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Structure of marketing decision making and international marketing standardisation strategies

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Abstract

Purpose – Research concerning marketing standardisation is still developing. A new research theme has recently emerged, wherein it is suggested that the structure of marketing decision making is likely to be a factor of marketing standardisation strategy. This study aims to add insights to this new research field. Based on the outcome of previous studies, it aims to propose and test a research framework concerning the relationships among environmental factors, the structure of decision making and marketing standardisation/performance. This study seeks to focus on the two most important programme elements: promotion and product.

Design/methodology/approach – The study used the experience of 78 firms operating in the European Union (EU) region to achieve its research objectives. The data used were collected through a postal survey. This analysis used both partial least square (PLS) and hierarchical regression analysis methods to examine its research framework.

Findings – The study has generated a framework for future research. It is suggested that, with the absence of direct influence, the structure of decision making is still likely to have an indirect effect on marketing standardisation strategy. Although a path relationship is unlikely to exist between environmental factors, the structure of decision making and performance, the joint effect between environmental factors and the decision-making structure on performance is confirmed. The outcomes of the study suggest that, through careful selection, firms adopting a high and low degree centralisation structure can benefit from operating in a similar high/low environment, as well as in a country with high/low market size and potential.

Originality/value – The study's findings have enhanced those uncovered by other researchers. A number of implications can be drawn for these findings.

Keywords International marketing, Standardization, Decision making

Paper type Research paper

Introduction

The standardisation of a marketing strategy indicates that a uniform or similar set of programme or process elements is used across a foreign host market, as well as in the home market (Buzzell, 1968; Chung, 2003). Probably due to the economies of scale and cost saving benefits associated with this strategy, many academics have devoted effort to this research theme in the past (e.g., Sorenson and Wiechmann, 1975; Levitt, 1983; Jain, 1989; Samiee and Roth, 1992; Cavusgil *et al.*, 1993; Griffith *et al.*, 2000). These authors have made varying degrees of contribution to this research field. Some have proposed that the marketing programme (product, price, place and promotion) and process elements need to be considered together, while others have suggested that

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performance should be investigated alone when formulating a standardisation strategy framework. Process denotes the tools that are used to implement the marketing programme elements. Studies in the former group focus mainly on uncovering the factors that have a direct influence on the decision of marketing standardisation strategy. Often cited factors include market environmental and firm-related factors (Sorenson and Wiechmann, 1975; Jain, 1989; Picard *et al.*, 1998). Research in the latter group is mainly designed to explore whether the adoption of a standardisation, or an adaptation, strategy could attribute to higher performance (Samiee and Roth, 1992).

Recently, a group of researchers have added new contributions to the research concerning marketing standardisation strategy by examining whether a firm's choice of marketing decision making structure is a factor in marketing standardisation strategy (e.g., Picard, 1978; Jain, 1989; Quester and Conduit, 1996; Papavassiliou and Stathakopoulos, 1997; Picard *et al.*, 1998; Tai and Wong, 1998; Solberg, 2000; Laroche *et al.*, 2001). It is confirmed that the marketing decision making structure is an important aspect of marketing standardisation strategy formulation, though a conclusive result is yet to be explored. The marketing decision-structure represents the degree of authorisation which a firm's local representation is given when formulating their own marketing strategies (Picard *et al.*, 1998; Solberg, 2000). Some studies cite this as an issue of centralisation, or autonomy (Daniels, 1987; Quester and Conduit, 1996). Some firms have adopted a high degree of centralisation, whereby most of their marketing decisions are made at the firms' headquarters; while others have employed a low degree of centralisation, whereby the decisions are made with a moderate/high degree of input from the firm's local representation (Tai and Wong, 1998). The outcomes established in prior studies can be divided into several groups based on their analysis approaches. Useful previous research, however, still leaves a number of gaps that need to be filled.

Studies in the first group have examined whether the marketing decision making structure is a factor of marketing standardisation strategies. Studies in this group have generated mixed results; some support (Duncan and Ramaprasad, 1995), while others fail to confirm, such a relationship (Quester and Conduit, 1996; Tai and Wong, 1998). Despite its mixed results, a key contribution of this group of studies is in determining whether or not the degree of authorisation is a predictor of marketing standardisation strategy. Nonetheless, though useful, a key weakness of this group of researches is that they have only investigated in terms of any direct impact, but have not considered any indirect effects in their research scope. In research concerning the structure of decision making and standardisation, it could well be that the impact of the structure of decision making on standardisation only occurs when operating in a particular environment (e.g., a high risk environment); i.e. the decision making structure itself might not have a direct impact on marketing standardisation, but it could have an impact when it interacts with other factors (Baron and Kenny, 1986; Quester and Conduit, 1996; Picard *et al.*, 1998; Xu *et al.*, 2006). By including the interaction effect in the existing research framework, existing guidance could be more complete, as a more thorough picture will have been considered.

Unlike research in the first group, studies in the second group have examined the interaction effect in the enquiry concerning marketing decision making structure and marketing standardisation. These studies have concluded that an interaction effect is

likely to exist in the relationship between a marketing decision-structure and marketing standardisation. For example a number of studies have proposed that the marketing standardisation decision is influenced by the joint effect between a firm's degree of control and its knowledge about the host market conditions (Solberg, 2000, 2002). Other studies have pointed out that the interaction between environmental factors and decision making structure is likely to have a significant influence on the formulation of standardisation strategies (e.g., Rau and Preble, 1987). Although useful, the findings of these studies have been compromised by the limited coverage of their investigation scope and the lack of empirical evidence (Quelch and Hoff, 1986; Jain, 1989; Picard *et al.*, 1998). Detailed analysis regarding these studies is included in the subsequent section.

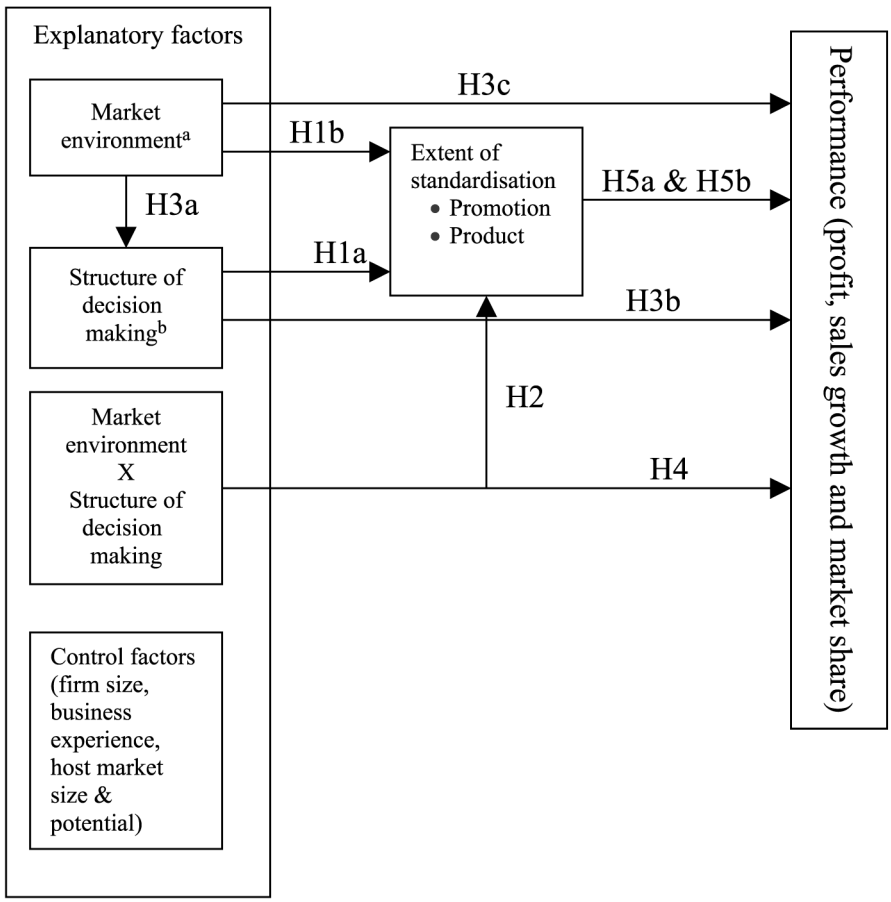
Studies in the third group focus on revealing whether or not the degree of control exerted by multinational companies (MNCs) on local representation acts as a mediator between marketing factors and marketing standardisation strategy. These studies have provoked the assumption that large similarities in the market environments across the home and host countries contribute to firms selecting a high extent of standardisation. A high degree of control is attributed to firms choosing a highly standardised strategy. A high degree of control refers to the situation whereby marketing decision making is mostly conducted at the firm's head office. A key finding of this group of studies is that a path relationship exists across antecedent factors, the degree of control and marketing standardisation strategy control (e.g., Gates and Egelhoff, 1986; Laroche *et al.*, 2001). Despite its pioneering finding, a major restriction of this stream of studies is that performance is not considered in the framework. The investigation of whether the path structure between marketing factors, the structure of decision making and performance does exist will fill the gaps left in the standardisation-performance literature. Existing studies have only separately examined the relationships between marketing factors and performance (e.g., O'Cass and Julian, 2003), or between the structure of decision making and performance (e.g., Picard *et al.*, 1998). The inclusion of performance in the framework will provide useful guidance on whether firms are able to use their decision structure to mediate the impact of environmental conditions on their performance in a foreign host market.

Studies in the last group have specifically investigated the relationship between the degree of control and performance. Some studies in this group proposed that the impact of control on performance is not significant (Picard *et al.*, 1998), while others indicated a significant result, but only in terms of an interaction manner (Myers and Harvey, 2001). A key finding of the final group of studies is to suggest that the impact of control on performance is likely to be conditional. The results of this group of studies seem, however, to be confined to selected elements, such as pricing (Myers and Harvey, 2001). Details concerning this group of studies will be analysed in the following hypotheses proposal section.

In light of the review of prior findings, a number of conclusions can be drawn. These conclusions provide guidance for future research. First, existing research tends to focus on the direct relationship between decision making structure and standardisation strategy. Very little effort has been focused on examining the indirect effect of decision making structure on the selection of standardisation strategy. Second, the indirect effect of decision making structure on marketing standardisation formulation is likely to occur with the manner of moderation. Existing results on this aspect are either

conceptual, or incomplete. Further empirical examination is needed. Third, the path structure between marketing factors, the structure of decision making and performance needs to be verified, as it could add significant new insights to the existing literature. Fourth, existing findings imply that, despite the fact that direct impact might be lacking, an interaction effect between marketing factors and the structure of decision making on performance is likely to occur. This suggestion also deserves some research attention.

Thus, this study has proposed a research framework (Figure 1) in order to address the gaps left by existing studies. Details of each construct in the framework will be analysed in the following section. In the proposed framework, both structural analysis and interaction methods will be used to investigate whether the structure of decision making is an antecedent factor of marketing standardisation strategy, and whether the interaction effect between the structure of decision making and market environmental



Notes: [a]Market environment includes political-legal, economic, competitive, cultural and consumer; [b]Includes promotion and product decision-making structure

Figure 1.
Research conceptual model

factors has an impact on marketing standardisation strategy (Rau and Preble, 1987; Laroche *et al.*, 2001). The outcomes established will add new insights to the literature, by revealing whether firms have only considered the direct influence of antecedent factors, or whether a combined effect of cross-antecedent factors has been employed when formulating their marketing standardisation framework.

In light of previous suggestions, this study will examine whether the mediation and moderation relationship exists among market environmental factors, the structure of decision making and performance. It is important to learn whether the adoption of an integrated approach would lead to a higher performance (Laroche *et al.*, 2001). This examination of mediation and moderation analysis will also offer an opportunity for determining whether these two effects can exist at the same time, within the enquiry concerning performance (Venkatraman, 1989). Likewise, as knowledge about a host market usually requires a significant amount of time and effort to accumulate (Johanson and Vahlne, 1977; 1990, Johanson and Wiedersheim-Paul, 1975), it is probably easier to locate a foreign host market whose environment is similar to that of the home market when firms first enter the international marketplace. Thus, the outcomes established in these steps could enhance those results already established by other studies using the combination of knowledge and degree of authority (Solberg, 2000, 2002). The framework established in this study could provide a simple, but effective, guide for firms when they first enter a foreign host market.

Finally, in order to remedy the research scope of previous studies, this analysis will investigate whether the indirect effect between the structure of decision making and environmental factors, on marketing standardisation and performance, exists for both the promotion and the product elements. This choice is justified, as both elements are classified as being the most important elements of a marketing programme (Aulakh and Kotabe, 1993; Cavusgil *et al.*, 1993; Laroche *et al.*, 2001). Previous studies concerning decision making structures and standardisation have mostly focused on one single element (e.g., advertising, pricing) in their research scope (e.g., Laroche *et al.*, 2001; Myers and Harvey, 2001; Solberg, 2002).

In the following, this analysis will first synthesise the existing findings, with a set of hypotheses then being proposed. This is followed by an outline of the research methodology and a discussion of the research findings. Conclusions and research limitations are presented in the final section.

Research hypotheses

As illustrated in Figure 1, the proposed research framework consists of several groups of variables; including market environment, structure of decision making, the joint effect of market environment and structure of decision making, the control variables, standardisation, and performance. All variables listed in the framework are organised using the definition suggested in the literature. To be consistent with the literature several items are used to define the host environment including political (e.g., government intervention), legal (e.g., regulations on business operation), economic (e.g., stage of economic development), competitive (e.g., nature of competition), cultural (e.g., customs) and consumer environment (e.g., buying behaviour) (Sorenson and Wiechmann, 1975; Jain, 1989). Likewise by adopting the definition of prior research, the structure of decision making represents the location where the decision making concerning the product and promotion elements occurred (HQs vs local representation)

(Picard *et al.*, 1998). The joint effect of market environment and structure of decision making is operated by the interaction between these two factors (Szymanski *et al.*, 1995). The control variables denote factors that are suggested to have some lesser impact or new factors in the framework (e.g., firm size, business experience and market size and potential) (Cavusgil *et al.*, 1993). The extent of the standardisation factor consists of both product and promotion elements, which represent the degree of standardisation employed by firms operating in the EU region (Jain, 1989). Finally performance is defined as a firm's financial achievement in the EU markets (profit, sales growth and market share) (Myers and Harvey, 2001).

In the proposed research framework (Figure 1), *H1* (*H1a* and *H1b*) is related to the direct relationship between the structure of decision making, the environment and marketing standardisation. *H3* is related to the mediation analysis, while *H2* and *H4* are associated with the moderation effect (Xu *et al.*, 2006) (Figure 1). *H5a* and *H5b* are related to the relationship between the standardisation strategy and performance. These hypotheses apply to both the product and promotion elements.

Market environment, structure of decision making and product/promotion standardisation

Prior studies examining the relationship between the marketing environment, structure of decision making and marketing standardisation strategy can be generally divided into two categories. The outcomes of the first category propose a direct relationship between environment, structure and standardisation, while the results of the second category imply that the interaction effect between the structure of decision making and factors such as marketing environment is likely to exist. Within the first category, research can be divided into two sub-streams. The first stream determines whether marketing control is a factor of marketing standardisation. Research in the second stream uncovers whether marketing environmental factors are factors of marketing standardisation strategy. Results established in both categories are useful for the hypotheses proposal, and are reviewed as follows.

Although not universally agreed, the majority of research in the first stream supports the finding that the structure of decision making is a factor of marketing standardisation strategy. In his well-cited conceptual framework, Jain (1989) suggested that the degree of decision making authority delegated to firms' local affiliates is a factor of marketing standardisation strategy. This finding is supported by a number of authors, who revealed that the degree of control is positively related to the extent of marketing standardisation strategy (Laroche *et al.*, 2001; Daniels, 1987; Kirpalani *et al.*, 1988; Özsomer *et al.*, 1991; Duncan and Ramaprasad, 1995). Firms adopting a centralised structure (i.e. high degree of control) are found to be more likely to employ a highly standardised programme. Several others have, however, failed to confirm that the authority given to a local affiliate is a factor of marketing standardisation strategy (Quester and Conduit, 1996; Tai and Wong, 1998; Picard *et al.*, 1998). Although failing to confirm a significant relationship, Tai and Wong (1998) have proposed a useful framework on the relationship between the decision-making structure and marketing standardisation strategy. The two alternatives in the framework that are relevant to this study are the global approach (centralised decisions and standardised strategies) and the local approach (decentralised decisions and differentiated strategies). This finding will be discussed further in a later section. In light of the majority of the

findings in this stream of research it is expected that a centralised structure is likely to be positively related to the degree of standardisation strategy.

Studies in the second stream have been devoted to examining the relationship between market environment and marketing standardisation strategy. A significant body of results have been established concerning this relationship (Sorenson and Wiechmann, 1975; Hill and Still, 1984; Jain, 1989; Cavusgil *et al.*, 1993; O'Cass and Julian, 2003; Özsomer *et al.*, 1991; Theodosiou and Leonidou, 2003). These studies have pointed out that political-legal, economic, competitive, cultural, and consumer, environments are likely to be key factors of marketing standardisation strategy. Firms are revealed to be more likely to employ a highly standardised strategy when operating in a host country whose environment is similar to that of the home market:

H1. A direct relationship between the structure of decision making, the marketing environment and marketing standardisation strategy is likely to occur.

H1a. It is anticipated that the degree of centralisation is positively related to the degree of standardisation strategy; i.e. firms adopting a highly centralised structure are more likely to employ a highly standardised strategy; and

H1b. It is anticipated that the extent of environmental similarity is positively related to the degree of standardisation strategy; i.e. firms operating in an environment with a high degree of similarity are more likely to employ a highly standardised strategy.

As noted, the second category of studies proposes that the joint effect between marketing environment and the structure of decision making is likely to influence the choice of marketing standardisation strategy. Results established in this category are limited. Existing studies in this category can be divided into two sub-themes. Studies in the first sub-theme have explored an interaction effect involving specific factors and the marketing decision-making structure. Solberg (2000, 2002) proposed that the interaction between the level of knowledge and the extent of control would influence a firm's choice of marketing standardisation. Based on the four combinations (low/high knowledge and low/high control), Solberg divided firms' strategies into four categories: Confederation; federation; local baronies; and civil war. Each category is associated with a different extent of standardisation strategy. Although useful, the findings established in this group have not considered the specific elements of local marketing conditions (e.g., political-legal environment), or other factors such as those which are firm-related, and the domestic market size and potential (Rau and Preble, 1987). This framework might also provide limited guidance when firms lack an in-depth knowledge about a host market. Despite this weakness, the conclusions established by this theme have provoked the theory that an interaction effect concerning the structure of decision making and marketing standardisation is likely to exist.

The second sub-theme of studies has specifically proposed an interaction effect between environmental factors and decision-making structures, but the research approach used tends to be conceptual. The proposal of this steam of studies needs to be empirically examined. In their study of US firms' operations in the EU region, Picard *et al.* (1998) concluded that the inter-relationship between the degree of authority and the marketing environment is likely to be a factor of the marketing standardisation strategy. This claim is supported by Rau and Preble (1987), who proposed that the

interaction of the extent of similarity of the environment between the host and home markets, and the structure of decision making, is likely to be related to the degree of standardisation implemented in that country. Rau and Preble (1987) suggested that firms operating in a host country, whose environment is similar to that of the home country and that adopt a high extent of control, are more likely to employ a highly standardised strategy. Several other studies have also reached a similar conclusion by revealing that firms are less likely to use a centralised decision-making structure when the cross-country environment is dissimilar. A decentralised structure is often associated with a higher extent of programme differentiation (Garnier, 1982; Özsomer *et al.*, 1991; Quester and Conduit, 1996). The findings of the second category of research suggest that the interaction between the structure of decision making and the degree of similarity in environmental conditions is likely to be related to the extent of standardisation. Specifically it is expected that:

H2. When operating in the EU region, firms adopting a highly centralised structure, and operating in a host country whose environment is highly similar to that of the home country, are more likely to adopt a highly standardised strategy.

Market environment, structure of decision making and performance

As reported, previous path studies have exclusively examined the relationship between marketing factors, the structure of decision making and marketing standardisation strategy (Laroche *et al.*, 2001). The path relationship between the market environment, the structure of decision making and performance is yet to be uncovered (e.g., Kirpalani *et al.*, 1988; Özsomer *et al.*, 1991; Quester and Conduit, 1996). Despite this, the results of a number of studies might provide a useful foundation for a hypotheses proposal regarding these three factors. For example, several studies have revealed that key factors influencing marketing decision-making structures include, among others, environmental factors and firm-related factors. Picard *et al.* (1998) and Gates and Egelhoff (1986) revealed that the local environmental situation is significantly related to the degree of authority given to local affiliates. Although not conclusive, it is suggested that firms tend to delegate a higher degree of authority to local representatives when the perceived local environmental obstacles are high (Picard *et al.*, 1998; Gates and Egelhoff, 1986). Laroche *et al.* (2001) confirmed this result by observing that the similarity of the market environment across the home and host countries has enhanced parent firms' control over their local affiliates. Their study concludes that there is a positive relationship between environmental similarity and the degree of centralisation. In light of these results, a positive significant relationship between cross-market environmental similarity and the extent of centralisation is, therefore, expected.

Another group of studies has focused on examining the relationship between the structure of decision making and performance or between the environment and performance but the results generated are limited. Prior results indicate that the relationship concerning decision making and performance tends to be insignificant, while that related to environmental similarity and performance is likely to be significant. In their study of US firms' operations in the EU region, Picard *et al.* (1998) have measured performance in three aspects; market share, sales growth, and financial results; but their study has found that none of these performance items are

significantly related to the degree of autonomy given to a local representative. The findings of this analysis suggest that firms might need to consult other marketing strategies, such as the standardisation strategies (Jain, 1989), instead of using their decision-making structure in order to achieve their financial objectives. The relationship between standardisation strategies and performance is discussed in further detail below. Nevertheless, in a study of Australian firms' operations in a number of host countries (e.g., the EU), O'Cass and Julian (2003) confirmed a direct, significant impact of environmental characteristics on performance. This finding is supported by several other studies which have also revealed that a firm's performance in a host market is affected by its environmental conditions (Douglas and Craig, 1989; Dominguez and Sequeira, 1993). These studies indicated that firms will probably perform better when operating in a dissimilar environment. In such an environment firms are often forced to modify their marketing strategy so that a competitive advantage can be obtained. This competitive advantage often assists firms to achieve their financial objectives.

In light of the above discussion, the following hypotheses are presented:

H3. The structure of decision making is unlikely to mediate the relationship between the marketing environment and performance.

H3a. This is because the extent of environmental similarity is positively related to the degree of centralisation; (i.e. firms are more likely to employ a highly centralised structure when operating in a host country whose environment is highly similar to that of the home country);

H3b. This is because the structure of decision making is unlikely to be related to performance; and

H3c. This is because the extent of environmental similarity is negatively related to a firm's performance; (i.e. firms are likely to perform better when operating in a host country whose environment is highly dissimilar to that of the home country).

On the other hand, despite the fact that a direct relationship between the structure of decision making and performance might be absent, prior research has indicated that the interaction effect between the degree of authority and the market environment is likely to influence a firm's performance. Though scarce, previous findings might offer a new research direction concerning the hypothesis proposal related to these factors. For instance, the results established by Solberg (2002) have indirectly confirmed that the interaction between the structure of decision making and the degree of environmental similarity is likely to influence a firm's performance in the host markets. The results of Myers and Harvey (2001) have strengthened this suggestion by offering specific guidance as to the joint influence of the decision-making structure and the environment on performance. In his study of Norwegian exporters' organisational governance structure and performance, Solberg (2002) concluded that the joint effect between the structure of decision making (HQs/local representation) and the degree of knowledge regarding local market conditions plays a significant role in performance. It is suggested that a firm's knowledge of a host market's condition might relate to the environmental similarities/dissimilarities between the home market and the host market (Johanson and Vahlne, 1977, 1990). This result is supported by the findings of

Myers and Harvey (2001) whose study has concluded that the impact of the degree of authority offered to a local affiliate in regards to performance interacts with the volatility of the host country environment. It is found that a firm's performance is enhanced by a combination of high control and highly volatile environmental differences. These findings indicate that an interaction effect is likely to exist among the decision-making structure, environment and performance. Based on the results of previous research, the following hypothesis is proposed:

H4. When operating in the EU region, firms adopting a highly centralised structure, and operating in a host country whose environment is highly dissimilar to that of the home country, are likely to perform better.

Standardisation and performance

Prior research has established mixed results regarding the relationship between product standardisation and performance. The often-used performance measures include profit, sales growth and market share (Kotabe, 1990; Cavusgil and Zou, 1994). In their study of firms' international operations, Cavusgil and Zou (1994) found that product adaptation is positively related to performance. This finding has been supported by some other studies (Shoham, 1996). An adaptation strategy represents those situations where firms have adopted a modified marketing programme and/or process for a host market (Jain, 1989; Sorenson and Wiechmann, 1975). An adaptation strategy is the opposite of a standardisation strategy. In contrast, studies conducted by Johnson and Arunthanes (1995) and Samli (1987) do not support the premise that product adaptation is related to performance, while Zou and Cavusgil (2002) have claimed that product standardisation is positively associated with performance. The results that are related to promotion standardisation and performance are also inconclusive. Cavusgil and Zou (1994) established a negative relationship between promotion adaptation and performance. The study conducted by Fraser and Hite (1990) marginally supported a relationship between promotion adaptation and performance, while Shoham (1996) and several others (e.g., Shoham, 1999) have found that promotion adaptation is positively related to profit and sales growth. In short, the research concerning product and promotion standardisation and performance is still developing and a conclusive result is yet to be found. In light of the existing findings, a neutral relationship is thus proposed:

H5a. The extent of product standardisation is likely to be significantly related to performance.

H5b. The extent of promotion standardisation is likely to be significantly related to performance.

Control variables

Besides environmental factors, a number of studies suggest that firm and host market-related factors might also be factors of the structure of decision making and the marketing standardisation strategy (Picard *et al.*, 1998). These factors are also included in the research framework (Figure 1), and include firm size and international business experience (Gates and Egelhoff, 1986), as well as host market size and potential (Agarwal and Ramaswami, 1992).

A mixed result has been established in the literature regarding the effect of firm size in the choice of a decision-making structure. Garnier (1982) proposed that large-sized firms are less likely to adopt a centralised decision-making structure, while Gates and Egelhoff (1986) found that large-sized firms are inclined to adopt a centralised marketing decision-making structure. Likewise, past studies have suggested that the longer the firm has been operating in the international marketplace, the more likely they will be able to adopt a decentralised decision-making structure (Gates and Egelhoff, 1986). Highly experienced firms are also found to be more likely to select an adaptation strategy (Cavusgil *et al.*, 1993). Although not widely examined in the literature (e.g., Jain, 1989; Theodosiou and Leonidou, 2003), host market size and potential has also been conceptually suggested as being a factor in a firm's choice of marketing standardisation strategy and decision-making structure (Quelch and Hoff, 1986; Rau and Preble, 1987).

Research methodology

Sampling frame and sample profile

The EU is the largest economic region in the world (Europa, 2007) and is an important market for firms from many countries, including those based in New Zealand. The results established from firms' experiences in this region can be widely applied to firms operating in other parts of the world (e.g., Sorenson and Wiechmann, 1975; Boddewyn *et al.*, 1986; Boddewyn and Grosse, 1995). The EU is also the central focus of a number of prior researches concerning the structure of decision making and standardisation strategy (Daniels, 1986, 1987; Picard *et al.*, 1998). Thus, the conclusions drawn from this study can be compared with those of others drawn on a similar basis. Firms in the sampling frame were primarily drawn from a commercial and government database. These firms are based in New Zealand. The database is highly regarded as a useful resource by firms operating in the international marketplace. Details of major international business operators are listed in the database. After several screening procedures, the sampling frame formed was 293 firms. These firms were believed to be most likely to have business operations in the EU region. A mail survey was used to collect the primary data. By adopting the procedure suggested in the literature (Quester and Conduit, 1996; Myers and Harvey, 2001), the survey was sent to the staff members who were designated to be responsible for the firms' operations in the EU region (international marketing manager, or the most senior staff member of each particular firm). The identified respondents were suggested to have the best knowledge of their firms' operations in the EU region. To be in line with the practice adopted in the literature (Quester and Conduit, 1996; Myers and Harvey, 2001), however, the actual position of the respondents in the firm was not enquired into in the study. Respondents were instructed to return their responses in the freepost envelope provided. Respondents were asked to answer the survey in relation to their most important product, marketed in their most important EU market. The importance was determined by sales revenue. The questions asked in the survey were related to a marketing programme used in the home (New Zealand) and host markets in the same time period (Cavusgil *et al.*, 1993).

The original sampling frame was adjusted to 233 firms for the reasons of firms not operating in the EU region, no longer being in business, having incorrect mailing details, and so on. In total, 78 firms were classified as useful in terms of the focus of this

study; being firms operating in the manufacturing sectors. Based on this information the response rate obtained is approximately 33 per cent. The non-response bias was determined by the method suggested by Armstrong and Overton (1977). A *t*-test was performed on the firm-related factors (size and business experience) and the performance items (profit, sales growth and market share) between the early and late respondents. No significant differences were found between these groups. Thus, it was concluded that this study has no serious non-response bias.

According to the Australasian standard (Ellis and Pecotich, 2001), these firms are classified as medium-to-large sized firms (mean employee size = 365). Firms with employee size of less than 200 are classified as small-to-medium sized. On average, these firms have about twenty years international business experience and have been operating in the host markets for approximately 12 years. The most important host markets in the EU include the UK, Germany and France, as well as several others (e.g., Italy, Spain and Ireland). The respondents have mainly used exporting, wholly owned marketing subsidiaries, strategic alliances and joint ventures to service the host markets. Firms in the sampling frame were from a number of industrial sectors; including agricultural and food, wine, publishing, clothing, carpeting and electronics. As previous studies have identified the fact that industries such as electronics could be more technology oriented, they might be more adaptable than other traditional sectors such as agricultural and food (Shoham, 1995; O'Cass and Julian, 2003). Because of this possibility a separate set of tests (chi-square and *t*-test) were performed on the structure of decision making, marketing standardisation and performance between electronics, and non-electronics, firms. No significant differences were revealed on these factors between the two groups, thus, it appears that the results established in this study are not affected by the nature of the industrial sector. The influence of the industrial variable is, therefore, excluded from the following analysis.

Measurement

After consulting the literature which focuses on the decision-making structure and marketing standardisation (e.g., Picard *et al.*, 1998; O'Cass and Julian, 2003; Laroche *et al.*, 2001; Jain, 1989), a group of questions concerning political-legal, economic, competitive, cultural and consumer factors were formulated. These factors are measured by a five-point scale; where 1 indicates that the environmental factors between the home and host countries are highly similar and 5 indicates that the environments are highly different (Cavusgil *et al.*, 1993). The suggested measurement for product and promotion elements is comprehensive and no conclusive findings have been reached in the literature (e.g., Baalbaki and Malhotra, 1993; Johnson and Arunthanes, 1995). As it is difficult to capture all aspects of these measurement items within a single study, only those commonly suggested in the literature are adopted in this analysis (Sorenson and Wiechmann, 1975; Hill and Still, 1984; Jain, 1989; Cavusgil *et al.*, 1993; Theodosiou and Leonidou, 2003). These include characteristics, design, positioning, brand name, packaging (product), role, message (copy), theme, expression, media allocation and sales promotion (promotion). The promotion and product items were also determined by a five-point scale: 1 being recorded when the items between the home and host markets are highly similar (i.e. high standardisation/low adaptation), and 5 being recorded when the items are highly different (i.e. low

standardisation/high adaptation). Details concerning environmental factors and promotion and product items are displayed in Table I.

The structure of decision making was investigated using the practice of Picard *et al.* (1998), Tai and Wong (1998) and Solberg (2000, 2002). Firms were initially asked to reveal the location of their overall marketing decisions concerning their promotion and product element (single item-measurement). In total, three groups of answers were identified by the respondents: marketing decisions being made only at the headquarters; marketing decisions being shared by headquarters and their associated local representatives; and marketing decisions being made by local representatives (Tai and Wong, 1998). Firms whose marketing decisions are made purely by the head office are likely to have complete control over their local operations. It is likely that the marketing of this group of firms relies heavily on their consistent global image and product offering (Solberg, 2002). Thus, in order to maintain this requirement, all of their marketing decisions are made at the firm's headquarters. On the other hand, the success of marketing in the second and third groups of firms might rely on a firm's ability to adapt to the local environment and utilise local knowledge (Picard *et al.*, 1998; Tai and Wong, 1998; Solberg, 2002). Thus, it is important that the marketing decisions are made with a certain degree of local input (moderate, or high, local input). As the strategy adopted by the first group is likely to be vastly different from that of the second and third groups, the structure of decision making of the first group is coded as 1. This group of firms is classified as HQs only in the following context. The second and third group is coded as 0, due to the importance of the local input. This is categorised as the local input group in the following analysis. The decision-making structure of the first group of firms is likely to have a high degree of centralisation, while a low extent of centralisation is probably suitable for firms in the latter categories (Jain, 1989; Quester and Conduit, 1996; Tai and Wong, 1998). The results of this analysis indicated that approximately 60 per cent of firms revealed that their product decision making was purely made at their headquarters, while around 70 per cent of the respondents revealed that their promotion decisions are made using some degree of local input. This finding is consistent with those reported in the literature (Quester and Conduit, 1996; Tai and Wong, 1998).

After consulting the findings of previous studies (Picard *et al.*, 1998; Myers and Harvey, 2001), only economic performance (profit, sales growth and market share) was investigated in this study. Prior research has revealed that the influence of the decision-making structure is more likely to be related to economic performance (Myers and Harvey, 2001). The measurement for performance was determined using the suggestions of previous studies (Cavusgil and Zou, 1994; Samiee and Roth, 1992). Details concerning performance items are also listed in Table I.

The control variables are determined by the number of full-time employees (firm size), the number of years in international business, the number of countries operated in (international business experience) and the number of years the subject product has been marketed in the host markets (experience in the host market) (Cavusgil *et al.*, 1993; Picard *et al.*, 1998). The market size and potential are measured mainly on the basis of the practice of previous studies (1-7 scale; 1 = small, 7 = large) (Agarwal and Ramaswami, 1992). These two factors were determined by the respondents' ratings on size and the potential of the industrial sector in which their firms have been operating in the host market.

Factors	Items	Mean values	Factor loadings	Cronbach alpha	% of variance explained	Eigenvalue	PLS factor results loadings	CR	Ave	SQRT ave
Product	Characteristics of product	1.45	0.792	0.82	58	2.90	0.782*	0.871	0.576	0.76
	Brand name	1.97	0.696				0.722			
	Product design	1.59	0.810				0.804			
	Product packaging	1.70	0.657				0.646			
	Product positioning	1.92	0.836				0.824			
Promotion	Role of advertising	2.45	0.784	0.941	78	4.651	0.751	0.942	0.732	0.85
	Basic advertising theme	2.43	0.893				0.882			
	Advertising copy	2.64	0.910				0.899			
	Creative expression	2.64	0.905				0.884			
	Advertising media allocation	2.80	0.909				0.875			
	Role of sales promotion	2.62	0.875				0.830			
Firm: IBE	Number of years in international business	22.14	0.882	0.72	78	1.55	0.734	0.845	0.735	0.86
	Number of countries operated in	18.51	0.882				0.964			
Market size and potential	Current size of market	3.75	0.874	0.690	76	1.53	0.894	0.863	0.759	0.87
	Potential of the market	4.45	0.874				0.846			
Political-legal environment	Political interference of the host government	2.80	0.888	0.822	65	2.62	0.870	0.875	0.637	0.80
	Legal regulations on product content	2.53	0.735				0.789			
	Legal regulations on price and sales conditions	2.50	0.842				0.764			
	Legal regulations on packaging requirements	2.49	0.762				0.789			
Economic environment	GNP/capita	3.17	0.893	0.840	68	2.74	0.868	0.886	0.663	0.81
	Cost of labour	3.53	0.897				0.860			
	Stage of economic development	2.51	0.635				0.699			
	Consumer purchasing power	2.97	0.856				0.816			
Competitive environment	Competitive nature of the market	2.82	0.868	0.673	75	1.50	0.807	0.851	0.741	0.86

(continued)

Table I.
Measurement items

Table I.

Factors	Items	Mean values	Factor loadings	Cronbach alpha	% of variance explained	Eigenvalue	PLS factor results loadings	CR	Ave	SQRT ave
Cultural environment	Market share position of the product	3.25	0.868	0.69	62	1.851	0.911	0.851	0.657	0.82
	Understanding and interpretation of advertising	2.33	0.701				0.696			
	Literacy and education level	1.96	0.795				0.847			
	Sociocultural customs and taboos	2.38	0.853				0.875			
Consumer environment	Consumer purchasing habits	2.83	0.937	0.862	79	2.359	0.906	0.908	0.766	0.87
	Consumer preferences	2.86	0.907				0.867			
	Consumption patterns of good/service	2.65	0.811				0.851			
Firm-employee	Number of full-time employees hired	365	NA	NA	NA	NA	NA	NA	NA	NA
Year in the market	Number of years the product marketed in the host market	14.30	NA	NA	NA	NA	NA	NA	NA	NA
Performance – profit	Average profitability over the previous three financial years (1 = high levels of loss; 7 = high levels of profit)	4.42	NA	NA	NA	NA	NA	NA	NA	NA
Performance – sales growth	Average annual sales growth over the previous three financial years (1 = negative growth; 2 = 0-5 per cent, 3 = 6-10 per cent, 4 = 11-15 per cent, 5 = 16-20 per cent, 6 = 21-25 per cent, 7 = greater than 25 per cent)	3.53	NA	NA	NA	NA	NA	NA	NA	NA
Performance – market share	Market share of the previous financial year (1 = 0-10 per cent; 10 = 91-100 per cent)	2.47	NA	NA	NA	NA	NA	NA	NA	NA

Note: * All loadings in the measurement models are significant at $t > 1.96$ ($p < 0.05$)

Analysis methods

This study uses both structural analysis and regression moderation analysis as its key research methods. *H1*, *H3* and *H5a* and *H5b* are investigated through the structural analysis method of partial least square (PLS), using a bootstrap technique (Chin, 2001). The convergent validity was verified, because the average variance extracted (Ave) and the composite reliability (CR) scales were all larger than the required standards (0.5 and 0.7, respectively) (Table I). The discriminant validity was assessed by (1) if the loading of construct correlations was higher than the other factor items in the study, and assessed by (2) if square root of the average value of the construct was larger than any correlation between this construct and any other constructs in the model in the second aspect. Both aspects of discriminant validity are also supported (Gefen and Straub, 2005).

H2 and *H4* are determined by the hierarchical regression analysis method (Szymanski *et al.*, 1995). The factor items were grouped using the principal component confirmation method (Table I). Most of the factors have produced satisfactory results (Cronbach alpha larger than, or around, 0.7). The independent variables used in this analysis are assessed by a correlation test; carried out before the regression analysis (Table II). The highest correlation result among the independent variables is approximately 0.65 (for the product element). The largest correlation value among the independent variables concerning the promotion element is 0.68. Past studies suggest that correlations at this level might not pose a serious multicollinearity issue for the interaction results generated (Erramilli and Rao, 1993). Only the factors related to the product element are listed in the correlation matrix, to avoid duplication. Two rounds of regression analysis were conducted in this analysis. In the first round the dependent variables were promotion and product adaptation, while in the second round the dependent variables were the three performance items. The same set of independent variables was used in both rounds of analysis. Adopting the same practice as in prior studies (e.g., Picard *et al.*, 1998), the three performance items (profit, sales growth and market share) were treated as three separate dependent variables. The relationship between standardisation and performance was also examined using univariate regression analysis, in order to remain in line with the other analysis conducted in the study (PLS analysis). In this final round of analysis, product and promotion adaptation was treated as an independent variable, while the three performance items were examined as dependent variables.

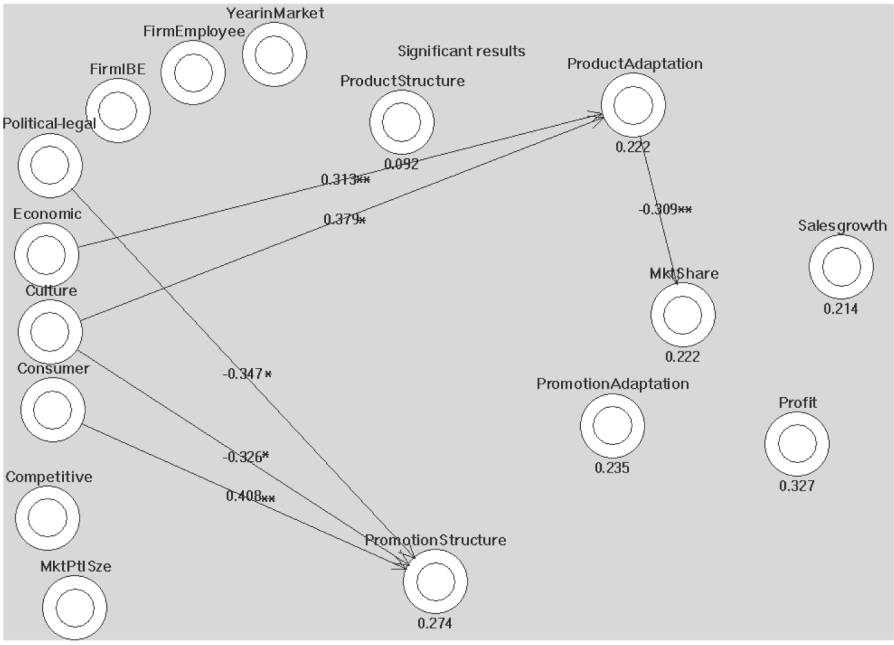
Research results

Direct relationship between market environment, the structure of decision making and product/promotion standardisation

The results concerning the direct relationship between environment, structure and marketing standardisation are listed in Figure 2. To avoid complexity only the significant factors are listed in the figure (coefficient > 0.2 and $t > 1.645$) (Chin, 1998). Previous studies suggest that, due to their significance, only path coefficients greater than 0.2 should be used in the analysis. As shown in Figure 2, both the cultural and economic environments are positively associated with the choice of product adaptation strategy. No significant relationship has been identified regarding the promotion element. This non-significant relationship indicates that firms in this study might have abandoned the traditional practice by considering the direct effect of the market

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S
Employee (A)	1.000																		
Year in market (B)	0.161	1.000																	
Profit (C)	0.012	0.019	1.000																
Sales growth (D)	−0.158	−0.210	0.205	1.000															
Market share (E)	−0.005	0.081	0.077	0.273	1.000														
Product structure (F)	−0.035	0.075	−0.242	−0.192	−0.209	1.000													
Firm IBE (G)	0.457	0.268	0.025	−0.133	−0.064	−0.008	1.000												
Political and legal (PL) (H)	0.002	0.184	−0.013	−0.066	0.034	−0.152	0.002	1.000											
Economic (I)	−0.077	−0.055	0.052	0.118	−0.072	−0.024	−0.047	0.283	1.000										
Competitive (J)	0.195	−0.010	0.076	−0.035	−0.179	0.108	0.163	−0.074	0.231	1.000									
Culture (K)	−0.067	0.166	0.002	−0.152	0.003	−0.056	0.052	0.426	0.192	0.026	1.000								
Product adaptation (L)	−0.118	0.026	−0.165	0.109	−0.241	−0.043	−0.066	0.199	0.182	0.023	0.258	1.000							
Product structure × PL (M)	0.001	−0.037	0.069	−0.043	0.118	−0.388	0.008	0.583	0.233	−0.055	0.264	0.087	1.000						
Product structure × economic (N)	−0.103	−0.130	0.086	0.108	−0.001	−0.026	−0.150	0.224	0.650	0.167	0.059	0.062	0.328	1.000					
Product structure × competitive (O)	0.141	−0.057	0.214	0.054	−0.070	−0.157	0.171	0.045	0.229	0.624	0.043	−0.016	0.074	0.285	1.000				
Product structure × culture (P)	−0.065	0.147	0.066	−0.064	−0.046	−0.070	0.061	0.265	0.038	0.054	0.636	0.262	0.294	−0.026	0.070	1.000			
Market size and potential (Q)	0.090	0.021	0.143	0.167	−0.099	0.030	0.056	0.053	0.073	0.194	−0.114	0.078	−0.009	−0.004	0.111	−0.014	1.000		
Product structure × market size and potential (R)	0.144	−0.073	0.257	0.218	0.014	0.022	0.082	−0.016	−0.018	0.072	−0.041	0.137	0.014	0.016	0.052	−0.065	0.625	1.000	
Consumer (S)	−0.101	0.055	0.110	−0.039	−0.133	0.038	0.035	0.329	0.417	0.169	0.389	0.211	0.202	0.253	0.112	0.227	0.017	0.001	1.000
Product structure × consumer (T)	−0.077	−0.025	0.065	0.008	0.013	−0.163	0.002	0.253	0.269	0.068	0.241	0.128	0.384	0.417	0.221	0.267	0.001	0.074	0.565

Table II.
Correlation matrix



Note: *: $p < 0.1$ ($t > 1.645$); **: $p < 0.05$ ($t > 1.96$); only coefficient value > 0.2 and $t > 1.645$ are listed

Figure 2.
Path results

environment and the decision-making structure, and may have adopted a more integrated approach by evaluating their combined effect when formulating their promotion standardisation strategy (Tai and Wong, 1998; Laroche *et al.*, 2001). The latter is examined in the subsequent discussion.

These outcomes indicate that, of the hypotheses proposed in *H1*, only *H1b*, concerning the cultural and economic environments, is supported. *H1a* is not supported, as the structure of decision making is not confirmed as being a significant factor of the marketing standardisation strategy. A result summary concerning these two hypothesis items and the rest of the hypothesis set is presented in Table III.

Structure of decision making and standardisation-moderation results

The outcome concerning *H2* is shown in Table IV. Both the promotion and product elements' outcomes are listed in the table. As displayed in Table IV, in regards to the promotion element, the interaction model performed better than that of the main effect alone (ΔR^2 value significant at $p < 0.01$ level) (Myers and Harvey, 2001). Therefore, the interaction model was utilised concerning this element. The results reveal that firms that have been operating longer in the host markets tend to adopt a higher adapted promotion strategy. Firms with a larger international business experience are more likely to employ a highly standardised promotion strategy. Consistent with the findings identified in the PLS analysis (Figure 2), the analysis also revealed that the structure of decision making is an insignificant factor of promotion standardisation strategy (i.e. *H1a*). This finding is consistent with those of Quester and Conduit (1996),

Table III.
Hypotheses and testing results

Hypotheses	Description	Results	Significant factors
H1a	Structure → standardisation	Not supported (product, promotion)	
H1b	Environment → standardisation	Supported (product)	Cultural and economic
		Not supported (product) (political-legal, consumer, competitive)	
		Not supported (promotion)	
H2	Environment × structure → standardisation	Supported (promotion)	Political-legal, competitive
		Not supported (promotion) (economic, culture, consumer)	
		Not supported (product)	
H3	Environment → structure → performance) (NS relationship)	Supported (product, promotion)	
H3a	Environment → structure	Supported (promotion)	Political-legal, culture, consumer[a]
		Not supported (promotion) (economic, competitive)	
		Not supported (product)	
H3b	Structure → performance (NS relationship)	Supported (product, promotion)	
H3c	Environment → performance	Not supported	
H4	Environment × structure → performance	Supported (promotion) (market share[b])	Economic, cultural
		Not supported (promotion) (market share) (political-legal, competitive, consumer)	
		Supported (product) (sales growth[b])	Economic, cultural
		Not supported (product) (sales growth) (political-legal, competitive, consumer)	
		Not supported (product) (profit)	
H5a and *H5b*	Standardisation → performance	Supported (market share)	Product and promotion
		Not supported (profit, sales growth)	

Notes: [a] Direction of influence needs to be revised; [b] As reported, with promotion structure, results are limited to market share; with product structure, results are confined to sales growth and profit

IDV	DV: promotion adaptation Main Beta	Interaction Beta	IDV	DV: product adaptation Main Beta	Interaction Beta
(Constant)	−0.444	−0.623	(Constant)	0.411	0.300
Political and legal (PL)	0.190	0.199	Political and legal (PL)	−0.146*	0.042
Economic	−0.041	0.032	Economic	0.464*	0.773*
Competitive	0.294	0.408**	Competitive	−0.322**	−0.375
Culture	−0.024	0.028	Culture	0.479**	0.149
Market size and potential	−0.003	−0.134	Market size and potential	−0.109	−0.251
Year in market	0.030	0.051***	Year in market	−0.007	−0.006
Firm IBE	−0.577*	−0.649**	Firm IBE	0.328	0.131
Consumer	0.109	−0.029	Consumer	−0.048	−0.144
Promotion structure	−0.046	−0.072	Product structure	0.243	0.217
Firm employee	0.020	0.001	Firm employee	−0.032	−0.019
Promotion structure × PL		1.698**	Promotion structure × PL		−0.323
Promotion structure × economic		−0.738	Promotion structure × economic		−0.534
Promotion structure × competitive		−2.644***	Promotion structure × competitive		0.309
Promotion structure × culture		−1.706***	Promotion structure × culture		0.483
Product structure × consumer		2.101	Product structure × consumer		0.173
Product structure × market size and potential		3.497***	Product structure × market size and potential		0.082
F value	1.288	3.241		1.898	1.086
F sig.	>0.1	<0.05		<0.1	>0.1
R^2 value	0.380	0.776		0.442	0.491
ΔR^2 value		0.396			0.05
Sig.	$p > 0.1$	$p < 0.01$		$p < 0.1$	$p > 0.1$

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$; DV: dependent variable; IDV: independent variables

Table IV.
Structure of decision making and marketing programme

Tai and Wong (1998) and Picard *et al.* (1998), who also could not locate a significant relationship between the marketing decision making, and promotion standardisation, strategies. This finding, however, contradicts those which have proposed that the structure of decision making is a factor of the marketing standardisation strategy (Jain, 1989; Kirpalani *et al.*, 1988; Özsomer *et al.*, 1991; Duncan and Ramaprasad, 1995). This mixed result indicates that further investigation concerning the relationship between the decision-making structure and marketing standardisation is still required.

Consistent with *H2*, this study has generated a number of interaction outcomes concerning decision-making structures and promotion standardisation. This indicates that the effect of decision-making structures on promotion standardisation strategy might only occur when it co-exists with selected environmental factors (Quester and Conduit, 1996). The significance of an interaction effect might help explain the non-significant impact of a decision-making structure on marketing standardisation strategy (Tai and Wong, 1998; Picard *et al.*, 1998). This result also indicates that firms operating in the EU region might have adopted a more strategic approach by considering together the combined effect of the antecedent factors of marketing standardisation (Quester and Conduit, 1996; Tai and Wong, 1998). These outcomes indicate that the inter-relationships between selected marketing environmental factors (political-legal, competitive and culture) and marketing decision-making structure and standardisation are confirmed. It is suggested that local input firms operating in a low similarity competitive environment are more likely to pursue a low standardisation promotion strategy. Local input firms operating in a high similarity competitive environment tend to select a highly standardised promotion strategy. This finding has enhanced the results established by Tai and Wong (1998) by suggesting that the combination of local inputs and low standardisation strategy is more likely to succeed when operating in a competitive environment with a low level of similarity.

The interaction results also suggest that firms whose promotion decision making is made at the HQ, and which operate in a highly competitive and culturally similar environment, are more likely to employ promotion strategy with a low level of standardisation. HQ firms operating in a low competitive, and culturally similar, environment are more likely to employ a highly standardised promotion strategy. Though these outcomes are not consistent with those proposed in the literature (e.g., Rau and Preble, 1987), they have provided new insight regarding the indirect effect of environmental factors on the choice of standardisation strategy.

For HQ firms, the degree of difference in the political-legal environment is positively related to the promotion adaptation strategy. This suggests that HQ firms operating in a highly similar political-legal environment are more likely to employ a highly standardised promotion strategy. HQ firms operating in a high market size, and potential, environment also tend to adopt a highly standardised promotion strategy. The interaction outcome concerning the political-legal factor is in line with the conclusions of Rau and Preble (1987) and Picard *et al.* (1998), suggesting that the finding related to this factor is more conclusive than some other findings.

Regarding the product element, the main effect model performs better than that of the interaction outcome (ΔR^2 value not significant) (Myers and Harvey, 2001). Thus, the outcome of the main effect is used in this round of the analysis. In this round of the analysis, both the cultural and economic environments are indicated as being positively related to the product adaptation strategy. This outcome is the same as that

revealed in the PLS analysis (Figure 2). This finding is consistent with that of O'Cass and Julian (2003), among several others (Jain, 1989; Theodosiou and Leonidou, 2003), whose study suggests that marketing environmental factors have a direct influence on marketing standardisation strategy. This finding indicates that firms operating in the EU region have decided their product strategy based on a direct assessment of the impact of the environmental factors (Özsomer *et al.*, 1991). Together with those factors related to the promotion element, it appears that respondents might have adopted a combination approach when designing their product and promotion strategy (Quester and Conduit, 1996; Tai and Wong, 1998) (see discussion below). As the joint effect of the structure of decision making and environmental factors on the selection of marketing standardisation strategy is not supported in this element, *H2* related to the product decision-making structure is not confirmed.

The findings concerning *H1* and *H2* might provide a number of implications for future research. The first implication is that, though the structure of decision making might not have a direct impact on marketing standardisation strategy, it is likely that this factor has an influence on marketing standardisation when it is jointly considered with other factors (Quester and Conduit, 1996; Picard *et al.*, 1998; Tai and Wong, 1998; Solberg, 2002). For example, this study has shown that firms have used a mixture of direct, and indirect, assessments of the factors influencing product and promotion standardisation, respectively. The integrated evaluation process is more effective for the promotion, than for the product, element. Consistent with the findings revealed in other studies, it is found that a suitable condition for employing a standardised product strategy is a similarity in the economic and cultural environments (Jain, 1989; Boddewyn *et al.*, 1986).

The conditions for employing a standardised promotion strategy, on the other hand, are more complex than those related to the product strategy. For instance, the ideal market conditions for employing a uniform promotion strategy are where the host market's political-legal environment is highly similar to that of the home market, and where the host market size and potential are large. In order to implement this strategy successfully in these market conditions, however, firms need to adopt a high degree of control over the promotion decision making process. For firms that wish to delegate their marketing decision making to a local representative, but still plan to employ a highly standardised promotion programme, it is more likely to succeed in a highly similar competitive environment (Tai and Wong, 1998). Likewise, with an adequate level of interference from the headquarters, firms might still be able to employ a highly standardised promotion strategy when operating in a low similarity environment. This is shown in that, by adopting a high degree of control over decision making, firms can implement a uniform promotion strategy when the host market's competitive and cultural environments are highly different from those of the home market. Therefore, in light of these findings, the finding of previous studies; that firms using a high degree of control, and operating in a highly similarity environment, are more likely to employ a high level of standardisation strategy (Rau and Preble, 1987; Kirpalani *et al.*, 1988; Özsomer *et al.*, 1991; Solberg, 2002); is not completely supported by this study. As demonstrated, with the assistance of a direct and integrated assessment, firms could use a highly standardised strategy when operating in a high, or low, similarity environment.

Market environment, structure of decision making and performance-mediation results
As shown in Figure 2, the political-legal and cultural environment are negatively related to, and the consumer environment is positively related to the promotion decision-making structure. These results indicate that firms are more likely to pursue a highly controlled promotion structure when operating in a similar political-legal and cultural environment. Participants, however, tend to employ a highly controlled decision structure when the consumer environment is highly dissimilar between the home and host countries. These outcomes indicate that *H3a* (promotion), concerning the political-legal, cultural and consumer environments, is supported, but that the direction of influence related to the latter factor needs to be revised. This result is consistent with those that have suggested that environmental factors are significantly associated with the choice of decision-making structure (Gates and Egelhoff, 1986; Picard *et al.*, 1998). *H3a* related to product, however, is not confirmed. Regarding the relationship between the marketing environment, and the structure of decision making and performance, no significant factors were suggested. These outcomes indicate that *H3c* is not supported. This result is not consistent with that revealed by O'Cass and Julian (2003) and Cavusgil and Zou (1994). Past studies indicate that the host market environmental conditions are likely to have an impact on a firm's performance in that market. *H3b* is supported, as the structure of decision making is not significantly related to performance. The non-significant result related to *H3b* is consistent with the limited findings reported in the literature (Picard *et al.*, 1998). Together with those findings already revealed, it seems conclusive that the decision-making structure of firms operating in the EU region is not likely to have a significant direct impact on performance. These outcomes suggest that the structure of decision making is unlikely to be a mediator of the marketing environment, or of performance (*H3*). *H3* (promotion and product) is, therefore, confirmed.

Structure of decision making (promotion) and performance (market share)-moderation results
Among the three performance items examined in the interaction effect analysis concerning the promotion element, the only significant result was related to market share (Table V). To avoid redundancy, the results related to the other two items (profit and sales growth) are not listed in the table.

As shown in the table, the interaction model performed better than that of the main effect (the ΔR^2 value is significant at $p < 0.01$). Therefore, the analysis is based on the model established through the application of the interaction method.

In this analysis, firms that are larger in size, and those adopting a local input structure, tend to perform better in terms of market share. In addition, the results indicate that the interaction terms are also likely to make some significant contributions to a firm's economic performance when operating in the EU region. Details of these effects are analysed below.

For HQ firms, the difference in the political-legal and consumer environments is negatively related to market share, which suggests that HQ firms operating in a highly similar political-legal and consumer environment tend to perform better in terms of market share. For HQ firms, however, the impact of the economic and cultural environment is positively related to market share. This indicates that HQ firms which operate in a low similarity economic and cultural environment tend to perform better in

IDV	DV: market share		DV: profit			DV: sales growth		
	Main Beta	Interaction Beta	IDV	Main Beta	Interaction Beta	Main Beta	Interaction Beta
(Constant)	2.149	1.400	(Constant)	4.903	4.747	4.872	4.714
Political and legal (PL)	0.032	0.121	Political and legal (PL)	− 0.041	0.230 *	− 0.269	0.972 *
Economic	0.066	− 0.346	Economic	− 0.381	− 1.017 ***	0.664	0.002
Competitive	− 0.557	− 0.012	Competitive	− 0.096	0.227	− 0.820	0.368
Culture	− 0.241	− 0.846 **	Culture	0.110	− 0.848 *	− 0.081	− 2.223 **
Market size and potential	− 0.260	− 0.249	Market size and potential	0.565 **	− 0.458	0.338	− 1.682 **
Year in market	− 0.031	− 0.026	Year in market	− 0.011	0.009	− 0.045	− 0.029
Firm IBE	0.427	− 0.216	Firm IBE	0.617	0.626 *	0.520	1.014
Consumer	− 0.195	0.659 *	Consumer	0.588 *	1.307 ***	0.087	1.390 **
Promotion structure	0.712	− 1.328 *	Product structure	− 0.573	− 0.703 **	− 0.641	− 0.073
Firm employee	0.020	0.195 ***	Firm employee	− 0.042	− 0.054	− 0.027	− 0.044
Promotion structure × PL		− 7.406 ***	Promotion structure × PL		0.159		− 2.324 **
Promotion structure × economic		5.435 ***	Promotion structure × economic		0.985 *		2.667 **
Promotion structure × competitive		1.769	Promotion structure × competitive		− 0.712		− 2.775 **
Promotion structure × culture		3.493 ***	Promotion structure × culture		0.662		2.380 **
Promotion structure × consumer		− 6.416 ***	Promotion structure × consumer		− 0.656		− 3.194 ***
Promotion structure × market size and potential		− 5.647 ***	Promotion structure × market size and potential		1.874 ***		1.743 *
F value	0.725	5.909		1.708	3.935	0.634	2.436
F sig.	> 0.1	< 0.01		> 0.1	< 0.01	> 0.1	< 0.05
R^2 value	0.232	0.840		0.416	0.778	0.224	0.709
ΔR^2 value		0.608			0.362		0.485
Sig.	$p > 0.1$	$p < 0.001$		$p > 0.1$	$p < 0.01$	$p > 0.1$	$p < 0.01$

Notes: * $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$; DV: dependent variable; IDV: independent variables

Table V.
Structure of decision making and performance

terms of market share. This latter result is consistent with that of Myers and Harvey (2001), who found that the interaction of environmental volatility and pricing control is positively related to economic performance. This outcome has added a new insight to the literature, as it has extended the existing findings on pricing and promotion. These results suggest that, in regard to the promotion decision structure, *H4* is supported in terms of environmental factors, such as those regarding the economy and cultures.

For HQ firms, the extent of market size and potential is negatively related to market share. This outcome indicates that HQ firms tend to perform better in terms of market share when operating in a market of low size and potential. This new insight suggests that firms can probably adjust their decision-making structure according to the size and potential of the host market, so that higher performance can be achieved. As this is a new finding for the literature (Rau and Preble, 1987; Quester and Conduit, 1996; Tai and Wong, 1998), further research is required.

Structure of decision making (product) and performance (profit and sales growth)-moderation results

The interaction results between the product decision-making structure and performance (profit and sales growth) are also shown in Table V. The results related to market share are not presented, as no significant results have been detected for this performance item. As shown in the table, the interaction model performed better than that of the main effect (the ΔR^2 value is significant at $p < 0.01$). Therefore, the analysis is also based on the models established through the interaction method.

As reflected in Table V, firms with a higher level of international business experience tend to perform better in terms of profit, as this factor is positively related to profitability. Product decision making has a negative impact on profit. This result indicates that, in general, local input firms are more likely to gain a higher profit when operating in the EU region. Firms tend to perform better in terms of profit when operating in a low similarity consumer environment, because this factor is positively related to profit.

Both local input and HQ firms perform better in terms of profit when operating in a highly similar economic environment. Nonetheless, the effect is more significant for local input firms, indicating that local input firms receive a higher benefit when operating in a high similarity economic environment. HQs operating in a market of high size and a potential host market also perform better in terms of profit. Based on these outcomes it is concluded that *H4*, related to the product structure, is not confirmed in any way with respect to this financial performance item.

Regarding sales growth (Table V), for HQ firms, the extent of difference of the economic and cultural environments is positively related to sales growth. This reveals that HQ firms operating in an only slightly similar economic and cultural environment tend to perform better in terms of sales growth. This result enhances those discussed above, as the benefits of using a higher degree of control in a highly risky environment can be expanded to the product element, as well as the pricing and promotion elements, and the firms operating in the EU region (Myers and Harvey, 2001). Thus, *H4* is supported only with regard to these two factors.

For HQ firms, the extent of difference in terms of the political-legal, competitive and consumer environment is found to be negatively related to sales growth. This suggests that HQ firms operating in a highly similar political-legal, competitive, and consumer,

environment perform better in terms of sales growth. HQs operating in a market of large size and potential also perform better in terms of sales growth, as this factor is positively related to sales growth. As the extent of the political-legal and consumer environment is positively related to sales growth, local input firms operating in an only slightly similar political-legal and consumer environment are also suggested to perform better in terms of sales growth. Firms with a local input structure, however, perform better in terms of sales growth when operating in a highly similar cultural environment. Likewise, local input firms also tend to perform better in terms of sales growth when operating in a host market with a small market size and potential.

In light of the findings concerning *H3* and *H4*, a number of implications can be drawn. These results have made contributions to the existing literature, as very little guidance has been produced in this field to date (Özsomer *et al.*, 1991; Quester and Conduit, 1996; Tai and Wong, 1998; Laroche *et al.*, 2001). First, this study has confirmed that a direct relationship between the decision-making structure and performance is unlikely to exist in the EU region. Therefore, as proposed in the conceptual framework, the path relationship between environmental factors, the decision-making structure and performance is not supported. This non-significant result indicates that firms may not be able to use their decision making as a mediator in order to enhance their firm's performance in the host market/s. This applies to both the promotion and product elements. This finding seems conclusive, as prior EU studies also reached similar conclusions (e.g., Picard *et al.*, 1998). As there is no significant relationship between the structure of decision making and performance, it is probably not sufficient for firms to use their degree of decision making authority alone as a device to obtain their financial goals (Solberg, 2002).

Second, although the direct impact of the structure of decision making on performance might be lacking, firms should be aware that this factor is likely to have an indirect impact on performance. As demonstrated, by matching the decision-making structure properly with the environmental conditions, firms may still be able to achieve their financial objectives. For example, in terms of decision making concerning both the promotion and product elements, HQ firms operating in a highly similar political-legal and consumer environment are more likely to achieve higher market share and sales growth. For product decision making, HQ firms operating in a market of large size and potential tend to perform better in terms of profit and sales growth. These firms also perform well in terms of profit and sales growth when operating in a highly similar economic and competitive environment. There are, however, occasions when HQ firms may still perform well in terms of market share and sales growth when operating in an environment with a low level of similarity. This is evidenced by HQ firms operating in a low similarity economic and cultural environment. This outcome applies to both promotion and product decision making. Firms employing a local input promotion and product decision-making structure tend to perform better in terms of market share and sales growth, respectively, when operating in a highly similar cultural environment. Firms employing a local-input structure in their product decision making tend to perform better in terms of sales growth, when operating in a low similarity political-legal and consumer environment, or in a market environment with small size and potential.

Third, in light of the results of this study, firms should examine the interaction impact of environmental factors and the structure of decision making in terms of both

marketing standardisation strategy and performance, in order to uncover all possible significant relationships. For example, as analysed, despite no interaction effect being found between the product decision-making structure and environmental factors on product standardisation, the combined effect has a significant impact on performance. The interaction effect between the promotion decision-making structure and marketing environmental factors is confirmed to exist in terms of both promotion standardisation and performance (market share).

Standardisation and performance

As outlined, the relationship between standardisation and performance was examined through both PLS (Figure 2) and regression analysis (Table VI). In the PLS analysis, among all of the performance items measured only market share is suggested to be significantly related to product standardisation. It is found that product adaptation is negatively related to market share. The path contribution from promotion strategy to performance is greater than 0.2, though its significance level is larger than the cut-off mark ($p > 0.1$) (not listed in Figure 2). This result indicates that the factor might still have a marginal influence on performance. This suggestion is supported by the regression analysis, which has revealed that both product and promotion adaptation are negatively related to market share (Table VI), indicating that a standardised product and promotion strategy is related to a higher market share. In light of these results, it is determined that both product and promotion standardisation will be included in the performance analysis model. Therefore, *H5a* and *H5b*, related to both product and promotion standardisation and market share, are supported. This result has an implication for firms operating in the EU region. In addition to those strategies analysed above, firms can probably employ a standardised product and promotion strategy in order to improve their performance in the EU host markets. This result is consistent with the findings of recent studies which have reported that the adoption of a standardised product and promotion strategy can enhance firms' performance (Zou and Cavusgil, 2002). As indicated, a table summarising the hypotheses' outcomes is also provided (Table III).

Research conclusions

This study fits into an earlier group that has contributed insights into research concerning the relationship between organisational structures and marketing standardisation (Jain, 1989; Quester and Conduit, 1996; Picard *et al.*, 1998; Tai and Wong, 1998; Myers and Harvey, 2001). As demonstrated, very little empirical evidence has been produced regarding this relationship. Using the results of previous studies as

DV: market share		DV: market share	
IDV	Beta	IDV	Beta
(Constant)	2.220	(Constant)	2.205
Promotion adaptation	-0.489^{*}	Product adaptation	-0.586^{**}
F value	2.987		5.002
F sig.	<0.1		<0.05

Notes: $^{*}p < 0.1$; $^{**}p < 0.05$; DV: dependent variable; IDV: independent variable

Table VI.
Standardisation and performance

a foundation, this study has proposed a research framework. The framework was examined, and a number of key findings established. The findings established in this study might have made several contributions to the research area.

First, this study has added some insight to those studies that have been unable to reveal that the marketing-decision structure is an antecedent factor of marketing standardisation. The absence is likely due to firms possibly having adopted a strategic consideration, through integrating this factor's effect with other factors, such as the market conditions faced in the host markets. Thus, the influence of the decision-making structure on marketing standardisation might not stand alone. This new finding encourages the consideration of both direct, and indirect, effects when formulating a marketing standardisation framework.

Second, the results of this study may have enhanced those which propose that the interaction effect is likely to be a significant factor of marketing standardisation, by specifically underlying a comprehensive set of combinations which can guide firms to design their standardisation/adaptation framework and, perhaps, to achieve their financial objectives. As demonstrated, firms employing both high (i.e. HQs) and low (i.e. local input) degrees of centralisation decision making can all benefit from operating in a varied host market condition. This guidance might also enhance those studies which have already revealed a decision-making structure-marketing standardisation dyadic (e.g., low centralisation and low standardisation; high centralisation and high standardisation), as the conditions for using such a framework are now provided (Tai and Wong, 1998).

Third, the results related to the relationship between the decision-making structure and performance may have advanced the existing literature to a new point, in that a proper match between the decision-making structure and the host market conditions could assist firms to achieve their financial objectives.

Fourth, this study has also added some new findings to the debate between standardisation and performance (Samiee and Roth, 1992; Zou and Cavusgil, 2002). By agreeing with some studies in this field, this research has indicated that firms adopting a standardised product and promotion strategy could also improve their market share performance in the EU host markets. These results, however, needs to be used with caution due to their moderate significance.

Research limitations

As do other studies in this field (e.g., Picard *et al.*, 1998), this study also suffers from a number of weaknesses. The first limitation is related to the study's small sample size. Though this is a common problem for research in this field (Aulakh and Kotabe, 1993; Picard *et al.*, 1998; Krum and Rau, 1993; Özsomer *et al.*, 1991), the small sample size has affected the number of factors able to be included in the study. Other important factors suggested in the literature, such as financial decisions (e.g., credit terms, bank loans) and corporate orientation, were unable to be considered due to this limitation (e.g., Garnier, 1982; Gates and Egelhoff, 1986; Jain, 1989; Quester and Conduit, 1996; Solberg, 2000; Theodosiou and Leonidou, 2003). Despite the small sample size, however, as shown, the results established using the PLS and main effect of regression analysis appear to be consistent (e.g., structure of decision making versus standardisation), indicating that the outcomes established were not likely to be compromised by this limitation. Future research should, however, re-examine the framework suggested in

this analysis, using a larger sample size. Likewise, the usage of single item-measurement practices can also be improved upon. For example, though it is based on the suggestions of previous studies, the decision-making structure is assessed by only one measurement item (Picard *et al.*, 1998; Solberg, 2002). Furthermore, as reported, the measurement suggestions for product and promotion elements are still being developed, with this study having only considered selected items in its investigation scope. The choice of these items might have attributed to the insignificant relationships posited in this study. This weakness also needs to be addressed in future studies. Managers should be fully aware of these indicated measurement issues, as they could potentially bias the established results. Lastly, though corresponding to those revealed in the literature, the interaction outcomes identified are mainly confined to the environmental factors future research should explore if the interaction effect can also be expanded to other factors (e.g., corporate orientation). Only when the above limitations are addressed, will the findings drawn be more conclusive.

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Further reading

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