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# A contingency approach to international marketing strategy and decision-making structure among exporting firms

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## Abstract

**Purpose** – Although the relation between standardization/adaptation strategy and performance has been extensively examined in the international marketing literature, the findings concerning these factors are still inconclusive. The conflicting results might relate to the analysis approach adopted in prior research, which tends to focus on the direct effect of marketing strategies. By utilizing the contingency theory, the purpose of this paper is to uncover the moderation factors for the strategy-structure-performance paradigm in the export sector. Internal, external and product-related factors are explored.

**Design/methodology/approach** – This study focuses on four strategy and structure combinations: The global approach (standardization-centralization); the glocal approach (standardization-decentralization); the regcal approach (adaptation-centralization); and the local approach (adaptation-decentralization). The interactive effect of the four approaches and a set of contingent factors are examined based on the experience of 151 exporting firms operating in the EU region. The respondent firms operate in various manufacturing and service industries.

**Findings** – It is revealed that firm size, international business experience, consumer characteristics, the legal environment, cultural distance and the nature of the products play a moderating role between a firm's adoption of a particular approach and its performance, as measured by market share and sales growth, dependent on the relevant marketing program elements (i.e. product, price, promotion and place).

**Originality/value** – The research findings presented in the paper have significant implications for future research and strategic application.

**Keywords** European Union, Manufacturing industries, Service industries, Exports, Marketing strategy, Global marketing, Globalization, Organizational structure, Organizational performance, Interaction

**Paper type** Research paper



## Introduction

Research concerning marketing standardization/adaptation strategy and performance has stimulated significant interest among academics and practitioners in developing international marketing strategies (Cavusgil and Zou, 1994; Jain, 1989; Katsikeas *et al.*, 2006; Lages *et al.*, 2008b; Tan and Sousa, 2011). Early studies focus mainly on whether standardization/adaptation strategy can lead to higher performance. These studies have explored the direct impact of standardization/adaptation strategy on

performance. This research has often yielded quite mixed and inconclusive results (Lages *et al.*, 2008b; Samiee and Roth, 1992; Szymanski *et al.*, 1993; Zou and Cavusgil, 2002). Some research has revealed a positive link between standardization/adaptation and performance (Szymanski *et al.*, 1993; Zou and Cavusgil, 2002), while other research has reported a non-significant relation between standardization/adaptation and performance (Samiee and Roth, 1992; Chung, 2003; Lages *et al.*, 2008b). Recent studies have had a shift in focus, attempting to address the issue of when and how standardization/adaptation strategies improve firm performance (Katsikeas *et al.*, 2006; Okazaki *et al.*, 2006; Schilke *et al.*, 2009). This later research stream maintains that the impact of standardization/adaptation on performance becomes evident when it is co-aligned with a specific moderation factor. For instance, it is revealed that the standardization and performance relation is associated with environmental and firm factors (Katsikeas *et al.*, 2006; Schilke *et al.*, 2009). Understanding such a moderating role of environmental factors offers an alternative explanation to the inconsistent results revealed in previous studies regarding whether or not standardization strategies have a direct effect on firm performance (Cavusgil and Zou, 1994; Samiee and Roth, 1992).

While recent research shows an interest in exploring the moderation effect in the standardization/adaptation-performance paradigm, such studies are mainly focussed on multinational corporations (MNCs) and their subsidiaries, or business units (e.g. Katsikeas *et al.*, 2006; Schilke *et al.*, 2009), but little attention has been paid to exporting firms in relation to both standardization and decision-making structure strategies (Cavusgil and Zou, 1994; Chung, 2003). To fill this research gap, this exploratory study is conducted to investigate whether the interaction of standardization/adaptation and the decision-making structure is associated with a higher financial performance, as well as under what conditions a strategic approach would lead to a better financial result in the export sector.

The decision-making structure is considered to be an important force in a firm's international operations (Madsen, 1987; Tai and Wong, 1998; Laroche *et al.*, 2001; Okazaki *et al.*, 2006; Chung, 2008). A firm's choice of decision-making structure is a major driving force behind the formulation and implementation of standardization/adaptation strategy (Daniels, 1987; Tai and Wong, 1998; Laroche *et al.*, 2001). Extant examination of the decision-making structure research has primarily focussed on uncovering the behavior of MNCs (Gates and Egelhoff, 1986; Quester and Conduit, 1996; Laroche *et al.*, 2001; Okazaki *et al.*, 2006). Little attention has, however, been paid to the issue of organizational structure and performance from the perspective of export firms in relation to standardization/adaptation strategy and the decision-making structure (Beamish *et al.*, 1999; Cavusgil and Zou, 1994; Sousa and Bradley, 2008).

This study contributes to the extant literature in several ways. First, it integrates the concepts of standardization/adaptation strategy with the centralization/decentralization decision-making structure, by examining the effectiveness of four strategic approaches (i.e. the global, glocal, regcal and local approaches), with a focus on firms operating in the export sector. Such an approach is meaningful, as the affiliation of standardization/adaptation strategy and the decision-making structure may lead to higher performance (Solberg, 2000; 2002; Tai and Wong, 1998). Second, it identifies relevant moderating variables based on contingency theories (Lages and Montgomery, 2004; Lee *et al.*, 1993; Zeithaml *et al.*, 1988). Contingency theories have been viewed as one of the most dynamic research topics in contemporary marketing

research (Kahn, 1998; Wang, 1996). The utilization of contingency theories can provide guidance on the conditions under which the alignment of standardization/adaptation strategy and the decision-making structure can lead to higher financial performance for firms operating in the export sector. Third, this study develops a group of propositions regarding the interaction effect between the four strategic approaches and selected contingency variables that have an effect on firm performance, including firm size, international experience, consumer characteristics, the legal environment, cultural distance and the nature of products. Thus the disclosure of the roles of these contingency factors in the standardization-decision-making structure-performance paradigm can further extend the academic inquiries regarding standardization/adaptation strategy and performance relationship (Katsikeas *et al.*, 2006; Zou and Cavusgil, 2002). By examining these interaction effects along with the four strategic approaches, firms can decide whether they need to include the decision-making structure in the alignment of standardization/adaptation and environmental/firm factors (Katsikeas *et al.*, 2006; Schilke *et al.*, 2009). The interaction outcomes will also offer implications for research focussing mainly on the direct relation between the concentration and coordination of marketing activities, international experience, standardization/adaptation and performance (Zou and Cavusgil, 2002). Therefore, firms can use this information in their decisions regarding whether they should consider the direct, as well as indirect, effects of these factors in their standardization/adaptation-decision-making structure-performance formulation.

#### *Theoretical background and conceptual frameworks*

According to contingency theory (Zeithaml *et al.*, 1988), no one strategy would be considered optimal for all businesses, regardless of their respective infrastructure and environmental context. Contingency theory suggests that the relation between strategy and performance is often conditional and that there is no universal set of strategic choices suitable for all situations and circumstances (Lages and Montgomery, 2004; Wang, 1996). As such, contingency research begins with specifying contingency variables (e.g. firm factors, product characteristics and consumer characteristics) in order to categorize environmental settings so that marketing strategies can be developed based on the analysis of the contingent variables (Lages and Montgomery, 2004; Wang, 1996). In particular, the effectiveness of strategic choice is contingent upon internal and external forces. The impact of strategy on performance only becomes evident when strategy and contingent variables are properly matched (Katsikeas *et al.*, 2006).

One way to construe international marketing strategies is to analyze them in terms of two dimensions; the standardization/adaptation dimension, and the centralized/decentralized dimension. The combination of these two dimensions forms the following four strategic approaches (Svensson, 2001; Tai and Wong, 1998).

The global approach involves the employment of standardization and centralization. In this option, firms have formulated and implemented a standardized set of marketing programs within their HQs. All of the firms' strategic elements in the host market are identical to those in the home market. By adopting this option firms can maintain their consistent offers across the markets in which they operate. Firms such as Sunkist Growers Inc., L'Oreal and Parker Pen have adopted the global approach for their international operations (Tai and Wong, 1998; Solberg, 2000).

The glocal approach is the combination of standardization strategy and a decentralized decision-making structure. Firms adopting this approach have

formulated a standardized set of strategies at their HQs, but leave the implementation of these strategies to local representatives. In this option, local representatives are authorized to locate a proper target segment for the standardized program. A well-known home appliance manufacturer in New Zealand (Fisher & Paykel) has adopted this option by formulating a standardized set of programs for their washing machines and refrigerators at the firm's HQ, but has authorized their local representatives in the Greater China (China, Taiwan and Hong Kong) region to locate an appropriate market segment for these home appliances, and an appropriate local language in which to market these standardized products. Through the suggestions of local representatives, the firm has targeted industrial users for their refrigeration products and has used both Mandarin and Cantonese as the two main languages for marketing their products in this region.

The regcal approach is the combination of adaptation and a centralized structure. In this option, firms establish a centralized decision-making structure to formulate an adapted strategy for their operations in a regional market, or in an individual host market. A key advantage of this approach is to allow the HQs to better integrate their operations in different host countries (Daniels, 1987; Lant and Hurley, 1999). By retaining the formulation of their program adaptation procedures within the HQs, firms are able to accumulate and disseminate their experience to their operations in other countries. A recent study of Australian and New Zealand firms' operations in China and Taiwan has revealed that, in order to meet local legal regulations, exporting firms are advised to revise their marketing programs so that their products are classified as health goods rather than medicines (Chung *et al.*, 2011). By retaining the adaptation formulation process within the firms' HQs, firms have located an effective way to penetrate these markets and are able to replicate this experience for their operations in other markets that might have similar requirements (e.g. Hong Kong). Thus, this approach attributes to higher resource and experience sharing, a situation subsequently resulting in better performance.

Last, the local approach is a combination of adaptation and decentralization structure. In terms of this approach, the effect of adaptation strategy on performance is subject to the adoption of a decentralized decision-making structure. Each host market is viewed differently from the others and is served by a customized marketing program that is formulated and implemented by local representatives. Firms such as Nestle and Unilever are reported to adopt the local approach for their international operations (Solberg, 2000).

While the potential of such a conceptualization in international marketing theory and strategy development is promising, there is a shortage of empirical studies that examine these four approaches simultaneously (Beamish *et al.*, 1999; Reid, 1987; Solberg, 2000; Svensson, 2001; Tai and Wong, 1998). For example, while Tai and Wong (1998) investigate the functions of the four combinations, their study is targeted at MNCs operating in the Asia region (China, Taiwan, Hong Kong and Singapore) and has only focussed on the promotion component. Therefore, the extant literature concerning these four approaches leaves more questions to be answered before they can be applied in strategic decision development. For example, it is still unclear under which circumstances each of the four approaches would be more effective than the others. Is a global approach more effective when a firm's size is small, as a centralized structure is revealed to be more beneficial when a firm's size is small (Quester and Conduit, 1996)? Or is a local strategy more effective for firms with a high level of international business experience (IBE), as this factor has been revealed to be correlated to the

extent of adaptation strategy (Chung, 2010)? Moreover, does the effectiveness of these approaches vary across marketing programs, such as product, price, promotion and place strategies? To advance our knowledge of the effectiveness of these four approaches and their application in global marketing programs, this exploratory study is designed to explore the contingent variables that moderate the impact of a firm's strategic approach and performance, as measured by market share and sales growth. Key concepts in the research framework are defined as follows.

#### *Standardization/adaptation strategy and international marketing programs*

The concept of standardization/adaptation strategy has been extensively discussed in export literature (Cavusgil and Zou, 1994; Lages and Montgomery, 2004; Lages *et al.*, 2008b; Sousa and Bradley, 2009). Standardization/adaptation strategy is defined as the extent of similarity/dissimilarity of a set of marketing program elements used in the home country, to that employed in a foreign-host country (Chung, 2003; Katsikeas *et al.*, 2006; Lages and Montgomery, 2004; Lages *et al.*, 2008b). An international marketing program includes the elements of product, price, place and promotion when applied in international settings.

#### *Decision-making structure*

The term decision-making structure refers to the extent to which marketing decision-making authority is delegated to a firm's local subsidiary (Okazaki *et al.*, 2006; Picard *et al.*, 1998). A high level of autonomy given to a local subsidiary denotes a decentralized decision-making structure, while a low level of autonomy indicates the adoption of a centralized decision-making structure (Daniels, 1987). The export literature shows that a firm's decision-making structure is often determined by the location (e.g. at HQs, or by local representatives) in which the marketing program decisions are made (Solberg, 2000). In this context, a centralized decision-making structure exists when the decision making is mainly conducted by the HQs, and a decentralized structure indicates that the decision making is mainly conducted by, or with, a local representative (Solberg, 2000, 2002). As this research is designed to investigate the behavior of firms operating in the exporting sector, the latter definition is adopted in this analysis. The terms decision-making structure and centralized/decentralized (i.e. decision making by HQs/local representatives) structure will be used interchangeably in the remainder of this paper.

#### *Performance*

A wide range of export-related performance has been reported in the literature (Katsikeas *et al.*, 2000; Lages *et al.*, 2005; Lages *et al.*, 2008b; Morgan *et al.*, 2004). Prior research regarding export-related performance can be generally divided into two streams. The first stream adopts a composite method, in which the sub-items of export performance are formed as a general construct. For example, Cavusgil and Zou (1994) and Zou and Cavusgil (2002) use varied items to form their strategic (e.g. respond to competitive pressure) and financial performance (e.g. sales growth) measures. Similarly, Morgan *et al.* (2004) group export performance items onto three constructs; economic (e.g. sales volume, market share), distributor (e.g. service quality) and end-user-related performance (e.g. reputation of the firm). The latter two are related to strategic performance. In addition to the financial and strategic performance constructs, Zou *et al.* (1998) and Lages *et al.* (2005) have postulated another construct; satisfaction with export venture; in their research frameworks. A key advantage of the

multi-item measurement practice is that export performance is more robust and more representative. This practice is likely to be useful when the research intention is to uncover a general picture between antecedents and export performance (Morgan *et al.*, 2004).

On the other hand, studies in the second stream are designed to explore the specific relation between antecedents and individual performance items. For example, Chung (2003) uncovers a group of explanatory factors and three economic performance items (profit, sales growth and market share) in relation to exporting firms' operations in the Greater China region. It is found that profit is not significantly related to program elements, but that both sales growth and market share have a significant relation with antecedents. In studying the effect of an ideal and actual adaptation study on export performance, Johnson and Arunthanes (1995) also find that sales growth is significantly related to actual adaptation. Similarly, Ryans (1988) also reveals that firms adopting a higher adaptation strategy tend to have a higher market share when operating in Japan. Collectively, these studies suggest the specific relation between explanatory factors and individual export performance items. It is possible that, although antecedents might not have a significant influence on a particular export performance item (e.g. profitability), they might still have a significant influence on other export performance items (e.g. market share and sales growth). This study follows the second approach by focussing on market share and sales growth as individual export performance measures. To be consistent with recent research practice, this study also adopts the product-market export venture as its unit of analysis, where export performance is explored in relation to a product marketed in a specific host country (Cavusgil and Zou, 1994; Chung, 2003; Katsikeas *et al.*, 2006; Morgan *et al.*, 2004).

### Research propositions

Following the contingency framework, this study identifies a set of contingency variables that may potentially take a moderating role between a firm's adoption of an approach and its performance. The analysis of the contingent variables is presented below.

#### *Firm size*

Firm size is an important factor in both centralized and decentralized decision-making structures (Chung, 2010). It is argued that larger-sized firms often adopt a higher degree of decentralization, so that efficiency can be obtained in their operations in a foreign-host market (Quester and Conduit, 1996). For example, large-sized MNCs often employ a highly delegating structure, so that decision-making efficiency can be obtained (Blau and Schoenherr, 1971). In particular, a decentralized decision-making structure can help larger-sized firms to better structure their organizational functional activities and ensure that managers are not overloaded with too many decisions and are able to focus on the implementation and formulation of key strategic choices (Pugh *et al.*, 1969). In a study of the relation between US firms and their foreign affiliates, Garnier (1982) concludes that firms with large foreign units are often required to adopt an indirect method of control and the granting of a high degree of autonomous decision making to local affiliates. Gates and Egelhoff (1986) also find that the extent of decentralization in the decision-making structure of firms operating internationally is positively correlated to the size of their overseas operations. On the other hand, a centralized decision-making structure might allow small-sized

firms to integrate and share their resources (Mullins and Walker, 2010). This resource integration and sharing can help small-sized firms achieve effectiveness in their business operations. Based on the above analysis, we propose the following:

- P1.* Decentralized-related approaches (glocal and local) will be more effective than centralized-related approaches (global and regcal) when firm size is large (as opposed to when it is small). In contrast, centralized-related approaches will be more effective than decentralized-related approaches when firm size is small (as opposed to when it is large).

#### *IBE*

As firms gain more IBE they also gain a greater appreciation of the differences across country markets and are more capable of formulating adapted strategies to address the uniqueness of the host markets (Cateora, 1990). Cavusgil *et al.* (1993), for example, demonstrate that exporting firms' adaptation of product and promotion strategy is positively and significantly enhanced by their IBE. Firms are likely to employ an adapted strategy when they have accumulated IBE. As such, once a firm has more business experience, its managers will be more able to determine the specific contingencies of each host market and will be able to implement a more complex adapted strategy (Chung, 2010; Douglas and Craig, 1989; Lages *et al.*, 2008b; Lages and Montgomery, 2004). On the other hand, firms with little business experience might be more suited to adopting a standardized strategy, as it is less complicated and requires less knowledge of the host market/s. Based on the above analysis, the following proposition is initiated:

- P2.* Adaptation-related approaches (local and regcal) will be more effective for a firm with a long international experience (as opposed to when it has a short international experience), while standardized-related approaches (global and glocal) will be more effective for a firm with a short international experience.

#### *Consumer characteristics*

The factor of consumer characteristics has received a significant amount of research attention in the standardization/adaptation literature (Diamantopoulos *et al.*, 1995; Douglas and Wind, 1987; Jain, 1989; Hill and Still, 1984; Quester and Conduit, 1996). Wang (1996) classifies consumer characteristics as one of the three key contingency variables (product, country and consumer characteristics) in the choice of standardization vs adaptation strategy. Due to their relevancy, both consumer and product characteristics (see "Discussion and research implications") are examined in this study. Based on a thorough review of standardization research, Theodosiou and Leonidou (2003) conclude that cross-country similarity in consumer profiles is significantly related to the extent of standardization strategy. The studies conducted by Boddewyn and Hansen (1977), Boddewyn *et al.* (1986) and Boddewyn and Grosse (1995) all reveal that variations in consumer characteristics are key barriers for cross-market standardization strategy. In a study of firms' operations in the Greater China markets, Chung (2003) also reports that consumer behavior similarities between the home and host country are important for place and promotion standardization strategies. In research on firms operating in the EU region, Diamantopoulos *et al.* (1995) and Chung (2010) both report that cross-market similarity in consumer behavior is a pre-condition for the employment of cross-market standardized strategy. On the

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other hand, when consumption behavior is greatly different between the home and host country firms might need to adopt a revised strategy so that their products will be accepted by the local market (Katsikeas *et al.*, 2006). Based on the above analysis, we propose that the effectiveness of a standardization/adaptation strategy is contingent on the similarity of consumer characteristics:

- P3. Adaptation-related approaches (local and regcal) will be more effective for a firm operating in an environment where consumer characteristics differ from those of the home country. On the other hand, standardized-related approaches (global and glocal) will be more effective where consumer characteristics are similar to those of the home country.

#### *Legal environment*

When operating in a host country where the legal environment differs from that in the home country, firms might need to delegate their marketing strategy decision to their local representative so that they can better respond to local legal requirements (Chung, 2010; Hill and Still, 1984; Laroche *et al.*, 2001). Garnier (1982) reveals that, in order to avoid the risk of misinterpretation of local legal requirements, firms often leave the decision-making authority to local representatives when the legal environments of a firm's local operations and the parent firm are highly different. Quester and Conduit (1996) list the legal factor as a key factor for centralization decision-making structures and suggest that firms often need to delegate their decision making to local representatives when the variability and unpredictability of the host market environment is high. This delegation allows a firm's local operations to quickly and promptly respond to local changes. When operating in host countries whose environments (e.g. legal) are highly different from each other, the delegation of decision making is important (Cavusgil *et al.*, 1993; Chung, 2003, 2010). On the other hand, firms operating in a host country whose legal environment is similar to that of the home country might be encouraged to retain their marketing decisions within the firms' HQs. Firms often centralize their operations in countries that share similar legal environments (Daniels, 1987). In light of the above analysis, we propose that the effectiveness of a centralization/decentralization strategy is contingent on the similarity of the legal environments in the different markets:

- P4. Decentralized-related (glocal and local) approaches will be more effective when legal environments are different from those of the home country. On the other hand, centralized-related (global and regcal) approaches will be more effective when legal environments are similar to those of the home country.

#### *Cultural distance*

When operating in a highly distant cultural environment, an adapted strategy might be more appropriate (Jain, 1989; Hill and Still, 1984). Papavassiliou and Stathakopoulos (1997) suggest that a universal standardized promotion strategy is only applicable when the cross-country cultural environment is similar. When operating in a host country whose cultural environment is highly different from that of the home country, firms might need to modify their marketing program so that their products can be accepted by local customers (Chung, 2003). Whitelock (1987) also confirms that it is difficult to implement a standardized program when the host country's cultural environment is different from that of the home country. Other researchers show that



firms tend to employ an adapted strategy when operating in a host country with a high psychic distance (Sousa and Bradley, 2005; Sousa and Lengler, 2009). Based on this discussion, we propose that the effectiveness of a standardization/adaptation strategy formulation is contingent on cultural distances:

- P5. Adaptation-related (regcal and local) approaches will be more effective when there is a long cultural distance. On the other hand, standardized-related (global and glocal) approaches will be more effective when there is a short cultural distance.

#### *Nature of products*

The nature of the products being marketed is also found to affect a firm's choice of strategy (Chung, 2003; Douglas and Wind, 1987; Jain, 1989; Quester and Conduit, 1996; Wang, 1996). For example, in comparison to consumer products, industrial products are less sensitive to cultural norms and infrastructures and, therefore, are more likely to be marketed using a universal standardized strategy, as their purpose is more likely to be similar across countries (Birnik and Bowman, 2007; Boddewyn *et al.*, 1986; Chung, 2003; Jain, 1989; Wang, 1996). On the other hand, consumer products tend to be sensitive to local tastes, habits and customs (Wang, 1996; Whitelock, 1987; Whitelock and Pimblett, 1997). It is anticipated that the effectiveness of a standardization/adaptation strategy formulation is contingent on the nature of the particular industries involved. Thus, the following proposition is developed:

- P6. Standardized-related (global and glocal) approaches will be more effective for industrial products, while adaptation-related (regcal and local) approaches will be more effective for consumer products.

### **Methodology**

#### *Sampling frame and data collection*

Western European countries (e.g. the UK, Germany, France and Italy) are among the most important trading markets for exporters based in Australia and New Zealand (Australian Bureau of Statistics, 2009; Statistics New Zealand, 2009). Due to their importance to exporting firms from New Zealand and Australia, this study targets firms operating in these European countries. A postal survey was conducted for the data collection. The questionnaire was completed by the export marketing manager, or the most senior staff member (e.g. the CEO), of each respondent firm.

Respondents in the sampling frame were collected from an international database (Dun & Bradstreet) and other, government, sources (e.g. New Zealand Trade and Enterprise and Austrade), as well as company websites (e.g. seafood exporters). Most firms operating in the western European region are listed in these organizations' databases. Around 700 exporting firms operating in Europe were identified and were used to formulate the research sampling frame. In total, 151 exporting firms have offered their assistance to this study, making a response rate of about 22 percent. The non-response bias issue was tested by the timing of the responses (Armstrong and Overton, 1977) on some key indicators (firm size, performance), with no significant differences found between early and late respondents. It is concluded that the non-response bias issue does not affect this research.

Respondents were asked to complete the survey questions regarding their most important product/service in their most important European host market (Chung,

2003; Katsikeas *et al.*, 2006). This product-market export venture practice is widely recognized as an adequate approach for research concerning exporting firms (Cavusgil and Zou, 1994; Lages and Lages, 2004; Morgan *et al.*, 2004).

### *Measures*

The measures regarding international marketing programs follow common practices used in prior research (Chung, 2003; Jain, 1989; Lages *et al.*, 2008a; Lages and Montgomery, 2004; Sorenson and Wiechmann, 1975). This study follows the home-host comparison approach suggested by Lages and Montgomery (2004). This approach is widely adopted by other academics in the same research field (Cavusgil *et al.*, 1993; Chung, 2003; Katsikeas *et al.*, 2006). Respondents were instructed to rate the extent of similarity/dissimilarity of the program elements used in their home country, as compared to those employed in the host country, on a five-point scale (1 = very similar to 5 = very different). The product strategy measure is adapted from Jain (1989) and Lages *et al.* (2008a), using the characteristics of product/service, brand, packaging, design and positioning. The price strategy is measured using wholesale price, retail price, pricing method and price discounts (Chung, 2003; Jain, 1989). The place strategy is measured by the type of retail outlet, the channel of distribution, the role and management of the sales force and the role of middlemen (Lages *et al.*, 2008a; Sorenson and Wiechmann, 1975). The promotion strategy is measured by the role of advertising, the advertising theme, the advertising copy, creative expression, media allocation and the role of sales promotion (Chung, 2008; Jain, 1989; Sorenson and Wiechmann, 1975). When performing the MANOVA analysis (see "Discussion and research implications"), program elements are converted to a binary category (0 = standardized; 1 = adapted). The results of this study reveal that exporting firms use a varying degree of adaptation strategy in their program strategy formulation (Table I). Product adaptation is found to be lower than for the other elements, which is consistent with results reported in the previous literature (Grosse and Zinn, 1990). A low level of variation is observed in the marketing program, which is likely due to the similarity between the home (Australia, New Zealand) and host (the EU) countries. Both groups of countries are members of the OECD. It is suggested that a higher level of standardization strategy is likely to be adopted when operating in countries with a similar level of industrial development (Akaah, 1991; Jain, 1989; Ohmae, 1985).

The decision-making structure is measured by a binary categorization (1 = HQs and 0 = local input), which is widely used in the exporting literature (Picard *et al.*, 1998; Solberg, 2000, 2002). This factor is measured in terms of overall program decision making. The results indicate that 61 percent of the product decision is made by HQs, 50 percent of the pricing decision is made by HQs, 42 percent of the place decision is made by HQs and only 33 percent of the promotion decision is made by HQs. Sales growth is measured by a seven-point scale (from 1 = negative growth to 7 = >25 percent) (Cavusgil and Zou, 1994). Market share is measured by a ten-point scale (from 1 = 0-10 percent to 10 = 91-100 percent) (Johnson and Arunthanes, 1995). Both performance items are related to the most important product, marketed in the most important EU host country (Chung, 2003). In general, these firms have around 10 percent annual sales growth and an average market share of approximately 20 percent. The four strategic approaches used in MANOVA analysis are formed based on the decision-making structure and the program elements (global = HQs and standardized; glocal = local input and standardized; regcal = HQs and adapted; local = local input and adapted).

Construct	Item	SD	Mean	Loading	$\alpha$	% of variance explained	Eigen values
Product	Characteristics	0.84	1.45	0.83	0.85	65	3.24
	Brand name	1.31	1.75	0.72			
	Packaging	0.94	1.56	0.74			
	Design	0.90	1.55	0.89			
	Positioning	0.96	1.78	0.85			
Price	Wholesale price	1.33	2.46	0.92	0.89	76	3.02
	Retail price	1.44	2.61	0.91			
	Pricing method	1.29	2.25	0.88			
	Offer of price discounts	1.41	2.33	0.76			
Place	Types of retail outlets	1.38	2.40	0.76	0.89	71	3.54
	Channels of distribution	1.44	2.50	0.85			
	Role of sales force	1.35	2.41	0.92			
	Management of sales force	1.27	2.34	0.93			
	Role of middlemen/dealers	1.37	2.62	0.72			
Promotion	Role of advertising	1.31	2.38	0.89	0.77	73	4.35
	Advertising theme	1.29	2.28	0.91			
	Advertising copy	1.31	2.47	0.95			
	Creative expression	1.36	2.49	0.94			
	Advertising media allocation	1.42	2.98	0.52			
	Role of sales promotion	1.46	2.42	0.85			
Consumer	Consumer preferences	1.23	2.47	0.86	0.84	68	2.70
	Consumer purchasing habits	1.20	2.51	0.90			
	Conditions product usage	1.04	1.99	0.69			
	Product consumption patterns	1.25	2.39	0.80			
	Regulations on content, performance and safety	1.26	2.29	0.84			
Legal	Regulations on price and sales conditions	1.22	2.30	0.79	0.81	72	2.16
	Legal regulations on packaging requirements	1.28	2.24	0.81			
	Linguistic and connotative implications	1.40	2.58	0.75			
	Understanding and interpretation of advertisement	1.11	2.00	0.85			
Cultural	Consumer literacy and education level	1.06	1.95	0.79	0.83	67	2.67
	Sociocultural customs and taboos	1.15	2.25	0.85			

**Table I.**  
Measurement items  
and results

(continued)

Construct	Item	SD	Mean	Loading	$\alpha$	% of variance explained	Eigen values
Firm size <sup>a</sup>	Number of employees	823	211	–	–	–	–
International business experience (IBE) <sup>a</sup>	Years in international business	16	15	–	–	–	–
Sales growth <sup>a</sup>	Average annual sales growth over last three financial years	2.08	3.83	–	–	–	–
Market share <sup>a</sup>	Approximate market share in last financial year	2.21	2.42	–	–	–	–

**Notes:** <sup>a</sup>, for firm size: minimum = 1; maximum = 8,000 and for IBE: minimum = 1; maximum = 137. For sale growth: minimum = 1; maximum = 7 and for market share: minimum = 1; maximum = 10. For all other factors: minimum = 1; maximum = 5

Table I.

The contingent variables used in this study include firm size, IBE, consumer, legal, cultural and the nature of the products. Firm size is measured by the number of employees and IBE is measured by the number of years in international business (Schilke *et al.*, 2009; Zou and Cavusgil, 2002). The consumer, legal and cultural constructs are measured by the extent of similarity/dissimilarity that a respondent firm faces in the home and host countries (from 1 = very similar to 5 = very different) (Sousa and Bradley, 2009). These contingent variables are also converted to binary categories (0 and 1) by median split in the MANOVA analysis. Respondent firms operated in the consumer (e.g. food and beverage) (53 percent), industrial (e.g. equipment and component) (30 percent) and service (e.g. education, financial) (17 percent) sectors. All firms ( $n = 151$ ) are included for the proposition testing ( $P1-5$ ), with the exception of the last proposition ( $P6$ ), where we only include firms operating in the consumer and industrial product sectors ( $n = 125$ ), because of the difficulty of assigning service to either category. In total, the respondents operate in 13 different European host countries; Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Spain, Sweden, Switzerland, the Netherlands and the UK. These host countries are in line with those reported in Szymanski *et al.* (1993).

### Analysis and results

**Construct reliability and validity.** In this study we have followed confirmatory factor analysis (CFA) and reliability assessment procedures, as recommended by Hair *et al.* (2010), to evaluate our construct reliability and validity. It has been recommended in previous research that Cronbach's  $\alpha$ , factor loadings, the percentage of variances explained and eigenvalues are used to assess the reliability of the proposed constructs with this factor analysis method (Hair *et al.*, 2010). These results, as shown in Table I, show that all reliability indices measured by Cronbach's  $\alpha$  are  $>0.7$  and loadings of the item factors are  $>0.5$ . These results indicate that the chosen factor items are properly matched to their designated constructs, with an acceptable level of reliability (Hair *et al.*, 2010).

Each measurement scale is first evaluated by senior researchers and managers of exporting firms to check the face validity (Sousa and Bradley, 2009). The convergent

validity is acquired, as the item loadings of the proposed constructs are all significant (Hair *et al.*, 2010).

A number of methods are used to reduce the common method bias effect (Podsakoff *et al.*, 2003; Tourangeau *et al.*, 2000). First, respondents were assured that their identity will not be revealed anywhere in the report and that there are no right or wrong answers to the survey questions, with the survey being purely for academic research purposes and its results not revealed to any third party. Second, we adopt measurements that have been widely validated by studies conducted in other countries. This will ensure that our survey questions are precise and easily understood (Tourangeau *et al.*, 2000). Third, we randomly interviewed the selected respondent firms, verifying the information provided with other key staff members in the firm, especially those related to the performance items. It is confirmed that there is no variation in the results provided. Fourth, for the purposes of common method bias examination, we also conduct Harman's (1967) one factor testing to identify common method bias by entering both the dependent and independent variables into a factor analysis. The results show that the first unrotated factor only accounts for 30.88 percent of the variance, while the ten factors identified account for about 80 percent of the variance. This result suggests that the analysis of this study is not dominated by one single factor. This outcome also indicates that the study does not suffer from a common bias issue.

*MANOVA results.* MANOVA was conducted to provide some initial evidence for the proposed propositions. This method allows researchers to examine whether the main effect and the interaction terms of the four approaches have a significant effect on performance concerning the four marketing program elements. The independent variables in this analysis include four strategic approaches (global, glocal, regcal and local) and the six contingent variables (firm size, IBE, consumer, legal, cultural and the nature of the industries). The dependent variables are sales growth and market share. The interaction effect between these approaches and the contingent variables are assessed through entering one marketing program element (e.g. product) at a time.

Since the objective of this study, rather than testing hypotheses, is to identify the relevant contingent variables that interact with the strategic approach on firms' performance, only those results showing statistically significant interaction effects will be discussed here. As demonstrated in Table II and Figures 1-11, the MANOVA results provide some empirical evidence that is consistent with our propositions.

#### *Firm size*

*P1* is formulated to explore the relation between centralized-related (global and regcal) and decentralized-related strategies (glocal and local) and firm size. The results show that firm size moderates the relation between decentralization/centralization structure and market share. In particular, we find the following results.

First, for the product decision, when firm size is small, centralized (global and regcal) approaches perform better than do decentralized (glocal and local) approaches; however, when firm size is large, a glocal approach leads to a higher market share than do the other approaches. A local approach also performs better than a global, or a regcal, approach (Figure 1). These results are in line with *P1* in terms of product decision and market share.

Second, for the pricing decision, when firm size is small, centralized (global and regcal) approaches perform better than do decentralized (glocal and local) approaches; however, when firm size is large, a glocal, followed by a local approach, will outperform either a global, or a regcal, approach in terms of market share (Figure 2).

Interactions	Dependent variable	Multivariate tests		Tests of between-subjects effects		Related propositions and figures
		Pillai's trace value	Wilks' $\lambda$ value	Mean square value +	F-value	
Strategic approach: product $\times$ firm size	Sales growth	0.238***	0.768***	4.327	0.973	<i>P1</i> , ns
	Market share			33.765	8.845***	<i>P1</i> , Figure 1
Strategic approach: price $\times$ firm size	Sales growth	0.174***	0.829***	3.351	0.748	<i>P1</i> , ns
	Market share			22.641	5.971***	<i>P1</i> , Figure 2
Strategic approach: place $\times$ firm size	Sales growth	0.179***	0.824***	2.920	0.628	<i>P1</i> , ns
	Market share			27.366	6.551***	<i>P1</i> , Figure 3
Strategic approach: promotion $\times$ firm size	Sales growth	0.102	0.899	1.479	0.309	<i>P1</i> , ns
	Market share			13.013	3.083	<i>P1</i> , ns
Strategic approach: product $\times$ IBE	Sales growth	0.035	0.966	1.118	0.246	<i>P2</i> , ns
	Market share			3.406	0.747	<i>P2</i> , ns
Strategic approach: price $\times$ IBE	Sales growth	0.107*	0.894*	10.150	2.390*	<i>P2</i> , Figure 4
	Market share			4.319	1.030	<i>P2</i> , ns
Strategic approach: place $\times$ IBE	Sales growth	0.055	0.945	2.579	0.561	<i>P2</i> , ns
	Market share			6.934	1.556	<i>P2</i> , ns
Strategic approach: promotion $\times$ IBE	Sales growth	0.114*	0.887*	1.626	0.341	<i>P2</i> , ns
	Market share			14.448	3.520**	<i>P2</i> , Figure 5
Strategic approach: product $\times$ consumer environment	Sales growth	0.111*	0.890*	7.952	1.883	<i>P3</i> , ns
	Market share			9.831	2.359*	<i>P3</i> , Figure 6
Strategic approach: price $\times$ consumer environment	Sales growth	0.053	0.947	4.078	0.938	<i>P3</i> , ns
	Market share			3.076	0.677	<i>P3</i> , ns
Strategic approach: place $\times$ consumer environment	Sales growth	0.064	0.937	5.119	1.148	<i>P3</i> , ns
	Market share			4.568	0.998	<i>P3</i> , ns
Strategic approach: promotion $\times$ consumer environment	Sales growth	0.069	0.931	0.533	0.112	<i>P3</i> , ns
	Market share			8.878	1.994	<i>P3</i> , ns
Strategic approach: product $\times$ legal environment	Sales growth	0.057	0.943	6.655	1.539	<i>P4</i> , ns
	Market share			1.264	0.259	<i>P4</i> , ns
Strategic approach: price $\times$ legal environment	Sales growth	0.161***	0.839***	23.645	6.293***	<i>P4</i> , Figure 7
	Market share			0.065	0.015	<i>P4</i> , ns
Strategic approach: place $\times$ legal environment	Sales growth	0.133**	0.869**	14.687	3.530**	<i>P4</i> , Figure 8
	Market share			4.144	0.859	<i>P4</i> , ns
Strategic approach: promotion $\times$ legal environment	Sales growth	0.031	0.969	1.236	0.261	<i>P4</i> , ns
	Market share			2.617	0.557	<i>P4</i> , ns
Strategic approach: product $\times$ cultural distance	Sales growth	0.117*	0.886*	6.482	1.478	<i>P5</i> , ns
	Market share			10.729	2.547*	<i>P5</i> , Figure 9
Strategic approach: price $\times$ cultural distance	Sales growth	0.076	0.924	4.316	2.798	<i>P5</i> , ns
	Market share			1.983	0.436	<i>P5</i> , ns

(continued)

**Table II.**  
Summary of MANOVA  
results

Interactions	Dependent variable	Multivariate tests		Tests of between-subjects effects		Related propositions and figures
		Pillai's trace value	Wilks' $\lambda$ value	Mean square value +	F-value	
Strategic approach: place $\times$ culture distance	Sales growth Market share	0.121*	0.880*	15.908 2.960	3.727** 0.622	<i>P5</i> , Figure 10 <i>P5</i> , ns
Strategic approach: promotion $\times$ culture distance	Sales growth Market share	0.041	0.959	0.891 2.037	0.576 0.433	<i>P5</i> , ns <i>P5</i> , ns
Strategic approach: product $\times$ nature of products	Sales growth Market share	0.096	0.905	3.486 9.109	0.778 2.251	<i>P6</i> , ns <i>P6</i> , ns
Strategic approach: price $\times$ nature of products	Sales growth Market share	0.273***	0.735***	6.596 24.805	1.501 7.567***	<i>P6</i> , ns <i>P6</i> , Figure 11
Strategic approach: place $\times$ nature of products	Sales growth Market share	0.041	0.960	3.603 1.623	0.813 0.359	<i>P6</i> , ns <i>P6</i> , ns
Strategic approach: promotion $\times$ nature of products	Sales growth Market share	0.112	0.891	7.138 5.439	1.608 1.393	<i>P6</i> , ns <i>P6</i> , ns

Table II.

Notes: +, all df = 3; \*,  $p < 0.1$ ; \*\*,  $p < 0.05$ ; \*\*\*,  $p < 0.01$ ; ns, not significant

These outcomes are also in the same direction as predicted in *P1* in terms of pricing decision and market share.

Third, for the place decision, when firm size is small, centralized (global and regcal) approaches outperform decentralized (glocal and local) approaches. When firm size is large, however, a glocal approach, followed by a local approach, will perform better than either a global approach, or a regcal approach (Figure 3). Again, such a result is expected in *P1* for the place decision and market share relation.

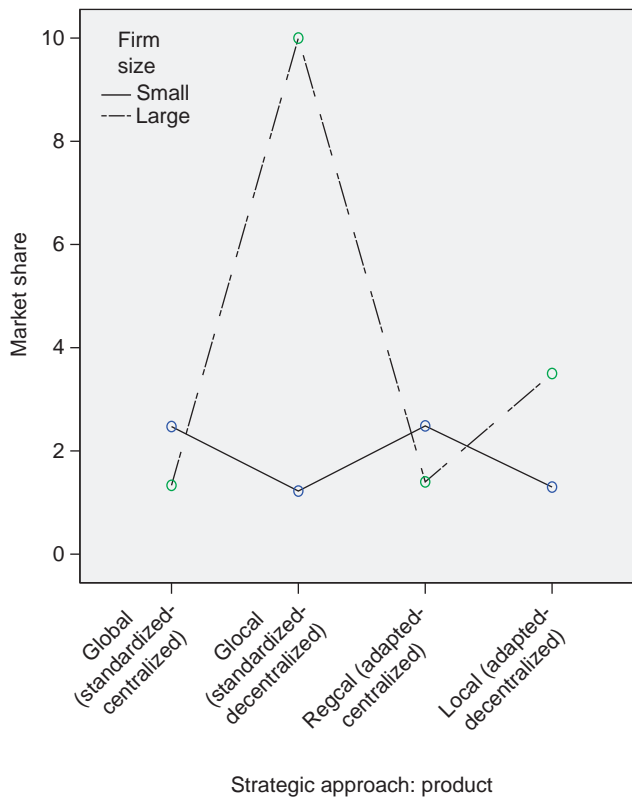
Fourth, the results concerning sales growth among product, price, place and promotion elements and of that related to market share and promotion elements are not significant.

Collectively, such results demonstrate that *P1* has been largely confirmed in relation to market share (except for promotion decision), but not sales growth.

### IBE

*P2* mainly deals with the interaction effect between the adaptation/standardization approach and IBE on firm performance. Adaptation-related strategies (local and regcal) are proposed to be more suitable for a firm with high levels of international experience (than one with little international experience), while standardized-related strategies (global and glocal) are more suitable for a firm with a low level of international experience.

As shown in Figure 4, for the pricing decision, when a firm has more IBE, adaptation (local and regcal) approaches outperform standardization (global and glocal) approaches in terms of sales growth. In contrast, when a firm has little



**Figure 1.**  
Interaction effect between  
strategic approach and  
firm size in product  
decision

international experience, standardization (global and glocal) approaches outperform adaptation (regcal and local) approaches. These results are inconsistent with *P2*, relating to the pricing decision and sales growth.

For the promotion decision, when a firm has little international experience, the regcal approach outperforms all other approaches; however, when a firm has lots of international experience, global and glocal approaches lead to a higher market share (Figure 5). These results are opposite to the predicted direction of *P2* regarding the promotion decision and market share.

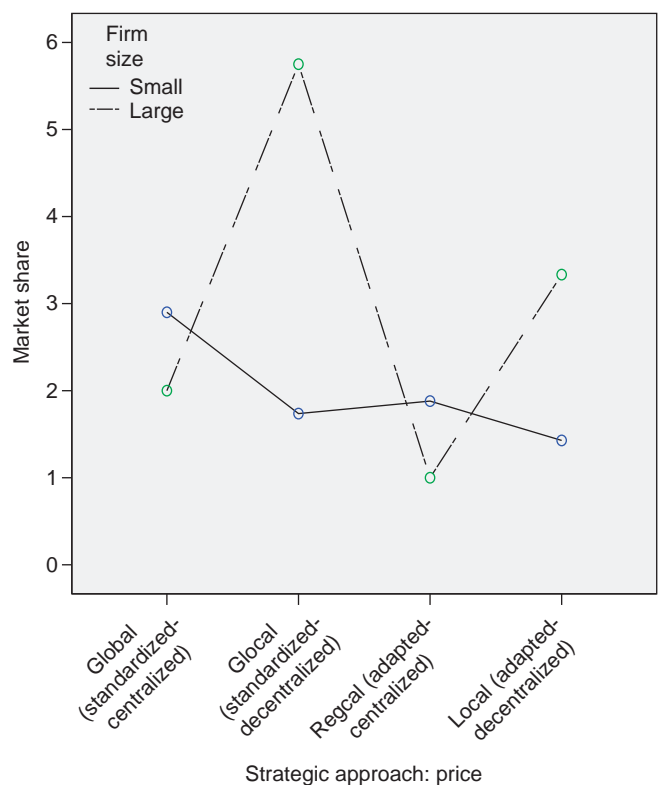
For the product and place decisions, the interaction of the adaptation/standardization approach and IBE has no significant effect on firm performance (for either sales growth, or market share). The alignment of the adaptation/standardization approach and IBE also has no significant relation with market share and sales growth relating to price and promotion, respectively.

In summary, it seems that the relation between IBE and the choice of standardization/decision-marketing structure has less association with exporting firms' performance.

#### *Consumer characteristics*

*P3* explores the relation between consumer characteristics and the four approaches. It is proposed that adaptation (local and regcal) approaches are more suitable for a firm





**Figure 2.**  
Interaction effect between  
strategic approach and  
firm size in price decision

operating in an environment where the consumer characteristics differ from those of the home country, while standardized (global and glocal) approaches are more suitable where the consumer characteristics are similar to those of the home country.

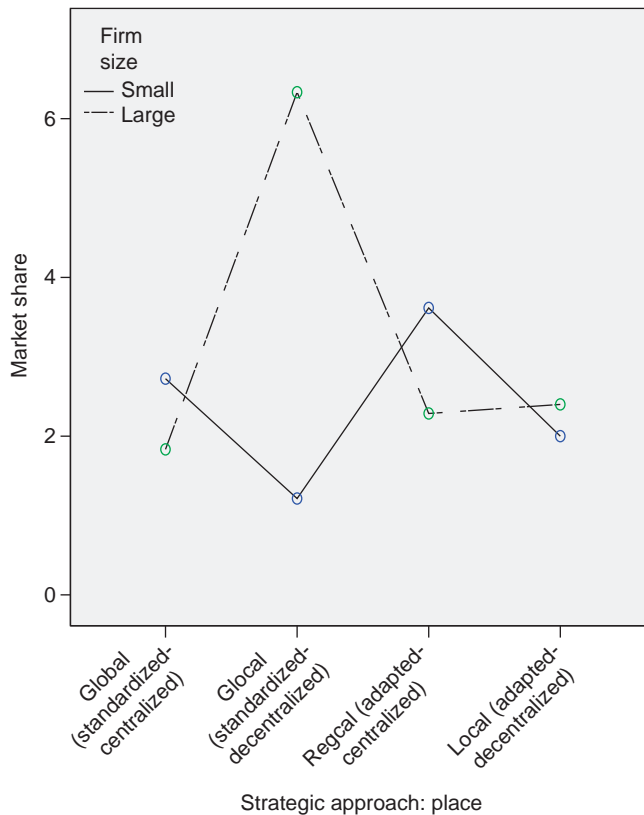
The results show that, for the product decision and when consumer characteristics are highly different, both the regal and local approaches outperform the global and glocal approaches in terms of market share. In contrast, when consumer characteristics are similar, both the global and glocal approaches outperform the regal and local approaches (Figure 6). These results are in line with the prediction of *P3* in terms of the product decision-market share relation.

As shown in Table II, however, the combinations of consumer characteristics and strategic approaches relating to price, place and promotion are not significantly associated with sales growth and market share. The interaction of consumer characteristics and strategic approaches of product is also not significantly related to sales growth.

In summary, consumer characteristics interact with the product decision in determining market share, but consumer characteristics have little impact on the effectiveness of other marketing programs.

#### *Legal environment*

*P4* investigates the effect of the interactive relation between centralization/decentralization and the legal environment on firm performance. The decentralized-related



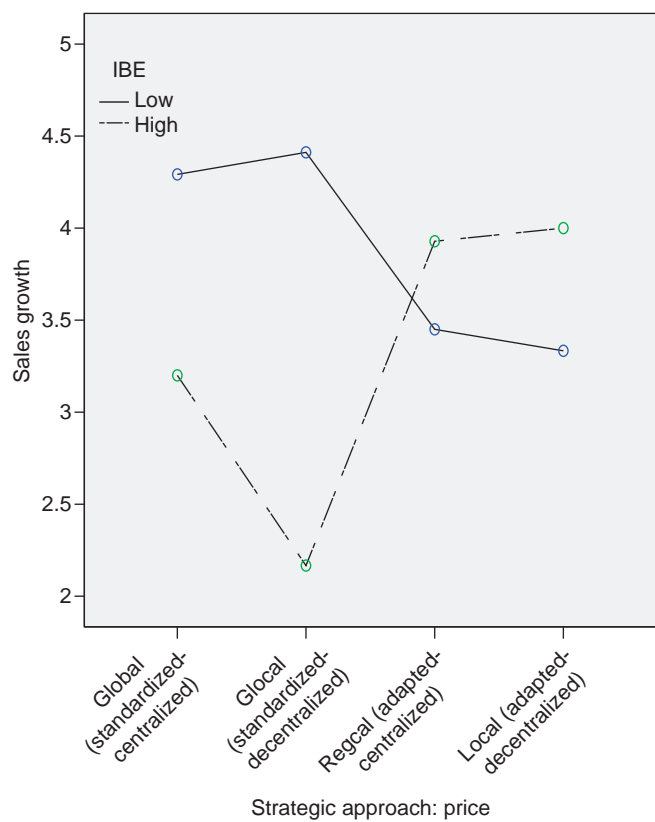
**Figure 3.**  
Interaction effect between  
strategic approach and  
firm size in place decision

(glocal and local) approaches are proposed to be more suitable when legal environments differ from those of the home country. On the other hand, centralized-related (global and regcal) approaches are more applicable when legal environments are similar to those of the home country.

First, as shown in Figure 7, for the pricing decision, when the legal environment is different, the glocal approach leads to the highest sales growth, while the global approach leads to the lowest sales growth. In contrast, when the legal environment is similar, either the global, or local, approaches outperform both the glocal and regcal approaches in terms of sales growth. These mixed results suggest that  $P4$  relating to the pricing decision and sales growth is partially supported by the data.

Second, for the place decision, when the legal environment is different, the local approach performs better than the other three approaches in terms of sales growth. When the legal environment is similar, however, the global, glocal and regcal approaches perform significantly better than does the local approach in terms of sales growth (Figure 8). These mixed results also provide partial support for  $P4$  regarding the place decision and sales growth, showing a consistent pattern that a local strategy (a decentralized structure and adaptation strategy) performs best when the legal environment is different, while it performs poorest when the legal environment is similar.

Third, the interactions between centralization/decentralization and legal environment have no effect on either sales growth, or market share, with respect to



**Figure 4.** Interaction effect between strategic approach and international business experience (IBE) in price decision

product and promotion elements (Table II). The alignment between centralization/ decentralization and legal environment has no significant impact effect on market share relating to the price and place components.

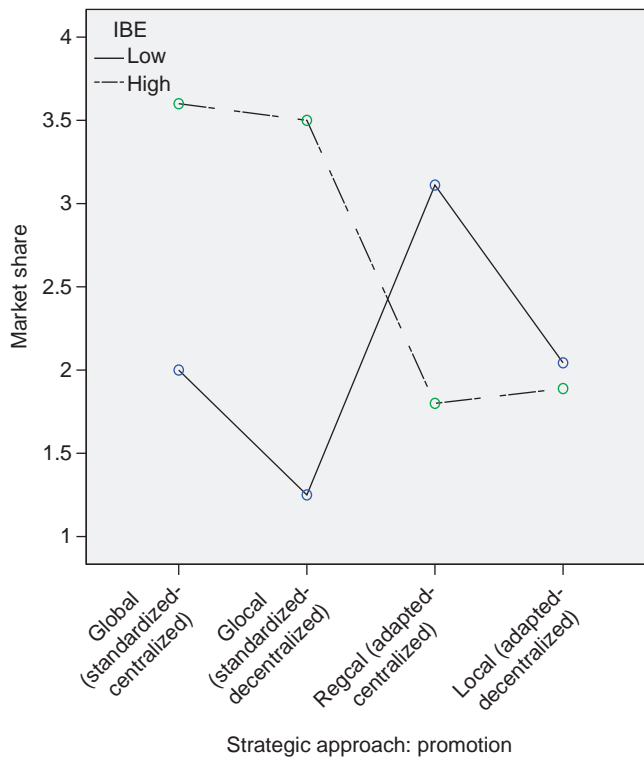
In summary, while the proposition regarding the effect of legal environment is partially confirmed, the results are mixed and still inconclusive.

*Cultural distance*

*P5* explores the relation between standardization/adaptation and cultural distance, and their interaction effect on performance. Adaptation strategies are suggested to be more suitable when a long cultural distance exists, while standardized strategies are more suitable when there exists a short cultural distance.

The results show that, for the product decision, when the cultural distance is long (different cultures), a local strategy, followed by a regcal strategy, significantly outperform both glocal and global strategies in terms of market share. In contrast, when cultural distance is short (similar cultures) the reverse is true, in that global and glocal strategies outperform regcal and local strategies (Figure 9). These results are consistent with the prediction of *P5* in terms of the product decision and market share.

For the place decision, when the cultural distance is short (similar cultures), global, glocal and regcal strategies outperform a local (adaptation) approach in terms of



**Figure 5.**  
Interaction effect between  
strategic approach and  
international business  
experience (IBE) in  
promotion decision

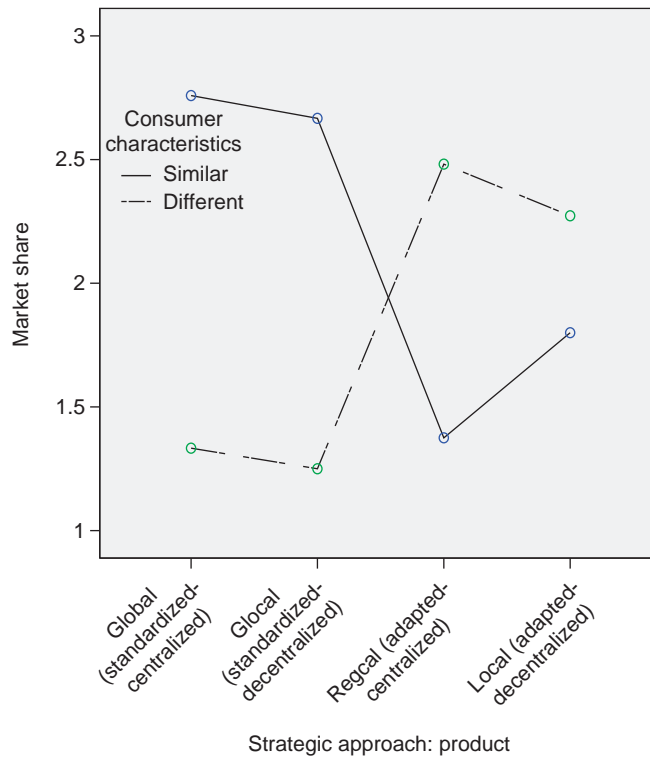
sales growth. When the cultural distance is long, however, regcal performs poorly comparing to the other approaches (Figure 10). These mixed results also suggest that *P5* relating to the place decision is partially confirmed; in that a local approach is less suitable when the cultural distance is short (than it is when the cultural distance is long).

On the other hand, the relation between standardization/adaptation and cultural distance has no significant effect on sales growth and market share with respect to the price and promotion elements (Table II). The standardization/adaptation and cultural distance alignment also has no significant impact on sales growth and market share in relation to the product and place components.

#### *Nature of products*

*P6* suggests that standardized-related (global and glocal) approaches are more suitable for industrial products, while adaptation-related (regcal and local) approaches are more suitable for consumer products.

In the price decision, as shown in Figure 11, the regcal and local (adaptation-related) approaches lead to better market share for consumer products than do the standardized-related approaches (global and glocal). In contrast, the glocal and global (standardized-related) approaches lead to better market share for industrial products than do the regcal and local approaches (adaptation-related approaches). Such outcomes are consistent with the predicted direction of *P6* in relation to the price decision for market share, but no significant effect for sales growth.



**Figure 6.**  
Interaction effect between  
strategic approach and  
consumer characteristics  
in product decision

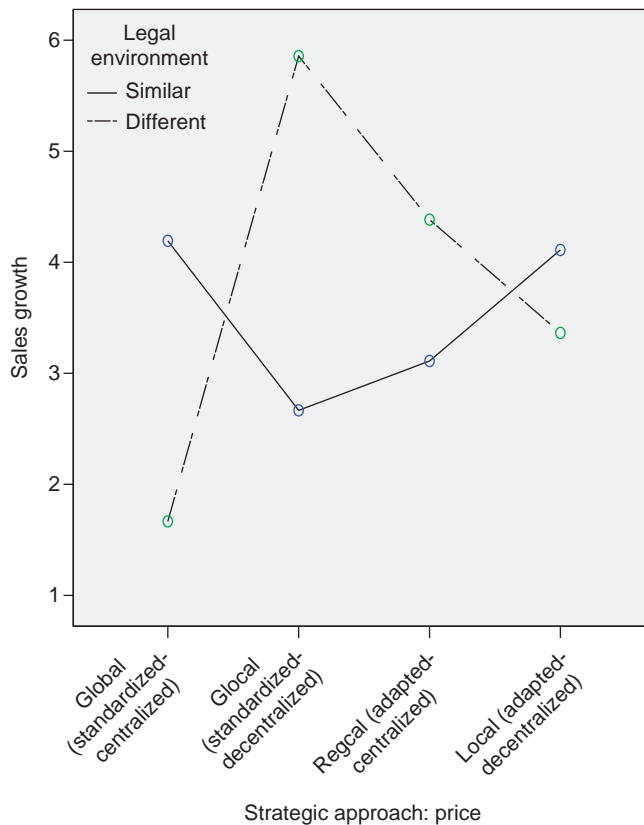
The results also suggest that the interaction of standardization/adaptation and the nature of the product is insignificant on product, place and promotion with respect to both sales growth and market share.

### Discussion and research implications

The main objective of this research is to use contingency theory to explore the interactive effect on firm performance between strategic approaches (i.e. the global, glocal, regcal and local approaches) and a set of contingent variables. Based on the literature and our conceptual reasoning, we formulate six propositions relating to the six contingency variables, which include internal variables (firm size, IBE), external variables (consumer characteristics, legal environment, cultural distance) and the nature of the products. The moderation role of such contingency variables influencing the relation between the four strategic approaches and firm performance are examined using empirical data. The research results and their associated implications are discussed below, in terms of three factors.

#### *Internal (firm size and IBE) factors*

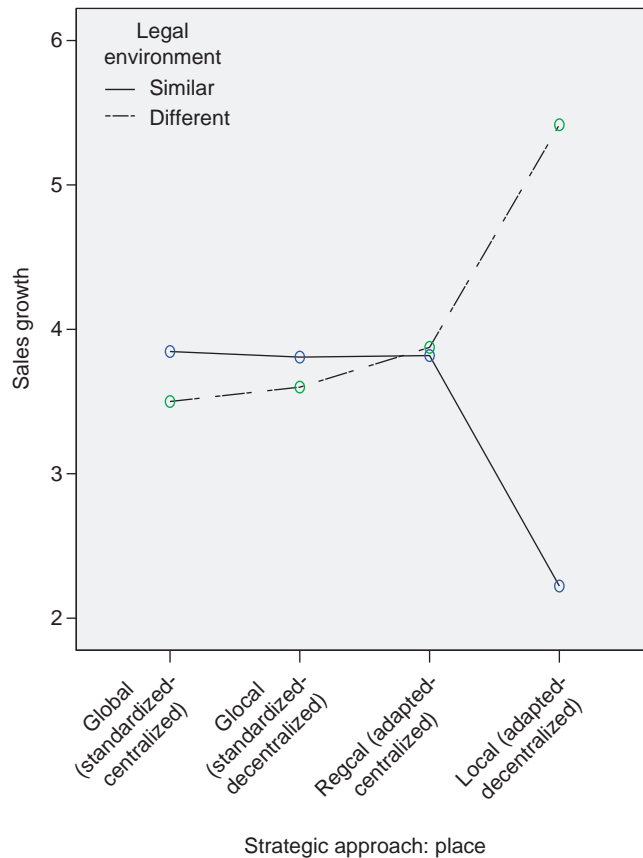
Results from this study show that the effectiveness of the strategic approaches on performance is moderated by firm size. In particular, small-sized firms are more likely to benefit from adopting centralized (global and regcal) approaches, whereas



**Figure 7.**  
Interaction effect between  
strategic approach and  
legal environment  
in price decision

large-sized firms are more likely to benefit when employing decentralized (glocal and local) approaches. These results are evident in the product, price and place components. These findings contribute to the extant literature (Blau and Schoenherr, 1971; Garnier, 1982; Gates and Egelhoff, 1986; Quester and Conduit, 1996), not only by extending the research scope from MNCs to firms operating in exporting sectors, but also by enhancing our understanding of the effectiveness of these approaches in relation to relevant international marketing programs. Thus, the relation between firm size and centralization/decentralization strategies is clearly spelt out. In addition, the results from this study shed further light on a recent study (Chung, 2010) that suggested that the decision-making structure has no effect on market share. This can be explained by the fact that the effect of decision making on performance will become evident when it is used in conjunction with an appropriate marketing strategy (e.g. standardization/adaptation) and firm size. As demonstrated in our results, the interaction of standardization-centralization (global) and adaptation-centralization (regcal) and small firm size can lead to a higher level of market share performance.

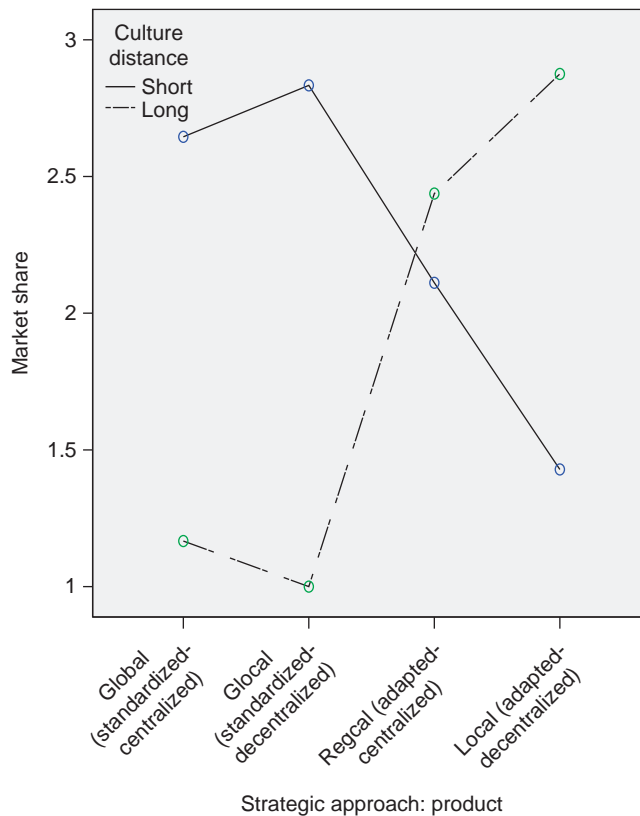
Although the results are mixed concerning the moderation role of IBE between the four approaches and performance, they provide partial support for the proposition that global and glocal approaches are likely to perform better when a firm's IBE is small, while local and regcal approaches are likely to perform better when a firm's IBE is



**Figure 8.**  
Interaction effect between  
strategic approach and  
legal environment in place  
decision

large. These results corroborate findings that show that IBE is an important factor for the choice of standardization strategy (Cavusgil *et al.*, 1993). Firms with a high level of business experience tend to have more capability to adopt an adapted strategy (Chung, 2010; Douglas and Craig, 1989). Our results also provide additional explanation for prior research that fails to locate a significant relation between IBE and standardization strategy (Tan and Sousa, 2011). As demonstrated in this study, the effect of IBE is still likely to be evident when standardization/adaptation strategy is implemented in conjunction with decision-making structure. Such a result is mainly evidenced in the price element. This result further strengthens the literature that has explored the direct effect of IBE on performance (Zou and Cavusgil, 2002). Together with those revealed in prior studies, future research should investigate both direct and indirect effects of IBE in the standardization-decision-making-performance paradigm.

For the promotion element, the regcal approach (adaptation related) is shown to perform better in terms of market share when a firm's IBE is short, and global and glocal (standardization-related) approaches lead to better market share when a firm's IBE is high. Such an unexpected result may be explained in two ways. First, if

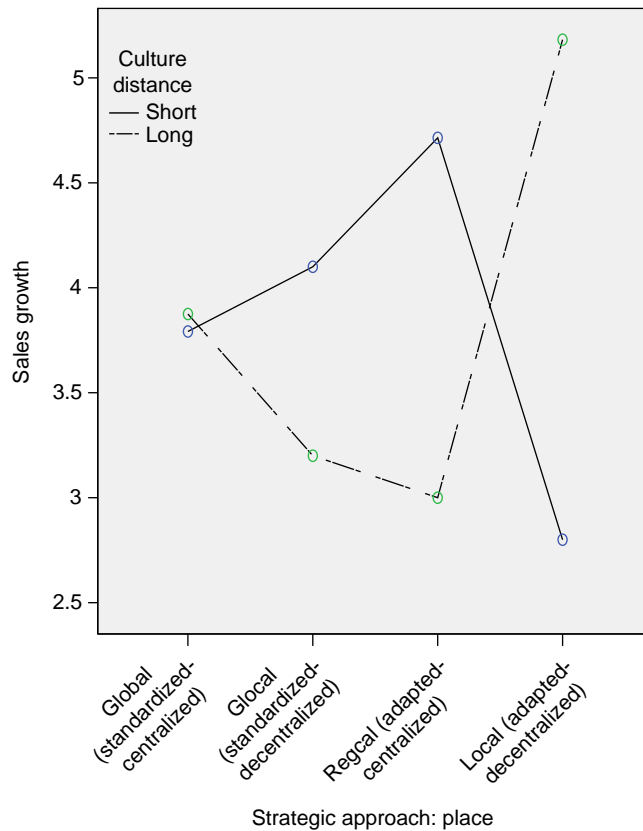


**Figure 9.**  
Interaction effect between  
strategic approach and  
cultural distance in  
product decision

operating in a highly competitive environment, a firm with little IBE might still adopt a more adapted, but centralized, promotion approach (e.g. regcal) in order to highlight its product advantages when operating in a foreign-host country. This result is consistent with the recent experience of firms operating in the Greater China region, where exporting firms have retained the adaptation formulation process within their HQs (Chung *et al.*, 2011). Second, a standardized promotion strategy might help highly experienced firms maintain their global image (Birnik and Bowman, 2007; Jain, 1989). A consistent global promotion image may help firms to acquire a higher market share when operating in different host countries. A well-known New Zealand brand (Anchor) has adopted a universal standardized promotion campaign, so that their consistent image can be maintained. This firm (Fonterra) has been operating in the exporting sphere for more than 100 years.

Though this study has revealed some significant results, the interactions of strategic approaches and firm size and IBE are not significant in a number of key situations. For example, the moderation effect of firm size and IBE is not significant on sales growth on the four program elements, with the exception of the interaction price and IBE. The insignificant result between IBE and strategic approaches is also noticeable on market share, in relation to the product, price and place elements. These results stress the importance of a proper match between firm factors, strategic



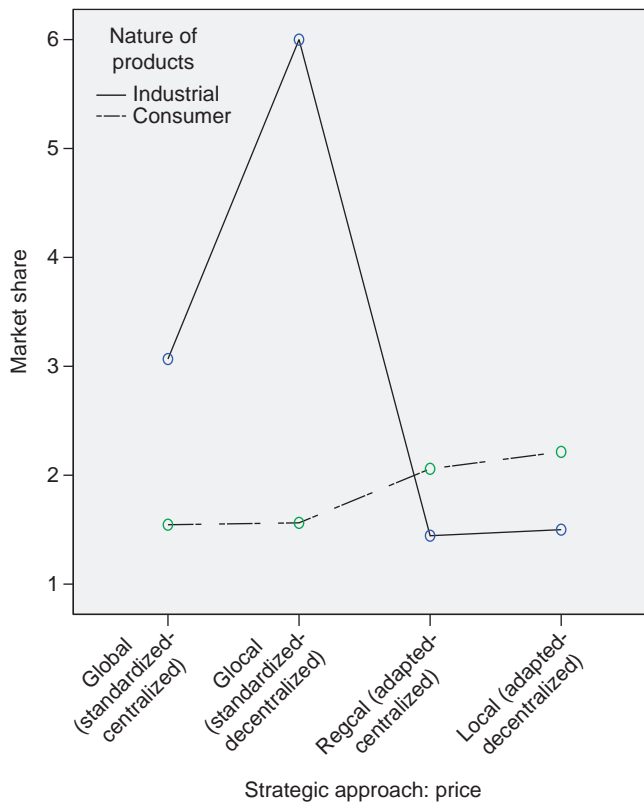


**Figure 10.**  
Interaction effect between  
strategic approach and  
cultural distance in place  
decision

approaches and marketing program components. The insignificant results might be explained by the nature of the study, which tends to only focus on export firms operating in the EU region. Unlike prior research that tends to focus on firms' operations in a wider geographic area (e.g. Johnson and Arunthanes, 1995; Zou and Cavusgil, 2002), this study has focussed on a narrower set of host markets. This adoption might have caused the variations from the prior established results. This mixed result suggests that the results suggested in this study need to be verified by exporting firms that operate in a broader range of locations. This will be discussed further in the section outlining directions for future research.

#### *External (environmental) factors*

Results from this study also advance our knowledge regarding the important role of environmental factors and their influence on the strategic choice of standardization/adaptation and centralization/decentralization approaches. First, both the regcal and local approaches are shown to be more effective in an environment where consumer characteristics have greater difference and the cultural distance is long; while the global and glocal approaches are likely to yield a better performance when consumer characteristics are similar and the cultural distance is short. Such findings concerning



**Figure 11.**  
Interaction effect between  
strategic approach and  
nature of products in  
price decision

the interaction effects extend the extant literature, which is mostly focussed on the direct effect of these factors on standardization strategy (e.g. Boddewyn *et al.*, 1986; Chung, 2003; Diamantopoulos *et al.*, 1995; Jain, 1989). A proper match of environmental factors (consumer characteristics and cultural distance) and the choice of strategic approaches can assist firms in achieving their financial performance.

Second, the findings of this study provide more empirical evidence regarding the prior conceptual frameworks that are based on contingency theory (e.g. Lages and Montgomery, 2004; Wang, 1996). In collaborating prior research conceptualizations, this empirical study sheds further light on the contingency role of consumer characteristics and cultural distances in the standardization/adaptation-decision-making-performance paradigm (Sousa and Lengler, 2009).

Meanwhile, it should be noted that the effect of cultural distance in the place component is less clear, as the glocal (standardization-related) and regcal (adaptation-related) approaches are both shown to perform better when operating in a low cultural distance environment, while the local (adaptation-related) approach and the global (standardization-related) approach are both shown to perform better when operating in a long cultural distance environment. These mixed results suggest that the place decision is likely to be more complex than the product component when operating in a host country. Additional work needs to be carried out to further explore possible explanations for such mixed results.

The results regarding the legal environment suggest that the glocal and regcal approaches for the pricing program lead to high-sales growth when the legal environment is different, while both the global and local approaches for the pricing program yield better sales growth when the legal environments are similar. Meanwhile, for the place program, the local approach outperforms all other approaches when the legal environment is different, while the local approach performs poorest compared to all the other approaches when the legal environment is similar. Such findings support the contingent view of the legal environment and extend previous studies that mainly focus on the direct effect of the legal environment on decision making (Chung, 2010; Garnier, 1982; Quester and Conduit, 1996). Second, this study might also add new insight to the existing contingency theory research (Lages and Montgomery, 2004; Wang, 1996), which largely focusses on product, country and consumer characteristics, while neglecting the moderation effect of the legal environment. Our results show a strong moderating effect of the legal environment between the adaptation (local) approach and sales growth, particularly in terms of the place component. These new results also provide a new direction for research concerning the legal environment and adaptation strategy (Cavusgil *et al.*, 1993).

#### *Product factor*

Findings in this study demonstrate that standardization-related approaches (global and glocal) lead to higher performance for industrial products, while adaptation-related approaches (regcal and local) lead to a higher performance for consumer products concerning the price element. These findings add to the existing literature through empirical evidence of the interaction effect between product nature and strategic approach choice (Birnik and Bowman, 2007; Jain, 1989; Schilke *et al.*, 2009).

Similar to those related to internal and external factors, however, the interactions between the nature of products and strategic approaches are not significant in a number of combinations, such as those related to product, place and promotion. These results indicate that the benefit of the choice of strategic approaches for consumer and industrial products on these components is less clear. One possible explanation is that the interactions between strategic approaches and the nature of the product might be more apparent on these elements for service firms, due to the unique characteristics of service items (e.g. intangibility, inseparability and perishability; Nicoulaud, 1989).

As shown in Table II, many of our proposed interaction effects show mixed results, or are partially supported by our data. Such results are quite normal and anticipated, given that each of our propositions actually covers four aspects of the marketing mix. Due to the variation of the relation between the standardization/centralization decision and firm performance across these four marketing elements, a perfect match between our propositions and data in all of the four aspects would be unrealistic. In addition, two reasons might have attributed to these insignificant results. First, as outlined in the literature (Katsikeas *et al.*, 2006), the benefits of the alignment of environmental factors and strategies only become evident when the environmental differences between home and host markets exceed a certain extent. As the home and host markets examined in the study are all members of the OECD, the cross-market variation is lower than for those organizations operating in both the developed and developing regions (Chung, 2003). A lower variation in cross-market differences might have caused the insignificant results for the selected marketing programs. Second, it is possible that the measurement scales used to estimate the environmental factors might have

attributed to these insignificant results. As the environmental measurement of this study is different from those used in other studies exploring the interactions of environmental factors (Katsikeas *et al.*, 2006), it is likely that the variation in the results is influenced by the measurement selection.

### *Contributions and managerial implications*

This study contributes to, and advances, the extant knowledge of standardization/centralization research, which has been largely focussed on the direct relation between strategic approaches and firm performance, or simply the relation between firm size, the legal environment and the decision-making structure (e.g. Chung, 2010; Garnier, 1982; Gates and Egelhoff, 1986).

First, this study is an empirical attempt to simultaneously integrate, and take into consideration, both standardization and centralization strategies. Our results show that distinguishing standardization strategies (standard vs adapted) and the decision-making structure (centralized vs decentralized) is meaningful, given that different combinations of the four approaches often yield quite different results. This helps in the development of more accurate predictions and the implanting of marketing mix strategies. Meanwhile, our results show that separating the performance measure into market share and sales growth is more appropriate, since the interaction of standardization strategy/decision-making structure and contingency factors have different impacts on market share and sales growth. In general, our data shows that the impact of contingency factors on the marketing program has more effect on market share than on sales growth. This is likely due to the fact that sales growth will also depend more on other factors such as the economic environment, product lifecycle and market turbulence.

Second, this study adopts a contingency framework by incorporating a set of contingent variables into the research design, considering the fact that such contingent variables have not been properly examined in prior research (Daniels, 1987; Svensson, 2001; Wang, 1996). By integrating these contingent factors into the choice of global, glocal, regcal and local approaches, the research scope concerning the formulation of strategic approaches has been broadened. Our results, thus, shed further light on explaining the often inconclusive results in the literature regarding standardization and performance relations (Chung, 2003; Lages *et al.*, 2008b; Samiee and Roth, 1992).

Finally, the managerial implications of the research are clear. Our findings suggest that it is more important to spell out how and when (rather than whether) standardization/adaptation, or centralization/decentralization, strategies should be implemented. Only a careful match among the contingency variables, standardization and the decision-making structure can yield a desirable financial performance. For example, an appropriate approach can allow firms of different sizes, or IBE, to achieve their financial performance objectives. Managers of small-sized firms should consider selecting the global and regcal approaches to formulate their product, price and place programs, while firms with a low level of business experience should consider adopting standardized approaches, such as global and glocal, to formulate their pricing strategies. These combinations are likely to be able to achieve the market share and sales growth performance objectives of the firm. Likewise, export managers should consider using a different combination of approaches based on the level of similarity/difference of consumer characteristics, the legal environment and cultural distance between the home and host markets. In general, when consumer

characteristics and the legal environment are different, or when cultural distance is great, regcal and local approaches are expected to yield better performance outcomes. On the other hand, the global and glocal approaches tend to be beneficial when consumer characteristics and the legal environment are similar, or the cultural distance is short, between the home and host countries. Last, export managers should consider using the global and glocal approaches when marketing an industrial product and employing the regcal and local approaches when marketing a consumer product.

### **Limitations and directions for future research**

As an exploratory study to examine the contingency effect of the four strategic approaches, this study suffers from a number of research limitations, which need to be addressed by future research. Meanwhile, such limitations open a new avenue for future research directions to further examine such issues.

First, findings concerning the interactions of the four strategic approaches (global, glocal, regcal and local) and the contingency variables are not robust across the different program elements, as demonstrated through the significant and non-significant results. While such results are normally anticipated, given that each proposition actually covers four aspects of marketing mix that vary under different conditions, future research should continue to provide empirical evidence to replicate the results in this study and shed further light on some unexpected findings of this study. While this study provides initial empirical findings that partially confirm our propositions, more theoretical background and conceptual justification is needed in the hypothesis development and reasoning in the future research.

Second, future research should also continue to explore other types of contingency variables that might also have an impact on strategic approaches. For example, variables that have already been identified; such as a firm's commitment to exporting (Lages *et al.*, 2008b), competitive forces and infrastructure (Lages and Montgomery, 2004); could all have potential moderation effects in the approaches-performance relation.

Third, it is important to note that the two performance items employed in this study are single-item factors. This weakness needs to be improved in future research through the use of a more complex performance measurement, such as the EXPERF scale, STEP scale or AEP index (Diamantopoulos and Kakkos, 2007; Lages and Lages, 2004; Zou *et al.*, 1998). The limitations of unidimensional measurement performance factors have been well cited in the literature (Ryans *et al.*, 2003).

Fourth, similar to the issue facing other research in this field (Lages and Montgomery, 2004), the findings of this study draw on the experiences of Australian and New Zealand exporting firms operating in the EU region. Though exporting is vital to both countries, the size of exporting in these two countries is still increasing. Thus, future research should consider replicating the outcomes proposed in this study, based on firms operating in other countries and a wider host market profile. Only then can a generalization of the findings established in this study be obtained.

Last, due to its exploratory nature and relatively small sample size, we did not conduct a covariance-based CFA (e.g. Amos; LISREL). Future research should estimate the fit measures for the established models (e.g.  $\chi^2$ , CFI, GFI, NFI, SRMR) (Schilke *et al.*, 2009). By including these fit statistics, the results concerning standardization, decision making and performance can be better validated.

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