

THE STANDARDIZATION/ADAPTATION DEBATE: CREATING A FRAMEWORK FOR THE NEW MILLENNIUM

ABSTRACT

The debate on whether to standardize a multinational corporation's marketing mix around the world or adapt it to local conditions has been continuing for more than five decades. Competitive conditions, developments in technology, and finally the recent global economic crisis create the necessity for a re-examination of this everlasting and important topic. The main purpose of this conceptual study is to draw a framework which demonstrates the factors related to standardization or adaptation in a company's marketing mix. The proposed framework provides a comprehensive understanding of the intertwined relations between the external and internal environments of a company that have an impact on the standardization/adaptation decision. It is suggested that this framework will add to the progress of empirical research on this topic which will, in turn, lead to the improvement of international business.

INTRODUCTION

In the last four decades, a great amount of academic research has been devoted to standardization/adaptation debate. During the 1980s, mainstream articles on this topic concentrated on whether a company should follow a strategy of adaptation to each national market versus standardization across all national markets (Levitt, 1983; Wind, 1986; Yip, 1989). It has been discussed that as the similarity of the markets increased and markets became homogenized, a company could market similar products and services around the world with standardized marketing programs (Hamel and Prahalad 1985; Levitt 1983). However, this view has received criticism and it is argued that cultural, political, and economic differences between nations have been underestimated thus throwing into question the feasibility of standardization (Boddewyn, Soehl and Picard 1986; Quelch and Hoff, 1986; Wind, 1986). On the other hand, another group of researchers has been united around the contingency approach, which focused on the degree of desired and feasible standardization (Jain 1989; Rau and Preble 1987; Walters 1986).

The recent developments in information and communication technologies accompanied with the ongoing globalization stream, and volatile economic and competitive conditions have increased the need to re-examine the standardization/adaptation issue. Hence, the purpose of this study is to provide a framework which demonstrates the factors related to the selection of adaptation or standardization in those marketing mix elements affecting the performance of a firm. It is assumed that this framework will add to the progress of empirical research about this topic which will, in turn, lead to the improvement of international business. In order to achieve this goal, an in-depth literature review has been performed which gives birth to the foundation of a general framework about the standardization/adaptation decision. Up to now, the research on this issue has focused on a variety of different parts of the construct; however there is a need for an examination which illustrates the whole picture. Hence, this study's endeavor is to deepen the previous research efforts in terms of the number of strategic dimensions that are relevant for international business. The basic contribution of this study will be the emergence of a general framework that grants a comprehensive understanding of the intertwined relations between the external and internal environment of a company which affects the standardization/adaptation decision. To carry out the objective of this study, we start with an assessment of the relevant literature followed by the proposed framework covering all dimensions in detail.

AN OVERVIEW OF THE LITERATURE

The degree to which a company can standardize its global marketing strategy has received considerable attention from both academicians and practitioners in the second half of the 20th century. This scholarly research attempted to develop a theoretical framework about this topic; however, there is no robust theoretical foundation which receives the approval of the majority of academics working in this field. Furthermore, up to now, it has been difficult to generalize the empirical research performed on this subject because of the lack of a strong theoretical base (Ryans, Griffith and White, 2003).

The new millennium brings opportunities and threats which shape the way of conducting worldwide business. The emergence of new information and communication technologies, and advances in logistics and transportation, have accelerated the globalization movement and boosted competition, in turn creating more demanding and savvy customers. Due to these developments, the pressure on achieving financial goals becomes more challenging than ever for international companies. The standardization/ adaptation decision is thus a vital one for the success of the companies operating in several international markets. This literature review examines the factors underlying the standardization/adaptation decision. An examination of these factors will help international companies define the level of adaptation/standardization which will then help create global efficiency and lead to better financial performance.

The debate related to standardization/adaptation is discussed first and then a framework is created explaining each of the factors of the decision, drawing on evidence from previous research.

The Debate on Standardization/Adaptation (S/A)

The debate about whether to “standardize” or “adapt” the marketing strategy has been discussed by both scholars and practitioners for more than fifty years (Agrawal, 1995; Griffith et al., 2000). At the early stages of the debate, some authors argued that world markets are becoming homogenized and therefore the companies must focus on the similarities among consumers around the world (Fatt, 1967; Levitt, 1983). Advances in communication and transportation technologies were believed to be the main drivers for the standardization of the marketing strategy including the promotion mix (Levitt, 1983; Jain, 1989; Vrontis, 2003). Multilateral trade agreements, the free flow of goods and services as well as capital, information and people accelerated the globalization process and provided support to the standardization approach (Keegan and Green, 2008). The cost reductions due to economies of scale in production and marketing, experience transfers, better resource utilization, building of an international brand and company image, better coordination and control of international operations due to reduced managerial complexity are among the benefits of standardization (Vrontis, 2003; Keegan and Green, 2008; Altınbaşak et. al. 2008; Melewar and Vemmervik, 2004; Craig and Douglas, 1996; Yip, Loewe, and Yoshino, 1988). Some authors asserted that the economic payoff plays a crucial role about the decisions regarding the standardization of global marketing practice (Jain 1989; Wind 1986). In addition, a group of researchers focused on the scale effects related to standardization since it was assumed that lower costs would lead to increased profitability (Hout, Porter and Rudden, 1982; Jain 1989; Levitt, 1983). Similarly, Samiee and Roth (1992) claimed that standardization was only appropriate when it had an influence on financial performance.

Drawing on the literature, Lages et al. (2008, p. 587), summarized the factors favoring standardization as follows:

- The company’s focus on industrial products instead of consumer products, for which technical specifications are important, facilitates standardization,

- Lower costs as a result of economies of scale in production, marketing, and R&D,
- Similarity of customer tastes and consumption patterns across different markets that have analogous income levels and economic growth,
- High cost of adaptation,
- Centralization of authority for establishing policies and allocating resources,
- Strong linkage of the subsidiary and the headquarters,
- Ethnocentric orientation, and
- Foreign and domestic markets for a product are in the same stage of development.

On the other hand, supporters of the adaptation school of thought believe that the cultural differences among countries are critically important. The stage of economic and industrial development, stage of product life cycle, purchasing power, media availability, technological development, and legal restrictions should be considered in designing the marketing strategy (Nielsen, 1964; Britt, 1974; Lipman, 1988; Cavusgil et al., 1993; Theodosiou and Leonidou, 2003). In addition, Boddewyn et al. (1986) claim that national differences in taste, habits, regulations and technical requirements are the major barriers against standardization. Furthermore, proponents of adaptation also emphasize that the basic purpose of the company should be long-term profitability through higher sales which is attained by a better understanding of distinct consumer needs/wants not the cost reduction obtained by standardization across countries (Onkvisit & Shaw, 1990; Rosen, 1990; Whitelock & Pimblett, 1997; Theodosiou and Leonidou, 2003). Taking the previous research as a base, Lages et al. (2008, p. 587) abbreviate the factors favoring adaptation as follows:

- The company's focus on consumer products, which are more susceptible to be influenced by individual tastes, favors adaptation
- Possibility of garnering higher profits by addressing variations in consumer needs and conditions of use (e.g. skill level of users)
- Variations in consumer purchasing
- Differences in government regulations, e.g. products' technical standards, local content laws and tax policies
- Cultural differences, namely in terms of traditions, language, tastes and consumption habits
- Adaptation strategy followed by competitors
- Decentralization of authority
- Independence and autonomy of national subsidiaries, which might develop their own products
- Polycentric orientation
- Foreign and domestic markets for a product are in different stages of development

The contingency approach asserts that local differences should be recognized while some degree of standardization is possible and desirable (Onkvisit and Shaw, 1990). Theodosiou and Leonidou (2003, p. 142) summarize contingency approach in the following way: "(a) standardization or adaptation should not be seen in isolation from each other, but as two ends of the same continuum, (b) the decision to standardize or adapt the marketing strategy is situation specific, and this should be the outcome of thorough analysis and assessment of the relevant contingency factors prevailing in a specific market at a specific time; and (c) the appropriateness of the selected level of strategy standardization/adaptation should be evaluated on the basis of its impact on company performance in international markets". In other words, the issue that needs to be solved by the international company is to clarify which

specific strategy elements are feasible or desirable to standardize or adapt, under what conditions, and to what degree (Theodosiou and Leonidou, 2003).

Academic research has mainly focused on the standardization of the product and the promotion mix. A study by Boddewyn and Grosse (1995, p:33), carried out in the European Union found “no major standardization of pricing and physical distribution has taken place in the last ten years and no significant changes are expected in this regard”. In terms of the elements of the promotion mix, Kotler (1986) and Walters (1986) also support the idea that the most effective advertising strategy varies depending on situation. Parallel to this view, it is argued that globalization and localization drivers work together to transform many industries, that’s why companies should struggle to achieve global efficiency and national flexibility simultaneously (Bartlett and Ghoshal, 1991). Likewise, Svensson (2002) claims that global marketing strategies may exist on a strategic level, but on an operative level and at a tactical level they are less appropriate. According to Svensson (2002, p.581), “the concept of global marketing recognizes that there has to be a balance between standardization/ adaptation, homogenization/ tailoring, similarities/ differences, concentration/ diffusion, dependence/independence, synchronization/ flexibility, and integration/separation of marketing activities”.

Despite all of the discussions mentioned above, there is still a need for a comprehensive framework which covers all the relevant factors that should be taken into consideration by international companies on whether to standardize or adapt various elements of the marketing mix.

Previous Theoretical Frameworks

In the literature, there is valuable research attempting to develop a general framework regarding the issue of standardization/adaptation (Jain, 1989; Zou and Cavusgil, 2002; Vrontis, 2003; Viswanathan and Dickson, 2007). However, as noted by Ryans et al. (2003), the theoretical foundation for standardization/adaptation research still remains weak. Jain (1989) developed a classification of five different factors that affect standardization: target market factors (geographic area, economic factors), market position factors (market development, market conditions, competition), nature of product related factors (type of product, product positioning), environmental factors (physical, legal, political, marketing infrastructure), and organizational factors (corporate orientation, headquarters-subsidiary relationship, and delegation of authority). Even though Jain’s (1989) framework is a helpful attempt at standardization, there has been little effort consequently to develop it.

In their study, Zou and Cavusgil (2002) propose a new model, global marketing strategy (GMS), as a tool to create a fit between the company’s strategy and the external environment, resulting in better performance. The GMS model is composed of the following dimensions: standardization of the 4 elements of the marketing mix, concentration and coordination of marketing activities, global market participation and finally integration of competitive moves.

The authors define promotion standardization as the degree to which the same promotional mix is executed across country markets. They claim that the standardization of the promotion mix enables firms to gain worldwide efficiencies. The study of Zou and Cavusgil (2002) forms the theoretical background for most of the recent empirical research in this area (Shi, Zou and Cavusgil 2004; Okazaki, Taylor, and Zou, 2006; Okazaki and Skapa, 2008). The conceptual framework of Zou and Cavusgil (2002) contributes to elucidating the different levels of global strategies, however, it is limited to some of the controllable factors of a company and excludes broader sets of factors that might be relevant in international business. Recently, Viswanathan and Dickson (2007) developed a three-factor model of standardization/ adaptation. The three factors of their model are homogeneity of customer

response to the marketing mix, transferability of competitive advantage, and similarities in the degree of economic freedom.

Besides all these attempts, Ryans, Griffith, and White (2003) have criticized the diversity of conceptual definitions of both international marketing strategy standardization/adaptation and the lack of consistency about conceptualization of effectiveness, which reduces the capacity for significant progress in the field. The following section is devoted to the formation of a framework for standardization/adaptation related factors and their composition.

THE PROPOSED CONCEPTUAL FRAMEWORK

International companies should concentrate on building up powerful relationships with their customers and also design their marketing strategy accordingly in order to achieve desired financial performance and spread their reputation. In order to reach this objective, they should be aware of the environmental factors that surround their customers as well as their own company. Nevertheless, some of these drivers are controllable by the company, whereas, others are not. Within the scope of this study, the external drivers are identified as the factors which are not controllable by the company; on the other hand, the internal drivers are the ones that are governed by the company. The management of the external and internal drivers is already a complex task; moreover, for international companies managing those factors requires a multidimensional approach.

Up to now, the studies that attempt to generate a theoretical framework about the issue of standardization/adaptation have considered both internal and external drivers in a mixed, partial and complicated manner. Furthermore, the mutual impact of internal and external drivers on each other has been partially covered in the previous literature. With this study, it is aimed to propose a more practical and simplified model which is assumed to be helpful for further empirical research in this area. The framework of this study proposes that the understanding of both external and internal drivers is crucial for the standardization/adaptation decision as well as international marketing strategy. Therefore, a detailed analysis of the external and internal drivers including all the sub-categories becomes vital in designing the international marketing strategy.

As the framework shows, the standardization/adaptation decision is affected by both external (uncontrollable) and internal (controllable) factors (see Figure 1).

EXTERNAL DRIVERS

In the framework, external drivers consist of economic climate, technological expertise, political/legal factors, and culture and consumer interaction. Those factors have been recognized as imposing pressures such as achieving global economies of scale or seeking cross-country synergies to which a company must respond (Conner, 1991). Zou and Cavusgil (2002) state that the main drivers of the company's marketing strategy are external market forces. Their study implicates that adaptation of the elements of the marketing mix is suggested only when it is necessary to respond to local consumer preferences, media use patterns and advertising regulations.

Other research has covered different elements of the external environment to pinpoint different solutions to promotion mix standardization or adaptation debate. In their study, Okazaki et al (2006) investigate the impact of the advertising standardization on the performance, and include environmental factors and strategic factors associated with standardization in their model. The authors define the environmental factors as customer similarity, market similarity, advertising infrastructure and level of competition.

The proposed framework in this study identifies a broader range of dimensions related to external environment, defining the factors which are constituting them, with the objective of making propositions about the promotion mix standardization/adaptation possibilities in different environmental conditions.

Figure 1: THE PROPOSED CONCEPTUAL FRAMEWORK

External Drivers	Internal Drivers
I. Economic Climate and S/A Decision	I. Corporate Strategy and S/A Decision
<ul style="list-style-type: none"> • Market structure • Customer Similarity and Spending Pattern • Competitive Sphere • Human Resource Capital 	<ul style="list-style-type: none"> • Strategic Orientation • Management Orientations • Marketing Mix Strategy • Foreign Markets Entry Mode
II. Technological Expertise and S/A Decision	II. Company Culture & Structure and S/A Decision
<ul style="list-style-type: none"> • Level of Technological Development • Technological Readiness • Media Infrastructure 	<ul style="list-style-type: none"> • Managerial Philosophy • Centralization and Formalization • Leadership Style • Country of Origin
III. Political/Legal Factors and S/A Decision	III. Company Size & Scope and S/A Decision
<ul style="list-style-type: none"> • Laws and Regulations • Barriers to Entry 	<ul style="list-style-type: none"> • Company Size • Industry Factor • International Experience • Financial Strength
IV. Culture-Customer Interaction and S/A Decision	IV. Company Outbound Relations and S/A Decision
<ul style="list-style-type: none"> • Social Customs/ Traditions • Language • Ethical Issues 	<ul style="list-style-type: none"> • Relations with Other Companies • Relations with Customers

Economic Climate and S/A Decision

For the international companies, it is crucial to investigate thoroughly the economical conditions of the host country in order to develop an effective marketing strategy. Within this framework, the main constituents of the economic climate of a country are defined as the market structure, consumer resemblance and spending pattern, competitive sphere and the human resource capital. In the light of the previous research the findings related to those factors are explained below.

- **Market Structure**

Similar to the proposition of Okazaki et al. (2006), within this framework, the market structure of country is represented as the level of economic development of the country. To make a decision related to the standardization/adaptation of the marketing mix, the managers should first investigate the similarity in economic conditions of countries (Harvey, 1993; Onksvisit and Shaw, 1987). The economic conditions prevailing in the host country is stated to be one of important factors influencing the international strategy (Papavassiliou and Stathakopoulos, 1997).

The unification of the markets (i.e. EU) and new bilateral agreements between countries are rendering the markets to become closer and easier to operate. Boddewyn and Grosse (1995) examined the link between the economic integration of Europe and the marketing standardization process. Okazaki and Skapa (2008, p:1240) state that “the recent economic integration of the European Union has contributed to the degree of advertising standardization”. Furthermore, the same authors claim that as business opportunities increase and whenever there is a bigger market potential the MNCs tend to use more adaptation in their web site textual content. Several researches highlight that the more the similarity in terms of the market structure, it is easier and more feasible to standardize the promotion mix (Zou and Cavusgil, 2002; Okazaki et al., 2006; Duncan and Ramaprasad, 1995; Samiee et al, 2003). As observed, academicians devoted considerable attention to the standardization/adaptation of the promotion mix elements. In an early study of Dunn (1976), economy related factors such as economic growth, per capita income and distribution of income are stated to be important for the standardization of advertising strategies. The studies of both Kaynak and Mitchell (1981) and James and Hill (1991) support the premise that the economic conditions of the countries play an important role for the transferability of the advertising strategies.

Okazaki et al. (2006) suggest that in cross-national markets with similar levels of economic development the companies can standardize their advertising program. However, Hill and Still (1984) claim that even in the markets that are economically alike, standardization may be problematic. If and only if all the factors are considered together, the standardization can lead to better financial performance.

- **Consumer Similarity and Spending Pattern**

It has also be noted that the comparison of economic development level of countries, alone itself, is not enough to decide whether to standardize or adapt the marketing mix. The question which is further important is to understand whether there are similar consumers with similar needs and spending habits. When several researchers such as Levitt (1983), Jain (1989), Sheth (1986) and Douglas and Wind (1987) suggested the standardization approach, the main reason for their argument was the existence of cross-nationally similar customer groups. The similarity of the markets and the convergence of customer needs are defined as the main drivers for the standardization of the marketing activities including the marketing mix (Yip, 1995). Samiee and Roth (1992, p.2) also state that “standardization of the international marketing activities can be successful if and only if there are well-defined and similar clusters of customers across national boundaries that have the same characteristics and are identified by similar criteria”. If those international segments can be defined and reached, standardization of the programs and offerings of a company may lead to a better economic performance.

Together with the existence of the similar needs, the consumer spending habits also need to be assessed. Although the need for the product may be the same, the way of satisfying this need can be dissimilar as a result of the different spending patterns of the consumers. According to Viswanathan and Dickson (2007) the customer homogeneity is critical for

standardization. However, Samiee and Roth (1992) found that for standardization, the firms are not looking for intermarket segments but try to pursue mass markets globally. Zou and Cavusgil (2002) suggest that companies should adapt the elements of the promotion mix only when it is necessary to respond to local consumer preferences, otherwise standardization will result in higher performance. Okazaki et al. (2006) confirm that “to the extent that customers are more similar across the markets, a more standardized advertising program would fit the external environment factors and thus be more effective” (p: 19). In this part, consumer related aspects related to economic climate have been examined, on the other hand culture related issues are investigated under the culture-customer interaction section of the paper.

- ***Competitive Sphere***

The effect of competition related to international advertising has only been investigated in the last decade of the 20th Century (Papavassiliou and Stathakopoulos, 1997). Several authors argue that the level of competition have an impact on the propensity to standardize (Harvey, 1993, Yip, 1995). Quelch and Hoff (1986) argue that competitive forces within an industry can be influential in determining the degree of standardization. Samiee and Roth (1992) as well as Zou and Cavusgil (2002) considered the issue of having “competitors marketing standardized products worldwide” as an important element of the global standardization measure. In the light of GMS theory, Okazaki et al. (2006) suggest that a standardized advertising program will help to build a consistent image across markets, especially when there is intense competition.

It is argued that standardized strategy enhances performance only in industries in which competition is global in scope (Bogwyn, Soehl and Picard, 1986; Douglas and Wind, 1987). However, the advertising objectives may change as a result of different competitive pressures in different countries rendering standardization difficult (Hout et al., 1982). Jain (1989) points out that when there are many local and international competitors, adaptation will be crucial to meet the local needs. Yip (1995) states that a company can respond to competitive attacks in one market by counterattacking in others. Therefore, the integration of the competitive moves of a company in different markets becomes vital for its overall success (Birkinshaw, Morrison and Hulland, 1995). Especially for industrial products, the competition is considered to be one of the most important factors making standardization difficult (Boddewyn, Soehl and Picard, 1986). In their study, Fan and Phan (2007) state that the decision for companies to be born-global (born-international) is influenced beside other factors, by the economic forces, especially level of competition.

- ***Human Resource Capital***

A qualified, talented human resource capital is vital for the success of any business. The international companies operating in different markets have to make a decision about using the local (host country) talent or the home country’s people in order to increase performance. The marketing knowledge is considered to be an important factor for the choice of the managers (Gorchels, Jambulingam and Auran, 1997). Especially, when there is a need for adaptation, the skills of the managers play a very important role to design the marketing strategy. Furthermore, it is argued that product development and engineering activities can be carried out in a few countries where world class engineering skills exist, whereas labor intensive manufacturing can be concentrated in low-cost labor countries (Hill, 1996). International managers can be “culturally oriented”, which means “host-country oriented” or non-culturally oriented” which means “home-country oriented” in their international advertising strategy (Kanso, 1992). The findings suggest that culturally-oriented executives apply the adaptation approach more than their non-culturally-oriented counterparts. Quelch and Hoff (1986) argue that local managers may have a considerable influence in the creation

of new advertising ideas as well as developing necessary relationships with the local companies. As long as the marketing service agencies such as advertising agencies, market research companies have a more competent work force, the foreign companies may prefer to rely on adapted strategies.

Therefore, the skills and talents of the labor force may have an effect on the decision related to the standardization or adaptation of the marketing strategy, including the promotion mix. Wherever, the companies observe a talented work force which can contribute to the performance of the company they may prefer to empower them in order to apply an adapted promotion mix. Furthermore, when the local managers have more power, a customized advertising strategy is likely to be applied (Papavassiliou and Stathakopoulos, 1997).

Technological Expertise and S/A Decision

The technological expertise level existing in a country is among the main constituents of the external drivers affecting the standardization/adaptation decision of a company. Related to every element of the marketing mix, including product development, pricing, distribution and promotion, the kind and sophistication of the technology that can be used plays a crucial role. Besides the existing technological infrastructure provided for the use of international companies, whether the customers are able to use or are willing to use technology will make a difference related to the standardization/ adaptation decision of the company.

Samiee and Roth (1992) state that the industry and the technology used in that industry are important determinants for deciding on standardization/adaptation. Therefore, the technological expertise concept presented in the framework includes the level of technological development, the technological readiness stage of the customers, and the media infrastructure that have an effect on the decision of standardization/adaptation of the marketing mix.

- ***Level of Technological Development***

Samiee and Roth (1992) argue that a company should take into consideration the technology used in the relevant industry for deciding on standardization/adaptation of the marketing mix. Jain (1989) also argues that the industrial and high technology products offer more opportunities for standardization. As the demand for industrial product is more homogeneous and do not vary from country to country standardization is easier for industrial products. Furthermore, when there is rapid technology change in the industry or when there are more differences with competitors, standardization is a better approach (Samiee and Roth, 1992). However, Boddewyn, Soehl and Picard (1986) state that high competition may create a barrier for the standardization of the promotion mix for the industrial products. On the other hand, new technologies are offering cost efficient ways for customization of production rendering adaptation easier and less costly.

Furthermore, the similarity in the market structure includes factors such as the availability of adequate transportation means, availability of storage facilities, possibility of different payment modes, the length of distribution channels etc. (Samiee and Roth, 2002). All these stated factors related to the development level and usage of the technology have an impact on the standardization/adaptation of the marketing mix elements.

- ***Technological Readiness***

The number of technology-savvy people and the level of consumers' technological readiness may affect the companies' decision related with standardization of the marketing and promotion mix. This is particularly important for permitting the company to effectively and efficiently use new technology-based communication mediums, such as mobile phones, Internet, kiosks, etc. The technological readiness of the consumers of each market will affect the choice of media to be used. Okazaki et al., (2006) state that, with the advances in the

information technology, it is now possible to spread out globally a single message through multiple media. Therefore, the standardization becomes viable and beneficial. However, the advances in technology created a group of technology-savvy customers who can use technology to tailor the products according to their own needs. As a result, when the technological readiness is high in a population, it may be expected that adaptation will be required by customers and more easily provided by the companies.

- **Media Infrastructure**

The availability, quality and cost of the media is expected to have an effect on the standardization of the promotion mix elements especially on advertising (Harvey 1993, Jain 1989). Papavassiliou and Stathakopoulos (1997) define the advertising infrastructure of a country as “the institutions and functions essential to the advertising process, such as the availability of media, the structure of media, availability of the technical equipment, local advertising experience and staff talent” (p.510). This definition is also relevant with other elements of the promotion mix, including the public relations, direct marketing, personal selling and sales promotion. When the advertising infrastructures are similar across markets, the companies are expected to standardize their advertising (Okazaki et al., 2006; Jain, 1989). Similar to the previous statement, Peebles et al. (1997) also suggest that advertising standardization is more feasible in countries with well developed advertising structure.

In the mean time, Internet has emerged as a new medium providing opportunities for standardization of the promotion all around the world, also enabling the marketers to make necessary adaptation with little cost and very quickly. Okazaki and Skapa, (2008, p:1225) underline that “the web sites are becoming more and more important for brand marketing and customer relationship management in multiple markets. This is because Internet is a global medium, which allows companies to create localized content with global access”. Previous research carried out by Okazaki (2005) demonstrated a high level of localization in the Web site positioning strategy in the four EU countries, namely, UK, France, Germany and Spain.

In countries where technological readiness is higher and the technological infrastructure is more developed, such as USA the share of Internet as a promotion media is substantially increasing leading to higher effectiveness for companies (Kircova, 2005). The promotion mix elements can only be standardized if there are the same media channels, the same media habits apart from the cultural issues will be mentioned in the below sections. Therefore, the market structure and similarity has to be investigated deeply.

Political/Legal Factors and the S/A Decision

The political and legal features of a country have a great impact on the standardization or adaptation decision of the promotion mix. In terms of political and legal drivers related with this decision, the political openness of a country, existing laws and regulations, level of government bureaucracy and barriers for entry are evaluated below.

- **Laws and Regulations**

The laws and regulations related to doing business as well as related to the use of media, advertising and other promotion tools differ among countries (Jain, 1989; Harvey, 1993). Such laws may inhibit from the beginning the implementation of a standardized marketing program, including the promotion mix. Dunn (1976) considered import duties and quotas, development and acceptance of international trademarks among determinants of the transferability of advertising strategies.

The international companies are looking for markets where laws and regulations are permitting them to operate more freely and at a higher profit. When the legal requirements are similar to those in their home country it is easier to follow a standardized approach. However,

when the regulations and the legal environment are putting burdens on the companies the different elements of the marketing mix such as packaging, labeling, even product specifications, advertising etc. the companies are obliged to make adaptation facing increased costs. Therefore, the approach of the governments through laws and regulations affects the standardization/adaptation decision of the marketing mix. The literature review proves that tight legal requirements urge product modification (Samiee and Roth, 1992; Hill and Still, 1984).

Okazaki and Skapa (2008) state that the new member countries of the European Union provide investment incentives such as tax reductions, construction aid etc. to international companies, so that the international companies will have more interest to enter those markets. Boddeyn and Grosse (1995) state that lower trade and investment barriers permit the easy interpenetration of the marketing systems. On the other hand, the same authors identified “national government regulations” as one of the external obstacles for all three types of product categories (consumer durables, consumer non-durables, industrial goods) to standardizing marketing practices. The thorough knowledge of national regulations is also necessary to understand whether standardized advertising can be used or for the development of a successful advertising campaign (Kaynak, 1989). Powers and Loyka, (2008, p:680) examine the product standardization and legal requirements relationship and hypothesize that “stringent legal requirements are negatively correlated to global product standardization”. Although only non-significant negative relationships are observed the hypothesis remains worth investigating through other research.

The standardization issue can only be plausible if the laws and regulations are similar and permit the use of similar media, the same execution types and the same messages. Therefore, the multinational companies are suggested to investigate the host country’s regulatory environment before developing their marketing mix (Rau and Preble, 1987) The regulations related to sales promotions and also direct selling can be different among countries therefore, the standardization of the total promotion mix may not be possible across markets. However, when conditions prevail some parts of the promotion mix can be standardized such as advertising, across markets.

- **Barriers to Entry**

Boddeyn and Grosse (1995) state that the decline in the barriers to trade and investment among the member states of EU created a huge single market offering big potentials for the international companies. The authors examined the link between the economic integration of Europe and the marketing standardization process. However, although the low barriers for entry into a market attracts more international companies and renders possible an immediate entry with a standardized product, the decision for standardization of the marketing mix can be taken examining the other relevant factors also. Other research also discuss that legal requirements used as political interference can drive changes in companies’ strategies and can create barriers to market entry (Powers and Loyka, 2008; Çavuşgil et al., 1993).

Culture-Customer Interaction and S/A Decision

Several authors claim that cultural factors including tastes, preferences reflected in the lifestyles, traditions and customs may have an influence on the possibility and propensity of the standardization of the promotion mix (Onkvisit and Shaw, 1999; Laroche et al. , 2001; Papavassiliou and Stathakopoulos , 1997). Culture can be defined as “the sum of total learned beliefs, values, and customs that serve to direct the consumer behavior of members of a particular society” (Schiffman and Kanuk, 2007, p:394). Kotler and Armstrong (2006) state that the cultural environment consists of all the institutions and forces that have an effect on the basic values, perceptions, preferences, and behaviors of the members of a society.

People's views of themselves, of others, of organizations, of the society, of nature and of universe are influenced by their culture (Kotler and Armstrong, 2006). It is true that each individual perceives the world through his own cultural standing. Therefore, culture-customer interaction is a dynamic, never ending and comprehensive process.

In the model, social customs and traditions including beliefs and values, language, religion and business norms also are included as important parts of the cultural environment to be considered by the companies.

- ***Social Customs/ Traditions***

It was expected that the markets would be homogenized faster however, the differences in the cultural settings of the countries is rendering it slower. Boddewyn and Grosse (1995, p: 25) state that "markets are not homogenized as fast and easily as claimed or hoped for". Kaynak (1989) argue that a major determinant in the success of an international business is the awareness of and sensitivity to delicate cultural differences. Van Mesdag (1987) claims that cultural differences are the most difficult factors to measure rooted in history, education, religion, values and attitudes, manners and customs.

The impact of culture on the international advertising strategy has been investigated through numerous research revealing different results. For example Kanso (1992) found out that the international advertising messages should fit to beliefs and traditions of the people of each country. Boddewyn and Grosse (1995) also state that consumer tastes and habits are among the main obstacles for standardization especially for consumer-goods. Tse et al. (1988) found out that values and cultural norms of the countries play an important role related with the international marketing decisions. The work of many researchers clearly demonstrates that cultural dimensions are crucial in deciding the elements of the promotion mix (Mueller, 1991; Lin, 1993). Core beliefs are passed on from parents to children and are reinforced by other institutions of the society (Kotler and Armstrong, 2006). The "consumer socialization" concept refers to the process by which children learn how to behave as a consumer through their parents. For example, food preferences are also embedded in culture resulting in differences of choices among different countries. Friedrich (2001) states that French people are not eating only with their palate but using all their senses.

In addition, employee standardization preference is another factor that leads to standardization of marketing strategy of a company. Taking into consideration the typology of cultures of Hofstede (Hofstede and Bond, 1988) different cultural characteristics are expected to have different inclinations related to standardization/adaptation. For instance, Newbury and Yakova (2006) find that employees from high power distance, high uncertainty avoidance and high-context cultures prefer greater standardization, whereas employees from high individualism cultures prefer less standardization.

Consumer preferences show a greater variability as a result of different local culture, value structures and tastes. However for industrial products the degree of difference across countries is perceived to be less in comparison to consumer products. Consumer preferences are particular to local tastes, value structures and other factors. Therefore, global standardization is more suitable for industrial products (Samiee and Roth, 1992).

- ***Language***

A shared verbal and non-verbal language is necessary to confirm the effectiveness of any communication activity. Van Mesdag (1987) emphasizes that people in different countries speak different languages, resulting in different ways of expressions. Schiffman and Kanuk (2007) state that a common language means shared meanings by the members of the society. The companies to be able to communicate their messages use certain verbal and non-verbal symbols. The non-verbal communication items such as colors, symbols, figures and shapes

add further meaning to advertisement and other promotional messages. The non-verbal language is very influential in certain cultures and has to be studied carefully. For example, people from Asia place more weight on non verbal aspects of interpersonal communication than verbal aspects (Di Benedetto et al.1992). To be able to consider the possibility of standardization of the promotion mix elements, it is worth to investigate whether the same meanings are attributed to the symbols used in communication. The marketing literature is full of anecdotal references to costly experiences caused by incorrect or misleading translations of product names and advertising copy. Especially in an attempt to standardize the brand names, the marketers had to pay attention the local meaning of the brand (Keegan and Green, 2008).

- ***Ethical Issues***

The business community in every culture adapts its own rules. An international company should examine well the attitude of the business community and the people living in the society related to bribery and unethical code of behavior and the necessary sanctions applied when deciding about the marketing strategy (Keegan and Green, 2008). The existence of corruption and the perception of the bribery as a normal part of life in certain countries can influence the standardization/adaptation decision of the international companies.

INTERNAL FACTORS

The internal factors that influence a company's standardization vs. adaptation decision are the ones which are at a larger extent under the governance of the company. Furthermore, there is reciprocity between external and internal drivers, and the main aspects within each factor have intertwined relations with each other. In other words, the change in the external forces may have a direct or indirect impact on the internal factors; and each of the internal factors may have hegemony on the other aspects of the internal factors. According to Zou and Cavusgil (1996, p. 56), there is an enriched understanding of the external market/industry forces which drive globalization, but the authors add that "it generally has neglected a business's idiosyncratic internal characteristics". Hence, this study reviews internal factors mentioned in the literature, and then attempts to classify them to get a broad and thorough understanding of the issue. The internal factors mentioned in this study are composed of four main aspects, namely: corporate strategy, company culture and structure, company size and scope, and finally, company outbound relations. The next section is bestowed to the in-depth clarification of each of the internal factors.

Corporate Strategy and S/A Decision

The corporate strategy includes the strategic orientation of a company, as well as its marketing mix elements, and the foreign markets entry methods used by the company. A company's strategic orientation as a market-driven organization is a substantial indicator of its performance (Day, 1994). Syzmanski, Bharadwaj, and Varadarajan (1993, p.1) state that the marketing strategy formulation process of multinational companies can be viewed as covering a series of decisions related to the business's (1) strategic orientation (standardization vs. adaptation), (2) desired degree of standardization of the strategic resource mix (i.e., pattern of resource allocation among advertising, promotion, personal selling, and other marketing mix variables), and (3) the desired degree of standardization of the strategy content (i.e., decisions on product positioning, brand name, appropriate media, content of advertisements, etc.).

- **Strategic Orientation**

According to Wood and Robertson (1997), strategic orientation has been conceptualized in a variety of ways, using a plethora of terms. Morgan and Strong (1998) mention that competitive strategy is synonymous with the term strategic orientation, and depending on the study of Manu and Sriram (1996) they define strategic orientation as “how an organization uses strategy to adapt and/or change aspects of its environment for a more favourable alignment”.

In the literature, strategic orientation has been examined along several continuums, and the most frequently used one is anchored by the terms “proactive” and “reactive” (Wood and Robertson, 1997). A proactive orientation reflects a desire to create a long-term competitive advantage, and proactive managers spend considerable time and effort matching organizational resources and skills with market opportunities; whereas, a reactive orientation reflects a short-term perspective with relatively little value placed on formal planning (Morgan et al., 2003). In general, environmental changes that threaten the organization’s current equilibrium are unanticipated (Wood and Robertson, 1997). It is found that those companies which attempt to emphasize proaction, and de-emphasize reaction, have greater levels of export success (Wood and Robertson, 1997).

In their study, Czinkota and Johnston (1981) also employ the categorization of proactive/reactive in terms of a company's motivations to export in order to determine the strategic orientation of the company. According to Czinkota and Johnston (1981), a proactive exporter performs better in terms of sales volume, follows more cohesive export marketing strategies, performs more company’s sales-seeking and information-seeking activities, and is more likely to be service oriented than are reactive companies. In addition, a proactive company is a leader rather than a follower since it has the will and foresight to capture new opportunities (Lumpkin and Dess, 1996). Furthermore, the proactive companies have preference for high-risk projects such as internationalization and they try to be first in developing new markets (Covin and Slevin, 1991; Dess et al., 2003). Moreover, Pla-Barber and Escriba´-Esteve (2006, p. 260) find that the proactive attitude of managers towards international strategy increases the likelihood that the firm will adopt an accelerated internationalization process, while a reactive attitude implies a much slower development.

All the things mentioned above give support to the idea that companies with proactive strategic orientation have the tendency to utilize adaptation approach more than those companies with reactive strategic orientation. In other words, proactively oriented companies can harvest the benefits of adaptation approach more than the reactively oriented companies.

- **Management Orientations**

Initially, Perlmutter (1969a) portrayed three strategic management orientations: ethnocentric, polycentric, and geocentric; however, this typology was extended to include regiocentric orientation by Wind, Douglas, and Perlmutter (1973). Keegan and Green (2008, p.19) assert that “a person who assumes that his/her home country is superior to the rest of the world is said to have ethnocentric orientation”. Since the company personnel with this view perceive only similarities in all markets, and assume that products and practices succeed in the home country will be successful anywhere, it can be asserted that standardization will be more appropriate for companies which pursue ethnocentric orientation. On the other hand, polycentric orientation holds the opposite view of ethnocentric orientation; that is to say, managers with this world view suppose that each country in which a company operates in is unique (Keegan and Green, 2008). In other words, Lemak and Wiboon (1997) state that each overseas subsidiary has its own marketing plans and objectives, and operates autonomously as an independent profit center on an individual country basis to achieve its goals. As such, all marketing activities are performed independently of the home headquarters. Companies with

polycentric orientation follow adaptation regarding to their products and practices by considering different market conditions (Keegan and Green, 2008). However, Lemak and Wiboon (1997) criticize polycentric orientation because strategic marketing plans are usually formulated locally and are not integrated globally, economies of scale in production operations and other critical activities may be hindered. In regiocentric orientation, however, a region becomes the relevant geographic unit, and management's aim is to generate an integrated regional strategy, whereas in geocentric orientation a company considers the whole world as a potential market and endeavors to develop integrated global strategies (Keegan and Green, 2008). Actually, the geocentric orientation represents a synthesis ethnocentrism and polycentrism; it is a world view that sees similarities and differences in markets and countries and seeks to create a global strategy that fully responsive to local needs and wants (Keegan and Green, 2008). According to Lemak and Wiboon (1997, p. 33), management policies and organization in both headquarters and overseas operations are designed to reflect full integration among worldwide operations; so that the foreign subsidiaries are neither managed as extended branch operations nor autonomous entities.

Perlmutter (1969b) assert that ethnocentric companies have complex organization design in home country whereas simple in subsidiaries, and add that it is varied and independent for polycentric companies. Furthermore, the author states that it is increasingly complex and interdependent for companies with geocentric orientation. According to Perlmutter (1969a; 1969b), for companies that pursue ethnocentric orientation the authority/decision making is high in headquarters, and for companies that have polycentric orientation it is relatively low in headquarters. The author mentions that for geocentrically oriented companies, the aim is to generate a collaborative approach between headquarters and subsidiaries. Hence, as Keegan and Green (2008, p.23) state, ethnocentric company is centralized in its marketing management, whereas the polycentric company is decentralized, and the regiocentric and geocentric companies are integrated on a regional and global scale, respectively. Furthermore, today it is far more crucial to manage a company's evolution beyond an ethnocentric, polycentric, and regiocentric orientation to a geocentric one (Keegan and Green, 2008).

The rationalization above leads us to a point where it is appropriate to state that the companies with ethnocentric orientation can follow standardization, whereas companies with polycentric orientation can better to pursue adaptation. Moreover, it can also be concluded that geocentrically oriented companies can practice the contingency approach which is a combination of standardization and adaptation elements in the marketing program.

- ***Marketing Mix Strategy***

The main decision companies have to make in terms of their marketing mix is the level of standardization or adaptation. Adaptation of a marketing program is related to the adaptation of diverse aspects of the marketing mix such as product, promotion, price and distribution (Kreutzer, 1988; Jain, 1989). Product adaptation, promotion adaptation, channel development and competitive pricing strategies have been described as the means by which a company's offerings adapt to fit the peculiarities of foreign markets (Douglas and Craig, 1989; Kirpalani and Macintosh, 1980). Lages and Montgomery (2004, p. 1190) define the adaptation of product strategy as the degree to which the product (brand name, design, labeling, variety of main exporting product line, and quality) differs between the domestic and export market.

The literature on product adaptation shows some type of contradictory findings. For instance, Lemak and Wiboon (1997) refer to the study of Ryans (1988), which was about the Canadian companies operating in Japan and it is discovered that the products that were modified to meet the needs of the Japanese consumers had significantly higher market share than the products that were not. Similarly, the results of the study of Lee and Griffith (2004) show that that the adaptation of products to foreign customers' tastes, positively influence the

performance of Korea exporters. In contrast, another research that concentrates on the European and Japanese subsidiaries operating in the U.S. shows that the practice of product adaptation is negatively related to the product's market performance (Kotabe and Omura, 1989). Likewise, in their study, Samiee and Roth (1992) could not find out any consistent support for either the standardization or adaptation approach. Furthermore, Waheeduzzaman and Dube (2002) also report that the use of globally standardized products has a positive impact on firm performance. On the other hand, Papavassiliou and Stathakopoulos (1997) mention that using a standardized advertising strategy for high-involvement products may not be reasonable because more information (than for low-involvement products) should be given and it may need to be tailored to specific target segments across different markets. According to Leung et al. (2005), the use of adaptation strategy has indeed been increasing with the growth of cultural awareness in target groups of foreign customers for consumer goods and foodstuffs. In another study which is Slovak food products companies, it is found that markets culturally more distant require a greater number of changes than the culturally more similar target countries, and it is seen that the increase is obvious particularly in amount of packaging size and style changes for the foreign market (Horská, Ubreziova, and Kekäle, 2007). On the contrary, the markets culturally closer to the home market required relatively more frequent changes in the brand name (Horská, Ubreziova, and Kekäle, 2007).

In the literature there is support for the relationship between the product quality and export levels (Piercy, 1981; Szymanski Bharadwaj, and Varadarajan, 1993). In addition, it is also discovered that pre- and post-sale services are an essential part of the product package and can contribute to enhanced performance (Czinkota and Johnston, 1981; Piercy, 1981). Furthermore, Szymanski Bharadwaj, and Varadarajan (1993) find that broad product lines enhance market share positions of companies. According to Papavassiliou and Stathakopoulos (1997), another aspect of the product influencing the degree of advertising standardization is the stage of the product life cycle (PLC) in international markets. Papavassiliou and Stathakopoulos (1997) state that since a product that is at the maturity stage of its PLC in one foreign market, and at the introductory stage of its PLC in another, requires different advertising strategies for those markets, it will be inappropriate to utilize a standardized advertising strategy.

The other marketing mix element that has received a significant attention from the scholars regarding to adaptation vs. standardization debate is promotion strategy. According to Lages and Montgomery (2004, p. 1190), "the adaptation of promotion strategy is defined as the adjustment of the domestic promotion program (advertising idea/theme, media channels for advertising, promotion objectives, budget for promotion, public relations emphasis, and direct marketing/ mailing) to the main export market". Some of the authors focus on the basic reasons for advertising standardization; for instance, Taylor and Okazaki (2006) state that saving costs is a more important reason to standardize advertising than the achievement of a unified brand image across borders. Likewise, Kirpalani et al. (1988) find that MNCs standardize advertising campaigns mainly in order to reduce costs of advertising production. In addition, Melewar et al. (2000) mention that a higher control over quality, and economies of scale in production are among the reasons for standardization. There are also studies that concentrate on the relationship between advertising and performance. For instance, Kirpalani and Macintosh (1980) and Szymanski Bharadwaj, and Varadarajan (1993) find a positive relationship between advertising and performance. In previous studies, it is also asserted that trade promotion is positively related to export performance (Cavusgil and Zou, 1994; Zou and Stan, 1998). In a more recent study, Okazaki, Taylor, and Zou (2006) assert that standardization improves company performance when market and company internal conditions are conducive to a standardized approach. The impact of headquarters' control on the centralization of advertising decision has been also widely examined by the researchers

(Kirpalani et al., 1988; Melewar et al., 2000; Laroche et al., 2001). From the perspective of promotion mix elements, public relations (PR) has been also examined (Wu et al., 2001). It is found that national culture has a great impact on standardization preferences of companies regarding to PR activities (Wu et al., 2001). Duncan and Ramasparad (1995) claim that the creative strategy and the execution of the advertising should be handled separately.

The third element of marketing mix-pricing-has been also examined from the perspective of standardization vs. adaptation discussion. According to Lages and Montgomery (2004), pricing strategy adaptation refers to the degree to which the pricing strategies (determination of pricing strategy, concession of credit, price discount policy, and margins) for a product differ across national boundaries. The literature demonstrates that adaptation of pricing lets a company to adjust its pricing according to local competitive conditions, thus enhancing its ability to position itself in the market (Kirpalani and Macintosh, 1980; Louter et al., 1991). In an earlier study, Piercy (1981) concentrates on export market selection and pricing on export markets, and finds out that the companies tend to use different prices on export markets. In addition, the study of Lee and Griffith (2004) reveals support for the influence of price adaptation on export performance. Supporting this view, Lages and Montgomery (2004) assert that price standardization may improve export performance, particularly if the domestic price is lower than the price in the export market or if the exporting firm can take advantage of the exchange rate between different currencies. Furthermore, Forman and Hunt (2005) state that internal focus of factory capacity utilization rates should have a direct effect on pricing strategies employed in the international marketing arena. According to Forman and Hunt (2005), international experience, product technology, degree of exogenous environmental factors, internationalization, and market share affect the weight given to internal and external factors when making decisions on international pricing strategies. Furthermore, the authors conclude that these decision-making factors directly affect which specific pricing strategies managers employ. The study of Forman and Lancioni (2002) show that firm size has a direct effect on pricing strategies. Forman and Lancioni (2002) conclude that smaller firms, generally tended to use more standardized pricing strategies instead of adaptive strategies like the larger firms. The authors suggest that this finding can be explained by the fact that these smaller firms do not have the resources or expertise required to use these adaptive strategies.

Depending on the literature, Mehta et al. (2003) assert that there is a standardization vs. adaptation debate about distribution channel management as well. Lages and Montgomery (2004) declare that the adaptation of distribution strategy reflects the readjustment of distribution (criteria to select the distribution system, transportation strategy, budget for distribution, and distribution network) to the export market. In other words, by adaptation of distribution includes the adjustment of distribution (distribution channels, physical distribution, type and role of middlemen) to the export market. One of the most detailed studies on distribution strategy of companies in international are had performed by Beamish et al. (1993). In their study, Beamish et al. (1993) compare Canadian and UK companies, and find that export profitability for firms was positively linked to maintaining ongoing distribution arrangements in the export market. Their findings give support for the strategy of developing a long term relationship with one channel, as close to the customer as possible, preferably via an internalized salesforce. In other words, it is found that there is a positive relationship between firms that used their own salesforce and higher levels of export sales (Beamish et al., 1993). Eusebio, Andreu and Belbeze (2007) also find similar results, and conclude that the use of own channels of distribution, by means of commercial branches in foreign markets, seem to relate positively to the export intensity of the companies. The findings demonstrate that the disposition of having own centers of distribution in foreign markets is most common of the companies that are most successful overseas (Eusebio, Andreu and Belbeze, 2007). Shoham (1999) find that the more standardized the physical

distribution, channels of distribution and sales force management, the higher were the last year's economic results. Griffith, Hu, and Ryans (2000) have focused on the relationship of international channels of distribution and performance, and address the issues of trust, commitment, conflict, and satisfaction of distributors. The authors conclude that when there is cultural similarity between source and target markets, standardization will be a preferred approach. In line with the findings of Griffith, Hu, and Ryans (2000), Shoham et al. (2008) demonstrate that standardized channel management characteristics and processes enhance overall and behavioral performance of companies. In addition, there is robust support that shows that there is a positive relationship between export performance and channel cooperation (Rosson and Ford, 1982; Beamish et al., 1993). Finally, the results of the study of Mehta et al. (2003) provide support for the view that there are still cultural differences across nations that seemingly require adaptation of channel management styles in different countries.

- ***Foreign Markets Entry Mode***

There are several alternative entry modes such as foreign investment, joint-ventures, licensing, franchising (Agarwal and Ramawami, 1992), and it is seen that franchising carries a medium level of risk. According to Blomstermo, Sharma, and Sallis (2006), foreign presence can take the form of: a) a high control mode (e.g. wholly owned subsidiary, majority owned subsidiary, etc.); or b) a low control mode (e.g. licensing, different types of contractual relationships, etc.). Blomstermo, Sharma, and Sallis (2006) state that high control entry modes demand more resource commitment abroad, and the foreign-going firm is exposed to a higher degree of uncertainty. The authors suggest that low control modes require a more limited resource commitment, hence reducing the uncertainty exposure of the foreign-going firm. Based on the past research, the authors state that the high control entry mode offers the highest mode of integration/control, whereas low control entry modes, such as cooperative agreements, offer the lowest (Blomstermo, Sharma, and Sallis, 2006, p. 214). In addition, depending on the literature, Agarwal and Ramawami (1992, p.2) state that the choice of an entry mode for a target market is affected by three types of determinant factors: ownership advantages of a firm, location advantages of a market, and internalization advantages of integrating transactions within the firm. It is proved that the entry mode choice of companies contributes significantly to their international performance (Brouthers, 2002). In addition, it is seen that the selection of the best entry mode will rely on some circumstances that make certain strategic options more suitable than others (Brouthers, 2002). For retail companies, franchising is assumed to be a more beneficial entry method (Quinn, 1998; Quinn and Alexander, 2002). Entry modes such as exports and licensing are associated with lower levels of risk and of control over the marketing and operational strategies of the expansion; whereas, entry modes which require foreign direct investment allow greater control, but they bring with them additional risk (Blesa and Ripolles, 2007; Brouthers and Brouthers, 2000; Brouthers, 2002; Brouthers and Nakos, 2005). In a more recent study, it is found that, there is a positive and significant impact of high direct investment entry modes on international economic performance (Blesa and Ripolles, 2007). Another group of research efforts about the international entry mode of companies have concentrated on two major areas: transaction-cost variables (Makino and Neupert, 2000; Padmanabhan and Cho, 1996; Erramilli and Rao, 1993) and extension of transaction-cost variables with the inclusion of institutional and cultural context variables (Brouthers and Brouthers, 2000; Roberts and Greenwood, 1997).

According to Dow (2006), the literature on adaptation–performance research appears to support the presence of a status quo bias in the foreign market entry context. Dow (2006) asserts that predominantly positive relationship that researchers have found between adaptation and performance in the export literature may be an indication that a status quo bias is influencing international market entry decisions. Furthermore, some authors suggest that

success in entry mode choice does not rely on the intrinsic features of each method, however on the company's circumstances which make one method better than another for achieving entry (Brouthers and Brouthers, 2000; Brouthers and Nakos, 2005). Blesa and Ripolles (2007) mention that core-marketing capabilities influence entry mode selection. The authors conclude that marketing capabilities facilitate knowledge of customers, product development and adaptation, as well as thorough manipulation of key marketing tactical elements to target foreign customers with quality, differentiated goods. By citing to the study of Hastings and Perry (2000), Blomstermo, Sharma, and Sallis (2006) state that high control entry modes may be preferred in order to build up personal relationships, conduct on-site research, and adapt to the needs of the foreign buyers and markets. Yet, Melewar and Saunders's (1999) study presents empirical proof that firms using higher control entry modes tended to emphasize standardized corporate visual identity. On the other hand, Morschett (2006) point out that firms with low knowledge of a certain market tend to avoid wholly-owned subsidiaries and choose lower resource commitment. In such a case, and the country specific knowledge of a local partner is needed to realize the adaptation.

Company Culture and Structure and S/A Decision

Company culture and structure is one of the crucial dimensions of internal drivers that affect standardization/adaptation decision of companies. This dimension is composed of managerial philosophy, centralization and formalization of decision making, leadership style, and finally country-of-origin of the company.

- ***Managerial Philosophy***

Managerial attitudes of organizations within international business contexts are a major concern while evaluating standardization/adaptation decision of companies. Jain (1989) propose that companies in which key managers share a common world view, as well as a common view of the critical tasks flowing from the strategy, are more effective in implementing a standardization strategy. In other words, developing a shared managerial philosophy and using informal coordination mechanisms are associated with effective management of international integrative strategies (Bartlett and Ghoshal, 1989; Roth et al., 1991; Roth, 1995). According to Roth et al. (1991), global strategy consists of a common strategy across country locations. A single/shared managerial philosophy within the entire business unit would therefore support a global strategy; whereas diverse/country specific philosophy would give place to a multi-domestic strategy (Roth et al., 1991). Since a single/shared managerial philosophy presents consistency of decisions in the context of geographical and cultural separation (Roth et al., 1991), it would be appropriate to propose that single/shared managerial philosophy provides an effective implementation of standardization strategy.

- ***Centralization and Formalization***

An important internal factor affecting standardization/adaptation decision is the degree to which the company centralizes/decentralizes its decisions and how much control is exercised over the subsidiary activities (Harvey, 1993; Jain, 1989). In the case of complete centralization and control, all decisions are made in the "home" office; whereas complete decentralization implies that all decisions are made in the host country. Papavassiliou and Stathakopoulos (1997) mention that the standardization of the advertising strategy will be more appropriate when the decision-making process of the organization is very centrally controlled. Solberg (2000) states that the trends amongst multinationals to centralize control at the headquarter level must have an important role on the degree of standardization of

marketing activities. Similarly, Vrontis (2003) asserts that the level of delegation given to subsidiaries and their relationship with the headquarter affected decisions about the degree of standardization/adaptation of marketing activities. Jain (1989) proposes that the greater the centralization of authority for setting policies and allocating resources, the more effective the implementation of standardization strategy. Kirpalani et al. (1988) also find a significant relationship between headquarter control and the extent of advertising standardization. Likewise, Powers and Loyka (2007) state that centralization of decision-making authority represents high levels of control over sub-units, and therefore centralized decision-making leads to implementation of standardization strategy.

The decision making process in the organizations is also influenced by the formalization (Roth et al., 1991). Formalization is defined as the degree to which organizational norms are described explicitly, and therefore the allowable and unallowable behaviors within the organizations are prescribed by the rules and procedures (Roth et al., 1991). Depending on the literature, the authors state that formalization is associated with rationality and interactive decision-making, and it also creates consensus and shared values since it reduces role ambiguity. Together with centralization, formalization can result in increased tightening of organizational controls (Prechel, 1994). Hence, it is proposed that formalization leads to a decrease in the discretion of managers in both headquarters and subsidiary locations. In brief, formalization increases standardization due to increased control over participants (Prechel, 1994; Roth et al., 1991). In addition, strong linkage of the subsidiary and the headquarters is also assumed to be a factor favoring standardization; whereas, independence and autonomy of national subsidiaries is supposed to be a factor favoring adaptation strategy (Levitt, 1983; Jain, 1989).

- **Leadership Style**

There is scant attention in the literature to the topic of leadership styles and their impact on standardization/adaptation decision. Mehta et al., (2003) contend that using uniform managerial practices such as leadership styles on an international basis is associated with standardized practices. Among the participative, supportive and directive leadership styles, directive leadership is the one in which the leader provides specific direction to subordinate work activity by organizing, coordinating and defining the task environment, specifying rules, regulations and procedures to be followed in accomplishing tasks (Mehta et al., 2003). As it is stated by Mehta et al. (2003), established through formalization, the institutionalization of explicit rules and operating procedures to govern channel activities is a method channel leaders can use to structure the performance of distribution tasks. Mehta et al. (2003) conclude that since channel leadership style is inconsistent across cultures, channel leader should be extremely cautious about using standardized channel strategies. In his study that examines managers from the perspective culture, Kanso (1992) states that international managers are either “culturally oriented” (i.e. host-country oriented) or “non-culturally oriented (i.e. home-country oriented) in their international advertising strategies. Kanso (1992) points out that culturally-oriented executives apply the adaptation approach more than non-culturally-oriented executives.

- **Country of Origin**

Another crucial dimension of company culture and structure related factor of internal drivers is country of origin facet, which includes company goodwill and reputation as well as product and marketing attributes. According to Vrontis and Thrassou (2007), negative country image sets a barrier to entering and positioning in the international market, while a positive one facilitates business internationalization. Based on literature, Theodosiou And Leonidou (2003) state that the nationality of the parent company plays a significant role in

standardization/adaptation decision of companies regarding to certain product and advertising aspects of the parent office, however, other marketing strategy parameters were not found to be influenced by the nationality of the parent company. Lim et al. (1994) discover that the presentation format of the country of origin is related with the nature of the product, the target market and the level of the image of the country of origin. The authors state that the country of origin may differ across distinct host countries; hence, it can influence the development of a standardized vs. adapted international advertising strategy. Kirpalani et al. (1988) find that the country-of-origin of the headquarter has an impact on the degree of headquarter control. Cadogan et al. (2005) mention that for companies that export to a diverse range of countries and regions, there is a greater need to consider issues such as product standardization/adaptation and country-of-origin effects. Papavassiliou and Stathakopoulos (1997) state that country-of-origin image influences the standardization or the degree of adaptation of advertising strategies of companies. A positive country-of-origin image may help companies implementing standardized strategies.

Company Size and Scope and S/A Decision

Developed by Hunt (1997), the resource-advantage (RA) theory describes a process of competitive firm behavior that emphasizes the importance of market segments and resources. The RA theory defines resources as the tangible and intangible entities available to the firm (Hunt, 1997). Such resources are not restricted to a firm's tangible assets but to anything available to the firm that has an enabling capacity. Thus, resources can be financial (e.g. cash reserves and access to financial markets), physical (e.g. plant, raw materials, and equipment), legal (e.g. trademarks and licenses), managerial (e.g. the skills and knowledge of management, competencies and controls of organization), informational (e.g. knowledge about consumers, competitors, and technology), and relational (e.g. relationships with competitors, suppliers, and customers) (Hunt, 1997). Because all of these have a potential enabling capacity, they can all be considered resources. The RA theory also postulates that resources are both significantly heterogeneous across firms and imperfectly mobile. From the RA perspective, a global retailer's mode choice of entry will be contingent upon the assortment of available resources. The resource-based paradigm suggests that firm-level activities are determinants of a firm's export propensity. This stream of research has examined the influence of company size, company experience, company competencies and marketing strategies on export performance (Aaby and Slater, 1989; Cavusgil and Zou, 1994; Styles and Ambler, 1994; Zou and Stan, 1998).

- ***Company Size***

Company size of a company is assumed to be a crucial variable that affects a company's ability to integrate certain activities, which in turn influences its internalization decision (Erramilli and Rao, 1993; Erramilli and D'Souza, 1995). It is known that the larger the firm, the greater its ability to invest in order to control the higher risk of operating in psychologically distant markets (Kogut and Singh, 1988). It is also found that firm size has an impact on foreign market entry mode, with larger firms preferring full-control entry modes (Agarwal and Ramaswami, 1992). In their study, Aaby and Slater (1989) show that firm size has an influence in explaining export behavior and performance of companies. In general, it is assumed that since large firms have more resources, which can be applied to new markets and they are less sensitive to risk in market development (Brouthers and Brouthers, 2001; Sing and Kogut, 1989). In a similar way, Jain (1989) asserts that large size companies are more likely to employ adapted marketing programs. However, Morschett (2006) mentions that size of the company does not have any significant influence on the internationalization decision of

companies. However, the literature shows that company size influences how psychological distance conditions channel choice (Brouthers and Brouthers, 2001; Kogut and Singh, 1988). Depending on the previous studies, Samiee et al. (2003) state that larger companies are more likely to expand into foreign markets and to have a standardized worldwide image. Likewise, Okazaki, Taylor, and Zou (2006) find that level of standardization increases with the greater size of subsidiary. Chung (2005) measures company size by the number of full-time employees of a company, and mentions that large size companies are more likely to adopt a higher extent of product adaptation strategy.

- ***Industry Factor***

The industry that the company operates in may also have an impact on the S/A decision of the company. As stated by Theodosiou and Leonidou (2003), industry factors refer to the type of the product (i.e., consumer or industrial), the technology orientation of the industry (i.e., technology-intensive or “old-line”), and the stage of product life cycle (i.e., early or mature). Depending on the literature, Theodosiou and Leonidou (2003) state that technology orientation was found to have a serious impact on standardizing marketing strategy, particularly on product, due to the need to allocate the vast research and development costs over long production runs. In the literature, it is seen that greater levels of technological turbulence will have a positive influence on global product standardization (Jain, 1989; Levitt, 1983; Powers and Loyka, 2007). In other words, in technology intensive industries, companies seek standardization for product and promotion (Cavusgil and Zou, 1994). Another industry related factor is the market turbulence which includes changes in customer composition and customer needs, as well as customer preferences and market demand growth. When market turbulence is low, companies have more time to respond to the needs of customers with tailored and/or differentiated products and increased product customization (Powers and Loyka, 2007). According to Andries and Debackere (2007), adaptation will be more beneficial in turbulent industries than in stable industries; the authors state that within the same industry, some new businesses will be better at deciding on and executing adaptations. In addition, the effect of adaptation on performance may be influenced by the capital intensity of the sector in which it operates (Andries and Debackere, 2007). Furthermore, the authors also mention that the maturity of the industry sector in which the company operates in may affect the adaptation decision of the company. In other words, it is found that the adaptation is beneficial in immature, capital-intensive and high velocity industries such as the biotech industry (Andries and Debackere, 2007, p. 95). Based on the literature, Blesa and Ripollés (2007) assert that industry growth and industry concentration have an impact on entry mode selection as well. Furthermore, standardization is more associated with industrial goods than with consumer goods (Jain, 1989; Boddewyn, Soehl, and Picard, 1986).

- ***International Experience***

Experience is conceptualized as the firm’s previous experience in international markets, and operationalized as the number of years since the first job abroad. Previous experience in foreign markets is a frequently used measure for experience in internationalization and export research (Bilkey and Tesar, 1977; Cavusgil, 1980; Erramilli, 1991). Furthermore, in their classical article, Zou and Cavusgil (2002) find that a firm’s global strategic performance is positively influenced by its international experience. Furthermore, Dow (2000) finds support for a company’s international experience reducing the effect of psychological distance on export market selection. Morschett (2006) also conclude that manufacturing companies tend to implement wholly-owned after-sales service operations in a foreign market, when they have more international experience. Likewise, Blomstermo, Sharma and Sallis (2006) assert

that companies inexperienced in international markets are less likely to know how to evaluate foreign contexts, which may influence the selection of foreign market entry mode. Eusebio, Andreu, and Belbeze (2007) find similar results with the literature, and conclude that international experience is the main factor in the export performance of companies. Furthermore, Chung (2005) concludes that companies with higher international experience are more likely to choose a higher degree of price, promotion and process adaptation. Hence, it is seen that the international experience of a company is a crucial determinant while evaluating S/A decision of that company.

- ***Financial Strength***

The financial situation of the company may also have an effect on international S/A decision of the companies. If the company experiences tough financial conditions, in terms of both decreasing sales or profits and an unpromising economic forecast for the company, a shift from adapted to standardized international strategy would be expected (Papavassiliou and Stathakopoulos, 1997). By referring to the study of Ringlstetter and Skrobarczyk (1994), Papavassiliou and Stathakopoulos (1997) state that under difficult financial conditions the company can follow a standardized approach and experience savings in media costs, advertising production costs and advertising illustrative material. It can be suggested that the companies with high financial strength prefer adaptation in their marketing strategies.

Company Outbound Relations and S/A Decision

The company outbound relations cover the relations with other companies particularly the ones with which companies have partnerships such as suppliers and distributors. In addition to partnerships with other organizations, companies' relations with the customers also play a role in the standardization/ adaptation decisions. Particularly, the impact of information and communication technologies has been heavily felt in the international business contexts.

- ***Relations with Other Companies***

The number of relationships that a firm establishes, not only with their suppliers and customers, but also with competitors and a whole series of institutions, such as governments, universities or financial institutions, will condition their strategies (Pla-Barber and Escriba-Esteve, 2006). As Katsikeas et al, (2006) state, the main objective of international marketers is to comprehend the mechanisms of inter-company partnerships and to enhance their efficiency. Furthermore, as stated by Shi et al. (2004) a collaborative orientation is also required which cultivates a set of beliefs and mindsets in the interactions of two organizations and deeply embedded in their inter-organizational processes. Hence, by putting the mutual benefits first, while not excluding the interests of two organizations, it would be possible to develop long-term profitable relationships. In order to develop long-term relationships with these third parties and entities, companies have to employ partnership management tools. Supply chain management, vendor managed inventory, ERP-packages, and Collaborative Planning Forecasting and Replenishment (CPFR) are among the initiatives that can be utilized by companies, which can be used in order to provide customization for the unique needs and wants of local partners. (Kuei et al., 2005). Global account management (GAM) can enable a relationship-oriented marketing management approach focusing on dealing with the needs of an important global customer with a global organization (Hollensen, 2007). As the world becomes more global, the reliance on a network of relationships with external organizations becomes extremely important. In addition, business alliances and network relationships help to reduce market uncertainties, and the need for higher amounts of resources to cover global markets (Hollensen, 2007). Nevertheless, network organizations need more coordination and

communication. Hence, as the reliance on the tools and initiatives used in these alliances, partnerships, and networks increases, the role of adaptation strategy gains magnitude.

- ***Relations with Customers***

Providing sustainable and profitable relations with the customers necessitates the implementation of CRM tools. Operationally, CRM can be described “as the process for achieving a continuing dialogue with customers, across all available touch points, through differentially tailored treatment, based on the expected response from each customer to available marketing initiatives, such that the contribution from each customer to overall profitability of the company is maximized” (Ramaseshan et al., 2006, p. 196). As a management concept, CRM is applicable globally; nevertheless, just as different countries and regions present different challenges, there are differences in how CRM is currently practiced in different countries (Ramaseshan et al., 2006). To date, however, there is limited extant literature addressing differences in global CRM practices; that’s why Ramaseshan et al. (2006) recommends examining the relevance, merits, and limitations of development and implementation of a standardized global CRM versus customized global CRM. Furthermore, Keegan and Green (2008) state that patience and a willingness to assimilate host-country norms and customs are crucial attributes in developing relationships.

CONCLUSIONS

The standardization/adaptation debate related to the international marketing strategy has been a topic which received continuous interest from both academicians and practitioners for more than a half of a century. Despite numerous research and tremendous energy put on the area, in the beginning of the 21st Century, still, there is no consensus whether standardization or adaptation of the marketing strategy will increase the performance. The fact that a comprehensive theory could not have been developed during those years, renders this topic viable and worth investigating even today.

In the first decade of the 21st Century, the world is much more connected and intertwined than it was before. The globalization stream creates both opportunities and difficulties for international companies. Technology, on one side, helps the companies to go international much quicker, on the other side, renders the consumers more knowledgeable about and demanding from companies. New media has emerged rendering standardization possible but also giving more room and flexibility for adaptation. As a result of the increasing number of trade unions and common markets, the regulations and laws become similar in the member states permitting higher and faster trade, which in turn enables standardization opportunities. However, although the common markets are enlarging by taking new members, the cultural differences among those countries requiring adaptation still exist. Another reality is the intensifying competition which can now come from all around the world without geographical limitation. The companies are faced with more pressure than before to decrease costs to be more profitable in this competitive environment. Therefore, for some, standardization seems to be a viable option for cutting costs. The internal dynamics of the international companies had to change over the years also. The accumulation of international experience has expanded and the knowledge in international research gave the companies the possibility to analyze different markets in a more deep and fast way. Furthermore, management styles and corporate structure are heavily affected not only from the globalization itself, but from the improvements in information and communication technologies. As of today, it is equally important to manage business alliances and networks through partnership management as well as customers via CRM tools. In other words, company’s outbound relations have to be also considered while deciding the implementation of standardization vs. adaptation strategy.

Marketing environment is dynamic than ever before and the markets are very vulnerable to the ups and downs in each other. The global economic crisis occurring in the world clearly demonstrates the interdependency and interconnectivity of the markets and companies.

The success of the companies in deciding whether to standardize or adapt the marketing mix elements will have a crucial impact for their future. However, all the facts mentioned above clearly demonstrate that the decision is not only about choosing one of the two alternatives. For every components of the marketing mix, a thorough analysis is required. As highlighted by the literature review presented in this paper, there is tremendous research focusing on one or some of the factors affecting the standardization/adaptation decision of the international companies. This study aims to introduce a general and comprehensive framework covering the broad range of factors which are necessary to be investigated while deciding to standardize or adapt the marketing mix elements. The topics covered in different piece of academic study are examined and gathered to create this framework. The model suggested shows the impact of this decision on the financial and strategic performance of the company.

It has to be admitted that it is not easy for the researchers to test all of the variables presented in the framework and their relationship simultaneously. Furthermore, it is a fact that the differences inherent in sectors, the lack of longitudinal and/or cross-cultural studies renders the development of a solid theory. The authors suggest that, in such a fast changing but also interconnected marketing environment, a contingency approach which takes situational factors into account is extremely crucial. The developed framework is expected to contribute to the thorough understanding of all possible external and internal drivers affecting the standardization vs. adaptation decision, enabling the practitioners to consider all of the factors before making their move.

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