

When does international marketing standardization matter to firm performance?

Oliver Schilke

Postdoctoral Research Fellow,
Stanford University/RWTH Aachen University,
450 Serra Mall,
Stanford, CA 94305,
phone: +1 650 736-1137,
e-mail: schilke@stanford.edu

Martin Reimann*

Postdoctoral Research Fellow,
University of Southern California,
Seeley G. Mudd Building,
3620 McClintock Avenue,
Los Angeles, California 90089-1061,
phone: +1 (408) 813 8449,
e-mail: mreimann@usc.edu

Jacquelyn S. Thomas

Associate Professor of Marketing,
Cox School of Business,
Southern Methodist University,
P.O. Box 750333,
Dallas, TX 75275-0333,
phone: +1 (214) 768-7837,
e-mail: thomasj@mail.cox.smu.edu

* Corresponding author.

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ABSTRACT

The topic of standardization of international marketing programs is an important issue faced by managers of global firms and has attracted significant research attention. Although earlier research established that standardization enhances performance outcomes, more recent theorizing suggests that this may not always be the case. However, empirical investigators have paid little systematic attention to moderating conditions. The major purpose of this paper is to investigate organizational factors moderating the standardization-performance relationship, and thus to explore the types of firm for which standardization is particularly beneficial. Examining survey data from 489 firms, results indicate that the standardization-performance link is significantly stronger for large firms with a homogenous product offering, high global market penetration, a cost leadership strategy, and strong coordination capabilities. The authors conclude that managers evaluating the adequacy of a standardization strategy need to consider the list of contingencies advanced in this research.

Keywords: Marketing Strategy; Standardization; Performance; Structural Equation Modeling

In their fight for global competitive advantage, firms pick strategic options that enable them to save costs and effort in marketing their goods and services on a global scale. The cost benefits and ease of administering make the strategy of standardizing international marketing programs an attractive choice to numerous firms (Douglas and Wind 1987; Johansson and Yip 1994; Katsikeas, Samiee, and Theodosiou 2006). Consequently, standardization is considered the perhaps most influential aspect of international marketing strategy (Zou and Cavusgil 2002).

Most prior research on the topic primarily concerns the antecedents to standardization, analyzing a range of factors that lead firms to adopt this strategy (e.g., Baalbaki and Malhotra 1993; Griffith, Chandra, and Ryans 2003; Harvey 1993; Jain 1989; Laroche et al. 2001; Picard, Boddewyn, and Grosse 1998; Powers and Loyka 2007). Performance implications have received less emphasis, and thus the question about the impact of standardization on firm performance remains an enduring research concern (Griffith, Cavusgil, and Xu 2008). Among the few studies focusing on this aspect, reported results are inconclusive (Özsomer and Prussia 2000; Theodosiou and Leonidou 2003), limiting further development of theory and improvement of management practices. While prior research predominantly indicates overall beneficial effects of standardization (e.g., O'Donnell and Jeong 2000; Szymanski, Bharadwaj, and Varadarajan 1993) stemming mainly from economies of scale and reduction of complexity, some investigators have also argued that a standardization strategy can come with disadvantages (Lages, Abrantes, and Lages 2008). Consequently, despite its demonstrated benefits, standardization may not always improve performance outcomes.

Therefore, we agree with Ryans, Griffith, and White (2003) on the need to further substantiate “some of the key underlying assumptions regarding the value of standardization” (p. 589). Indeed, researchers are beginning to recognize that the relationship between

standardization and performance may be complicated and contingent on other factors. Katsikeas, Samiee, and Theodosiou (2006) argue that the effect of standardization on performance becomes stronger if a fit or coalignment is present between overall marketing program standardization and the market environment in which it is implemented. Their findings—as well as the inconclusive results in studies investigating an unconditional direct link between standardization and performance (see Table 1)—suggest that the performance effect of standardization may increase under certain circumstances and decrease under others. However, researchers have paid little systematic attention to the conditions *other than environmental fit* that determine when and how standardization relates to firm success. In making suggestions for future research, Zou and Cavusgil (2002) state that important moderators may include not only the *external* industry environment but also *internal* organizational attributes. Similarly, Samiee and Roth (1992) posit that standardization needs to be viewed in light of other key firm policies and strategies; certain organizational activities and characteristics may have important implications for the effectiveness of global standardization.

This paper explores the moderating effect of several organizational factors on the relationship between standardization and firm performance. More specifically, we investigate the role of competitive strategies, other aspects of marketing strategy, product characteristics, and general firm characteristics. Thus, the study's key contribution is to improve our understanding of those internal organizational aspects that make standardization a particularly effective approach to international marketing. From an academic viewpoint, our study helps to resolve some of the inconsistent results regarding the link between standardization and performance. Our findings also help managers decide whether international marketing standardization is a beneficial strategic option for them, given the idiosyncrasies of their specific company. We

develop a parsimonious list of organizational attributes that managers should consider when deciding about the standardization strategy of their company. Knowledge of these factors can reduce the ambiguity these decision makers face with regard to the appropriateness of standardization. Below, we elaborate on these arguments in greater detail and report tests of the resulting hypotheses in a sample of 489 firms.

CONCEPTUAL BACKGROUND

The concept of standardization has received ample attention from various disciplines, and although prior research has put forth diverse interpretations of standardization, a common view emerges. Building on this prior research, we define standardization as the degree to which firms apply common marketing mix variables across national markets (Cavusgil and Zou 1994; Lim, Acito, and Rusetski 2006; Szymanski, Bharadwaj, and Varadarajan 1993; Zou and Cavusgil 2002). Buzzell (1968) was among the first to systematically discuss standardization as a key aspect of international marketing strategy. Since then, a multitude of marketing researchers has continued to debate drivers as well as performance implications of standardization.

From the studies that deal with performance implications, three dominant perspectives have emerged: the total standardization perspective, the total adaptation perspective, and the contingency perspective (Zou, Andrus, and Norvell 1997). The total standardization perspective views market conditions as increasingly similar across countries, favoring the standardization of marketing activities. Among the most prominent proponents of standardization is Levitt (1983), who argues that technological advancements have diminished cultural differences across countries and thus make a globally standardized marketing strategy the preferred choice to

capture worldwide economies of scale. Other supporters of this perspective include, for example, Eger (1987), Ohmae (1985), and Yip (1995), who developed various arguments concerned with scale advantage, time to market, and worldwide consistency of company image. In contrast, the total adaptation perspective emphasizes persistent differences between various country markets, which would speak in favor of customizing the firm's marketing efforts (e.g., Black 1986; Boddewyn, Soehl, and Picard 1986; Cavusgil and Zou 1994; Donnelly and Ryans 1969; Douglas and Wind 1987). Scholars favoring the total adaptation perspective emphasize the barriers to worldwide convergence, including governmental and trade restrictions, inter-country differences in marketing infrastructure, and local management resistance (Lim, Acito, and Rusetski 2006; Viswanathan and Dickson 2007). The contingency perspective argues that the optimal degree of standardization depends on internal organizational and external environmental factors (Zou, Andrus, and Norvell 1997).

In line with recent research (Katsikeas, Samiee, and Theodosiou 2006), this article reflects a contingency perspective of international marketing standardization. More specifically, we argue that the impact of standardization differs contingent on internal organizational characteristics. This perspective is backed up by the inconsistent findings of previous empirical research investigating a direct relationship between standardization and performance. Table 1 lists important empirical studies on the standardization-performance link, presents the focal standardization construct(s) analyzed by the authors, the performance variable(s) used as dependent variable(s), the main finding about the standardization-performance relationship, and characteristics of the sample. As Table 1 makes clear, results regarding the link between standardization and performance have been mixed, with several studies finding positive relationships and others reporting insignificant links.

-----Insert Table 1 about here-----

HYPOTHESES

Direct Impact of Standardization on Firm Performance

While previous research is overall inconsistent, the majority of studies have indicated that the pursuit of standardized marketing activities by itself has mostly a positive impact on performance (Table 1; for a similar assessment, see Özsomer and Simonin 2004), independent of any moderating effects. Several ongoing trends suggest that standardization remains an important, positive antecedent to firm performance. Over 25 years ago, Levitt (1983) observed that markets across the world are converging as consumers become more similar. Belk (1996) suggests that this process of converging markets and consumer tastes is driven by increasing multi-nationalism, world tourism, world sports, and expanded communication and transportation systems. These transformations lead firms to standardize to achieve economies of scale and scope not only in production, distribution, logistics, advertising, and promotion but also in research and development (Porter 1980; Shoham 1999; Yip 1995). Additionally, Neff (1999) posits that standardization decreases a product's time to market by reducing the time needed to adapt to local specifications. Further, standardization enables firms to exploit superior products and operations in multiple markets (Maljers 1992; Özsomer and Prussia 2000; Özsomer and Simonin 2004), to have greater control over overseas operations (Taylor and Okazaki 2006), and to retain a consistent image worldwide (Okazaki, Taylor, and Doh 2007; Shoham 1999).

As a result of these benefits, the strategy of standardizing international marketing programs is an attractive option for many firms (Johansson and Yip 1994; Katsikeas, Samiee, and Theodosiou 2006). Therefore, all else being equal, we expect standardization to improve firm performance. Hence:

Hypothesis 1. Ceteris paribus, standardization is positively related to firm performance.

Conditional Impact of Standardization on Firm Performance

Yet, the above hypothesis does not mean that standardization improves the performance of all firms equally. Indeed, in certain situations, the benefits of adaptation may diminish the positive impact of a standardization strategy on performance. Next, we argue that the organizational characteristics of competitive strategies, other aspects of marketing strategy, product characteristics, and general firm characteristics moderate the relationship between standardization and firm performance. While the selection of moderators emerged from a comprehensive literature review, we do not represent these moderators to be a complete set of those that influence the standardization-performance link. . The specific organizational characteristics whose impact is investigated here include competitive strategies (differentiation, cost leadership), aspects of international marketing strategy (coordination of marketing activities, global market participation), product characteristics (product homogeneity, business-to-business (B2B) versus business-to-consumer (B2C)), and the general firm characteristic of firm size.

Figure 1 summarizes the conceptual model implied by our hypotheses.

-----Insert Figure 1 about here-----

Competitive strategies. Morgan, Kaleka, and Katsikeas (2004) suggest that the effectiveness of international marketing strategy depends on the specific competitive strategy the firm pursues, as the international marketing and competitive strategies must fit well with each other. Research in industrial economics proposes two major competitive strategies that firms can adopt to earn above-average rate of return: differentiation and cost leadership (Porter 1985; 1980). Both strategies remain highly influential on strategic management in both research and practice (Acquaah and Yasai-Ardekani 2008; Campbell-Hunt 2000; Zajac and Shortell 1989) and, as such, are considered important moderators in this study.¹

The differentiation approach entails being distinct from competitors, for example by providing superior information, prices, distribution channels, and prestige to the customer (Porter 1980). The competitive advantage of differentiators rests on being unlike the competition and satisfying customer demand in the best possible way. Standardization does not have much to offer firms striving for this objective, and thus may not be such a strong performance driver. Differentiating firms may rather need to adapt their marketing programs and customize their offerings to achieve a competitive advantage based on differentiation. For them, it is central to meet their customers' wants and needs in greatest possible detail. Given persisting differences in consumer tastes across countries (Douglas and Wind 1987), achieving this strategic objective makes a local adaptation strategy an attractive option for differentiators. In addition, differentiators are likely to possess strong capabilities and high flexibility with respect to marketing activities, enabling them to adapt their offerings effortlessly to local tastes when selling abroad. Their operations are typically less aimed at achieving economies of scale and scope, reducing the positive performance impact of standardization. For example, the Swiss-

based high-quality restaurant chain Marché sticks out from its competition through its market style concept. As a differentiator, Marché has developed strong marketing capabilities, which enable it to effectively adapt to tastes and fashions when entering and operating in international markets such as Germany or Slovenia. Marché's competitive strategy is not aimed at achieving the economies of scale and scope that fast-food chains such as McDonald's would aim for.

As standardization is a less attractive approach to internationalization for differentiators, we expect a weaker impact on firm performance. Building on these notions, we posit that a differentiation strategy generally reduces the positive impact of standardization on firm performance. Thus, we hypothesize:

Hypothesis 2. The positive relation between standardization and firm performance is weaker for firms pursuing a differentiation strategy than for firms not pursuing a differentiation strategy.

The alternative strategy, cost leadership, involves generating higher margins than competitors by achieving lower manufacturing and distribution costs. Firms pursuing cost leadership can therefore strongly benefit from the cost-saving potential of standardization. Zou and Cavusgil (2002) note that to attain a competitive advantage based on a low-cost position, "the optimum global marketing strategy is to sell standardized products using standardized marketing programs" (p. 41). As standardization can result in economies of scale (Levitt 1983) and efficiency in marketing operations (Laroche et al. 2001; Zou, Andrus, and Norvell 1997), it is a particularly important performance driver for firms isolating themselves from competition through a cost leadership position. For example, when the British airline Ryanair—a typical low-

cost carrier—expanded its operations to other European countries, it used an internationally standardized marketing program, which was an excellent fit with its strong focus on a cost leadership strategy and, therefore, contributed significantly to the firm’s success. Thus, we hypothesize a positive moderating impact of the business strategy of cost leadership on the relationship between standardization and firm performance.

Hypothesis 3. The positive relation between standardization and firm performance is stronger for firms pursuing a cost leadership strategy than for firms not pursuing a cost leadership strategy.

Aspects of international marketing strategy. Besides considering the effect of the two aforementioned generic strategies, we analyze standardization in conjunction with other aspects of international marketing strategy, as investigators have found international marketing strategy dimensions to be strongly interrelated (Zou and Cavusgil 2002). Specifically, we focus on two factors that have been the subject of considerable research: coordination of marketing activities and global market participation.

Coordination of marketing activities can be defined as “the extent to which a firm’s marketing activities in different country locations, including development of promotional campaign, pricing decision, distribution activities, and after-sale services, are planned and executed interdependently on a global scale” (Zou and Cavusgil 2002, p. 43). Prior work in international marketing indicates that standardization’s performance impact is much weaker without coordinated marketing activities (Daniels 1987; Özsomer and Prussia 2000). We posit that when firms coordinate marketing mix decisions interdependently, their standardizing efforts

will more positively affect their performance. For example, when hospitality provider Marriott plans and rolls out new international hotels, it coordinates the interior design, branding of the hotel and restaurants, initial pricing of room rates, and sales promotions through its headquarters. This coordination permits Marriott to maximize the leverage of its standardization strategy, which—because of a consistent worldwide image and economies of scale and scope—drives its performance. In summary, we posit that coordination of marketing activities captures synergies derived from economies of scale and scope as well as learning (Bartlett and Ghoshal 1991; Kogut 1989; Zou and Cavusgil 2002). Therefore, coordination will positively influence the relationship between standardization and firm performance. We hypothesize:

Hypothesis 4. The positive relation between standardization and firm performance is stronger for firms with a high degree of coordination of marketing activities than for firms with low coordination.

The impact of standardization on firm performance is also affected by whether a firm is active globally (that is, present in all major markets (Yip 1991)) or is present in only a limited number of international markets. Prior literature recognizes two important opportunities attached to global market participation. First, global market participation offers the greatest possibilities for exploiting economies of scale and scope (Grant, Jammine, and Thomas 1988; Kim, Hwang, and Burgers 1993), thus maximizing standardization's potential impact on firm performance. Second, the firm's level and form of investment in international markets can significantly affect its ability to employ standardization effectively (Chandra, Griffith, and Ryans 2002). The higher the number of markets a firm targets, the more complex and inefficient adaptation to each of the

countries becomes. Thus, firms with high global market participation are likely to be more successful when adopting a standardized approach to market their offerings. For example, hotel chains such as Marriott, with its hotels currently in 65 different countries, are able to leverage their standardization strategy to a much greater extent than rivals with very few hotels in foreign markets, such as the Germany-based hotel chain Kempinski. Therefore, we hypothesize:

Hypothesis 5. The positive relation between standardization and firm performance is stronger for firms with a high degree of global market participation than for firms with low global market participation.

Product characteristics. Beyond these strategic postures, we also consider product characteristics as important moderators of the standardization-performance link. Previous research has stressed the importance of inherent product characteristics and indicated that they may influence a firm's ability to standardize effectively (Chandra, Griffith, and Ryans 2002). However, the effect of specific product characteristics on the standardization-performance link has not yet been approached empirically. We consider as additional moderators the level of product homogeneity and whether products are sold to other businesses (B2B) or to end consumers (B2C).

Homogenous products are those the market perceives as interchangeable (Bakos 1997; Greenstein 2004; Pelham 1997; Robinson, Clarke-Hill, and Clarkson 2002). High product homogeneity is occurring in a growing number of diverse industries (Greenstein 2004; Olson and Sharma 2008; Sharma and Sheth 2004). For example, many high-tech industries currently face the challenge of high product homogeneity as steadily more offerings from their component

suppliers are undifferentiated, including computer memory, television parts, and disk drives (Christensen and Raynor 2003; Greenstein 2004; Kohli and Thakor 1997). As such, product homogeneity is seen as an important phenomenon of marketing competition (Heil and Helsen 2001; Unger 1983). We posit that when no major product differences exist among competitors and homogeneity is high, standardization is a stronger performance driver since firms may be unable to perform useful adaptations. Since homogenous products are often sold on price (Rangan and Bowman 1992), a standardization strategy may provide crucial cost-saving advantages and thus increase firm performance. Hence, firms that operate in industries with highly homogenous products (e.g., utilities such as electricity or water suppliers) will leverage a greater impact of their standardization efforts on firm performance than firms in markets with great product heterogeneity. Thus, we hypothesize:

Hypothesis 6. The positive relation between standardization and firm performance is stronger for firms offering highly homogenous products than for firms offering unique products.

According to Jain (1989) as well as Samiee and Roth (1992), firms selling B2B products can benefit more from standardization than can firms selling directly to end consumers. Products sold to business customers often fill specific needs that do not differ significantly between countries. Technical specifications, which tend to be uniform across national borders, make standardization a promising marketing approach. The industrial gases supplier Air Products, for example, which sells oxygen, nitrogen, and other gases primarily to other businesses, strongly relies on standardization to enhance performance. Compared to businesses, consumers are more

context-sensitive, with preferences being idiosyncratic to local cultures, tastes, and other factors.

Against this background, we hypothesize:

Hypothesis 7. The positive relation between standardization and firm performance is stronger for firms with a B2B focus than for firms with a B2C focus.

General firm characteristic. In their literature review, Lages, Abrantes, and Lages (2008) find that research on international marketing standardization is short on studies analyzing the specifics of small and medium-sized enterprises, although international markets have become increasingly attractive for these firms as well. Smaller firms' competitive advantage often rests on their flexibility in providing customized marketing solutions, whereas multinational corporations employ worldwide corporate policies which allow them to effectively roll out standardized marketing strategies. Also, less flexible structures inhibit large firms from efficient adaptation, increasing the potential performance impact of standardization. Therefore, we propose:

Hypothesis 8. The positive relation between standardization and firm performance is stronger for larger firms than for small firms.

METHODOLOGY

Data Collection Procedure

Given the need for further empirical research on the standardization-performance link, we conducted a large-scale survey among businesses from various industries: consumer packaged goods, pharmaceuticals, consulting, retailing, telecommunications/information technology, and utilities. In selecting these industries, we attempted to capture a variety of market settings to achieve a sufficient variance in the variables of interest to our research. The unit of analysis is a business unit within a firm or (if no specialization into different business units existed) the entire firm.² We obtained a random sample of U.S. business units from a commercial list supplier ($n = 2,549$) and provided the questionnaire to key informants (chief executive officer, head of marketing/sales, head of product management, or general manager) at these business units.

As a further step to ensure the appropriateness of the respondents, we included an item in the questionnaire that asked how knowledgeable the respondents believed they were regarding their businesses' strategy. We excluded returned questionnaires if one of these items was rated lower than three on a five-point scale (5 = "very knowledgeable"). The usable returned responses totaled 489, representing a response rate of 19%. Table 2 describes the composition of our sample.

-----Insert Table 2 about here-----

Tests for Potential Biases

Following the recommendations of Armstrong and Overton (1977), we assessed nonresponse bias by comparing the responses of early and late participants. Specifically, we tested the first and last quartiles of the sample for significant differences across means for each of the theoretical constructs. The results of the t-tests indicated no significant differences ($p \leq$

.05) between early and late respondents, suggesting that nonresponse bias is not a problem in our data.

Further, common method bias may be a potential problem if data on two or more constructs were collected from the same person, and correlations between these constructs need to be interpreted (Podsakoff et al. 2003). Following prior research (e.g., Brettel et al. 2008; Yalcinkaya, Calantone, and Griffith 2007; Zhang, Hu, and Gu 2008), we applied Harman's single-factor test to determine the presence of such a bias. We found that the hypothesized measurement model fits the data significantly better than a single-factor model ($\chi^2_{diff} = 4,325.74$; $\Delta df = 15$; $p \leq .01$). In addition, we applied the partial correlation adjustment procedure suggested by Lindell and Whitney (2001) to control for common method bias. Consistent with Krishnan, Martin, and Noorderhaven (2006), we used tenure of the respondent as the marker variable, as it was theoretically unrelated to firm performance. All significant zero-order correlations with firm performance remained significant after the partial correlation adjustment. Thus, we conclude that common method variance does not constitute a problem for this study.

Measurement Procedure

Where possible, measurement scales were adopted from previous research. Prior to the main data collection, we pretested a draft of the questionnaire in a pilot study. The surveys were mailed to 80 randomly selected firms, and we received 18 responses. The results from the pilot study suggested that the survey was appropriate for further administration. The Appendix lists the scale items, construct means and standard deviations, coefficient alphas (α), composite reliabilities (CR), and average variances extracted (AVE).

In this study, we apply reflective measurement models; that is, the observed variables are interchangeable manifestations of the underlying construct (Bagozzi and Baumgartner 1994). We followed standard psychometric scale assessment procedures. Overall, the results indicate good psychometric properties for all constructs (see Appendix). On the basis of confirmatory factor analysis, CR and AVE indicate satisfactory construct reliability and validity; they exceed the commonly used thresholds of .6 and .5 (Bagozzi and Yi 1988). Further, no coefficient alpha value is lower than .7, thus exceeding the recommended cut-off value (Nunnally 1978).

Independent variable. Standardization was conceptualized as the degree to which firms apply common marketing mix variables across national markets (Cavusgil and Zou 1994; Jain 1989; Szymanski, Bharadwaj, and Varadarajan 1993; Zou and Cavusgil 2002). Following Zou and Cavusgil (2002), we measured standardization as a second-order factor reflected by the three dimensions of product standardization, promotion standardization, and standardized channel structure. While these authors originally proposed a four-dimensional model of standardization, also including price standardization, they dropped this fourth dimension after their personal interviews with executives. They argued that “the item measuring the standardized price was dropped, because the executives believed that they could not provide accurate information on this: Local regulations and competitive situations were such that their BUs had little control over the final prices of their products in foreign markets” (Zou and Cavusgil 2002, p. 47). We decided to follow Zou and Cavusgil (2002) in not including the pricing dimension in our standardization measure. We adopted the measurement items for each of the dimensions from Zou and Cavusgil (2002).

Dependent variable. Firm performance can be defined as “the unique position of a firm in relation to its competitors that allows it to outperform them consistently” (Fiol 1991, p. 191).

Researchers have warned against using a unidimensional view of firm performance when investigating the effectiveness of standardization strategy (Ryans, Griffith, and White 2003). Thus, we followed the lead of Vorhies and Morgan (2005) and conceptualized and operationalized performance as a multidimensional construct, reflected by three dimensions: customer satisfaction (degree of customer-oriented success), market effectiveness (degree to which the firm's market-based goals had been achieved), and profitability (degree of financial performance). Each dimension was measured by four items, which we adopted from Vorhies and Morgan (2005).

Moderating variables. Differentiation entails being unlike or distinct from competitors (Porter 1980). We measured differentiation with five items borrowed from the work of Frambach, Prabhu, and Verhalen (2003), Homburg, Workman, and Krohmer (1999), and Nayyar (1993). The competitive strategy of cost leadership aims at achieving low manufacturing and distribution costs (Narver and Slater 1990; Nayyar 1993; Porter 1980). The measures for cost leadership were based on the scales that Li and Li (2008) and Nayyar (1993) employed. According to Zou and Cavusgil (2002), coordination of marketing activities denotes the extent to which a firm's marketing activities in different country locations are planned and executed interdependently on a global scale, while global market participation refers to the extent to which a firm pursues marketing operations in all major markets in the world. We adopted the items for measuring the constructs of coordination of marketing activities and global market participation from Zou and Cavusgil (2002). Product homogeneity constitutes the degree to which a firm's products are perceived in the market as interchangeable (Bakos 1997; Greenstein 2004; Pelham 1997; Robinson, Clarke-Hill, and Clarkson 2002). We measured product homogeneity through a newly developed scale. Item generation was inspired by the work of Hill (1990) and Sheth

(1985). We measured B2B/B2C focus with one item adopted from Carpenter (1987), which asks for the share of sales direct to end user. Finally, we measured firm size in terms of number of employees, in line with Steensma and Corley (2000).

Hypotheses-Testing Procedure

We used the covariance-based software AMOS 16.0 to test the measurement model and to estimate the structural relationships posited by our conceptual framework. To test the moderating hypotheses, we primarily applied multi-group structural equation modeling as outlined by Homburg, Grozdanovic, and Klarmann (2007). More specifically, we conducted a median split of our sample along the values of the moderator variable to create two subsamples, one with low values of the moderator and the other with high values of the moderator. We then compared a constrained model in which the effect of standardization on firm performance is set equal across the two subgroups with an unconstrained case. If the introduction of the equality constraint resulted in a significant decrease in model fit, we inferred that the relative importance of the standardization was different in both subsamples. In that case, we analyzed whether the respective values of the path coefficients in the two models were in line with our hypotheses.³

RESULTS

Measurement Model

We followed a two-stage data analysis approach to assess the measurement model and the structural model (Anderson and Gerbing 1988). In the measurement model, all item loadings

were significantly greater than zero ($p \leq .01$), positive, and high in magnitude ($\geq .64$). Moreover, considering the comparatively high model complexity, the goodness-of-fit indices indicated that the measurement model fit the data sufficiently well ($\chi^2 = 1,640.51$; $df = 666$; $\chi^2/df = 2.46$; CFI = .93; GFI = .85; NFI = .88; TLI = .91; SRMR = .05). Subsequently, we assessed discriminant validity on the basis of the procedure that Fornell and Larcker (1981) propose. We found that the square root of the average variance extracted by the measure of each factor was larger than the correlation of that factor with all other factors in the model (see Table 3). In addition, we tested discriminant validity by performing a series of chi-square difference tests between a model in which the factor correlation is fixed at 1 and the unrestricted model. Every restricted model exhibited a significantly worse fit than the unrestricted model. On the basis of these findings, we conclude that there are no problems with respect to discriminant validity.

-----Insert Table 3 about here-----

In a separate analysis, we tested the postulated structure of the standardization construct by means of second-order confirmatory factor analysis (Bagozzi 1994). In the model, standardization is the second-order factor reflected by three first-order dimensions. The loadings of the second-order construct on its five respective dimensions are .91, .91, and .85 ($p \leq .01$). The global fit criteria indicate a good overall model fit ($\chi^2 = 37.96$; $df = 12$; $\chi^2/df = 3.16$; CFI = .99; GFI = .98; NFI = .98; TLI = .98; SRMR = .02). We then compared a three-factor model with a one-factor structure, using a chi-square difference test. The fit of the single-factor model was considerably worse compared with the hypothesized model ($\chi^2 = 171.05$; $df = 14$; $\chi^2/df = 12.22$; CFI = .94; GFI = .90; NFI = .93; TLI = .90; SRMR = .04). In particular, the decrease in χ^2 was

significant ($\Delta df = 2$; $\chi^2_{diff} = 133.09$; $p \leq .01$). These results underline the reliability and validity of the measurement of standardization as a three-dimensional construct.

Structural Model

Next, we examined the structural model relating standardization to firm performance. The fit measures for the structural model showed satisfactory values ($\chi^2 = 400.31$; $df = 146$; $\chi^2/df = 2.74$; $CFI = .96$; $GFI = .92$; $NFI = .94$; $TLI = .96$; $SRMR = .04$). Analyzing the path estimates, we find further support for the validity of our second-order factors: all paths between second-order and first-order factors are significant ($p \leq .01$), and standardized estimates are above .7.

In our first hypothesis we argued that standardization is positively related to firm performance. The estimate for the path coefficient between the two constructs confirm such a positive relationship between standardization and firm performance ($\beta = .68$; $p \leq .01$). Thus, we find empirical support for H₁. The resulting $R^2 = .46$ underlines that standardization explains a substantial part of firm performance.

Following Katsikeas, Samiee, and Theodosiou (2006), we also assessed two rival models. The first rival model treated international marketing standardization as three separate, uncorrelated components. The fit indices associated with this model were not acceptable ($\chi^2 = 1,201.22$; $df = 147$; $\chi^2/df = 8.17$; $CFI = .84$; $GFI = .80$; $NFI = .83$; $TLI = .82$; $SRMR = .21$). In addition, the performance variance explained by this model was .34, and thus considerably smaller than in the original model (.46), providing further support for the superiority of a multidimensional specification of standardization. The second rival model treated performance as three separate components. The fit indices of this model were again very poor ($\chi^2 = 826.32$; df

= 147; $\chi^2/df = 5.62$; CFI = .90; GFI = .83; NFI = .88; TLI = .88; SRMR = .08). Overall, the examination of the rival models enhances confidence in this study's model, specifying standardization and performance as second-order constructs.

Moderation Analysis

The results regarding the multi-group analyses are summarized in Table 4. Before interpreting the empirical support for our hypotheses, we followed the recommendation by Steenkamp and Baumgartner (1998) and tested for measurement invariance by equating the factor loadings in the two subgroups. Examining the effect of this constraint, we find that it did not lead to a significant decrease in model fit for any of the multi-group analyses (for all models, $\chi^2_{diff} \leq 19.09$; $\Delta df = 13$; $p > .1$), which supports measurement equivalence.

Subsequently, we analyzed the differences between estimates for the standardization-firm performance path in different subsamples in order to test H₂-H₈. Our second hypothesis predicted a weaker positive relationship between standardization and firm performance for firms pursuing a differentiation strategy. Contrary to H₂, we did not find a significant difference in the effect of standardization on firm performance between firms pursuing a differentiation strategy and firms not pursuing a differentiation strategy ($\chi^2_{diff} = 1.02$; $p > .1$). Thus, H₂ is rejected. However, as H₃ predicted, the cost leadership strategy of a firm has a significant effect on the standardization-firm performance relationship ($\chi^2_{diff} = 4.87$; $p \leq .05$). We find that standardization is more important to performance when a cost leadership strategy is emphasized ($\beta_2 = .73$) than when it is not ($\beta_1 = .40$), supporting H₃. H₄ proposed that standardization is a stronger performance driver when the degree of coordination of marketing activities is high. In line with this hypothesis, the

effect of standardization as a driver of firm performance is significantly greater ($p \leq .01$) when firms highly coordinate their marketing activities ($\beta_2 = .66$) than when they do not ($\beta_1 = .43$). These results support H₄. H₅ stated that the positive relation between standardization and firm performance is stronger for firms with a high degree of global market participation. Our results reveal that global market participation plays a significant role in the standardization-performance relationship ($\chi^2_{\text{diff}} = 62.58; p \leq .01$). For firms with a high global market participation, standardization drives performance significantly more ($\beta_2 = .92$) than for firms with a low global market participation ($\beta_1 = .46$). Thus, H₅ is supported. H₆ predicted that the standardization-performance link is stronger for firms whose products are highly homogenous than for firms with more heterogeneous products. Given a highly significant chi-square difference ($\chi^2_{\text{diff}} = 3.88; p \leq .05$) and a higher path coefficient for firms with homogenous products ($\beta_2 = .72$) than for firms with heterogeneous products ($\beta_1 = .57$), our results fully support this hypothesis. H₇ proposed a moderating effect of the firm's customer type in a way that the positive relation between standardization and firm performance is stronger for firms with a B2B focus than for firms with a B2C focus. As there was no significant decrease in model fit when equating the path coefficient between standardization and firm performance in the B2B and B2C subsamples ($\chi^2_{\text{diff}} = 2.68; p > .1$), no support was found for H₇. Finally, H₈ stated that the positive relation between standardization and firm performance is stronger for larger firms than for small firms. We find that firm size is a relevant moderator of the relationship between standardization and firm performance. For the subsample including the larger firms the path coefficient ($\beta_2 = .76$) is significantly larger ($p \leq .01$) than the path coefficient for the subsample including the smaller firms ($\beta_1 = .54$). This result provides empirical support for H₈.

-----Insert Table 4 about here-----

Post-hoc Analyses

Subsequently, we conducted several post-hoc analyses similar to the procedures described by Bouquet, Morrison, and Birkinshaw (2009). More specifically, we estimated three additional series of structural equation models, one series for each standardization dimension separately. Comparing the direct effects of each dimension, we found that product standardization had the highest influence on performance ($\beta = .66; p \leq .01$), followed by promotion standardization ($\beta = .61; p \leq .01$) and standardized channel structure ($\beta = .52; p \leq .01$). With regard to the moderated effects of the single dimensions, the pattern of results is largely similar to the analyses of the multi-dimensional construct. Of the 21 additional multi-group analyses for the separate dimensions (3 dimensions \times 7 moderators), 19 yielded the same findings regarding the (in)significance of the moderation effect. Only two of the single-dimension multi-group analyses differed in their results compared to the analyses including the overall standardization construct.

As Table 4 shows, no support was found for H₇ when using the multidimensional standardization construct—that is, the significance of the difference between the B2B subsample and the B2C subsample with respect to the performance effect of standardization was just over the 10% level ($p = .102$). The moderating influence of the B2B/B2C variable, however, turned out to be significant for product standardization ($\chi^2_{\text{diff}} = 6.87; p \leq .01$) and weakly significant for promotion standardization ($\chi^2_{\text{diff}} = 3.31; p \leq .1$), with a higher path coefficient for B2C than for B2B firms. Overall, however, the largely consistent pattern between the moderation results

including the single dimensions and the second-order construct provides further support for conceiving of standardization as a meta-construct with interrelated and reinforcing dimensions.

DISCUSSION

The rationale for this research was to conduct a contingency analysis on the performance link of international marketing standardization. Our study contrasts with previous work in that we investigated a number of organizational factors that have an important role in determining the extent to which standardization facilitates performance.

This research explored the position of Morgan, Kaleka, and Katsikeas (2004), which asserts that a fit must exist between a firm's competitive strategy and its international marketing strategy. For example, the basic premise of differentiation—being different from competitors—can conflict with the basic premise of standardization—applying the same marketing mix elements across international markets. In theory, a firm can emphasize product differentiation and adopt standardized marketing practices across different markets. However, because the competitive market structure and its offerings can differ across markets, applying standardization blanketly to all international markets could weaken differentiation as a competitive advantage. Under these circumstances a non-standardized marketing approach may be needed to maintain the integrity of the differentiation strategy. Thus, while our hypothesis with respect to differentiation is not supported, we maintain that more conclusive results could be obtained with respect to differentiation if future analyses controlled for or matched markets with respect to their market structure. Only then can highly differentiated firms determine the appropriateness of standardization across markets.

In contrast to the effects of differentiation, our results show a significant effect of cost leadership. Firms emphasizing cost leadership as a competitive strategy are more capable of using standardization to enhance performance because cost leadership and marketing program standardization have a consistent objective: process improvements that increase efficiency. Thus, this competitive strategy and the firm's marketing approach enjoy a strategic fit and the potential for synergy.

Extending the position of Morgan, Kaleka, and Katsikeas (2004) regarding the fit between the competitive and international marketing strategies, we posit that their key notion of "fit" translates to other organizational characteristics as well. Specifically, we expected that a fit must exist between the various aspects of the firm's international marketing strategy. Thus, the coordination of activities across markets is critical to providing firms with relevant consumer and market information and support for effectively standardized marketing. Firms that do not coordinate efforts can miss the opportunity to acquire pertinent information about how to implement standardized marketing techniques (e.g., what communication and distribution channels to leverage).

Moreover, a low level of global market participation can limit firms' abilities to achieve economies of scale, and thus also limit the performance benefit gained from standardizing marketing programs. Therefore, active participation in many global markets, paired with coordination of activities across markets, enhances the link between international marketing program standardization and firm performance because of the strategic fit between these marketing strategies.

We can also extrapolate the notion of strategic fit to explain the association between specific product characteristics and standardization. We found that when competitors offer no

major product differences and homogeneity is high, few opportunities for effectively leveraging standardization are prevalent, making standardization the more beneficial choice in commoditized markets. For example, the France-based energy utility provider GDF Suez, which operates across Europe and around the world, significantly improved its bottom line by leveraging its standardization efforts. This was possible because of the homogenous nature of electric energy. In contrast, Coca-Cola, a firm operating in an industry with a wide variety of different products, has to cope with local tastes and needs and thus cannot leverage the standardization-performance link to the extent of GDF Suez.

Furthermore, we hypothesized that, in contrast to B2C firms, B2B firms would have a stronger link between marketing standardization and firm performance, possibly because end-user consumers, more than businesses, tend to exhibit more variance in preferences and needs (e.g., technical specifications, lot size requirements, product assortment). Given that B2B firms typically have fewer customers than B2C firms, a greater variance among a larger number of customers can translate into more customer heterogeneity in a B2C market. As a result, a standardized marketing approach may not be as successful in a B2C market as it would be in a B2B context. While this rationale is intuitive, it is not supported by our analysis. Instead, our findings suggest that businesses may require just as much customization as end-user consumers do. This outcome could be a reflection of the growing momentum around customer relationship management (CRM) and the emphasis on the lifetime value of individual customers, a phenomenon inclusive of both B2B and B2C firms (Coviello et al. 2002).

Finally, strategic fit can also explain why standardization has a greater impact on performance for larger firms than for smaller firms. As firms grow, a factor that often contributes to the success and sustainability of their growth is their ability to streamline processes and/or

communications in order to drive efficiency. Walmart, the world's largest retailer, is an example. A key ingredient contributing to Walmart's growth is its efficient supply chain management, an advantage that has led to record growth and continued success even in a down-turned economy. As firms like Walmart grow, they typically develop the necessary resources for effective marketing standardization. While smaller firms can also strive for standardization, their smaller size makes standardized systems less critical to their functioning. Further, because of the scale difference between a large firm and a small firm, the return from investing in standardized systems and processes may not be as great for a smaller firm. Hence, given their resource availability and owing to basic necessity, marketing standardization has a greater impact on the performance of larger firms.

Our analysis and explanations for the results of this research offer several important contributions to both the academic literature and managerial practice regarding international marketing standardization.

Academic Contribution

First, this research informs the international marketing standardization-performance literature by demonstrating that the type of firm and the firm's approach to its competitive and international strategy condition the relationship between standardization and firm performance. This finding is of particular importance given the inconsistent results with regard to the *unconditional* link between standardization and performance (see Table 1). Previous research has not provided consistent evidence for the value of standardization (Ryans, Griffith, and White 2003), resulting in an ambiguity of serious concern because investigators of international

marketing strategy have largely argued that only aspects with the potential to enhance business performance are worthy of continued research efforts (Jain 1989; Samiee and Roth 1992).

By identifying important organizational contingencies, our findings decrease the ambiguity that has surrounded the performance consequences of standardization. Specifically, our findings provide empirical support for the contingency perspective of standardization, as articulated by Zou, Andrus, and Norvell (1997). By providing evidence that a standardization strategy *can* enable firms to achieve superior performance, we demonstrate that standardization is an important subject for research in international marketing.

Finally, the findings lend further support to the multidimensional view of international marketing standardization. In our study, we replicated the standardization measures developed by Zou and Cavusil (2002) and, on the basis of an examination of rival models including separated standardization factors, provided additional evidence for the appropriateness of a second-order factor for measuring standardization. Thus, we heeded Theodosiou and Leonidou's (2003) call for further empirical research assessing the validity and reliability of existing multidimensional measures. Increased confidence regarding the availability of existing survey measures should pave the way for more quantitative work on international marketing standardization and its nomological network. We elaborate on specific avenues for future research below.

Managerial Implications

While previous studies improved our understanding of what factors make firms adopt a standardization strategy, our research is especially useful for practitioners in that it analyzes the type of firms for which standardization is particularly beneficial to performance. The consistent

message that our results suggest to managers is that marketing standardization is more successful when it or fits with the firm's competitive strategy, other aspects of the firm's international strategy, and general firm characteristics. Since our results are based on manager data from a wide range of different industries, they offer broadly applicable directions for international marketing managers.

With respect to a firm that strongly pursues differentiation as a competitive strategy, our analysis suggests that managers must give thoughtful consideration to their markets before blindly adopting standardized practices. With careful profiling and matching of competitive market structures and offerings, standardized marketing approaches can be used to market the differentiated offering while still enhancing firm performance.

The message to managers that cost leadership-oriented organizations can successfully adopt marketing standardization is not surprising, as a clear alignment exists between cost leadership and marketing standardization. However, when one also considers that marketing standardization tends to be more successful with larger firms, firms that actively participate in global markets, and firms that promote the coordination of their marketing activities, a pattern of behavior emerges. Specifically, when interpreted in conjunction these results suggest that organizational cultures focused on efficiency and learning are more likely to have a stronger link between marketing standardization and firm performance. This important insight may preclude some firms from engaging in international marketing standardization. For example, consider the firm whose strategy is guided by a need for short-term profits. On the surface, standardized practices would seemingly enhance profits. However, firms generally need to invest time and money to gain efficiencies and acquire relevant learning to align standardization with existing practices. Therefore, a short-term profit focus could conflict with successful marketing standardization.

Our broad-based industry analysis has revealed another important managerial recommendation. Specifically, neither B2B nor B2C firms should dismiss marketing standardization as inappropriate for their business. Generally, our results suggest that marketing standardization has a similar positive association to performance regardless of whether the product type is B2B or B2C. Thus, for example, an Italian shoe manufacturer has the potential to standardize its marketing as it expands internationally just as much as an Italian shoe retailer. Clearly, these two business types would not use the same marketing techniques. However, what should be common is their emphasis on efficient processes. This reminder is important for global managers because, in global markets, managers mainly attend to cultural, social, or economic differences, which can lead to more idiosyncratic or market-specific business practices. While our research does not contest the validity of this mentality, it does perhaps suggest adopting a blended perspective. Specifically, global managers should attend to market differences and strive for ways to efficiently engage in those markets. One managerial approach is to focus relevant resources on the market-specific differences that are important to the international customers and apply standardized approaches to the marketing aspects that are less critical to these customers. Hence, marketing standardization is not a “cookie cutter” approach to marketing, but rather is an informed method based on learning and firm efficiencies.

Thus, from our parsimonious list of organizational attributes we are able to isolate the key organizational positions that align with marketing standardization. Given our finding of the significant influence the five factors have on the effectiveness of standardization, managers need to appreciate that a comprehensive analysis—not only of relevant market conditions, but also of internal organization aspects—should precede any decision about the degree of standardization to be adopted. Such a fit analysis obviously must be conducted when firms plan to enter a new

market. However, it is important to note that as strategies, products, and firm characteristics change over time, so does the optimal degree of standardization. As such, the evaluation of the appropriate level of international marketing standardization should not be a one-time event, but rather should be conducted on a regular basis.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Although this study provides unique insights into the link between international marketing standardization and firm performance, like prior studies it is limited by its conceptual focus and the methods employed. While this study explored the moderated performance effect of standardization, its findings are constrained to the particular set of moderators examined. Specifically, we focused on organizational-level factors in order to augment prior research that had investigated the moderating impact of factors related to the environment of the firm (Katsikeas, Samiee, and Theodosiou 2006). However, the list of possible sources for differential effects of standardization has certainly not been exhausted. For example, future research studying multinational corporations could explore the moderating impact of relational factors characterizing the relationship between the headquarters and foreign units. Concepts such as trust and commitment might prove to be important contingencies for a successful implementation of standardization.

Even within the domain of organizational-level factors, we expect supplementary moderators to play an important role. For example, we focused on Porter's (1985; 1980) framework of generic competitive strategies, since it has been repeatedly held to be the most influential framework in research on business-level strategy (Acquaah and Yasai-Ardekani 2008; Campbell-Hunt 2000; Zajac and Shortell 1989). However, we stress that the literature offers

other important strategy approaches, such as Miles and Snow's (1978) strategy types or the resource-based view (Day 1994; Hunt 1999). Future marketing standardization research that considers the strategy dimensions highlighted in these approaches might yield further insight into the contingent role of competitive strategy.

Moreover, we did not find empirical support for H₂ and H₇ (i.e., the moderating effects of differentiation strategy and B2B/B2C focus). While we tried to provide conceptual reasons for these results in the discussion section, the insignificant effects may also be due to the method of analysis. Since our testing of moderating effects with multi-group analysis is based on the dichotomization of the moderator variable, it may be associated with a reduced level of statistical power (Homburg, Grozdanovic, and Klarmann 2007; Irwin and McClelland 2001), which could also explain why we do not find support for H₂ and H₇. Future research might use different statistical techniques to explore this issue in greater detail.

A further limitation lies in the empirical context of the study—U.S. firms—and generalizations from our findings should be made cautiously, as the results are limited to the institutional context of the United States. Different relationships between international marketing standardization and performance may well exist in alternative institutional contexts. For example, different management styles in other cultures may affect the appropriateness of a standardization strategy. Thus, future studies should extend to firms from a wide variety of institutional contexts, including both industrialized and less developed countries. In a similar vein, future research might also aim at analyzing the moderating effect of national culture on the performance impact of standardization, an objective that would require data from multiple countries.

Another important limitation of this study relates to its empirical design. While the results indicate that standardization of international marketing programs influences the degree of firm

performance, inferences to causality are limited given the cross-sectional nature of the data. Thus, the performance impact of standardization should be examined longitudinally. Further, we used a single respondent from each organization. Although we find no evidence of common respondent bias, using multiple raters in future studies might enhance the reliability of our measures (Huber and Power 1985).

One might also argue that an avenue for enhancing this research is in the measurement of some of our constructs. We chose to measure the majority of the constructs using the same items that were used in previously published research (e.g., Zou and Cavusgil 2002). In a few instances, leveraging past research resulted in measures with fewer than three items (e.g., promotion standardization and standardized channel structure). While there is research that would support our approach (e.g., Bergkvist and Rossiter 2007; Nagy 2002; Rossiter 2002; Wanous, Reichers, and Hudy 1997), we acknowledge that a greater number of items may have increased the reliability of these measures (Churchill 1979; Peter 1979). Despite the fact that we tried to be judicious and manage the length of the questionnaire while maintaining the core essence of the constructs, our approach to measuring these constructs could be viewed as a limitation of our study. Further research should thus be devoted to the generation of comprehensive measures for the constructs used in our study.

Finally, future research should investigate the interplay between industry-level factors (as analyzed by Katsikeas, Samiee, and Theodosiou 2006) and organizational-level factors (as analyzed in this study). In accordance with the positions of industrial economics and the structure-conduct-performance framework (Bain 1968; 1951), we believe that studying the interaction of industry-level and organizational-level factors is an important undertaking since organizations are strongly intertwined with their environment.

CONCLUSION

This article examines organizational factors moderating the relationship between international marketing standardization and firm performance with a view to expanding academic knowledge and providing managerial insights. Our results underscore the need to move beyond a focus on the direct link between standardization and performance. In seeking to understand the conditions under which standardization promotes firm performance, researchers and managers should take into account the type of firm facing the standardization decision. In our study, five organizational factors (cost leadership, coordination of marketing activities, global market participation, product homogeneity, and firm size) significantly moderated the relationship between standardization and firm performance in such a way that the standardization-performance relationship was strengthened at high levels of the moderating variables and weakened at low levels. We encourage future investigators to examine the complex and contingent role of standardization from additional angles to develop a more complete understanding of the phenomenon.

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FOOTNOTES

- ¹ Porter (1980) identified a third generic strategy, focus, that involves serving a specialized market segment. However, this strategy has been subject to much critique. In particular, it has been argued that focus cannot be adopted in isolation, but only in conjunction with one of the other two strategic options, and thus it does not constitute a viable single strategy (Karnani 1984; Wright 1987). Consequently, we follow prior empirical research (e.g., Aulakh, Kotabe, and Teegen 2000; Spanos and Lioukas 2001) and only incorporate the effects of cost leadership and differentiation in our research model.
- ² The questionnaire included the following instruction: “If you are employed at a diversified firm with several business units, please respond to all questions with reference to the business unit you are working for.”
- ³ In addition to multi-group analysis, we also conducted moderated regression analyses with interaction terms to test H₂-H₈. The results of the moderated regression analyses were in line with the results of multi-group analyses reported in this article.

FIGURES AND TABLES

FIGURE 1
Conceptual Model

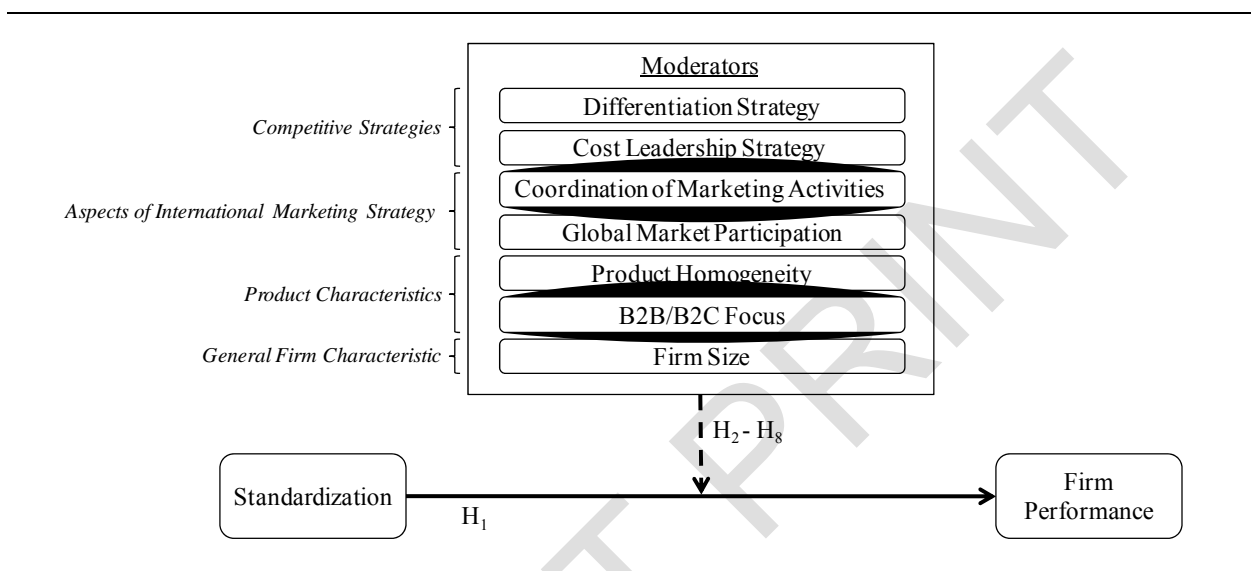


TABLE 1
Selected Empirical Studies on Performance Implications of Marketing Program Standardization

Author(s)	Focal standardization construct	Performance variable(s)	Impact of standardization	Sample
Samiee and Roth (1992)	Global marketing standardization	1.) Return on investment 2.) Return on assets 3.) Sales growth	Insignificant	147 businesses from various industries
Szymanski et al. (1993)	Standardization of the pattern of resource allocation across marketing mix variables	1.) Market share 2.) Return on investment	Positive	PIMS data; 1,556 businesses
Johansson and Yip (1994)	Global strategy	Firm performance	Positive	36 companies from various industries
O'Donnell and Jeong (2000)	Global marketing standardization	Subsidiary performance	Positive	100 firms operating in high-tech, industrial settings
Albaum and Tse (2001)	Globalization of international marketing strategy	Competitive advantage	Insignificant	183 exporters
Waheeduzzaman and Dube (2002)	1.) Standardization of products 2.) Standardization of promotion 3.) Standardization of distribution	1.) Return on sales 2.) Sales growth	Mixed (positive/insignificant)	64 <i>Fortune 500</i> companies
Zou and Cavusgil (2002)	Global marketing strategy	1.) Strategic performance 2.) Financial performance	Positive	126 large business units from various industries
Chung	1.) Standardized	1.) Market share	Mixed	233 firms operating in

(2003)	products 2.) Standardized price 3.) Standardized place 4.) Standardized promotion	2.) Sales growth 3.) Profit	(positive/ insignificant)	the Greater China markets
Özsomer and Simo- nin (2004)	Marketing program standardization	Business performance	Positive	222 multinational corporations
Townsend et al. (2004)	Global standardization	1.) Marketing performance 2.) Financial performance	Insignificant	206 global companies
Chung and Wang (2006)	1.) Uniform pricing strategy 2.) Uniform place strategy	1.) Strategic market expansion 2.) Increased awareness	Mixed (positive/ negative)	63 service international firms,
Lages, Jap, and Griffith (2008)	1.) Product standardization 2.) Promotion standardization 3.) Pricing standardization 4.) Distribution standardization	Export performance improvement	Mixed (positive/ insignificant)	519 main export ventures of firms
Shi et al. (in press)	Marketing activities standardization	Global account management performance	Positive	203 members of the Strategic Account Management Association

TABLE 2
Sample Composition

Industries	%
Consulting	10
Consumer packaged goods	38
Pharmaceuticals	10
Retailing	13
Telecommunications/information technology	8
Utilities	16
Other	4
Position of Respondents	%
Chief executive officer	18
Head of marketing	25
Head of product management	15
Head of sales	19
General manager	21
Other	2
Number of Employees	%
<50	21
50-500	21
501-1,000	25
1,001-5,000	19
>5,000	14

TABLE 3
Discriminant Validity

	1	2	3	4	5	6	7	8	9	10	11	12	13
Product standardization	.83												
Promotion standardization	.72	.86											
Standardized channel structure	.73	.72	--										
Customer satisfaction	.36	.32	.29	.77									
Market effectiveness	.61	.54	.50	.62	.80								
Profitability	.54	.49	.44	.58	.79	.84							
Differentiation	.41	.41	.40	.60	.51	.47	.71						
Cost leadership	.52	.53	.45	.56	.56	.55	.63	.71					
Coordination of marketing activities	.62	.56	.61	.40	.54	.50	.47	.48	.87				
Global market participation	.59	.53	.53	.21	.50	.43	.31	.38	.47	.75			
Product homogeneity	.45	.36	.34	.24	.37	.38	.23	.42	.36	.27	--		
B2B/B2C focus	.15	.16	.17	.17	.18	.19	.21	.16	.18	.22	.10	--	
Firm size	.42	.35	.36	.10	.33	.28	.15	.21	.33	.56	.15	.28	--

Notes: Bold numbers on the diagonal show the square root of AVE, numbers below the diagonal the correlations.
Correlations $\geq .15$ are significant at 1% level, $\geq .10$ at the 5% level.

TABLE 4

Results of Multi-Group Analyses

Hypothesis	Moderator Variable	χ^2 difference ($\Delta df = 1$)	Standardization \rightarrow Firm Performance	
			Low Value of Moderator	High Value of Moderator
H ₂	Differentiation	$\chi^2_{diff} = 1.02$ ($p > .1$)	$\beta_1 = .43$	$\beta_2 = .65$
H ₃	Cost leadership	$\chi^2_{diff} = 4.87$ ($p \leq .05$)	$\beta_1 = .40$	$\beta_2 = .73$
H ₄	Coordination of marketing activities	$\chi^2_{diff} = 12.80$ ($p \leq .01$)	$\beta_1 = .43$	$\beta_2 = .66$
H ₅	Global market participation	$\chi^2_{diff} = 62.58$ ($p \leq .01$)	$\beta_1 = .46$	$\beta_2 = .92$
H ₆	Product homogeneity	$\chi^2_{diff} = 3.88$ ($p \leq .05$)	$\beta_1 = .57$	$\beta_2 = .72$
H ₇	B2B/B2C focus	$\chi^2_{diff} = 2.68$ ($p > .1$)	$\beta_1 = .64$	$\beta_2 = .67$
H ₈	Firm size	$\chi^2_{diff} = 37.03$ ($p \leq .01$)	$\beta_1 = .54$	$\beta_2 = .76$

APPENDIX
Items for Construct Measurement

Construct Name	Reference	Items	Mean	σ	α	CR	AVE
Product standardization (<i>“strongly disagree” [1] to “strongly agree” [5]</i>)	Zou and Cavusgil (2002)	<ul style="list-style-type: none"> - We adopt a standardized core product across all major markets in the world. - Globally standardized components make up a significant percentage of the total cost of our product. - Main features of our product are standardized across major markets in the world. - The product designs we use in different country markets are very similar. 	3.55	.94	.90	.90	.69
Promotion standardization (<i>“strongly disagree” [1] to “strongly agree” [5]</i>)	Zou and Cavusgil (2002)	<ul style="list-style-type: none"> - Execution of our advertising varies greatly from one country market to another. (R) - We use very different techniques for sales promotion in different country markets. (R) 	3.50	1.03	.86	.85	.74
Standardized channel structure (<i>“strongly disagree” [1] to “strongly agree” [5]</i>)	Zou and Cavusgil (2002)	<ul style="list-style-type: none"> - We develop similar channel structure for distributing any product in different country markets. 	3.52	1.07	--	--	--
Customer satisfaction (<i>“much worse than competitors” [1] to “much better than competitors” [5]</i>)	Vorhies and Morgan (2005)	<ul style="list-style-type: none"> - Overall customer satisfaction - Delivering value to our customers - Delivering what our customers want - Retaining valued customers 	3.95	.64	.85	.86	.60

Market effectiveness (<i>"much worse than competitors" [1] to "much better than competitors" [5]</i>)	Vorhies and Morgan (2005)	<ul style="list-style-type: none"> - Market share growth - Growth in sales revenue - Acquiring new customers - Increasing sales to existing customers 	3.72	.73	.87	.88	.64
Profitability (<i>"much worse than competitors" [1] to "much better than competitors" [5]</i>)	Vorhies and Morgan (2005)	<ul style="list-style-type: none"> - Business unit profitability - Reaching financial goals - Return on investment (ROI) - Return on sales (ROS) 	3.65	.77	.91	.91	.71
Differentiation (<i>"strongly disagree" [1] to "strongly agree" [5]</i>)	Frambach et al. (2003); Homburg et al. (1999); Nayyar (1993)	<ul style="list-style-type: none"> - We offer superior products. - We undertake new product development above industry average. - Relative to the industry standard, our product quality is high. - We continuously improve existing products. - We design or produce our products to order. 	3.88	.69	.83	.83	.50
Cost leadership (<i>"strongly disagree" [1] to "strongly agree" [5]</i>)	Li and Li (2008); Nayyar (1993)	<ul style="list-style-type: none"> - Our manufacturing costs are lower than our competitors'. - We continuously improve our processes in order to keep cost low. - We continuously strive for product cost reduction. - We are constantly improving our operating efficiency. - Our efficient internal operation system has decreased the cost of our products. - Our economy of scale enables us to achieve a cost advantage. - We have achieved a cost-leadership position in the industry. 	3.77	.66	.87	.87	.50

Coordination of marketing activities (“not coordinated at all” [1] to “highly coordinated” [5])	Zou and Cavusgil (2002)	- Development of promotional campaigns - Pricing decisions - Distribution activities - After-sale services	3.70	.92	.93	.93	.76
Global market participation (“strongly disagree” [1] to “strongly agree” [5])	Zou and Cavusgil (2002)	- We have business operations in all major markets in the world.	3.15	1.27	--	--	--
Product homogeneity (“strongly disagree” [1] to “strongly agree” [5])	Hill (1990); Sheth (1985)	- Most products have no intrinsic differences from competing offerings. - Many products are identical in quality and performance.	3.40	.94	.72	.72	.56
B2B/B2C focus (“0%-50%” [1] and “51%-100%” [2])	Carpenter (1987)	- Share of sales direct to end user	1.58	.49	--	--	--
Firm size (<50 [1], 50-500 [2], 501-1,000 [3], 1,001-5,000 [4], and >5,000 [5])	Steensma and Corley (2000)	- Number of employees	2.83	1.33	--	--	--

Note: R denotes reversed items.