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**THE IMPACT OF MARKETING CONTROL ON MARKETING STANDARDISATION STRATEGIES**

*ABSTRACT*

*In comparison to research on marketing standardisation strategy, research on marketing control has received much less attention. Previous research concerning marketing control and marketing standardisation has been classified into two streams - the independent variable and the mediation streams. These streams of studies have separately revealed two useful frameworks for subsequent research. Despite being useful, however, these frameworks have not been examined together within an analysis. This study is mainly designed to fill this research gap by integrating the two frameworks into one. This study aims to explore its conceptual framework, by focusing on the three lesser researched elements; pricing, place and process. The proposed frameworks were empirically tested by using the experiences of one-hundred firms operating in the European Union. This study used both partial least square (PLS) as its main statistical analysis methods. The statistical outcomes reveal that the two research frameworks do exist at the same time.*

**Introduction**

Despite much research having been committed to marketing standardisation strategy; due to its strategic role; this topic will still remain an important research issue in the future (Levitt, 1983; Daniels, 1987; Rau and Preble, 1987; Krum and Rau, 1993; Solberg, 2000; Laroche, Kirpalani, Pons and Zhou, 2001). Standardisation refers to the adoption of a similar, or uniform, marketing programme, or process, across national borders (Sorenson and Wiechmann, 1975; Jain, 1989; Douglas and Craig, 1992; Picard, Boddewyn and Grosse, 1998; Griffith, Hu and Ryans, 2000). Programme denotes the various elements of the marketing mix (product, price, place and promotion) and process represents the tools used to develop and implement the marketing programme (Jain, 1989; Quester and Conduit, 1996). The key benefits of adopting such a strategy include economies of scale, universal image and cost savings (Duncan and Ramaprasad, 1995; Quester and Conduit, 1996; Laroche et al., 2001). Autonomy refers to the degree of authority given to a firm's local representation (Picard, 1978; Garnier, 1982; Quelch and Hoff, 1986). Autonomy is a device used by the parent firm to control its local operations (Picard et al., 1998). In comparison to research on marketing standardisation strategy,

research on marketing control has received much less attention (Picard et al., 1998; Solberg, 2000; Laroche et al., 2001). This study is devoted to the *organisational* aspect of marketing standardisation research (Jain, 1989).

It has been generally agreed that the degree of control is related to the choice of standardisation strategy (Daniels, 1986; Kirpalani, Laroche and Darmon, 1988; Krum and Rau, 1993; Duncan and Ramaprasad, 1995). Previous studies have used several terms to describe a firm's control over its foreign operation e.g., control of marketing decisions (Solberg, 2000; Laroche et al., 2001); centralisation versus decentralisation (Daniels, 1987; Gates and Egelhoff, 1986); and organisational factors and structure (Martenson, 1987; Jain, 1989). This study uses a more common term, *marketing control*, to describe the extent of authority a firm gives to its local representation when formulating its marketing strategy. At one extreme of the control continuum firms conduct all of their marketing decisions in the firms' headquarters (centralisation), while the other extreme is to have those decisions made purely by the local subsidiaries, or local representatives such as agents and/or distributors (i.e., decentralisation) (Daniels, 1987; Solberg, 2000). In between these two extremes, some firms have adopted a moderated approach by sharing their marketing decision between their head offices and local representations (Picard et al., 1998).

Based on the function of marketing control in the enquiry (Aulakh and Kotabe, 1992; Laroche et al., 2001), previous research can be divided into two groups; whether marketing control is one of the independent variables of the choice of standardisation strategy (Jain, 1989); and whether it is a mediator between marketing factors and marketing standardisation (Laroche et al., 2001).

Studies within the first group attempt to establish whether marketing control, together with other factors (e.g., external factors), is a determinant of standardisation strategy (Daniels, 1987; Jain, 1989; Krum and Rau, 1993; Duncan and Ramaprasad, 1995; Tai and Wong, 1998). Most studies have confirmed such a proposition, though some do not reveal such a relationship. In an early study, Martenson (1987) suggested that a firm's organisational structure is a factor of standardisation strategy, as well as of external factors such as consumer behaviour. In his well-cited framework, and in conjunction with several other factors, Jain (1989) proposed that delegation of authority is a factor of standardisation strategy. Duncan and Ramaprasad (1995) also found that organisational structure is one of the factors affecting

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standardised advertising programmes. In a study of MNCs' operations across China, Taiwan, Hong Kong and Singapore, however, Tai and Wong (1998) have found that the degree of centralisation is not related to the degree of advertising standardisation. Standardised advertising is affected more by a firm's mission, product type and the context of the host market. Despite its mixed outcomes, a key contribution of this group of studies is to point out that, in addition to other marketing factors which might influence marketing standardisation strategy (see Jain, 1989), MNCs and researchers might also need to consider the impact of firms' organisational structure on their marketing standardisation strategy selection (Jain, 1989; Duncan and Ramaprasad, 1995; Quester and Conduit, 1996). As marketing control is viewed as an independent variable of marketing standardisation strategy, research in this group has been named as the *independent variable* stream.

Research in the second group has suggested an integrated link among marketing factors, marketing control and marketing standardisation (Picard et al., 1998; Laroche et al., 2001). These studies have suggested that marketing factors are antecedents of marketing control, which is also an antecedent of marketing standardisation. Results generated in this stream are less abundant than those produced in the first stream. For instance, in a study of US firms' operations in the EU, Picard et al. (1998) suggested that factors such as firm-related, political, economic and consumer are antecedents to the choice of organisational structure (marketing control). Organisational structure then has a significant influence on standardisation/adaptation strategy (product and promotion). This finding was concurred with by Laroche et al. (2001), whose study pointed out that marketing factors such as environment and marketing position (e.g., competition) can influence the choice of marketing control which then influences advertising standardisation strategy. Marketing factors have no direct influence on marketing standardisation. A key contribution of the second group of studies is that it has identified that marketing control can be a mediator between marketing factors and marketing standardisation strategy. The findings of this group suggest that some factors might not have a direct influence on marketing standardisation strategy, but they could still have an indirect influence on marketing standardisation strategy (e.g., via marketing control). Due to the approach used, this second group of studies has been coded as the *mediation* stream.

Although useful, previous studies seem to suffer from a number of weaknesses. For example, though useful, previous studies have mainly focused on selected marketing programme elements. This limitation occurs across studies in the two steams. Kirpalani et al. (1988), Duncan and Ramaprasad (1995), Tai and Wong (1998) and Solberg (2002) all focused on advertising, or communication. Though it covers a wider range of elements, Picard et al. (1998) examined four elements (product, price, place and promotion), but its findings were established based on less comprehensive methods (e.g., a binary t-test). The same weakness also occurs in Krum and Rau (1993), which has a descriptive analysis, though it also examined product, price, place and promotion. Though it is one of the earlier studies which identified an integrated framework in the research regarding marketing control and standardisation, Laroche et al. (2001) also suffers from only focusing on one element; advertising. In short, though useful, previous studies have tended to limit their study scope to advertising. Those studies focused on other elements have tended to have used a less comprehensive analysis method. Though not many studies have specifically focused on the product element (Quester and Conduit, 1996; Picard et al., 1998), product is more likely to be standardised, with its decision  more likely to be made within the parent firm (Rau and Preble, 1987; Quester and Conduit, 1996; Picard et al., 1998). As a result, a focus on this element seems less necessary. Thus, the focus on marketing mix elements other than promotion and product seems justified. The need to focus on price, place and process is further supported by some conceptual studies which have found an uneven coverage of marketing programme elements (Rau and Preble, 1987; Aulakh and Kotabe, 1992). In their thorough review of the previous literature, Aulakh and Kotabe (1992) indicated that previous marketing management studies tend to focus more on product and promotion, with less focus on the pricing and place elements. Likewise, though  process has long been regarded as an important aspect of marketing standardisation (Sorenson and Wiechmann, 1975; Jain, 1989; Akaah, 1991; Griffith et al., 2000), the relationship between marketing control and process standardisation strategy still has not been fully examined (Krum and Rau, 1993). Thus, in light of the above discussion, an examination of the issue of marketing control and marketing standardisation concerning price, place and process seems warranted.

The second weakness is that previous studies tend to examine the direct (i.e., the *independent variable* stream) and indirect influences (i.e., the *mediation* stream) separately. A study incorporating both approaches seems to be lacking (Laroche et al., 2001). By incorporating both frameworks together within an analysis researchers would be able to

examine whether; together with the other factors; marketing control is a direct factor of marketing standardisation strategy (e.g., Jain, 1989; Krum and Rau, 1993; Shoham, 1995; Tai and Wong, 1998), and/or it also has a meditation effect in this research enquiry (e.g., Picard et al., 1998; Laroche et al., 2001). Findings on such a combined examination could present important methodological implications for marketing researchers and practioners. The results generated by this integrated effort would provide a direction on whether these two routes of influence should be considered simultaneously. The independent stream suggests that firms should consider whether factors (i.e., marketing control, external factors) have a direct influence on marketing standardising strategy (Duncan and Ramaprasad, 1995; Tai and Wong, 1998). The mediation stream of studies indicates that, when marketing factors do not have a direct influence, firms should further examine whether those factors have an indirect impact on marketing standardisation strategy (i.e., influence via marketing control) (Laroche et al., 2001). It is quite possible that a factor might not have a direct influence on marketing standardisation strategy, but it could have an indirect impact on this strategy. By examining both effects together firms can ensure that their marketing standardisation strategy is based on a thorough examination of all factors they face when operating in a foreign host market, both directly and indirectly.

Lastly, among the two major factors which were identified as factors influencing marketing control and marketing standardisation strategies, are firm and environment-related factors (Picard et al., 1998). Though some useful results have been established, the effect of these factors on price, place and process control still remain unknown (e.g., Aulakh and Kotabe, 1992; Krum and Rau, 1993; Laroche et al., 2001; Picard et al., 1998). Furthermore the influence of factors such as market size and potential (Rau and Preble, 1987; Agarwal and Ramaswami, 1992) and the extent of internationalisation (Solberg, 2000) have been cited in the literature, but have yet to be empirically examined. The findings concerning these factors can also offer new insights to the relationship between marketing control and marketing standardisation strategy.

Thus, based on a review of previous studies, this study is designed to fill the gaps in the literature. The integrated conceceptual framework is presented in Figure 1. In order to achieve its research objectives, this study will examine one-hundred firms operating in the EU region. The EU is the largest world market which has been a subject of

investigation in many prior studies (e.g., Sorenson and Wiechmann, 1975; Daniels, 1987; Martenson, 1987; Krum and Rau, 1993; Picard et al., 1998). This focus will bring the study's results in line with those of previous studies.

**(Insert Figure 1 here)**

**Literature Review and Research Hypotheses**

As indicated, the existing research which has focused on price, place and process is limited. Due to this limitation, the research hypothesis proposal will be mainly based on the findings existing in the literature, especially those concerning promotion. As previously discussed, studies on marketing control and marketing standardisation can be generally classified into two categories (independent and mediation). As a result of some recent outcomes (Laroche et al., 2001), this study adopts the full-mediation approach in its hypothesis proposal. *Full-mediation* represents the situation where the marketing factor has a significant impact on marketing control, and marketing control has an influence on marketing standardisation, but marketing factors have no influence on marketing standardisation. A partial-mediation occurs when, in addition to its influence on marketing control, marketing factors also have a significant impact on marketing standardisation.

*Competition-related factors*

Prior studies have suggested that competition-related factors are likely to be a key factor in any enquiry into marketing control and marketing standardisation. Previous research suggests that a highly competitive environment leads to high control of decision-making. In a study of US firms operating in the EU region, Picard et al. (1998) grouped competitive factors together with other factors and coded it as being the economic factor. This factor is found to be significantly related to marketing control of the place element. In its integrated framework, the study by Laroche et al. (2001) also clustered competitive environment, market development and several others as the market position factor, which was also confirmed to be an antecedent of marketing control of advertising (Laroche et al., 2001). In this study, marketing control is revealed to be significantly related to marketing standardisation, but marketing position is not found to have a direct influence on advertising standardisation. Tai and Wong (1998) also found that the extent of competition a firm faces in the host markets is related to its marketing control of advertising decisions. In short, previous studies have pointed out that the competition-related factor is likely to concern marketing control, with marketing control also being likely to be an antecedent of marketing standardisation strategy. When converting these results to the framework of mediation, the following hypotheses are expected.

H1: Marketing control concerning the pricing, place and process decision is likely to mediate the relationship between competition-related factors and marketing standardisation strategy in the EU region. This indicates that:

H1a: Competition-related factors are significantly related to marketing control;

H1b: Marketing control is significantly related to marketing standardisation strategy; but

H1c: Competition related factors are not significantly related to marketing standardisation.

*Environmentally-related factors*

A number of environmentally-related factors have been identified as having significant influence in terms of marketing control and marketing standardisation. These include political-legal, economic, infrastructure, culture and customer factors (Krum and Rau, 1993; Picard et al., 1998; Laroche et al., 2001). In their conceptual study of MNCs' control system selection, Hamilton and Kashlak (1999) indicated that the differences in the home-host country political systems and the restrictions imposed by the host government could affect MNCs' control systems in the host country. They also note that a host country's economic stability influences MNCs' choice of control system. A simple way to measure economic risk is in terms of economic development. Picard et al. (1998) indicated that a firm's choice of marketing control is also related to economic, political and consumer-related factors. Firms are more likely to adopt a higher level of centralised control over their distribution decision when the economic and political barriers are high. When the consumer-related factors become an obstacle, firms are more likely to use a lower control structure. In addition to the effect of individual marketing factors, some studies suggest that a host market environment should be treated as another group. Kobrin (1982) indicated that political influence should be considered together with other environmental factors, such as economic and cultural factors. Garnier (1982) supported this by citing that the host country environment should include political, social, cultural, legal and economic factors. He proposed that the greater the difference, the stronger the tendency to leave the decision-making authority to local executives. Laroche et al. (2001) suggested that various aspects of the environment (economic, political-legal, infrastructure, culture and customer) should be clustered together as a single country environmental condition construct. This construct is found to be related to the degree of marketing control, but is not significantly related to standardisation strategy. In brief, previous studies seem to point out that environmental-related factors are likely to have a significant impact on marketing control, and that various elements of

environmental factors can be grouped together as an environmental construct. When applying the above discussion to the mediation framework, the following hypotheses are expected.

H2: Marketing control concerning pricing, place and process decision is likely to mediate the relationship between country environment conditions and marketing standardisation strategy in the EU region. This indicates that:

> H2a: The country environment is significantly related to marketing control;
>
> H1b: Marketing control is significantly related to marketing standardisation strategy; but
>
> H2b: Country environment is not significantly related to marketing standardisation.

## *Firm factors*

Some firm-related factors have been identified as having significant influence on marketing control. Myers and Harvey (2001) identified that firms with a higher level of business experience tend to absorb the pricing task, as opposed to deferring this responsibility to their intermediaries. Rau and Pebble (1987) also indicated that firms' international business experience is related to marketing standardisation strategy. They suggested that firms with a high level of business experience are more likely to pursue a high level of decision-making control, as standardisation can be enhanced by a centralised control strategy (Rau and Preble, 1987). In addition to international business experience, some studies have indicated that the extent of internationalisation might also influence the choice of control (Benito, Solberg and Welch, 1993; Solberg, 2000). It is suggested that firms at earlier stages of internationalisation are more likely to adopt a lower level of control due to their insufficient knowledge of the host market. Based on the findings of previous studies, the following mediation relationship is expected.

H3: Marketing control concerning pricing, place and process decisions is likely to mediate the relationship between firm-related factors and marketing standardisation strategy in the EU region. This indicates that:

> H3a: Firm-related factors are significantly related to marketing control;
>
> H1b: Marketing control is significantly related to marketing standardisation strategy; but
>
> H3b: Firm-related factors are not significantly related to marketing standardisation.

## *Host-country characteristics*

Existing studies related to host markets tend to focus on the environmental aspects. Studies focused on the characteristics of the host market are rare in enquiries into marketing control and marketing standardisation (e.g., Quelch and Hoff, 1986; Rau and Preble, 1987; Jain, 1989). Previous studies have revealed that a host country's market

size is likely to be related to the extent of standardised programme used in that country, as well as probably being related to gains in economies of scale and cost savings (Quelch and Hoff, 1986; Rau and Preble, 1987). MNCs are encouraged to standardise their marketing programmes based on the needs of large markets, rather than small markets. Though not directly related to the extent of marketing control, it is likely that firms operating in large host markets are likely to adopt a higher control over their marketing programmes in those host markets. This is because the adoption of high control could enhance the implementation of a standardisation strategy (Daniels, 1987; Krum and Rau, 1993). Previous studies suggest that a host country's market size can be determined through two aspects: Market size; and market potential (Agarwal and Ramaswami, 1992; Chung and Enderwick, 2001). Market size is the current attractiveness of the market, while market potential represents the future potential of a host market. Both factors will be examined in this study as they represent two different aspects of a host market characteristic.

H4: Marketing controls concerning pricing, place and process decisions are likely to mediate the relationship between host-country characteristics and marketing standardisation strategy in the EU region. This indicates that:

> H4a: Host-country characteristics are significantly related to marketing control;

> H1b: Marketing control is significantly related to marketing standardisation strategy; but

> H4b: Host-country characteristics are not significantly related to marketing standardisation.

**Research Methodology and Measurement**

*Sampling Frame and Data collection*

This study adopted a survey to collect its primary research data. The data were obtained from a self-administered questionnaire which was sent to a sample of 293 New Zealand companies which were believed to have business operations in the EU region. These firms were listed in the database of a semi-government organisation which was established to promote New Zealand products/services overseas. This survey was completed by the marketing manager who was responsible for the firm's operations in the host markets, or the most senior staff member of the company.

A total of 142 useable questionnaires were returned within three weeks of the survey study. Thirty-eight were returned due to incorrect address information. Four were not included due to some information not being given in the questionnaire answers. In total, one-hundred useable questionnaires were utilised in this study. The response rate, after

adjusting the sampling frame, was about 40%. This response rate is higher than those reported in this research field (e.g., Chung, 2002).

*Measurement*

In order to examine the proposed research framework, respondents were asked to assess the degree of similarity/dissimilarity of their marketing programme/process (price, place and process) in their home and host markets, as well as the marketing environment they faced in both markets. Respondents were instructed to answer the survey relating to their most important product/service which was marketed in their most important EU market when the survey was conducted. Importance was measured in terms of sales revenue. A number of items were used to measure various aspects of the marketing programme/process elements: Four for pricing, which were wholesale, retail, price method and price discount; five for distribution, which were type of retailing, channel, role of sales force, management of sales force and middlemen; and three for process, which were planning, budgeting and control, and marketing orientation/philosophy (Sorenson and Wiechmann, 1975; Quester and Conduit, 1996; Chung, 2002; Theodosiou and Leonidou, 2003). The measurement of competition and environmentally-related factors were also based on those suggested in the literature (Sorenson and Wiechmann, 1975; Garnier, 1982; Boddewyn et al., 1986; Whitelock and Pimblett, 1997). The political factor was determined by the extent of the host government intervention, while the legal environment was measured by legal regulations concerning price, safety and packaging. The economic environment was measured in terms of GNP per capita, labour cost, purchasing power and stage of economic development. The cultural environment includes the linguistic situation, understanding and interpretation of advertising, education and customs. Infrastructure was examined in terms of distribution and media infrastructure. Competition was measured in terms of the competitive nature of the market and market share position. The programme/process and competitive/environmental items were all measured using a 5-point scale (1=very similar; 5=very different).

Marketing control was measured mainly using the practice suggested by Picard et al. (1998) and Solberg (2000). Instead of requesting the location of specific element items (e.g., pricing method), respondents were asked to identify the locations of their overall programme/process elements decision-making (i.e., price, place and process) (Picard et al., 1998). This practice was adopted in order to be in line with the practices employed in previous studies (Picard et al., 1998) and to reduce the complexity of the study survey. Respondents were instructed to provide answers on whether or

not their marketing decision was made by only one party (e.g., HQs, or local representatives), or was equally shared by their HQs and local representatives. Answers to this question were then classified into three different categories; solely made by HQs (scale=3), shared by HQs and local representatives (e.g., local subsidiary, distributors) (scale=2) and solely made by local representatives (scale=1). This variable was treated as an ordinal variable in the subsequent statistical analysis process. This adoption is based on the suggestions presented in international management and marketing literature (Agarwal and Ramaswami, 1992; Erramilli and Rao, 1993; Hamilton and Kashlak, 1999; Picard et al., 1998; Solberg, 2000). Firms have the highest control when the marketing strategy decision is made at their head offices, followed by sharing the decision-making with local representatives. Decisions made purely by local representatives offer the lowest control to the parent firm.

Respondents' international business experience was measured by the years a firm has operated in international business and number of countries in which they have operated. Firm size was measured by a firm's number of full-time employees. A firm's extent of internationalisation was determined by the proportion of its international sales over its total sales (1=under 10%; 7=60% or over). This measurement is based on those studies which have suggested that the importance of a firm's international sales is related to its stage of internationalisation, with a higher proportion of international sales indicating that firms are likely to be at a later stage of internationalisation (Sullivan, 1994; Ramaswamy, Kroeck and Renforth, 1996; Johansson, 2003). Following this, respondents were asked to identify the market entry mode they used in the subject EU host market, and the size and potential of the market. Based on the practice of previous studies (Agarwal and Ramaswami, 1992), this study asked its respondents to nominate the current size of the market and the future potential of the market concerning the sector related to their product/service in the host market (1-7 scale, 1=small, 4=medium and 7=large).

**Research Findings**

*Sample Profile*

The average size of the respondents in this study was medium-sized. The average number of employees of the respondent companies was about 430 full-time employees. The average international business experience of the respondents surveyed was about twenty years. On average, the respondents have been operating in about eighteen other countries. With respect to the proportion of international sales over total sales revenue (extent of internationalisation),

about 50% of the respondent firms identified that their international sales occupied 60% or over of their total sales, while about 20% of firms indicated that their international sales contributed less than 20% to their total sales revenue. This outcome suggests that more scale choices could have been provided in the questioning concerning this item. Nevertheless, this distribution did not seem to cause a biased outcome, as a correlation test between the proportion of international sales and the three marketing control items ndicated a non-significant outcome. The extent of internationalisation is not suggested to be significantly related to firms' choice of marketing control (discussed below). Despite this finding, future research would need to focus on this weakness.

Regarding the location of decision-making, firms tend to have chosen a high control in terms of the process and price elements. The extent of control of process is highest where around 60% of the respondents indicated that their decision-making was made at the firms' headquarters and about 20% replied that process control was authorised by local representatives. About 50% of the price decision was controlled by the HQs, and approximately 20% of that decision was allocated to local representation. The extent of place control is lowest where about 45% of this decision was made by the local representation. Around 40% of respondents indicated that their place decision was controlled by their head offices.

The majority of the firms studied were operating in the consumer non-durables sector (44%), followed by services (22%), industrial products (19%) and consumer durables (15%). This finding is in line with those reported in similar studies (Chung, 2002). Key market entry modes include exporting (61%), wholly owned marketing subsidiary (18%), strategic alliance (8%) and Internet (10%).

With respect to the most important EU markets, 40% of respondents stated that the UK was their most important market, while about 25% of them indicated that Germany was their most important market. This is followed by France, Spain, Ireland, Italy, Switzerland, The Netherlands, Denmark, Belgium and Sweden. In total these firms were operating in eleven key EU country markets.

**Statistical Analysis Procedure and Reliability Outcomes**

*PLS analysis*

This study used PLS (partial least square) as its main statistical analysis method. PLS is a component-based technique, which is suitable when normality is absent and when the sample size is small (Chin, 1998a, 1998b; Laroche et al., 2001; Chin, Marcolin and Newsted, 2003). PLS is similar to regression analysis, but it simultaneously estimates the models for the structural paths and measurement paths. PLS is also a preferred method for a study which contains single-item measurement factors (Chin et al., 2003).

After several rounds of experiment the final factors included in the measurement model were proportional to international sales over total sales, international business experience (years in international business and number of countries operating in), environment (political-legal, economic, cultural and customer), competition (competitive environment and infrastructure), market size and market potential. Environment and competition are second order factors, as their associated sub-items are highly correlated with each other (Gefan, Straub and Boudreau, 2000). In opposition to previous reports in the literature (Laroche et al., 2001), infrastructure was grouped together with the competitive environment factors, suggesting that a host market's competitive environment is closely related to its basic infrastructure in the EU region (Boddewyn et al., 1986). The mediation factors are price, place and process control, while the dependent variables include price, place and process standardisation. Both price and place elements were sub-divided due to the varied direction of influence from marketing control. Price was sub-divided into two groups; price1 (price discount), and price3 (wholesaling, retailing and pricing method). The influence of price control on price1 was negative, while its relationship with price3 was positive. Place control had a positive impact on place1 (management of middlemen), while it had a negative influence on place4 (type of retailing, channel, role and management of sales force). The direction of influence of process control on the three process elements is consistent. The three process elements are, therefore, grouped as one factor.

Past studies suggest that convergent validity in the PLS analysis is shown when each of the measurement items load with a significant t-value (t>1.96) on its latent construct (Gefan and Straub, 2005). With the exception of years in international business which is close to 1.96; the t-values of the items are larger than 1.96. Discriminant validity is determined by the

construct correlations and square root AVE (Gefen and Straub, 2005). Items are highly correlated within their own loading factors (e.g., IBE, price3), suggesting this part of the discriminant validity is met (Gefan and Straub, 2005). The square root of the AVE (SQRT AVE) needs to be larger than any correlation between this construct and any other constructs (Gefan and Straub, 2005). The outcomes suggest that SQRT AVE of the construct is higher than its correlation values with other constructs, indicating that this part of the validity is also fulfilled.

**Statistical Results**

The PLS result is shown in Figure 2. As shown in this figure, competitive environment is not significantly related to marketing control for all three programme elements. This indicates that H1a is not supported in terms of the three elements studied. Marketing control is significantly related to marketing standardisation strategy; H1b (price and process). Thus, H1b concerning pricing and process is supported. Both pricing and process control are positively related to price3 and to process. These outcomes suggest that higher control over pricing and process decisions could lead to a higher degree of adaptation of the price3 and process elements. As indicated, however, though not significant, the PLS analysis also confirms that price and place control is negatively related to price1 and place4 (Figure 2). These two results indicate that higher control of pricing and place decisions could also lead to standardised pricing and place strategy. Place control is positively related to the role of middlemen, suggesting that high control on place leads to an adaptation of this item. These mixed results support those revealed in the existing literature; that, marketing control does not necessary imply marketing standardisation (Picard, 1978; Quester and Conduit, 1996; Picard et al., 1998).

Competitive environment is suggested to be significantly related to process standardisation strategy. This result suggests that H1c needs to be revised. The outcomes concerning H1 indicate that marketing control does not mediate the relationship between competitive environment and marketing standardisation with respect to price, place and process. The suggestion by Laroche et al. (2001) might not be expanded to these elements concerning the competitive environment factor. This non-mediation outcome indicates that, with respect to the competitive environment, the integrated framework might not apply to elements other than advertising.

H2a is not supported, as the environmental construct is not significantly related to the extent of marketing control for all three elements. H2b is also not supported, due to the environment being found to be significantly related to price standardisation. As environment has a direct impact on marketing standardisation (H2b), and does not have a significant influence on marketing control (H2a), the mediation effect of marketing control on the relationship between environment and marketing standardisation is not confirmed in this study.

H3 is partially supported. The mediation effect of process control on the relationship between international business experience (IBE) and process standardisation is supported. IBE is found to have a significant impact on process control (H3a), and process control has a significant influence on process standardisation (H1b). It is suggested that IBE has a direct impact on process standardisation (H3b). These results suggest a partial mediation effect. Nevertheless, H3a concerning internationalisation is not supported, as it has no significant influence on marketing control (H3a). H3b relates to internationalisation, but also fails to be supported as it has a direct impact on price standardisation (price1 and price3). The mediation role related to internationalisation is not endorsed.

H4 is supported. H4a is supported, but only relates to market potential. Market potential is suggested to have a significant impact on price control, which is significantly related to price standardisation. H4b concerning market potential is also supported, because this factor is not suggested to have a significant influence on marketing standardisation. H4a related to market size is not supported, indicating that marketing control is more related to a country's potential, rather than its current size. These outcomes reveal that price control can mediate the relationship between market potential and marketing standardisation strategy. This is a full-mediation relationship.

**(insert Figure 2 here)**

**Discussion**

In this study the findings of the two stream frameworks (independent variable and mediation) have been incorporated and examined. In general, the two streams of outcomes are supported. The revised conceptual framework is listed in Figure 3. In the independent variable stream, together with other factors, marketing control regarding process and price are revealed as being significant independent variables of marketing standardisation. Process standardisation is

influenced by process control, IBE and competitive environment, while price standardisation (wholesaling, retailing and pricing method) is influenced by the degree of internationalisation, environment and price control.

With the mediation effect, process control is suggested to be the mediator of IBE and process standardisation (partial-mediation effect), with price control revealed as a mediator between market potential and price3 standardisation (full-mediation effect). The following discussion is presented based on the outcomes established in these two streams of research.

**(insert Figure 3 here)**

*The independent variable stream*

As shown in Figure 3, in conjunction with other variables, process and price control are revealed as being significant independent variables of process and price standardisation. As reported, process standardisation is influenced by process control, IBE and competitive environment. This finding has added new insights to research concerning the impact of process standardisation (Sorenson and Wiechmann, 1975; Griffith et al., 2000). In addition to other cited factors, such as IBE and competitive environment (Sorenson and Wiechmann, 1975; Akaah, 1991), marketing control is also revealed as a factor of process standardisation. It is suggested that firms adopting a high process control, and those facing a highly different competitive environment, are more likely to pursue an adapted process. Firms with a high IBE are more likely to adopt a standardised process strategy.

In this study, marketing standardisation of selected price elements (wholesaling, retailing and pricing method) is suggested to be related to price control, environment and the extent of internationalisation. Firms employing a high price control and those operating in a high difference environment tend to use an adapted pricing strategy, while those in a later stage of internationalisation are more likely to use a standardised price strategy. These findings also add insights to pricing standardisation by pointing out that, in addition to traditional factors such as environment, firms might also need to consider the extent of their internationalisation and price control when formulating their pricing strategy (Jain, 1989; Cavusgil and Zou, 1994; Theodosiou and Katsikeas, 2001).

The influence of price1 (price discount) is only related to the extent of internationalisation and environment. Marketing control is not a significant factor of this element. Firms with high levels of internationalisation are more likely to use a standardised price discount, while high levels of environmental difference could lead to an adaptation strategy.

As demonstrated, marketing control does not necessary imply marketing standardisation is also supported in this study (Picard, 1978; Quester and Conduit, 1996; Picard et al., 1998). As reported earlier, price and place control have both positive and negative impacts on selected pricing and place elements. This result suggests that research concerning the impact of marketing control on marketing standardisation needs to examine individual marketing programme element items, as the influence of marketing control on individual element item may vary.

Several implications are derived from the findings concerning the independent variable stream. Marketing control is likely to play a key part in process standardisation and is likely to play a role in certain elements of pricing standardisation. Thus, the independent variable role played by marketing control is also confirmed as not only existing in terms of advertising (e.g., Duncan and Ramaprasad, 1995), but also in the price and process elements (Sorenson and Wiechmann, 1975; Jain, 1989; Theodosiou and Katsikeas, 2001; Myers and Harvey, 2001). The mixed results on the influence of marketing control and marketing standardisation (price and place) also have a significant implication for marketing managers, in that, when examining the influence of marketing control, it may be necessary to separate elements of the marketing programme, as the directions of influence probably vary. Previous studies have suggested that higher marketing control leads to higher standardisation (Rau and Preble, 1987; Duncan and Ramaprasad, 1995), however, this finding might only apply to certain elements of the marketing programme. This finding requires further research attention.

*The mediation stream*

In terms of the mediation effect, the process decision is suggested to be the mediator of IBE and process standardisation. Price control is also a mediator between market potential and price3. As expressed, the structural path among IBE, process control and process standardisation represent a partial-mediation effect, while those concerning market potential, price control and price3 is a full-mediation path. These results have added new insights to those studies which have focused on the mediation effect (Picard et al., 1998; Laroche et al., 2001). In addition to the findings concerning

advertising (Laroche et al., 2001), this study suggests that price and process control can also act as a mediator between selected marketing factors and marketing standardisation (Quester and Conduit, 1996; Picard et al., 1998). This relationship is empirically confirmed.

The findings on the process control path have an important implication for firms with high IBE. When they have a high IBE, firms should consider employing a highly standardised process for their international operation. When they need to adopt an adapted process they should consider employing a high control over its process decision, as this could ensure that the adaptation of process is properly implemented.

The outcomes related to price control also offer an implication. When the market potential is large, firms should consider allocating more control to their local representation, which could implement a standardised price strategy. This indicates that firms should consider employing a standardised price strategy when the market potential is large, and this strategy should be implemented by a local representation. When an adaptation of price strategy is important, however, firms may need to employ a higher control over its pricing decision. Firms should consider using this strategy in a market with a low market potential in order not to deter the firm's core image.

**Conclusions and Limitations**

In this study the two frameworks concerning marketing control in the research of standardisation strategy have been incorporated and investigated together. By focusing on the three less researched programme and process elements, this study has generated some useful new insights. It was found that the two frameworks involved with marketing control are all likely to exist. Some findings established in this analysis are consistent with those of previous studies, while others are new to the literature. Future research could use the findings established in this study as their foundation, and expand their research scopes to include firms operating in other regions. Only then may the results generated in this study be conclusive.

Like many other studies, this study has also suffered from a number of weaknesses which need to be highlighted. As reported in previous studies (e.g., Picard et al., 1998), the sample size is also small. This is a common weakness for studies in the research field of marketing standardisation and marketing control (Aulakh and Kotabe, 1992). This

limitation has affected the number of factors considered in the PLS analysis procedures. When the sample size is larger other important factors can be considered (e.g., characteristics of local representation; Gates and Egelhoff, 1986). By enlarging the sample size, the quality of the models established could also be improved. This study has also included a number of single measurement variables in its research framework. This can be improved in future research. For example, more items can be used to formulate the factor of market potential (Agarwal and Ramaswami, 1992) and the extent of internationalisation (Sullivan, 1994). Likewise, this study has grouped the three marketing control factors as a composite factor. Future research could improve this weakness by breaking down the marketing control factors, in order to examine their specific relationship with the associated elements of programme and process.

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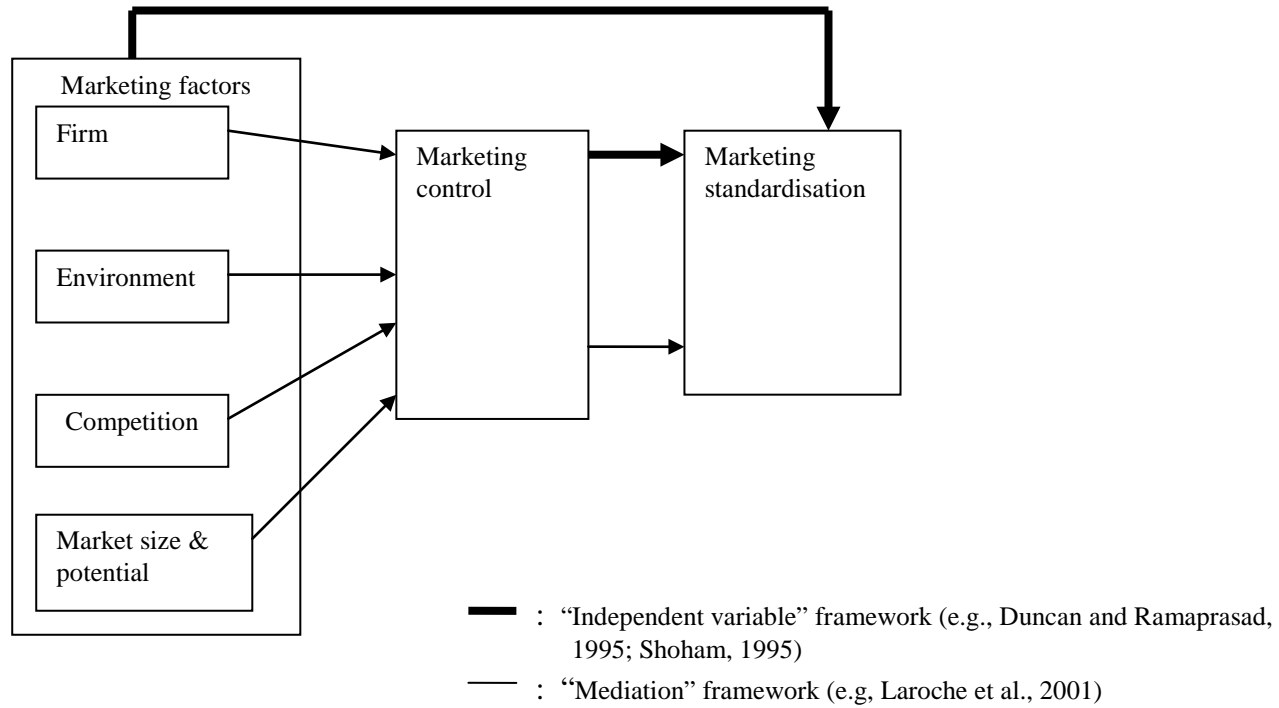
**Figure 1: Conceptual framework**



Marketing factors

Firm

Environment

Competition

Market size & potential

Marketing control

Marketing standardisation

━━━ : "Independent variable" framework (e.g., Duncan and Ramaprasad, 1995; Shoham, 1995)

──── : "Mediation" framework (e.g, Laroche et al., 2001)

**Figure 2: Structural equation modelling outcomes**



*:t>1.65 (p<0.1)

**:t>1.96 (p<0.05)

NS: non-significant

PL: Political-Legal

Env: Environment

Comp: Competition
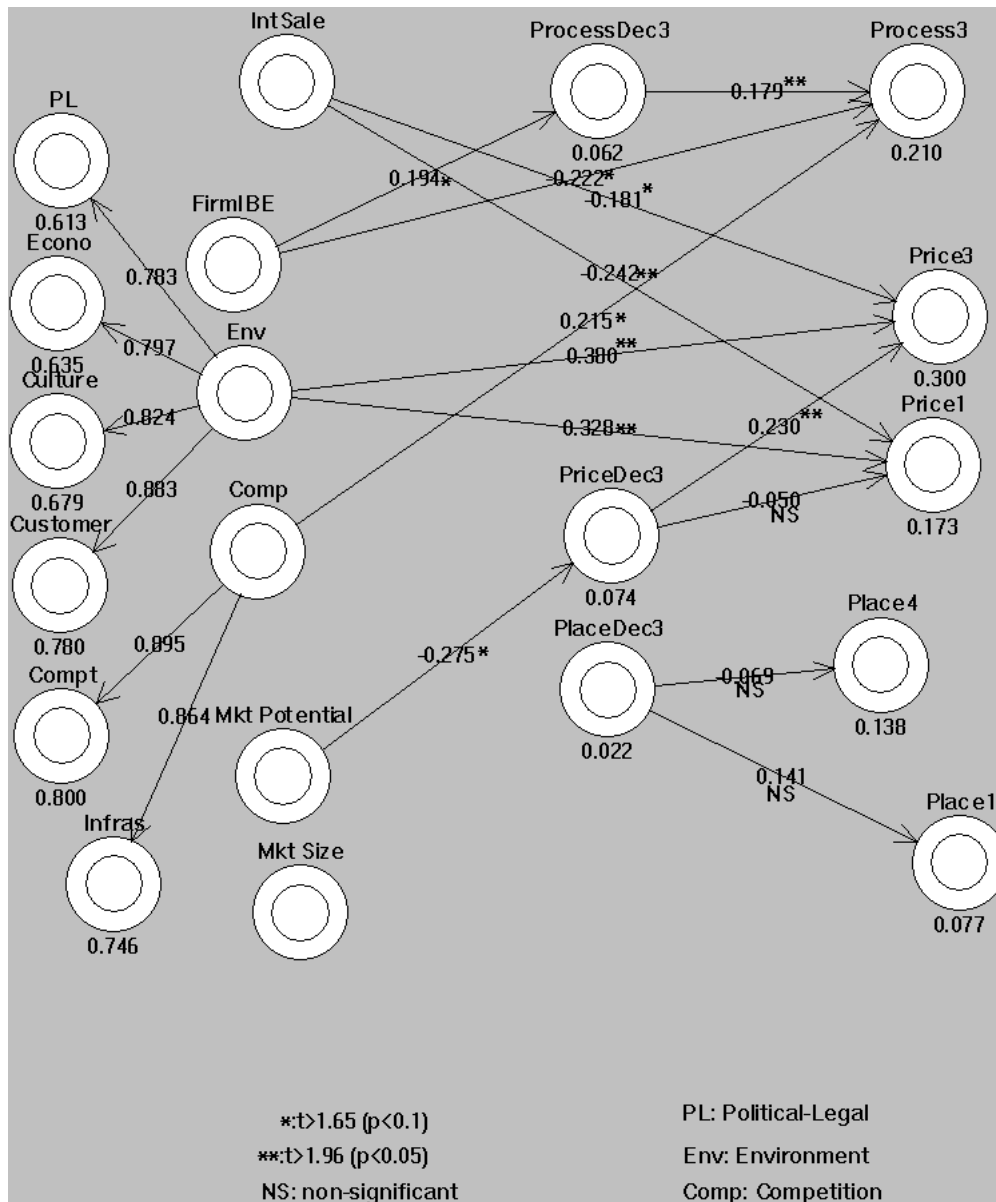
**Figure 3: Revised conceptual framework**