one host to another host market, especially in comparison to their key competitors. As indicated to have decision-making made locally would enable firms to respond quickly to the needs and challenges arising in the markets (Miles and Snow, 1978; Andrews *et al.*, 2007). Thus, firms still adopt a decentralised decision making structure, even when operating in a highly similar environment.

Firms can also adopt a customised set of programme elements when the cross-market environmental difference is high. This result is in line with those that have proposed that the extent of environmental difference is positively related to adaptation strategy (Walters, 1986; Jain, 1989; Baalbaki and Malhotra, 1993; Schuh, 2000; Chung, 2003; Okazaki *et al.*, 2006). Firms often need to adjust their programme in order to cater for cross-market environmental differences, in order that a competitive advantage may be obtained (Sorenson and Wiechmann, 1975; Boddewyn *et al.*, 1986).

In summary, when transferring a product/service from one host to another host market, firms can consider employing a highly adapted set of programme elements in order to suit a local market condition. They might also delegate their decision making to a local representative who can react quickly to the needs of the host market(s). The latter is suggested to be more effective when operating in a highly similar cross-market environment.

Control variables
As outlined, this study has included product characteristics and market potential as its control variables (Ozsomer *et al.*, 1991). Market potential is confirmed as an antecedent factor of decision governance and standardisation strategy, in two different perspectives. First, firms operating in countries whose market potentials are highly different are more likely to employ a highly adapted marketing programme. One possible reason for this result is that countries are likely to have different needs when the size of their market potential is varied. Thus, a customised programme is often required. A customisation strategy would allow firms to capture various business opportunities associated with the variation of market potential. This revelation has provided new insight into research concerning marketing standardisation strategy (Baalbaki and Malhotra, 1993; Schuh, 2000; Chung, 2003; Katsikeas *et al.*, 2006). In addition to those factors commonly examined by existing standardisation research (e.g. firm, environment), the market potential factor might need to be considered in future research (Jain, 1989). Second, firms operating in a highly different market potential environment, are suggested to be likely to adopt a decentralised decision making structure. This outcome might also enhance those studies that have not revealed this factor as being an explanatory factor of decision-making governance (Garnier, 1982; Daniels, 1987; Quester and Conduit, 1996; Picard *et al.*, 1998). This study is, however, unable to confirm that product characteristics are significantly related to decision-making structure and standardisation strategy. This suggests that the outcomes established in this study can be equally applied to firms operating in either the manufacturing or the service sectors, as well as those firms operating at a different stage of the product life cycle (Daniels, 1987; Quester and Conduit, 1996).

Conclusion
In contrast to the traditional approach, this study is intended to provide guidance for firms operating, or considering operating, in the cross-market scenario. As outlined, firms can rely on the strategies established by the home-host or cross-market scenarios when operating in the EU region. The cross-market scenario is likely to be more useful when the home and host markets belong to different regional economic organisations, have a different domestic size, or have a large geographic distance. Under one or more of these circumstances, the decisions made through using the cross-market scenario might be able to respond more quickly and effectively to the needs of the host markets than those produced by the home-host scenario. The results of this study have advanced existing literature in a number of aspects. They are outlined below.

First, the findings established in this study have significantly enhanced those uncovered in the organisational behaviour literature. As previously discussed, prior research has mainly focused on the structures and strategies proposed by Miles and Snow (1978) (prospector, defender, and reactor) and those uncovered by Porter (1980) (differentiation, cost leadership) (e.g. Miller, 1988; Andrews *et al.*, 2007). The findings of this study have offered a new insight to this group of research. In addition to those already proposed, this study has provided a new structure-strategy-performance framework in the cross-market scenario. It is suggested that marketing decision-making structure and marketing strategy can also assist firms in achieving their financial goals when operating in the EU region (Gates and Egelhoff, 1986). Future research can use those uncovered findings by other studies, as well as that of

this study, when exploring the relations among structure, strategy, and performance (Miller, 1987). Thus, the existing structure-strategy-performance framework has been broadened.

Furthermore, the outcomes of this study have also provided specific guidance on the selection of explanatory factors for decision-making governance and marketing standardisation strategy in the cross-market scenario. For instance, it is suggested that, when operating across the EU region, firms with large size and high levels of international business experience, operating in a highly similar cross-market environment or a country-pair that has a highly different market potential, are more likely to pursue a decentralised governance structure. Firms operating in a highly different market environment, and in host markets with a high market potential variation, are more likely to adopt an adaptation strategy. Market potential is confirmed to be a new factor of both strategies in the cross-market scenario.

Lastly, the impact of decision governance and standardisation strategy on performance suggests that firms can utilise both strategies to achieve their financial performance objectives when operating in the cross-market scenario. Firms adopting a decentralised decision-making structure are more likely to pursue a higher level of profitability, while adaptation of the programme leads to a greater market share. Market share is also significantly associated with higher profitability. As firms can rely on the frameworks established by the home-host and cross-market scenarios, this group of new outcomes might provide an alternative to firms when formulating their strategy-structure-performance framework. As prior research in the home-host scenario seems unable to reveal a significant relation between structure and performance, firms should perhaps consider adopting the cross-market framework, as outlined in this study, when achieving financial objectives that are important to their firms' operations in the EU region.

This study has only a few limitations. First, similar to the limitation reported in the literature (e.g. Ozsomer *et al.*, 1991; Picard *et al.*, 1998), the number of firms included in the sample is small. An enlargement of the sample size could possibly improve the validity and reliability of the outcomes established in this study through, for example, higher AVE values. Likewise, this study has only focused on selected explanatory factors in its research framework. Other important factors, such as strategic factors (e.g. global strategic orientation), as displayed in some recent studies (Okazaki *et al.*, 2006), are not considered in the current framework. Including this group of factors in the framework would have allowed the conclusion to be easily generalised. Lastly, as regional economic blocks are becoming increasingly important to international business and marketing, the results revealed in this study could provide a useful platform for future research (Beamish *et al.*, 1999; Schuh, 2000; Roper, 2005).

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Further reading

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