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International marketing adaptation versus standardisation of multinational companies

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Abstract

Purpose – The purpose of this paper is to position multinational companies on a linear continuum indicating their overall attitude towards standardisation/adaptation, examines the reasons influencing multinational companies' tactical (7Ps – marketing mix) behaviour towards it, and finally presents the underlying managerial implications of the results.

Design/methodology/approach – A rating scale Rasch model is used in order to place the multinational companies' attitude towards standardisation and adaptation on a linear continuum. Structural equation modelling is subsequently used in order to investigate the relationship between the adaptation and standardisation variable against other variables. An extensive literature review is also undertaken to provide the theoretical foundation.

Findings – The paper corroborates the findings of past research by placing multinational companies on a linear continuum; by identifying their overall attitude towards adaptation/standardization; and by describing the relationship between AdaptStand and other variables. Furthermore, it categorises the reasons pulling towards adaptation or standardisation into "significant" and "peripheral", and provides valuable insights towards practical application.

Practical implications – The paper provides marketing researchers and practitioners with an overview of the main factors that influence marketing tactical behaviour in international markets. Additionally, the research transcends descriptive analysis to identify vital behavioural issues and to prescribe marketing approaches regarding internationalisation.

Originality/value – Though the subject of "adaptation versus standardisation" has been extensively researched, this paper provides original work through in-depth quantitative analysis of a sufficient sample of multinational companies. The paper reaches specific and explicit conclusions that scientifically test existing theory on the subject, categorise factors according to their significance in the adaptation/standardisation decision process and offer valuable prescriptions of marketing tactics based on the findings.

Keywords International marketing, Marketing strategy, Multinational companies, Marketing theory, Standardization

Paper type Research paper



1. Introduction

Within the field of international marketing, the debate over the extent of standardisation or adaptation has occupied a significant part of past research.

The subject, though extensively researched, has not been exhausted yet, since, in-depth statistical analysis and measurement of the relative weight of elements affecting the decision are still necessary to enhance our knowledge on it. This research makes a significant step towards eliminating this gap and provides a valuable addition both to theoretical understanding and to managerial applications on the subject.

Vignali and Vrontis (1999) indicate that this debate commenced as early as 1961, when Elinder (1961) considered it with respect to worldwide advertising. During that period, advertising and the need for international standardisation was at the heart of the debate (Kanso and Kitchen, 2004). International advertising standardisation would have necessitated a common advertising approach for promotional campaigns of multinational organisations. This debate then expanded from advertising to the promotional mix and now encompasses the entire marketing mix (Schultz and Kitchen, 2000; Kanso and Kitchen, 2004; Kitchen and de Pelsmacker, 2004).

Remarkably, nearly half a century later, the debate on standardising marketing internationally, is ongoing (Vrontis and Kitchen, 2005). Even a cursory review of the literature identifies two main approaches with remarkable longevity, namely, adaptation and standardisation of international marketing tactics.

Ryans *et al.* (2003) claim that in the last 40 years there has been an extensive growth of academic research in the area of international marketing standardisation. Throughout this period, researchers applied more sophisticated statistical methodology. Moreover, they explain that economic and competitive circumstances have changed over this period of time. Earlier, economic development was concentrated on the surplus of exports over imports. Firms were focused merely on minimizing cost and increasing exports. Nevertheless, due to changes in economic circumstances, firms realized that cost minimization alone is insufficient. By way of evolving, firms became more consumer oriented and more sophisticated techniques were created and applied to determine and satisfy consumers' needs.

Supporters of standardisation viewed markets as increasingly homogeneous and global in scope and scale and believed that the key for survival and growth is a multinational's ability to standardise goods and services (Fatt, 1967; Buzzell, 1968; Levitt, 1983; Yip, 1996). Supporters of standardisation stipulate that consumers needs, wants and requirements do not vary significantly across markets or nations. The overall conceptual argument is that the world is becoming increasingly similar in terms of environmental factors and customer requirements and irrespective of geographical locations, consumers have the same demands. For example, Levitt (1983) in a milestone paper, argued that standardisation of the marketing mix and the creation of a single strategy for the entire global market, offers economies of scale in production and marketing and moreover is consistent with what he described as the "mobile consumer".

On the other hand, proponents of adaptation such as Kashani (1989) indicate difficulties in using a standardised approach and therefore support market tailoring and adaptation to fit the "unique dimensions" of different international markets (Thrassou and Vrontis, 2006). More specifically, supporters of the international adaptation school of thought argue that there are insurmountable differences between countries and even between regions in the same country (Papavassiliou and Stathakopoulos, 1997). It is argued that marketers are subject to a number of macro-environmental factors, such as climate, race, topography, occupations, taste, law, culture, technology and society

(Czinkota and Ronkainen, 1998). Paliwoda and Thomas (1999) expand this list to include consumer tastes, disposable income, taxation, nationalism, local labour costs, literacy and levels of education. Followers of this school stipulate that multinational companies should find out how to adjust their marketing strategy and tactics (marketing mix elements) in order to fit market requirements.

Both schools of thought in themselves appear to be sensible, logical and coherent, highlighting the advantages and benefits that a multinational company could gain by using either approach. It is only when one focuses on the extreme position of either that they often become impractical and incoherent. Marketing reality for multinationals does not lie in either of these two polarised positions, as both processes are likely to coexist, even within the same company, product line, or brand (Kitchen, 2003; Vrontis, 2003; Soufani *et al.*, 2006).

This paper expands on existing work on the subject to research the complex interrelationship of various factors involved towards the adoption of the two approaches (adaptation and standardisation). It adds valuable insights into the degree and nature of this relationship and identifies practical issues relating to international marketing tactics. Specifically, this paper investigates the approaches adopted within the largest one thousand UK-based multinationals in relation to different market entry methods. "Multinationals" in the context of this research refers to companies which have been operating in or exporting to foreign markets over a period of a minimum of five years.

The originality of this research stems from its advanced statistical modelling approach, which corroborates past research through more in-depth statistical analysis; and from its findings, which have shown that the marketing reasons pulling towards adaptation or standardisation do not bear the same degree of significance in tactical behaviour (marketing mix design). Moreover, the research separates these into "significant" and "peripheral" ones and incorporates findings into prescriptive conclusions and managerial implication.

2. Theoretical background

International adaptation versus global standardisation

Multinational companies, in their effort to expand their global presence and market share, increase profitability and to overcome problems related to saturation of existing markets, continually seek opportunities for growth (Vrontis and Thrassou, 2007).

Within the field of international marketing, when a company decides to begin marketing products abroad, a fundamental decision is whether to use a standardised marketing mix (product, price, place, promotion, people, physical evidence, process management, etc.) with a single marketing strategy in all countries, or to adjust the marketing mix to fit the unique dimensions of each potentially unique local market. However, literature quoting practical evidence suggests that companies make contingency choices, which relate to key determinants in each circumstance (Vrontis *et al.*, 2006).

Chung (2007) argues that the basis for marketing standardisation is the comparison of market operation in the home market to market operation in a foreign host market. He goes further, to claim that factors related to the extent of standardisation in a foreign market must be identified. He highlights the importance of the interaction

method that helps to identify the indirect influence of factors in the selection of standardization strategies and tactics (Ryans *et al.*, 2003).

Buzzell (1968) and Buzzell *et al.* (1995) state that in the past, dissimilarities among nations led multinational companies to view and design their marketing planning on a country-by-country basis (i.e. as a local marketing problem). However, as Buzzell *et al.* (1995) note, this situation has changed and the experiences of a growing number of multinational companies suggest that there are potential gains to be obtained by standardising marketing practices. In addition to this, Chung (2007) argues that culture has no main effect on product, price, place and process. Instead, the main effect is on promotional efforts, meaning that firms should use an adapted promotional approach when entering a different cultural environment.

On the other hand, Jae *et al.* (2002) differentiate between international and transformational advertising styles. They claim that transformational messages associate the brand with a unique set of psychological characteristics and therefore are universal. Conversely, informational advertisements are more often localized, as they concentrate on consumers' practical and functional needs by emphasizing product features or benefits.

Backhaus and van Doorn (2007) claim that standardisation is a trade off between the possible economic benefits of a standardised approach, as well as the performance gains attained by adapting to the needs of local markets. Furthermore, they argue that different advertisements from different countries might create confusion amongst customers; therefore standardised advertisements may prevent this. Nevertheless, advertising managers may also face constraints by national legislation. What is needed to be done is to identify the drivers of standardisation perception and to design a campaign that meets their respective restrictions (Backhaus and van Doorn, 2007).

Supporters of global standardisation argue that consumers live in a globalized world in which nation-states are not the major determinants of marketing activities; and in which consumer tastes and cultures are homogenised and satisfied through the provision of standardised global products created by global corporations (Dicken, 1998). Levitt (1983) asserted that well-managed companies moved from an emphasis on customising items, to offering globally standardised products that were advanced, functional, reliable and low in price. In Levitt's view, multinational companies that concentrate on idiosyncratic consumer preferences become befuddled and unable to see the forest because of the unique nature of individual flora and fauna. Pursuing Levitt, global companies will achieve long-term success by concentrating on what everyone wants rather than worrying about the details of what everyone thinks they might like.

Papavassiliou and Stathakopoulos (1997) suggested four main reasons that make Levitt's thesis appealing. First, it allows multinational companies to maintain a consistent image and brand identity on a global basis. Second, it minimises confusion among buyers that travel. Third, it allows the multinational company to develop a single tactical approach. And, fourth, it enables the company to take advantage of economies of scale in production and experience and learning curve effects.

The use of global standardisation, on a tactical level, is of paramount importance as, according to Levitt (1983), the globalisation of markets is (or was) at hand. He argues that global corporations operating with resolute constancy, at low-relative cost, can treat the entire world as a single entity and sell the same things in the same way everywhere. With the emergence and growth of these new streetwise global entities,

old-fashioned international adaptive strategies that adjust products and practices in every market around the world, are nearly extinct.

Keegan and Green (2000) state that standardised global marketing is analogous to mass marketing (undifferentiated target marketing) in a single country and involves the creation of the same marketing mix for a broad mass market of potential buyers.

The simplification and conceptualisation of standardisation is opposed by supporters of the international adaptation approach, who react directly to the sweeping polemic argument of Levitt (1983). Supporters of adaptation declare that the assumptions underlining global standardisation philosophy are contradicted by the facts. "Standardisation is at best difficult and, at worst, impractical" (Jain, 1989, p. 71). Globalisation according to Ruigrok and van Tulder (1995) seems to be as much overstatement as it is an ideology. Ruigrok and van Tulder (1995) went so far as to state that it is impossible to market effectively by using the same marketing mix methods and marketing strategies everywhere. In addition, Helming (1982) and Youovich (1982) challenge the basic assumption of the standardisation approach and argue that similar buying motives for consumers on an international basis may, at best, be simplistic and at worst, dangerous. Thus, supporters of international adaptation argue that tailoring marketing mix elements is essential and vital in meeting the needs and wants of target markets. To them, marketing mix elements cannot be standardised, as international markets are subject to differential macro and micro-environmental factors, constraints and conflicts.

Hassan *et al.* (2003) suggest different ways of global market segmentation that are useful for decisions on brand standardisation versus adaptation. They specify three main segmentations: group of countries demanding similar products, different countries with the same product and universal segments that present in many or most countries. Moreover, macro (economic, technological, geographic, political, etc.) and micro (lifestyles, attitudes, consumer tastes and preferences) forces are highly considered by multinational companies operating in the global marketing arena.

Lipman (1988) supports that for many the global-marketing theory itself is bankrupt and bunk. In fact, the concept that once sent scores of executives scrambling to reconfigure marketing strategies now has many feeling duped. Not only are cultural and other differences very much still in the ascendancy, but marketing products in the same way everywhere can scare off customers, alienate employees and blindside businesses to their customers' real needs.

Striking the right balance

The above extreme schools of thought (adaptation and standardisation) are rejected by various authors who highlight the difficulty in applying them in practice and stress the importance and necessity of both adaptation and standardisation to be used simultaneously (Sorenson and Wiechmann, 1975; Prahalad and Doz, 1986; Boddewyn *et al.*, 1986; Douglas and Wind, 1987; Kim and Mauborgne, 1987; Main, 1989; Choi and Jarboe, 1996; Terpstra and Sarathy, 1997; van Raij, 1997; Hennessey, 2001; Vrontis, 2003; Vrontis and Pappasolomou, 2005).

When practising international marketing, a company goes beyond exporting and becomes much more directly involved in the local marketing environment within a given country or market. International marketers are likely to have their own sales subsidiaries and will participate in and develop new marketing tactics and strategies

for foreign markets. At this point, the necessary adaptations to the firm's domestic marketing strategies become a main concern.

The decision whether to standardise or adapt is not considered as a dichotomous one. For example, certain academics suggest that standardising certain tactics and adapting others to different market conditions is necessary (Quelch and Hoff, 1986; Peebles *et al.*, 1977; Light, 1990; Vrontis and Vronti, 2004). For these authors, standardisation and adaptation is not an all-or nothing proposition, but a matter of degree. Heterogeneity among different countries does not allow full standardisation. On the other hand, the huge costs involved in adaptation and the benefits of standardisation, may not allow adaptation to be used extensively (Vrontis, 2005).

Nanda and Dickson (2007) concentrate on three factors to examine standardisation/adaptation behaviour: homogeneity of customer response to the marketing mix, transferability of competitive advantage and similarities in the degree of economic freedom. He notes that even in countries with similar cultures (e.g. across the European Union) there are differences in customer needs and wants. Furthermore, he argues that standardisation will be successful when the homogeneity of customer response and the degree of similarity in economic freedom is high and competitive advantages are easily transferable.

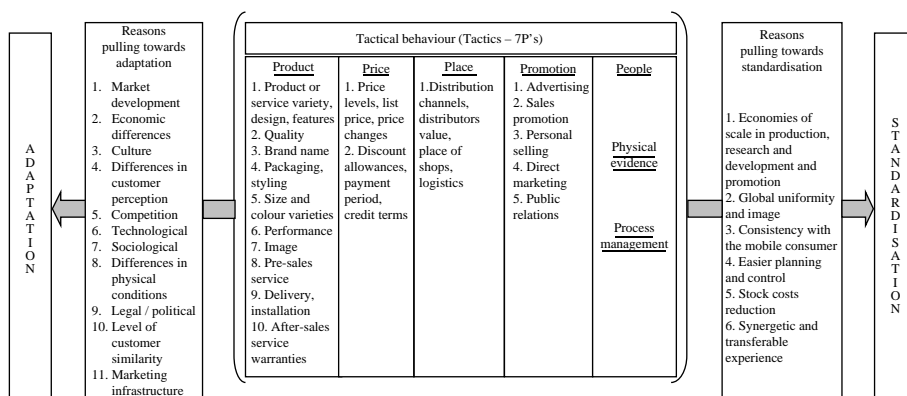
For multinational companies to be successful they should incorporate elements of both approaches. Thus, effectiveness and reaping the benefits of both concepts means that these companies must try on the one hand, to standardise various marketing mix elements and marketing strategies, but on the other hand to follow adaptation where necessary in order to satisfy apparent market needs. The goals of reducing costs and market complexity lead companies to consider standardisation, while customer orientation may sway them toward product adaptation (Vrontis and Kitchen, 2005; Vrontis and Pappasolomou, 2005). Vrontis (2003) further argues that decisions on international marketing tactics depend upon a number of determinants. These determinants are grouped into "reasons" and "factors". Reasons are those behavioural aspects "pulling" multinationals' tactical behaviour towards one or the other side of the continuum, while factors are those determinants affecting the behaviour and its relative importance. The former are shown in Figure 1. It is further noted that the expanded marketing mix of seven "Ps" is appropriate to also relate to companies that belong to the service sector and/or have strong service elements.

3. Research scope and methodology

Scope of the research

As discussed, the scientific debate on whether multinational companies should adapt or standardise marketing mix elements in international markets is one of great importance and of long duration. International practitioners need to search for the balance between standardisation and adaptation as it is hypothesised that adaptation versus standardisation is not a dichotomous decision.

The aim of this research is to investigate the complex relationship of the two extreme approaches (adaptation and standardisation) and to evaluate the relative degree of significance of the marketing reasons pulling towards either direction. This research investigates the approaches adopted by large UK-based multinationals in relation to the marketing mix elements (7Ps). Specifically, the objectives of this research are to:



Source: Adapted from Vrontis (2003)

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Figure 1.
Toward standardisation or adaptation: a conceptualisation

- develop an “AdaptStand variable” based on companies’ tactical behaviour (marketing mix – 7Ps) in order to place multinational companies on a linear continuum, indicating their overall attitude towards standardisation and adaptation;
- examine through advanced statistical modeling, the extent to which a number of reasons are influencing multinational companies’ tactical behaviour (marketing mix – 7Ps) towards adaptation and/or standardisation; and
- discuss the findings and present the underlying managerial implications of the multinationals’ observed international marketing behaviour regarding standardisation and adaptation.

Research methodology

This research is based on the largest 1,000 UK-based multinational companies across five industrial sectors (i.e. manufacturing, services, transportation and communication, construction and retail and wholesale). The fact that it includes UK-based companies only is a methodological limitation that does not allow for direct generalization of the findings. Questionnaires were mailed to and completed by the companies’ marketing directors.

With regards to the response rate, 372 completed questionnaires were returned and utilised towards the analysis. The sampling procedure used is non-probability and lies specifically within the category of purposive/judgment sampling (Crouch and Housden, 1996). One-third of the respondents belonged to the “Manufacturing” sector while 23 per cent belonged to the “Services” sector. The rest of the sample was split equally between the “Transport and Communication”, “Construction” and “Retail and Wholesale” sectors. The main selling activity of the sample was split between “Business to Business” (43.5 per cent) and “Business to Consumer” (56.5 per cent). The main product service category of the 41 per cent of the sample was “Services (business and professional)” whereas the rest of the sample was split between “Consumer durables” (13.4 per cent), “Consumer non-durables” (11.3 per cent), “Industrial goods (finished products)” (12.9 per cent) and other smaller categories. The research instrument comprised both open and close-ended questions and will be discussed later.

Behavioural variables, in the questionnaire, record how respondents behave in international markets and the reasons associated with such behaviour. Such questions were designed to elicit multinational companies' tactical level of adaptation and standardisation when crossing national borders. Attribute variables contain data about respondents' characteristics and they are best thought of as something a respondent possesses, rather than something a respondent does. This allowed research on the different factors related to the tactical behaviour and to identify what sub-factors are more likely to be adapted or standardised.

This paper combines the use of the Rasch model and structural equation modeling (SEM) in order to address the research objectives. This section begins with the description of the technical details of the Rasch model and goes on with the details of the SEM. The methodology section elaborates on the technical details of the statistical analysis in order to allow other researchers to replicate the analysis using their own data, in order to confirm the results of the study.

The Rasch model has been in the service of marketing research for 30 years and it is mainly used to develop and validate attitude scales and to measure the attitudes of individual respondents to questionnaires (e.g. the attitude of consumers towards certain products). As a measurement model, it was first presented in 1960 by the Danish mathematician Rasch (1960/1980). Its use spread widely to health rehabilitation, medicine, sociology, education, psychology and other disciplines and hundreds of papers using variants or extensions of the Rasch model are being produced every year.

In the area of marketing research, one of the first uses was by Churchill (1979) who presented a "paradigm for developing better measures of marketing constructs" (as was the actual title of the paper). Soutar *et al.* (1990) used the Rasch model to analyse data of acquisition patterns of durable goods and encouraged other researchers to use this model when conducting research in that area. Along similar lines, Ewing *et al.* (2005, p. 17) "re-introduced" the use of Rasch model in the area of marketing research by suggesting that it "offers a new methodological framework to guide researchers attempting to quantitatively assess [...] peoples' reactions to marketing strategies (such as advertisement). Ewing *et al.* (2005) also referred to many other researches that used the Rasch model (or extensions of the model) to analyse data in marketing and advertisement research. It is important to mention that the Rasch model is usually used to validate constructs, i.e. theoretical concepts that explain observable behaviors (e.g. responses to a questionnaire) and refer to assumed unobservable (latent) characteristics of the respondents (Wolfe and Smith, 2007). In the context of our research, the Rasch model is used to reconstruct the underlying tendency of a company to adapt or standardize, using the observed responses to a relevant questionnaire (Section 2 of the questionnaire in Appendix 1). If the Rasch model is judged to be valid (according to appropriate model-data fit criteria), this will be further statistical evidence that the well-known marketing mix – 7Ps may indeed formulate a coherent and unidimensional attitude scale on which researchers may measure the standardization or adaptation tendency of a company.

More recently, Salzberger and Sinkovics (2006, p. 390) carried out empirical research in the context of international marketing research comparing the use of a Rasch model and a more "traditional" approach (i.e. the confirmatory factor analysis) and concluded that "the more widespread application of Rasch models would lead to a stronger

justification of measurement [...] whenever measures of individual respondents are of interest” because, according to them, the Rasch model “builds upon a more fundamental definition of measurement” (Salzberger and Sinkovics, 2006, p. 391). Other researchers like Okazaki and Mueller (2007) and Ganglmair and Lawson (2003) also make reference to the Rasch model as another candidate for data analysis in the area of marketing research.

As a matter of fact, while the more traditional approaches (e.g. factor analysis, analysis of variance and regression) regard the scores (e.g. the actual responses of persons to Likert scale questionnaires) as interval measures, the Rasch model acknowledges the possible non-linearity and transforms the raw scores into a linear, interval-scaled measure by a logistic function (Wright and Masters, 1981, 1982; Wright and Linacre, 1989). The need to use Rasch models to construct interval measures is amplified by newer research where, according to Harwell and Gatti (2001), ordinal measurement scale data (like the data produced by the Likert scales of our own questionnaire) should be converted to interval measurement scales through various models, such as the Rasch model (for more about interval and ordinal scales, refer to Siegel (1956) and Zumbo and Zimmerman (2000)).

Having said all the above, the Rasch model was the model of our choice in this research to summarize the responses of the respondents to 21 Likert questions (Section 2 of questionnaire) and produce a single overall index of their underlying tactical behavior towards standardisation or adaptation. It is important to say that the Rasch model makes a fundamental assumption regarding the unidimensionality of our dataset. That is, in the context of our research, the Rasch model assumes that all the Likert questions we used, contribute towards measuring the same latent variable (e.g. to measure the tendency of a company to adapt or standardise its international marketing practices). More about the assumptions of the Rasch model may be read in Athanasou and Lamprianou (2002), Wright and Masters (1982) and Andrich (1978). For the sake of brevity, this study will not elaborate on the derivation, the theoretical properties or assumptions of the models.

Without getting into technical details, for each company that participated in the research, a single AdaptStand measure was estimated by the Rasch model using the responses of each company to the 21 Likert questions. Smaller values (e.g. negative values) on the AdaptStand scale indicate that the company has a general tendency towards the standardisation of its marketing practices. Larger values (e.g. a positive value) indicate that a company tends towards the adaptation of its marketing practices.

Equation (1) illustrates one of the most popular variants of the Rasch model which is the one we used in our study. It is called the Rasch Rating Scale Model (RRSM) (Andrich, 1978) specifically because it was developed to analyse data from rating scales (such as the Likert scales) where a respondent n answers question i which is scored on a Likert scale of k categories (in our case the Likert scale extends from 1 to 7):

$$\ln \left(\frac{P_{nik}}{P_{ni(k-1)}} \right) = B_n - D_i - F \quad (1)$$

where P_{nik} is the probability of respondent n to assign on question i , the score k of the Likert scale; $P_{ni(k-1)}$ is the probability of respondent n to assign on question i , the score $k - 1$ on the Likert scale; B_n , indicates the Rasch calibration of the respondent n ;

D_i , indicates the difficulty of the question i to be endorsed; and F_k , indicates the difficulty of score k in relation to score $k - 1$ on the scale.

In the RRSM terminology, each distinct score on a question (marked from 1 to 7) may be considered as a “score category”. Equation (1) illustrates the case where all the questions on the questionnaire employ the same rating scale (e.g. 1-7) and it is assumed that the Likert scale maintains the same meaning across the questionnaire (e.g. a score of three has the same meaning for all questions).

However, the raw score as a concept does not make much sense in the context of this research, since several of the questions are not applicable to all companies. For example, question 4 “Packaging and Styling” was skipped (i.e. was not applicable) by 9 per cent of the companies in the sample and question 5 “Size and Colour Varieties” was skipped by 14 per cent of the companies in the sample. Needless to say that the “question free” nature (Tinsley and Dawis, 1975) of the Rasch models overcome the issue of missing responses (i.e. not applicable) naturally, with no problems, (when the assumptions of the model hold). This is not a feature that many other models have and, without delving into more technical issues, the interested reader is kindly redirected to Fischer and Molenaar (1995), Little and Rubin (1987) and van den Berg *et al.* (2007) who consider this to be one of the major advantages of the Rasch model.

In order to evaluate the model-data fit (which is necessary in order to accept the results of the analysis), the infit and outfit MNSQR statistics (Lamprianou and Boyle, 2004) were used. The infit MNSQR and outfit MNSQR statistics both for the companies and the questions were evaluated very carefully using the guidelines of Linacre (2002) and the response patterns of the companies were inspected through the residual matrix.

In the context of our research, the sample responded to 21 Likert questions under the general header “Is your organisation standardising [...] or adapting [...] the following elements of the marketing mix in different countries around the world?”. The Likert scale ranged from 1 to 7, where 1 represented “full adaptation”, 4 represented “neutral” and 7 represented “full standardisation”. The participants demonstrated whether their organisation’s behavior matched standardisation or adaptation on each one of the 21 elements (e.g. quality, image, service, etc.). We included these 21 questions in the questionnaire to get a measure of the standardisation or adaptation tendency of the respondents; in other words, we aimed to use the responses to the 21 questions so as to estimate as reliably as possible (and with the minimum error) an overall AdaptStand attitude for each organisation.

Thus, the first objective of the paper was fulfilled by using the Rasch model to locate the position of each company on the underlying AdaptStand attitude variable. In order to address the second objective of the paper, this variable was then used for further analysis to identify factors that may lead the organisations towards standardisation or towards adaptation. For this purpose we used SEM.

The responses to questions 17 “When targeting foreign markets, what factors help you decide on how much to adapt your marketing mix elements?” and 18 “When targeting foreign markets, what factors help you decide on how much to standardise your marketing mix elements?” (Section 3 of the questionnaire at Appendix 1) could have been used as predictors (in multiple regression models) of the position of the organisations on the AdaptStand Rasch scale. However, SEM was finally used, as an extension of multiple regression in that it involves various regression models or

equations that are estimated simultaneously. This is a more effective and direct way to model mediation, indirect effects, as well as other complex relationships between the variables of our models (Pui-Wa and Qiong, 2007).

The motive of using SEM for this research was to develop a comprehensive theoretical model to describe how the factors raised by questions 17 and 18 interacted simultaneously reflecting the stance of a company on the AdaptStand scale. Therefore, it was hypothesised that the responses to questions 17 and 18 were affected by an underlying construct, inherent in the culture and existence of each company, which pulls towards adaptation or standardisation. Our SEM model is therefore reflective (instead of formative) because we assume that the responses to the questionnaire reflect the idiosyncrasy of each company (its inherent attitude to adapt or standardize). For example, one might consider that an underlying construct, inherent within each company, pulls towards standardisation and affects the responses of the company to question 18 (including sub-questions about stock costs and planning and control). In effect, we planned to test our hypothesis (by means of SEM models) using the responses to questions 17 and 18 as variables in a measurement model where intercorrelations between these variables were allowed. Although one might challenge our choice of reflective (and not formative model), it would be difficult to practically “prove” whether our choice is right or wrong since this is mostly based on theoretical reasons. It may be argued, also, that the reflective nature of our model has the advantage that leaving out one specific indicator will not result in alternations in its sense of content (Nunnally and Bernstein, 1994).

The sample size of this study allowed us to estimate unbiased SEM parameter estimates and accurate model fit information (Lei and Wu, 2007). In agreement with Lei and Wu (2007), the evaluation of the model was conducted using the χ^2 criterion (must be statistically insignificant), the RMSEA (must be smaller than 0.6) and the CFI and TLI (must be larger than 0.90). These criteria are also suggested by Norman and Streiner (2008).

The RRSM was run using the software Facets for Windows Version 3.54 (Linacre, 2004) and the Software Analysis Version 3.0 (Lamprianou, 2008). The SEM model was run using the AMOS Version 16.0 Software.

4. Results

Overall, the results of the Rasch analysis show successful operational definition of a variable to measure the tendency of companies towards the adaptation of their international marketing practices. The results of the analysis show that the RRSM was indeed an appropriate model to use on this set of data.

The model-data fit for all facets of measurement (i.e. questions, companies' and rating categories) was satisfactory for all intents and purposes of this study. First of all, the seven Likert categories of the rating scale conform to a great extent to the criteria suggested by Linacre (2002), e.g. none of the categories has an outfit MNSQR larger than 2.00 (actually the largest value is 1.7). Moreover, there are hundreds of observations of each category, the observation distribution is regular and the average measures of the companies per category are increasing. No questions (and very few companies) were identified as having unusually high-fit statistics. From all the above, we conclude that the model-data fit is sufficient to proceed to further analysis using the AdaptStand variable.

Appendix 2 shows all the companies and the 21 Likert questions lying on a vertical continuum, which is usually called the “Rasch scale”. In order to interpret the figure, consider that (concentrate on the left section of the figure) companies at the bottom of the scale demonstrated a stronger tendency towards standardisation, whereas companies towards the top of the scale demonstrated a stronger tendency towards the adaptation of their international marketing practices. In addition, (now concentrate at the right section of the figure), consider that the questions (refer to the 21 questions of Section 2 of the questionnaire) at the bottom of the scale are the ones which were easier for the companies to give responses to, indicating adaptation rather than standardization. On the contrary, the questions at the top of the scale are the ones, which were more difficult for the companies to give responses to, indicating adaptation rather than standardization.

The layout of the “question hierarchy” (as the figure of Appendix 2 is more widely known) is really impressive in the sense that all the questions of the same category (as they were initially categorised by the authors of the questionnaire) cluster together and form groups of questions on which the companies showed roughly the same attitude towards adaptation or standardization. The hierarchy is clear, with Level 1 (consisting of both price questions) being the group of questions where the companies indicated their tendency towards adaptation most. At the other end, the fourth level consists of all the process and product questions and the companies that indicated their tendency to standardize most. This is one of the advantages of using the Rasch model: in effect, the figure of Appendix 2 confirms that the researchers were right to design the questionnaire clustering the 21 questions in the specific groups as they did. The companies seem to standardize or adapt their tactics in different ways for different elements of the 7P's. At the same time, the Rasch analysis has shown that the 21 questions form a valid and unidimensional questionnaire which may be used formally to measure the tendency of a multinational company to standardize or adapt its marketing strategies. In this respect, the Rasch analysis has worked as a validation medium of the research instrument, thus fulfilling the first of the research objectives of the paper.

Having shown that the AdaptStand variable is a defensible index of the tendency of a company to adapt or standardize its marketing strategies, we proceeded with the SEM analysis. The results of SEM are shown in Figure 2. The “AdaptStand Tactical Behaviour” variable represents the AdaptStand Rasch scale that was constructed using the responses of the companies to the 21 Likert scales regarding their tactical behaviour.

The evaluation of the SEM showed that the model-data fit is satisfactory for all practical intents and purposes. The RMSEA was 0.039, the CFI was 0.970, the TLI was 0.957 and the χ^2 was 27.130 (df = 16, $p = 0.06$). This warrants further use of the model in order to draw inferences.

It is observed that there are a number of variables that indeed have a significant contribution towards the AdaptStand Rasch scale. More specifically, reasons pulling towards the adaptation part of the scale are the political environment and the differences in physical conditions. These factors really seem to have a statistically but also practically significant impact on the Adaptation underlying construct. On the other hand, easier planning and control and stock costs reduction are the only factors with statistically significant contribution to the model.

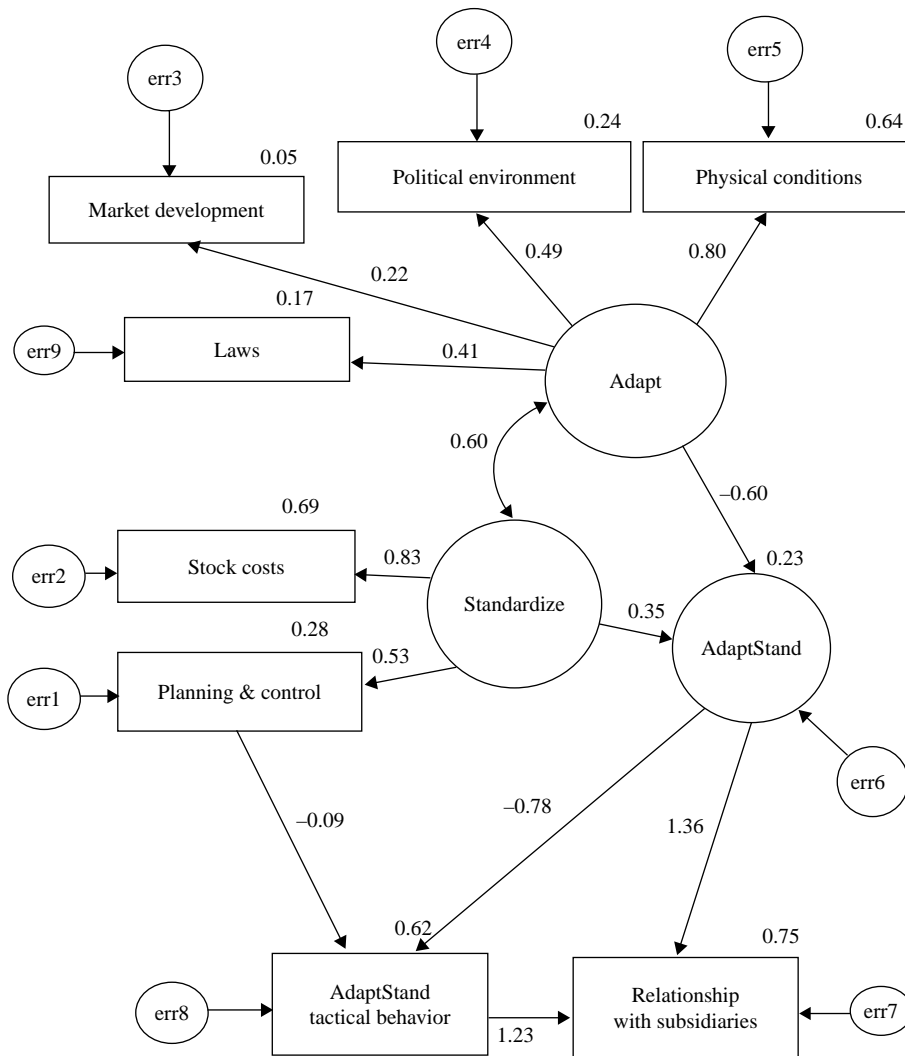


Figure 2.
Standardised coefficients
of the SEM model

The two factors (adapt and standardise) contribute towards a single overall attitude for each company which is demonstrated by the AdaptStand construct. This, in effect, affects the “AdaptStand Tactical Behavior” of the companies (i.e. the responses of each company to the 21 Likert questions of Section 2 of the questionnaire) which, in return, seems to affect the relationship between the mother and the subsidiary companies.

It is interesting to note that the standardised weight of the Adapt construct is almost twice in magnitude (and apparently negative) compared to the standardised weight of the standardise construct. It might be inferred that the need to Adapt is more powerful compared to the need to standardise. This is also indicated by the fact that

the analysis identified four significant variables loading on the Adapt construct, compared to only two variables loading on the standardise construct.

At this point we should clarify that several alternative SEM models, all based on our theory, were tested but we aimed to produce a parsimonious model which would use the minimum number of variables while still explaining a large percentage of the variance. The set of variables included in the model of Figure 2 are those that produce a model with optimal model-fit statistics while retaining a robust theoretical basis.

All regression weights of the model were statistically significant (the minimum critical ratio was 2.586). The largest standardised weights for the Adapt construct are for the physical conditions and then for the political environment and the Laws. Market development has the smallest standardised weight (Table I).

5. Conclusions and managerial implications

The long debate in international marketing as to whether companies should standardise or adapt their international marketing approach and market entry methods continues to be a focus of research in academic literature. It is also of significant and ongoing concern for every international and multinational company and marketing practitioner.

This research has found that it is irrational for businesses to attempt complete homogenisation of the marketing mix, except under clearly defined sets of circumstances and certain product categories. Yet, it is also true that the global market is becoming increasingly homogenised – to a degree in fact – that multinational companies can market their products and services in the same way all over the world by using identical strategies with concomitant lower costs and the benefits of higher margins which equate to increased profitability.

The globalisation of society is generally an ongoing phenomenon affecting consumers and businesses everywhere. A phenomenon, though, which does not and cannot equate to a globalisation of markets. On the other hand, complete heterogeneity is also a mistake, as many researchers have emphasised, especially where continued

Regression weights: (group number 1 – default model)	Estimate	SE	CR	<i>P</i>
AdaptStand ← adapt	2.781	0.634	-4.386	*
AdaptStand ← standardise	1.502	0.513	2.926	0.003
Planning and control ← standardise	1.000			
AdaptStand Tact. Beh. ← planning and control	-0.136	0.053	-2.586	0.010
AdaptStand Tact. Beh. ← AdaptStand	-0.508	0.044	-11.438	*
Relationship with subs. ← AdaptStand Tact. Beh.	1.384	0.126	10.975	*
Political environment ← adapt	1.000			
Physical conditions ← adapt	1.575	0.217	7.262	*
Relationship with subsidiaries ← AdaptStand	1.000			
Market development ← adapt	0.300	0.086	3.478	*
Laws ← adapt	0.651	0.113	5.773	*
Stock costs ← standardise	1.563	0.272	5.737	*

Table I.
Regression weights
of the SEM

Note: *Significant at the 0.001 level

and obvious dissimilarities exist between different countries and markets and even more for consumer goods.

A crucial question therefore is what should companies do when facing decisions in this area? The research has shown that on a tactical level (marketing mix) an either/or approach is unwise and one likely to damage businesses. In line with the empirical and statistical evidence, this research presented, further developed and elaborated on Vrontis' (2003) AdaptStand approach (AdaptStand refers to companies' behaviour at a tactical level), which advises companies to standardise tactics where possible and adapt them only where necessary. This is different from the glocalisation term (glocalisation refers to both strategy and tactics) which refers to the organisation that is willing and able to think globally (standardise at a strategic level) and act locally (adapt at a tactical level) to meet the requirements of different nations and cultures.

While it is logical to standardise where possible, unwarranted generalisations from one marketing situation to another should be avoided at all costs as every market and every customer could be different. Marketing practitioners should understand that there is a fine line between the benefits of utilising a standardised approach, when possible and desirable and the risks of seeking a level of demand homogenisation.

It is also noted that, marketing directors and managers are not making one-time one-off choices. Multinational companies can and do simultaneously focus their attention and resources on aspects of the business that require global standardisation and upon aspects that demand local responsiveness. When and where possible and needful processes should be standardised, however, operation in local markets may also necessitate local flexibility. Multinational companies must strive to find and maintain an equitable balance. This is not a straightforward task, especially when faced with the shifting sands of environmental, competitive and market forces. Thus, deciding on the "balance" between standardisation and adaptation is difficult to achieve and a challenging conundrum of an ongoing nature.

This research has, however, illustrated that standardisation and adaptation is not an all-or nothing proposition, but a matter of degree. It identified that the huge costs involved in the international adaptive approach, together with the multinational companies' desire to reap the benefits of standardisation do not allow such adaptation to be used in an absolute manner. Similarly, organisational differences, heterogeneity among different countries, macro and micro environmental factors as well as companies' desire to satisfy consumer's diverse needs, do not allow standardisation to be practised extensively. Multinational companies should therefore incorporate ingredients of both approaches, based on a clear understanding of the dynamics of the served market(s).

Furthermore, the research results have shown that the marketing reasons pulling towards adaptation or standardisation (Figure 1) do not bear the same degree of significance in multinational companies' tactical behaviour. In fact, it was found that they can be separated into "significant" and "peripheral" ones; with the latter also affecting international marketing tactics, but to a lesser extent.

Figure 3, adapts existing theory to incorporate the findings of this research (Figure 3). The findings ascertained that "market development", "differences in physical conditions", "legal reasons" and "political reasons" are significant towards adaptation, and they were termed as such. "Economic differences", "culture", "differences in customer perception", "competition", "technological factors",

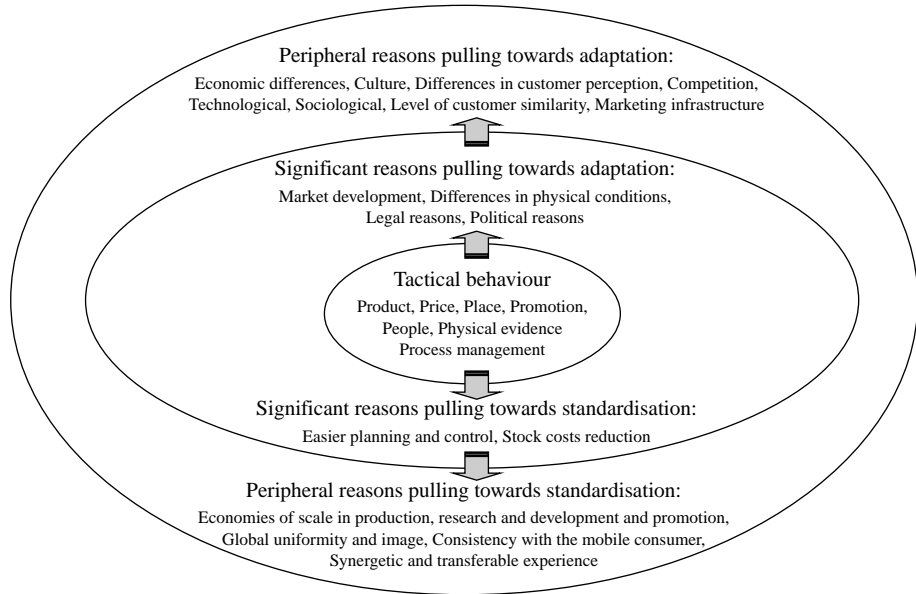


Figure 3. Significant and peripheral reasons towards standardisation or adaptation (research-produced)

“sociological factors”, “level of customer similarity” and “marketing infrastructure” were found to have a smaller significance as reasons pulling towards adaptation and they were termed “peripheral reasons”. On the opposite end, “easier planning and control” and “stock costs reduction” were found to be the “significant reasons” pulling towards standardisation; while “economies of scale in production, research, development and promotion”, “global uniformity and image”, “consistency with the mobile consumer” and “synergetic and transferable experience” were found to be the corresponding “peripheral reasons”.

The specific findings carry significant value in terms of understanding multinationals’ tactical behaviour in the context of adaptation versus standardisation. This research provided an insight of the elements underlying related decisions as well as their relative importance. The findings, further to their strict academic value, allow practitioners to understand other company approaches and to adjust their behaviour (where necessary) accordingly.

Any company operating internationally does not, and in fact should not, make a one-time choice between the poles of absolute standardisation or adaptation. Multinational companies, operating in several countries using diverse entry methods, must integrate marketing tactics. Managers and executives should focus attention on aspects of the business that require global standardisation and aspects that demand local responsiveness. The driving forces in either scenario are the needs and wants of target markets and organisational resources. UK multinational companies and for that matter, potentially international firms of all types have to strike a balance; and management attention must continually be directed to the underlying dynamics of served market(s).

The significant volume of research work that has diachronically contributed to knowledge on the subject of “adaptation versus standardisation” does not lessen the need for even more. The discussion on it is still fierce, ever-fuelled by the changing nature of the international markets; both in terms of their individual evolution and their collective multi-aspect integration.

Overall, this research has added value to knowledge on the subject in four ways. First, it has corroborated the findings of past research by:

- placing multinational companies on a linear continuum;
- identifying their overall attitude towards adaptation/standardization; and
- describing the relationship between AdaptStand and other variables.

Second, it has done so through advanced statistical analyses, thus reaching more scientifically reliable conclusions. Third, it has categorised the reasons pulling towards adaptation or standardisation into “significant” and “peripheral”. Fourth, it has provided valuable insights towards practical application.

Far from complete nevertheless, this research has only taken one confident step towards the better and truly scientific understanding of the complex interrelationship of factors, elements and forces entangled in the descriptive comprehension or prescriptive direction of international strategic marketing tactics. Since the beginning of this discussion, decades ago, both the business and the scholarly world have grown wiser and more experienced in the subject. The time is ripe for further research, which not only incorporates the statistically quantifiable data amply available to scholars, but utilises also the qualitatively harvested richness of experiences borne by businesses and practitioners. Let this research serve as a scientific prelude to that.

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Appendix 1. Questionnaire (only questions used in this research are included)

SECTION 1

- 2- In which activity is your organisation primarily involved? Please tick one box only.
- | | | | |
|-----------------------------------|--------------------------|---------------------------------|--------------------------|
| 1. Manufacturing | <input type="checkbox"/> | 4. Construction | <input type="checkbox"/> |
| 2. Services | <input type="checkbox"/> | 5. Retail & wholesale | <input type="checkbox"/> |
| 3. Transportation & Communication | <input type="checkbox"/> | 6. Other (please specify) | |
- 3- In which category do you feel your organisation's main selling activities fall? Please tick one box only.
- | | | |
|-------------------------|--------------------------|--------------------------------|
| 1. Business to Consumer | <input type="checkbox"/> | 3. Other (please specify)..... |
| 2. Business to Business | <input type="checkbox"/> | |
- 4- In which category do you feel your organisation's main product/service fall? Please tick one box only.
- | | | | |
|-------------------------------------|--------------------------|---|--------------------------|
| 1. Consumer durables | <input type="checkbox"/> | 5. Industrial goods (finished products) | <input type="checkbox"/> |
| 2. Consumer nondurables | <input type="checkbox"/> | 6. Services (financial) | <input type="checkbox"/> |
| 3. Industrial goods (raw materials) | <input type="checkbox"/> | 7. Services (business and professional) | <input type="checkbox"/> |
| 4. Industrial goods (components) | <input type="checkbox"/> | 8. Other (please specify) | |
- 9- How would you characterise the relationship of your company's parent company with the different subsidiary business units in different overseas markets?
 Excellent 1 Very good 2 Good 3 Reasonable 4 Poor 5 I do not know 6

SECTION 2

- 13- Is your organisation standardising (using the same) or adapting (using different) the following elements of the marketing mix in different countries around the world? Please circle the number, which matches your organisation's behaviour most closely.

	Standardisation			Neutral			Adaptation		
(a) <u>PRODUCT or SERVICE</u> Please consider only your main offering (product or service)									
<i>Attributes</i>									
Product or service variety, design, features	1	2	3	4	5	6	7		
Quality	1	2	3	4	5	6	7		
Brand name	1	2	3	4	5	6	7		
Packaging, styling	1	2	3	4	5	6	7		

(continued)

Size and colour varieties	1	2	3	4	5	6	7
Benefits							
Performance	1	2	3	4	5	6	7
Image	1	2	3	4	5	6	7
Support services							
Pre-sales service	1	2	3	4	5	6	7
Delivery, installation	1	2	3	4	5	6	7
After-sales service, warranties	1	2	3	4	5	6	7
	Standardisation		Neutral		Adaptation		
(b) PRICE							
Price levels, list price, price changes	1	2	3	4	5	6	7
Discount allowances, payment period, credit terms	1	2	3	4	5	6	7
	Standardisation		Neutral		Adaptation		
(c) PLACE / DISTRIBUTION (Distribution channels, distributors' value, place of shops, logistics)							
	1	2	3	4	5	6	7
	Standardisation		Neutral		Adaptation		
(d) PROMOTION							
Advertising	1	2	3	4	5	6	7
Sales promotions	1	2	3	4	5	6	7
Personal selling	1	2	3	4	5	6	7
Direct marketing	1	2	3	4	5	6	7
Public relations	1	2	3	4	5	6	7
	Standardisation		Neutral		Adaptation		
(e) PEOPLE (Skills of staff required, staff interaction with customers and suppliers, characteristics of target market)							
	1	2	3	4	5	6	7
	Standardisation		Neutral		Adaptation		
(f) PHYSICAL EVIDENCE (The surroundings in which other elements are delivered and the sort of messages they send to)							

SECTION 3

17- When targeting foreign markets, what factors help you decide on how much to adapt your marketing mix elements? *Please tick all the factors important to your organisation. If a factor has no importance at all please leave blank.*

- | | | | |
|--|-----|---------------------------------------|-----|
| 1. Market development | [] | 6. Differences in physical conditions | [] |
| 2. Economic differences | [] | 7. Laws | [] |
| 3. Culture | [] | 8. Level of customer similarity | [] |
| 4. Differences in customer perceptions | [] | 9. Political environment | [] |
| 5. Competition | [] | 10. Marketing infrastructure | [] |

18- When targeting foreign markets, what factors help you decide on how much to standardise your marketing mix elements? *Please tick all the factors important to your organisation. If a factor has no importance at all please leave blank.*

- | | |
|---|-----|
| 1. Economies of scale in production, research and development and promotion | [] |
| 2. Global uniformity and image | [] |
| 3. Consistency with the mobile consumer | [] |
| 4. Easier planning & control | [] |
| 5. Stock costs reduction | [] |
| 6. Synergetic and transferable experience and efficiency | [] |

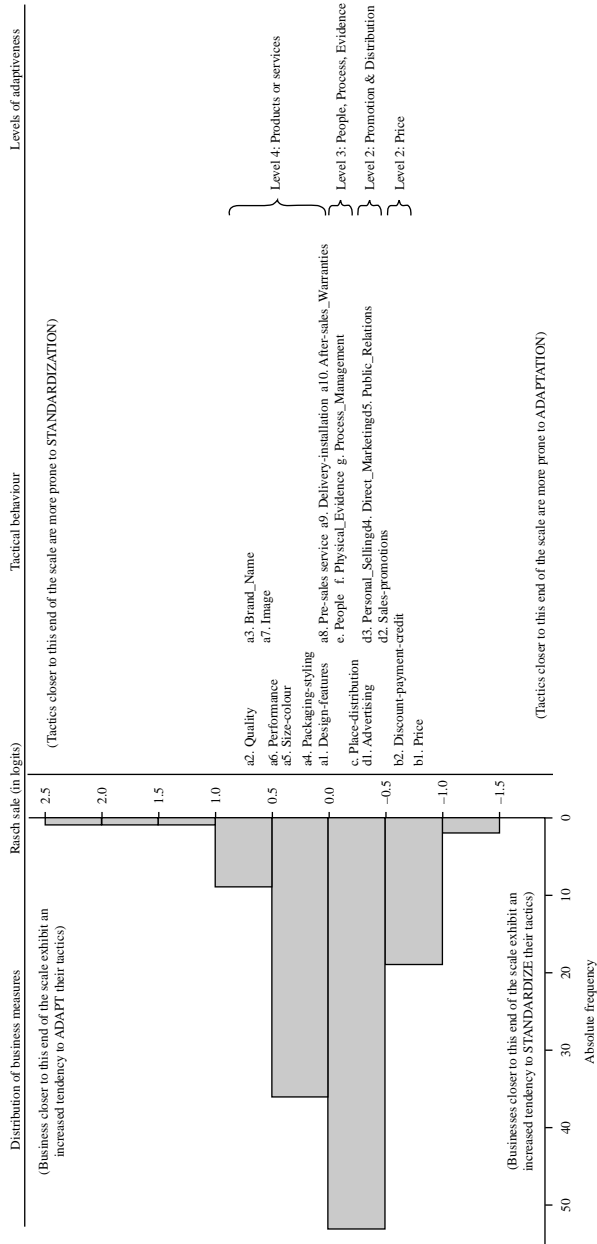


Figure A1.
Rasch question
hierarchy scale

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