

**Standardization and Adaptation in International Marketing and Management –  
A Critical Literature Analysis and a Theoretical Framework**

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**Abstract**

In international marketing and management research, questions of standardization and adaptation have been discussed for decades. In this paper, we provide a critical analysis of the vast literature on standardization and adaptation in international marketing and management. Our paper covers all relevant 305 articles and analyzes not only previous research findings but also previous research methodologies and research areas in a critical, quantitative way. As a result of our analysis, we show that most of the existing studies are purely data-driven, lacking appropriate research designs and well-grounded theories for explaining (1) why MNCs *actually* standardize/adapt their marketing strategies across nations, and (2) what strategies they *have to* pursue in order to enhance performance. Based on our findings, we present specific conditions for a further advancement of knowledge, categorized by the major research objectives in the field. Finally, we introduce a framework focussing on *theoretically* grounded and empirically testable *recommendations* for managing international *product* standardization/adaptation.

**Key Words**

Standardization, Adaptation, Differentiation, Customization, Localization, Globalization, International Marketing Strategy, International Management, Literature Review, Meta-Analysis

## 1 Introduction

The past decades have often been labelled as an “era of globalization”. However, it is contentious whether the increasing internationalization, especially of societal and economic domains, is in fact an expression of globalization or rather a sign of regionalization (see e.g. Rugman/Verbeke, 2004; Rugman, 2005; Dunning et al., 2007). Moreover, it is uncertain whether a full convergence of national societies and economies is a realistic future scenario (see e.g. de Mooij, 2003; Baddeley, 2006; Fung, 2009). In this context, MNCs are more than ever faced with the question of how far to standardize or adapt their marketing, in particular their marketing strategies across national borders in order to enhance performance. While the debate on international standardization and adaptation has a long tradition in marketing and management research (see Elinder, 1965; Buzzell, 1968; Levitt, 1983; Quelch/Hoff, 1986; Kotler, 1986), its relevance and topicality even has increased over time: our comprehensive analysis of all major journals in the field – based on the Harzing (2009) Journal Quality List – shows that 305 articles have been published on international standardization/adaptation over the past 50 years, with more than 40% of them in the last seven years. Furthermore, in recent years, eleven literature analyses<sup>1</sup> have been carried out summarizing previous studies in this field of research (Agrawal, 1995; Shoham, 1995; Shoham, 2002; Taylor/Johnson, 2002; Ryans et al., 2003; Theodosiou/Leonidou, 2003; Melewar/Vemmervik, 2004; Waheeduzzaman/Dube, 2004; Birnik/Bowman, 2007; Cheon et al., 2007; Fastoso/Whitelock, 2007).

The large number of articles on international standardization/adaptation would normally suggest that the field of research is well developed and has advanced our knowledge substantially. However, there are some doubts about the achievements of previous research: in their literature analysis, Theodosiou/Leonidou (2003, p. 141) conclude that previous research on international standardization/adaptation is “characterized by non-significant, contradictory, and, to

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<sup>1</sup> In the present contribution, we use “literature analysis” as umbrella term for “literature critique”, “literature review”, and “meta-analysis”; for details, see section 2.2.

some extent, confusing findings attributable to inappropriate conceptualizations, inadequate research designs, and weak analytical techniques.” In particular, Theodosiou/Leonidou (2003, pp. 167-168) as well as Ryans et al. (2003, pp. 593-599) and Birnik/Bowman (2007, p. 316) point out

- that the relevant variables and their relationships are not covered adequately by previous research designs, and
- that research is often solely descriptive, not leading to theoretically grounded recommendations to managers.

According to these literature analyses, existing research is neither able to fully describe and adequately explain the phenomenon of international standardization/adaptation nor is it capable of drawing theoretically sound recommendations. However, the criticism expressed in the literature analyses is relatively vague and imprecise, it is based on the investigation of only a small fraction of all 305 articles, and it lacks detailed recommendations with regard to future research designs and theoretical foundations. Therefore, the goal of the present contribution is threefold:

First, we will analyze all 305 articles in the field of research with regard to their ability of adequately describing, explaining, and providing recommendations related to international standardization/adaptation of marketing (section 2).

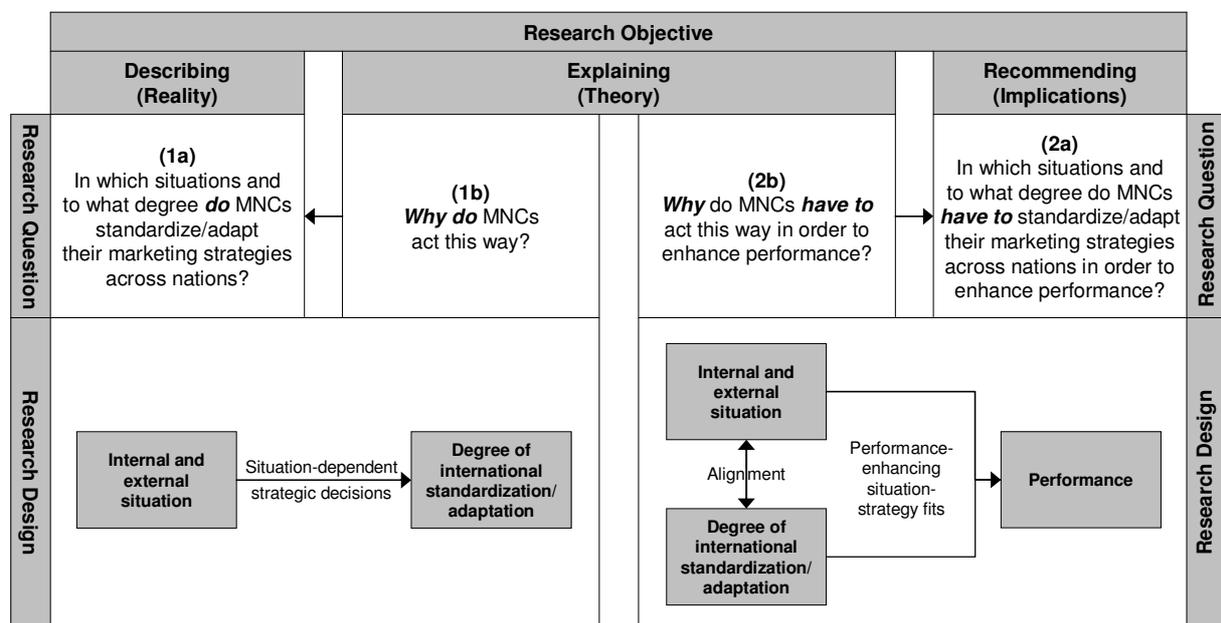
Second, based on our findings, we will present avenues for future research by deriving specific conditions for a further advancement of knowledge, categorized by the major research objectives in the field (section 3).

Third, we will introduce a theoretical framework capturing the phenomenon of international standardization/adaptation. The focus of our framework will be on *theoretically* grounded and empirically testable *recommendations* for managing international *product* standardization/adaptation (section 4).

## 2 Critical Literature Analysis

### 2.1 Analytical Framework

In order to evaluate the existing articles on international standardization/adaptation, it is to be analyzed in how far these articles contribute to an advancement of knowledge in the field of research. Therefore, as shown in Figure 1, it first has to be investigated in how far the studies use research designs that are appropriate to address at least one of the major research objectives/questions in the field.



**Figure 1:** Major research objectives, research questions, and research designs related to the phenomenon of international standardization/adaptation

On the basis of the framework in Figure 1, we will first analyze whether all variable groups and their relationships necessary for addressing the different research objectives/questions are adequately covered by the respective studies:

(1) Those studies aiming to describe reality (research question 1a) and/or to theoretically explain reality (research question 1b) by using a positive theory (for a distinction between positive and normative theories, see e.g. Donaldson, 2005, pp. 39-62) need to investigate the actual strategic decisions by managers concerning the degree of international standardiza-

tion/adaptation, based on the antecedents that influence these decisions. This logic rests upon the contingency approach (see e.g. Zeithaml et al., 1988; Pennings, 1992), knowing that managers make their decisions depending on (their perception of) the MNC's internal and external situation (also see Anderson/Paine, 1975; Glaister/Thwaites, 1993). Therefore, the decision-relevant antecedents and their actual influence on managers' strategic decision-making have to be considered in order to understand how and why specific standardization/adaptation decisions are taken within MNCs.

(2) Those studies attempting to provide recommendations (research question 2a) and/or to theoretically ground these recommendations (research question 2b) by using a normative theory need to consider the performance-relevant fit between the MNC's situation and its international standardization/adaptation strategy. The reason for this is the fact that the performance outcome of an MNC's strategy always depends on the MNC's internal and external situation in which the strategy is pursued. Therefore, the pivotal question is not *if* but *in which situation* a specific degree of international standardization/adaptation has a high likelihood of enhancing the MNC's (financial and/or non-financial) performance. While, according to strategy and organization literature, the performance relevance of the situation-strategy fit is beyond dispute (see e.g. Barney, 1991; Parnell et al., 1996), the way of how to conceptualize the idea of fit can differ greatly. As shown by Venkatraman (1989), six major concepts of fit can be distinguished in strategy research: fit as moderation, fit as mediation, fit as matching, fit as gestalts, fit as profile deviation, and fit as covariation. In our analysis, we will investigate in how far the existing studies use appropriate concepts of fit when providing and/or theoretically grounding strategic recommendations to managers.

## **2.2 Methodology of the Analysis**

As stated above, it is our goal to draw a complete picture of the existing research on international standardization/adaptation. For this reason, we performed a comprehensive search in all

80 management journals and 66 marketing journals covered by the Harzing (2009) Journal Quality List. Furthermore, we did not limit our search to a specific publication period, but we included all relevant articles irrespective of their publication dates. The reference date of our search is December 31, 2008. The search was carried out with the help of the EBSCOhost<sup>®</sup> databases. All articles not included in the databases as full text documents were obtained as hard copies.

In order to be included in our analysis, an article's title and/or abstract had to contain at least two of the following search terms, with at least one term being part of group 1 and at least one term being part of group 2:

(1) standardi\*, adapt\*, differentiat\*, customi\*, local\*, speciali\*, modif\*.

(2) internatio\*, multinatio\*, natio\*, global\*, world\*, universal\*, regio\*, MNC\*, MNE\*, marketing, product, price, place, distribut\*, promot\*, communicat\*, advert\*.

We chose the group 1 search terms in order to account for the various synonyms of “adaptation” used in management and marketing literature, namely “differentiation”, “customization”, “localization”, “specialization”, and “modification”. Furthermore, we opted for the group 2 search terms in order to ensure that only those articles were included that deal with *cross-national* standardization/adaptation of *marketing*. In addition, we used asterisks (\*) to include both American English and British English spellings (e.g. “standardization” and “standardisation”) as well as singular nouns, plural nouns, verbs, adjectives, and participles (e.g. “MNC” and “MNCs” as well as “internationalize”, “international”, and “internationalized”).

In a final step, we studied the abstracts of all resulting articles to ensure that the analyzed articles in fact deal with the topic of interest. This brought us to the exclusion of some articles and eventually led to 305 articles from 52 journals, with 76 articles published in management journals (25%) and 229 articles published in marketing journals (75%). Before analyzing all

305 articles in a double-check procedure, we had to decide what kind of literature analysis to aim at. Based on logical considerations and on the contents and the methodology of previous literature analyses in management research, we derived a typology of seven possible kinds of literature analyses shown in Figure 2.

		Contents of the Literature Analysis		
		Research Methodology of the Analyzed Articles	Research Areas of the Analyzed Articles	Research Findings of the Analyzed Articles
Methodology of the Literature Analysis	Qualitative	(1) Qualitative <b>literature critique</b> of research methodology	(2) Qualitative <b>literature review</b> of research areas	(3) Qualitative <b>literature review</b> of research findings
	Descriptive-Quantitative	(4) Descriptive-quantitative <b>literature critique</b> of research methodology	(5) Descriptive-quantitative <b>meta-analysis</b> of research areas	(6) Descriptive-quantitative <b>meta-analysis</b> of research findings
	Mathematic-Quantitative			(7) Mathematic-quantitative <b>meta-analysis</b> of research findings

**Figure 2:** Typology of literature analyses

While a traditional literature review usually summarizes the research areas and/or the research findings of previous studies in a *qualitative* way (type 2 and 3), a meta-analysis consolidates the research areas and/or the research findings of previous studies in a *quantitative* way (type 5, 6, and 7). In contrast, a literature critique critically reflects on the research *methodology* of previous studies in a qualitative and/or quantitative way (type 1 and 4).

As far as our literature analysis is concerned, we do not only aim to examine *what* the existing studies investigate (research areas) but also *how* the existing studies carry out their investigations (research methodology) and what the *results* of these investigations are (research findings). With regard to the methodology of our literature analysis, we will focus on a descriptive-quantitative frequency analysis, complemented by qualitative investigations. Performing an in-depth qualitative analysis of all 305 articles (type 1, 2, and 3) would be beyond the scope of the present contribution, and a mathematic-quantitative calculation of effect sizes (type 7) would only be suitable for studies with a sound research methodology – a condition

we first will investigate in our analysis (for the problem of “garbage-in garbage-out” associated with meta-analyses, see e.g. Rosenthal/DiMatteo, 2001, pp. 66-67). Thus, we want to label our literature analysis “critical meta-analysis”, since it is a combination of a primarily descriptive-quantitative literature critique of the research methodology (type 4) and a primarily descriptive-quantitative meta-analysis of the research areas and the research findings of previous studies (type 5 and 6). In our critical meta-analysis, we will investigate the following characteristics for all 305 articles:

- *Research methodology*: research objective/question (see again Figure 1), research approach (conceptual, qualitative-empirical, quantitative-empirical), research design (see again Figure 1)
- *Research areas*: international product strategy, international pricing strategy, international distribution strategy, international communication strategy, international marketing processes
- *Research findings*: superiority of international standardization, superiority of international adaptation, situational dependence

Before presenting the detailed results of our analysis in section 2.4, we will first provide a general overview of the research on international standardization/adaptation.

### **2.3 Overview of the Field of Research**

Appendix 1 and Appendix 2 give an overview of all 305 articles on international standardization/adaptation broken down by publication date and by journal. It can be seen from Appendix 1 that the first article on the topic was published almost half a century ago (Roostal, 1963).<sup>2</sup> Furthermore, it becomes apparent that the field of research started to boom in the mid-1980s, shortly after the publication of the seminal article by Levitt (1983), which is cited in

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<sup>2</sup> The article by Elinder (1961) – often stated as being the oldest article in the field – was not included in our analysis, since it was published in *Advertising Age*, which is not a journal but a magazine. However, the later contribution by Elinder (1965), published in the *Journal of Marketing*, was included.

62% of all articles that have been published since 1984. The fact that 41% of all articles were published within the last seven years indicates that the boom does not seem to have reached its peak yet – although we have to acknowledge that this increase might be partly due to a general proliferation of marketing and management research output in recent years. Moreover, it becomes apparent from Appendix 2 that there is a relatively high concentration of the 305 articles on just a few journals: 31% of all articles were published in only three journals, namely *International Marketing Review* (35 articles), *European Journal of Marketing* (30 articles), and *Journal of Global Marketing* (29 articles).

Furthermore, our comprehensive literature search reveals that in addition to the 305 articles, eleven literature analyses have been published since the mid-1990s aiming to summarize previous research on international standardization/adaptation (Agrawal, 1995; Shoham, 1995; Shoham, 2002; Taylor/Johnson, 2002; Ryans et al., 2003; Theodosiou/Leonidou, 2003; Melewar/Vemmervik, 2004; Waheeduzzaman/Dube, 2004; Birnik/Bowman, 2007; Cheon et al., 2007; Fastoso/Whitelock, 2007). Since each of the eleven literature analyses only captures a small fraction of the total 305 articles, we will not discuss the literature analyses' findings in detail. Moreover, two of the literature analyses were published almost 15 years ago (Agrawal, 1995; Shoham, 1995), and another three literature analyses solely cover the international standardization/adaptation of *advertising* (Taylor/Johnson, 2002; Melewar/Vemmervik, 2004; Fastoso/Whitelock, 2007). Figure 3 summarizes the major characteristics of the remaining six literature analyses, which cover all elements of the international standardization/adaptation strategy and have been published within the past ten years.

	Type of Literature Analysis <sup>(8)</sup>	Analytical Approach	Number of Analyzed Journals	Number of Analyzed Articles	Time Range of the Analysis
<b>Shoham (2002)</b>	(7)	Calculating effect sizes for: - International marketing strategy (product standardization, pricing standardization, distribution standardization, communication standardization, export planning) - Performance (objective, subjective)	9	17	1988-2002
<b>Ryans et al. (2003)</b>	(1)	Qualitatively discussing	(n/s)	(n/s)	(n/s)
<b>Theodosiou/Leonidou (2003)</b>	(1), (5), (6)	Summarizing significances for: - Antecedents (environmental factors, market characteristics, customer issues, competition, product/industry, organizational factors, managerial factors) - Performance (sales, profit, growth, market share, satisfaction, composite scales) Calculating frequencies for: - Methodological aspects (industry, unit of analysis, sampling design, sample size, response rate, non-response bias, way of data collection, key informant, number of variables, statistical analysis) - International marketing strategy elements (product, pricing, distribution, communication) Qualitatively discussing	18	36	1975-2001
<b>Waheeduzzaman/Dube (2004)</b>	(5)	Calculating frequencies for: - General aspects (journal, author, publication date) - Methodological aspects (discussion/conceptual/empirical) - Antecedents (product characteristics, brand image/identity, industry competition, MNC characteristics/strategy, economic environment, political/regulatory environment, market characteristics/consumption culture, marketing infrastructure/culture, similar market segment) - International marketing strategy elements (product, pricing, distribution, communication, process/program) - International marketing strategy (inclined towards standardization, inclined towards adaptation, inclined towards contingency, no specific inclination)	26	130	1961-2002
<b>Birnik/Bowman (2007)</b>	(1), (2), (3)	Qualitatively summarizing and discussing	(n/s)	84	1972-2006
<b>Cheon et al. (2007)</b>	(7)	Calculating effect sizes for: - Antecedents (marketing 4Ps, target market, market positioning, environmental factors, organizational factors) - International marketing strategy (standardization, adaptation)	10	152	1961-2004

n/s = not specified.  
(1) qualitative literature critique of research methodology, (2) qualitative literature review of research areas, (3) qualitative literature review of research findings, (4) descriptive-quantitative literature critique of research methodology, (5) descriptive-quantitative meta-analysis of research areas, (6) descriptive-quantitative meta-analysis of research findings, (7) mathematic-quantitative meta-analysis of research findings, (8) see Figure 2.

**Figure 3:** Major characteristics of recent literature analyses on international standardization/adaptation of marketing

As can be seen from Figure 3, no comprehensive quantitative literature critique has been provided so far. That is, the existing literature analyses do not critically and quantitatively investigate whether previous studies have the ability to advance knowledge by using a research design appropriate to address the different research objectives/questions shown in Figure 1. Furthermore, the existing literature analyses only cover a small fraction of all 305 articles and therefore, they do not account for the wide variety of articles that have been published especially in recent years. We aim to close these research gaps by our own analysis presented in the following section.

## 2.4 Results of the Analysis

In Figure 4, the research methodology, the research areas, and the research findings of all 305 articles on international standardization/adaptation are summarized in a descriptive-quantitative way.

		Research Objective/Question <sup>(1)</sup>				
		(1a) Describing Reality	(1b) Theoretically Explaining Reality	(2a) Providing Recommendations	(2b) Theoretically Grounding Recommendations	
		N = 211	N = 4	N = 255	N = 16	
Research Methodology	Research Approach	Purely Conceptual	/	1 (25%)	59 (23%)	3 (19%)
		Qualitative-Empirical	52 (25%)	1 (25%)	40 (16%)	3 (19%)
		Quantitative-Empirical	159 (75%)	2 (50%)	156 (61%)	10 (62%)
	Research Design <sup>(1)</sup>	Strategy Only	49 (23%)	0 (0%)	29 (11%)	0 (0%)
		Situation → Strategy	162 (77%)	4 (100%)	157 (62%)	9 (57%)
		Strategy → Performance	/	/	14 (6%)	2 (12%)
		Situation → Strategy → Performance (Without Situation-Strategy Fit)	/	/	31 (12%)	3 (19%)
Situation → Strategy → Performance (With Situation-Strategy Fit)	/	/	24 (9%)	2 (12%)		
Research Areas	International Product Strategy	118 (56%)	3 (75%)	162 (64%)	10 (63%)	
	International Pricing Strategy	78 (37%)	2 (50%)	112 (44%)	7 (44%)	
	International Distribution Strategy	78 (37%)	2 (50%)	109 (43%)	9 (56%)	
	International Communication Strategy	165 (78%)	3 (75%)	196 (77%)	12 (75%)	
	International Marketing Processes	19 (9%)	0 (0%)	23 (9%)	1 (6%)	
Research Findings	Superiority of International Standardization	13 (6%)	1 (25%)	23 (9%)	2 (12%)	
	Superiority of International Adaptation	39 (18%)	1 (25%)	35 (14%)	3 (19%)	
	Situational Dependence	122 (58%)	2 (50%)	173 (68%)	9 (57%)	
	Mixed Results/No Clear Statement	37 (18%)	0 (0%)	24 (9%)	2 (12%)	

Since several articles cover more than one research objective/question and/or more than one research area, sums can exceed 100%.  
(1) See Figure 1.

**Figure 4:** Research methodology, research areas, and research findings of all 305 articles on international standardization/adaptation broken down by research objective/question

Based on Figure 4, we will now analyze the several articles' ability to advance knowledge in the field of research. Our analysis will be categorized by the different research objectives/questions presented in Figure 1. First, we will examine those articles, which aim to investigate what *actually* occurs in MNCs and why:

(1a) Articles describing reality: In which situations and to what degree *do* MNCs standardize/adapt their marketing strategies across nations?

(1b) Articles theoretically explaining reality: *Why do* MNCs standardize/adapt their marketing strategies across nations in a specific situation and to a specific degree?

*(1a) Articles describing reality:*

69% of the articles (211 out of 305) attempt to describe in which situations and to what degree MNCs *actually* standardize/adapt their marketing strategies across nations. 25% of these studies use a qualitative-empirical and 75% a quantitative-empirical research approach. This shows that previous studies attach greater importance to representativeness and generalizability of research than to in-depth qualitative analyses of the international standardization/adaptation decisions in MNCs. As far as the research design is concerned, only 77% of the 211 articles consider the situational dependence of strategy, as shown in Figure 1. That is, 23% of the articles disregard the influence of the MNC's (internal and external) situation on managers' strategic decision-making and therefore, they hardly contribute to a better understanding of what actually occurs in MNCs.

With regard to the research areas, 56% of the 211 articles describe the MNCs' international product strategies, 37% international pricing strategies, 37% international distribution strategies, 78% international communication strategies, and 9% international marketing processes. These ratios differ slightly from earlier findings by Waheeduzzaman/Dube (2004, p. 33) who especially identified a portion of only 61% of articles addressing international communication

strategies. The main reason for this discrepancy may be the fact that the authors excluded the *International Journal of Advertising* from their analysis (see Waheeduzzaman/Dube, 2004, p. 29), which is the advertising journal with the highest number of publications on international standardization/adaptation, as shown in Appendix 2. Furthermore, Waheeduzzaman/Dube do not separately report the number of articles investigating international standardization/adaptation of marketing processes.

Our summary of the 211 articles' research findings shows that in 6% of the cases, the analyzed MNCs and their managers generally prefer an international standardization strategy, while 18% of the managers consider an international adaptation strategy as superior. In 58% of the cases, managers' strategic decisions depend on the specific situation. Possible reasons for this relatively low ratio may be the fact that the situational influence on strategy is investigated in only 77% of the articles, and that in most cases, the analyzed antecedents are not derived systematically based on a theory, as will be shown later on. 18% of the 211 articles provide mixed results and do not arrive at a clear conclusion. Again, these ratios differ from earlier findings by Waheeduzzaman/Dube (2004, p. 33) who report bigger portions of articles providing evidence of superiority of international standardization (23%) or adaptation (33%) and smaller portions of articles providing evidence of situational dependence (40%) or not arriving at a clear conclusion (4%). A main reason for this discrepancy may be the smaller sample of articles analyzed by Waheeduzzaman/Dube, as shown in Figure 3.

Regarding the specific situational factors that actually influence managers' strategic decisions, a wide variety of antecedents has been analyzed. However, as already shown by Birnik/Bowman (2007), previous studies differ greatly in terms of the antecedents' effects on strategy. For instance, there are some articles finding support for larger foreign markets leading to a lower degree of international standardization (e.g. Chhabra, 1996), while other scholars argue that standardization is expected to be higher in larger foreign markets (e.g. Rau/Preble, 1987).

Similarly, there are some studies showing that industrial products are more standardized than consumer products (e.g. Özsoy et al., 1991), while other articles provide evidence of the contrary (e.g. Grosse/Zinn, 1990). Possible reasons for these inconsistencies can be, for instance, different research samples, different or too broad operationalizations of the analyzed variables, the existence of neglected interaction effects, or different points in time when performing the analyses. However, there are some antecedents whose effects on a high degree of international standardization seem to be relatively robust across studies, such as cross-national similarity in consumer preferences. An overview of the most important antecedent effects is presented in the contribution by Birnik/Bowman (2007). Figure 5 summarizes the major situational factors as well as the strategy elements most frequently analyzed in previous research.

Analyzed Situational Factors	Analyzed Strategy Elements
<ul style="list-style-type: none"> <li>- <b>Environmental factors</b> (cross-national similarity in the economic, socio-cultural, political, legal, physical, and technological environment)</li> <li>- <b>Market-related factors</b> (foreign market size; cross-national similarity in marketing infrastructure, distribution infrastructure, and advertising media availability)</li> <li>- <b>Consumer-related factors</b> (cross-national similarity in consumer characteristics/behaviour, tastes/preferences, and usage patterns)</li> <li>- <b>Competition-related factors</b> (cross-national similarity in competition; structure/nature of foreign competition; intensity of foreign competition)</li> <li>- <b>Product-related factors</b> (product type; technological intensity; stage of the product life cycle)</li> <li>- <b>Organizational factors</b> (country of origin; nature of ownership; organizational structure; foreign sales volume; foreign market share)</li> <li>- <b>Managerial factors</b> (EPRG orientation; international experience; centralization in decision-making; centralization in value-adding activities; generic strategy; foreign market entry mode)</li> </ul>	<ul style="list-style-type: none"> <li>- <b>Product strategy</b> (general product; product positioning; product design/style; product quality; product features/characteristics; product branding; product packaging; product labelling; product services; product warranty; items/models in product line)</li> <li>- <b>Pricing strategy</b> (general pricing; pricing method; retail price; wholesale price; profit margins; price discounts; sales/credit terms)</li> <li>- <b>Distribution strategy</b> (general distribution; distribution channels; physical distribution; type of middlemen/retail outlets; role of middlemen; sales force structure/management; sales force role)</li> <li>- <b>Communication strategy</b> (general communication; advertising; creative/execution style; message/theme; media allocation; sales promotion; public relations; personal selling; advertising/communication budget)</li> </ul>

**Figure 5:** Major situational factors and strategy elements analyzed in research on international standardization/adaptation (according to Theodosiou/Leonidou, 2003, pp. 149-156; Birnik/Bowman, 2007, pp. 308-311; complemented by own research)

*(1b) Articles theoretically explaining reality:*

Only 1% of the articles (4 out of 305) aim to *theoretically* explain *why* MNCs *actually* standardize/adapt their marketing strategies across nations in a specific situation and to a specific

degree. These articles do not (only) *describe how* particular situational factors affect international standardization/adaptation strategies of MNCs, but they (also) intend to *explain why* managers strategically react to specific situations in a certain way. For this purpose, the articles contain positive theories that model reality in a simplified way and hereby help to better understand or even predict managers' behaviour. These theories include the theory of bounded rationality (article by Shoham, 1999), integration-responsiveness theory (article by Robles, 2002), strategic reference points theory (article by Javalgi et al., 2006), and the theory of environmental isomorphism (article by Okazaki et al., 2007).

As a detailed analysis of these articles in Schmid/Kotulla (2009) shows, the articles use different theories to explain managers' strategic decision-making in MNCs. However, as is the case for nearly all positive theories in social sciences, each theory can only capture a small fraction of complex reality. Therefore, none of the theories allow for a *comprehensive* derivation of those situational factors that actually affect managers' strategic decision-making. In general, theoretical foundations in previous research on international standardization/adaptation are very scarce. This is quite astonishing, since many of the articles which address MNCs' international standardization/adaptation decisions have been published in so-called high-ranked journals.

After covering those articles which aim to examine what *actually* occurs in MNCs and why, we will now analyze those articles which attempt to investigate how MNCs *have to* act in order to enhance performance and why:

(2a) Articles providing recommendations: In which situations and to what degree do MNCs *have to* standardize/adapt their marketing strategies across nations in order to enhance performance?

(2b) Articles theoretically grounding recommendations: *Why* do MNCs *have to* standardize/adapt their marketing strategies across nations in a specific situation and to a specific degree in order to enhance performance?

(2a) *Articles providing recommendations:*

84% of the articles (255 out of 305) attempt to give recommendations in which situations and to what degree MNCs *have to* standardize/adapt their marketing strategies across nations in order to enhance performance. 77% of the 255 articles base their recommendations on *empirical* findings, that is, they attempt to identify existing strategy patterns in *practice*, which (seem to) have proved successful in the past; 16% of the articles follow a qualitative and 61% a quantitative research approach. The remaining 23% of the 255 articles are of *conceptual* nature, that is, they aim to derive promising strategies from *logical* considerations. However, as will be shown later on, 94% of the 255 articles do not *theoretically* ground their recommendations. Instead, most articles' recommendations are based on logical-intuitive thinking (if conceptual) or on some kind of data mining (if empirical) (for the shortcomings of data mining, see e.g. Shugan, 2002).

As far as the research design is concerned, only 9% of the 255 articles draw on the concept of fit (for the concept of fit in strategy research, see again Venkatraman, 1989). That is, only 24 articles explicitly consider all relevant variable groups and their relationships that are necessary for identifying performance-enhancing situation-strategy fits as illustrated in Figure 1. This small number of articles is quite surprising, since applying the concept of fit is necessary for considering that the performance outcome of an MNC's strategy always depends on the MNC's internal and external situation in which the strategy is pursued (see again Barney, 1991; Parnell et al., 1996). Out of these 24 articles, 15 articles rest on the concept of fit as moderation (Jain, 1989; Shoham/Albaum, 1994; Roth, 1995; Shoham, 1996; Lemak/Arun-

thanes, 1997; Helm, 1998; O'Donnell/Jeong, 2000; Pae et al., 2002; Tai/Pae, 2002; Florin/Ogbuehi, 2004; Subramaniam/Hewett, 2004; Javalgi et al., 2006; Ko et al., 2007; Chung, 2008; Grewal et al., 2008), seven articles on fit as mediation (Lages, 2000; Zou/Cavusgil, 2002; O'Cass/Julian, 2003; Lages/Montgomery, 2005; Calantone et al., 2006; Evans et al., 2008; Sousa/Bradley, 2008), one article on fit as matching (Katsikeas et al., 2006), and one article on fit as gestalts (Lim et al., 2006).

As a detailed analysis of these articles in Schmid/Kotulla (2009) reveals, those studies which are based on the concept of fit differ quite greatly in terms of the analyzed variables and the research findings. As will be shown later on, a main reason for this may be the fact that the vast majority of studies do not systematically and comprehensively derive their hypotheses (regarding performance-enhancing situation-strategy fits) based on a normative theory. As a result, previous research findings are largely fragmentary and, to some extent, even contradictory, as already pointed out by Theodosiou/Leonidou (2003, p. 141). For instance, whereas Evans et al. (2008, pp. 52-53) show that adapting marketing strategy to culturally distant foreign countries has a negative effect on the MNC's performance, Katsikeas et al. (2006, pp. 878-880) come to the conclusion that MNCs have to adapt their marketing strategies, if customs and traditions are heterogeneous across countries. Given these major weaknesses of previous studies using the concept of fit, a sound meta-analysis based on calculating cross-study effect sizes cannot be performed at this point in time, as recent attempts in this area reveal (see Shoham, 2002; Cheon et al., 2007). In addition to these weaknesses, the remaining 91% of articles whose recommendations do not rest on the concept of fit are based on three unrealistic assumptions:

First, those articles that do not at all consider the specific situation in which a particular degree of international standardization/adaptation is applied (17%) make the incorrect assumption that a strategy's performance outcome is situationally independent. However, as already

shown by Theodosiou/Leonidou (2003, p. 168), one and the same strategy can lead to high performance in one situation and to low performance in another.

Second, those articles that do not at all investigate the performance outcome of a specific degree of international standardization/adaptation (73%) unrealistically assume that markets are completely efficient and that all strategies which can be observed in practice must have proved successful in the past. However, business practice provides evidence of numerous MNCs that continue to exist for many years, although (parts of) their strategies are far from being advantageous (see e.g. O'Connor, 1994).

Third, those articles that do consider the respective situation and the performance outcome of a specific degree of international standardization/adaptation but that disregard the situation's effect on the strategy-performance relationship (12%) make the wrong assumption that MNCs' managers are rationally unbounded. To be more precise: these studies analyze only those situational factors that *actually* influence MNCs' strategic decisions (research question 1a in Figure 1) and uncritically equate them with those situational factors that *have to be* considered in a specific way in order to enhance performance (research question 2a in Figure 1). Therefore, the articles incorrectly assume that MNCs' managers always consider all performance-relevant situational factors accurately. However, according to Simon (1978; 1991) and March (1994), managers must be regarded as rationally bounded and thus, recommendations based on the described assumption should be viewed with great caution.

Moreover, all studies with an empirical research approach neglect two relevant aspects – one concerning the MNC's situation and one concerning the MNC's strategy: first, those articles based on manager interviews do not check for possible *perception errors* of the interviewed managers with regard to the MNC's *situation*. In this context, we define a manager's perception error concerning the MNC's situation as the deviation of his or her subjective perception from quasi-objective reality (also see Glaister/Thwaites, 1993; Starbuck/Mezias, 1996). For

instance, there might be a case in which a manager perceives cross-national consumer preferences as being highly homogeneous and thus, decides to pursue an international standardization strategy. But if cross-national consumer preferences are in fact rather heterogeneous, indicating a perception error of the manager, the pursued strategy might prove unsuccessful, although the manager's decision is correct, related to his or her perception. Hence, studies not checking for possible perception errors of the interviewed managers can lead to invalid or insignificant results (also see Fastoso/Whitelock, 2007, p. 601).

Second, concerning the MNC's *strategy*, the articles do not account for the *quality of execution* of the analyzed strategies. For instance, there might be a case in which a manager perceives the MNC's internal and external situation correctly and even chooses the right strategy, but in which a poor implementation of the strategy leads to a low performance outcome for the MNC. Thus, studies which do not investigate the quality of execution of the respective strategies can lead to invalid or insignificant results as well. This argument is in line with a critique already expressed by Birnik/Bowman (2007, p. 317).

With regard to the research areas, 64% of the 255 articles analyze the MNCs' international product strategies, 44% international pricing strategies, 43% international distribution strategies, 77% international communication strategies, and 9% international marketing processes. Again, and for the same reason as stated above, these figures differ slightly from the findings by Waheeduzzaman/Dube (2004, p. 33) who especially identified a smaller portion of articles addressing international communication strategies (61%). Furthermore, as already shown, the authors do not separately report the number of articles investigating international standardization/adaptation of marketing processes.

The research findings of the 255 articles are relatively heterogeneous: 9% of the articles generally recommend an international standardization strategy, 14% generally suggest an international adaptation strategy, and 68% of the articles conclude that MNCs have to make their

strategic decisions based on specific situational factors. However, as shown above, the latter are largely fragmentary and, to some extent, even contradictory as far as the concrete effects of the several antecedents are concerned. The remaining 9% of articles do not provide any specific recommendations related to international standardization/adaptation. Again, and for the same reason as stated above, these ratios differ from earlier findings by Waheeduz-zaman/Dube (2004, p. 33) who report bigger portions of articles providing evidence of superiority of international standardization (23%) or adaptation (33%) and smaller portions of articles providing evidence of situational dependence (40%) or not arriving at a clear conclusion (4%).

*(2b) Articles theoretically grounding recommendations:*

Only 5% of the articles (16 out of 305) aim to *theoretically* ground *why* MNCs *have to* standardize/adapt their marketing strategies across nations in a specific situation and to a specific degree in order to enhance performance. These articles do not just base their recommendations on logical-intuitive thinking (if conceptual) or on some kind of data mining (if empirical), but they contain normative theories for deductively deriving performance-enhancing strategies of international standardization/adaptation. In this context, we do not regard the contingency approach, the resource-based view, or the industrial organization school as normative theories, since they are only conceptual frameworks or schools of thought stressing the influence of a company's internal and/or external situation on strategy and performance (also see Zeithaml et al., 1988; Conner, 1991; Lockett et al., 2009). Therefore, the contingency approach, the resource-based view, and the industrial organization school alone do not allow for a theoretical derivation of hypotheses regarding performance-enhancing strategies of international standardization/adaptation.

In contrast, those articles that use normative theories to ground their recommendations are based upon cognitive consistency theory (article by Klippel/Boewadt, 1974), the theory of psychological meaning (article by Friedmann, 1986), the theory of profit-maximization (articles by Samiee/Roth, 1992; Shoham/Albaum, 1994; Shoham, 1996), humour theory (article by Alden et al., 1993), the theory of friction (articles by Shoham/Albaum, 1994; Shoham, 1996), semiotics theory (article by Alden et al., 1999), diffusion theory (article by Littrell/Miller, 2001), institutional theory (articles by Bianchi/Arnold, 2004; Bianchi/Ostale, 2006; Shoham et al., 2008), contextual communication theory (Callow/Schiffman, 2004), psycholinguistic theory (article by Caruana/Abdilla, 2005), sociolinguistic theory (article by Caruana/Abdilla, 2005), stakeholder theory (Merrilees et al., 2005), the theory of information (Stock-Homburg/Krohmer, 2007), and categorization theory (Merz et al., 2008).

As a detailed analysis of these articles in Schmid/Kotulla (2009) shows, some of the articles contain useful theories for deriving hypothesis-based recommendations with regard to performance-enhancing strategies. However, only a very limited number of articles (Samiee/Roth, 1992; Shoham/Albaum, 1994; Shoham, 1996; Littrell/Miller, 2001) base their theoretical derivations upon a clear definition of performance (in these cases, “consumer acceptance”, “consumer purchase intention” and “profit”, respectively). Furthermore, all theoretical contributions fail to *systematically* and *comprehensively* derive directly performance-relevant *situational factors* and their respective effects on the strategy-performance relationship. Hence, theoretical contributions in this area must be considered as rather weak.

### **3 Avenues for Future Research**

Based on our critical meta-analysis of the research methodology, the research areas, and the research findings of the existing 305 articles on international standardization/adaptation, we will now present avenues for future research. Therefore, after briefly summarizing the ana-

lyzed articles' ability to advance knowledge, we will provide specific recommendations for future research, categorized by the major research objectives/questions shown in Figure 1.

*(1) Research describing and/or theoretically explaining reality:*

One of the greatest credits of previous research on international standardization/adaptation is the detailed *description* of the strategic decisions MNCs' managers make in *reality*. In this context, the existing articles have identified a wide variety of situational factors, shown in Figure 5, which are actually taken into account by managers when standardizing/adapting their MNCs' international marketing strategies. In contrast, only 1% of all articles aim to *theoretically explain why* managers strategically react to specific situations in a certain way. In this regard, there is still much research to be carried out in the future; all the more so since the existing studies only cover very specific aspects of complex reality. How can future research contribute to a further advancement of knowledge?

First, it would be desirable that future studies cover those situational factors actually influencing managers' strategic decisions, in a more systematic and comprehensive way, since the wide variety of potential antecedents as well as the corresponding strategic decisions have not been fully analyzed yet. For instance, there might be studies in which, for the first time, all antecedents shown in Figure 5 are investigated at the same time. Furthermore, it would be desirable to have more qualitative research (see e.g. Marschan-Piekkari/Welch, 2005) on international standardization/adaptation. For example, by arranging focus groups with managers, decision-relevant situational factors might be identified that have even been neglected by researchers in the past and that may complement the antecedents summarized in Figure 5. In addition, we call for more studies trying to derive the decision-relevant antecedents based on a positive theory. A transfer of descriptive decision theories (see e.g. Peterson, 2009), especially of collective decision theories (see e.g. Moscovici/Doise, 1995) to the phenomenon of

international standardization/adaptation might help to better understand or even predict managers' decision-making in MNCs, knowing that strategic decisions are seldom made by only one manager spontaneously but rather constitute a collective decision-making process over a longer period of time (see e.g. Webster/Wind, 1972; Moscovici/Doise, 1995). In MNCs, headquarters' and subsidiaries' managers often make joint decisions, although – depending on the MNC's cultural and strategic orientation – either headquarters or subsidiaries can take a more dominant decision role (see e.g. Perlmutter, 1969; Bartlett/Ghoshal, 1998).

Finally, future research should try to be more transparent and consistent across studies with regard to the research designs used. In particular, the analyzed strategy elements have to be specified (e.g. according to the variables stated in Figure 5), all variables' operationalizations should be laid open, and the analyses have to be performed at the industry-segment and country level in order to control for industry-segment- and country-specific influences (see e.g. Schiegmilch, 1986). Only transparency and consistency across studies can allow for a later integration of the single studies' research findings by performing a sound meta-analysis based on calculating cross-study effect sizes (for the problem of “garbage-in garbage-out” associated with meta-analyses, see again Rosenthal/DiMatteo, 2001, pp. 66-67).

*(2) Research providing and/or theoretically grounding recommendations:*

The high number of articles *providing recommendations* to managers reflects the strong normative orientation of previous research in the field. However, as shown above, the articles' research findings are largely fragmentary and, to some extent, even contradictory. Furthermore, 94% of all articles do not provide a *theoretical* grounding for their recommendations. Instead, most articles' recommendations are based on logical-intuitive thinking (if conceptual) or on some kind of data mining (if empirical). How can future studies overcome the weaknesses of previous research?

First, future studies need to consider the performance-relevant fit between the MNC's situation and its international standardization/adaptation strategy, knowing that the performance outcome of an MNC's strategy always depends on the MNC's internal and external situation in which the strategy is pursued (see again Barney, 1991; Parnell et al., 1996). A comprehensible explanation and comparison of the major conceptualizations of the situation-strategy fit is provided in the contribution by Venkatraman (1989). By resting their research designs on an appropriate concept of fit, future studies can cope with the facts that a strategy's performance outcome is situationally dependent, that markets are not completely efficient, and that managers are rationally bounded in their strategic decision-making.

Second, future studies should attempt to systematically and comprehensively derive their recommendations (regarding performance-enhancing situation-strategy fits) based on a normative theory. Yet, none of the applied theories allow for a deductive derivation of those *situational factors*, which *have to* be considered by managers in a specific way for making performance-enhancing strategic decisions, based on a clear definition of performance (e.g. profit, sales, customer satisfaction, employee satisfaction). For instance, future studies that aim to provide *product-profit* enhancing recommendations to managers, have to investigate the interaction between different situation-strategy fits and the various elements of the product-profit function (price per unit, quantity sold, total cost per unit, quantity produced), thus representing a profit-theoretical approach. In contrast, studies that aim to provide recommendations with regard to an enhancement of *customer satisfaction*, need to consider the interaction between different situation-strategy fits and customer satisfaction (also analyzing customer expectations and customer perceptions), hence representing a satisfaction-theoretical approach (see e.g. Westbrook/Reilly, 1983). Whatever the respective definition of performance is: when testing the derived hypotheses in an empirical study, it is of utmost importance to also apply this definition of performance to the study's measurement of performance. That is,

studies which derive hypotheses with regard to an enhancement of *product profit* but which test these hypotheses by investigating the strategy's effect on *market share* or *growth in sales* will necessarily lead to invalid results.

Third, as explained above, future studies based on manager interviews have to check for possible perception errors of the interviewed managers with regard to the MNC's situation in order to allow for valid and significant research results (Glaister/Thwaites, 1993; Starbuck/Mezias, 1996). Fourth, as illustrated, future research has to account for the quality of execution of the analyzed strategies (Birnik/Bowman, 2007, p. 317). And fifth, as shown above, future studies should try to be more transparent and consistent across studies with regard to the research designs used, especially in terms of the analyzed strategy elements, the variables' operationalizations, and the industry-segment and country level of analysis. By meeting these conditions, future research might yield industry-segment- and country-specific recommendations which are considerably more robust across studies and which can be later integrated by conducting a mathematic-quantitative meta-analysis.

#### **4 Towards a Theoretical Framework**

As shown in the previous section, the need for a further advancement of research is highest with regard to research objective/question 2. Therefore, we will now introduce a theoretical framework focussing on the international *product* strategy of MNCs, intended to answer the following research questions:

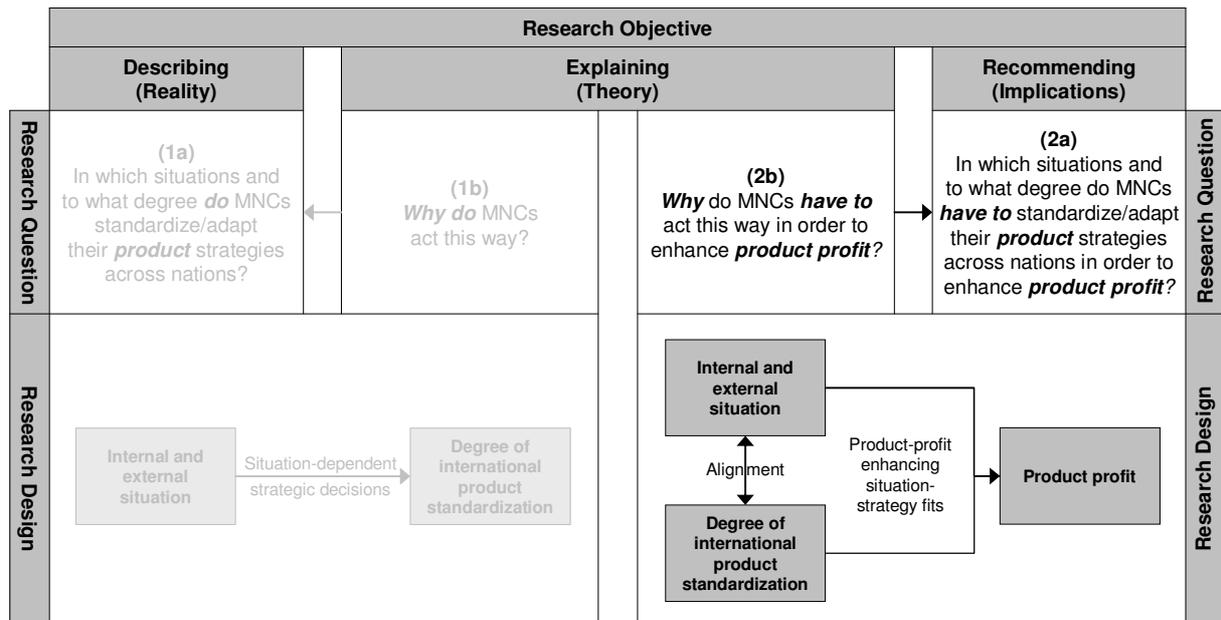
(2a) Research question for providing recommendations: In which situations and to what degree do MNCs *have to* standardize/adapt their *product* strategy across nations in order to enhance performance?

(2b) Research question for theoretically grounding recommendations: *Why* do MNCs *have to* standardize/adapt their *product* strategy across nations in a specific situation and to a specific degree in order to enhance performance?

Thus, our theoretical framework is the basis (2a) for recommending an international product strategy to MNCs that is likely to enhance performance, and (2b) for theoretically grounding this recommendation. Therefore, based on the contingency approach and considering the situation-strategy alignment, those fits between situational factors and the MNC's strategy will be identified that are most promising in terms of performance. For the purposes of our theoretical framework, we will define performance as product profit, knowing that many MNCs aim to maximize or at least to optimize their product profit.<sup>3</sup> Based on this definition, we will theoretically derive those antecedents that moderate the relationship between international product strategy and product profit, representing a "profit-theoretical" approach. That is, those antecedents are to be identified that *have to* be taken into account by MNCs in a specific way in order to maximize or optimize their product profit when making their decisions on international product standardization/adaptation. In contrast, it is *not* our objective to derive those antecedents that *actually* influence managers' strategic decision-making in reality. Figure 6 highlights the research objectives, the research questions, and the research design addressed by our theoretical framework.

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<sup>3</sup> Of course, we are aware that in reality MNCs often do not strive for profit maximization of all their products, e.g. due to strategic considerations, other objectives than profit maximization, or managerial deficiencies. However, this is not contradictory to our theoretical framework, since we do not aim to explain reality but to provide theoretically grounded recommendations to those MNCs that want to maximize product profit.



**Figure 6:** Research objectives, research questions, and research design addressed by our theoretical framework

The main assumption of our theoretical framework is that a specific degree of international product standardization enhances performance in a given situation, if it has the highest likelihood of maximizing product profit in this situation, compared to all alternative strategies. Therefore, the effect of international product standardization/adaptation on the different elements of the product-profit function, as described in (1), has to be investigated:

$$(1) pp = p * qs - c * qp$$

[ $pp$  = product profit,  $p$  = price per unit,  $qs$  = quantity sold,  $c$  = total cost per unit,  $qp$  = quantity produced]

It is important to notice that the several elements of the product profit function are inter-dependent as presented in (1.1) to (1.4):

$$(1.1) \Delta qs > 0 \rightarrow \Delta qp > 0; \text{ with } qs \approx qp$$

$$(1.2) \Delta qp > 0 \rightarrow \Delta c < 0$$

$$(1.3) \Delta c < 0 \rightarrow \Delta p < 0$$

$$(1.4) \Delta p < 0 \rightarrow \Delta qs > 0$$

This is due to the following reasons:

(1.1) There is a positive relationship between  $qs$  and  $qp$ , that is, an increase in the quantity of products sold leads to an increase in the quantity of products produced. The reason for this is that the planned  $qp$  for  $t = 1$  primarily depends on the expected  $qs$  for  $t = 1$ , which, in turn, especially depends on the current  $qs$  for  $t = 0$ .

(1.2) There is a negative relationship between  $qp$  and  $c$ , that is, an increase in the quantity of products produced leads to a decrease in the total cost per unit. The size of this effect primarily depends on the potential for cost savings by realizing economies of scale through mass production.

(1.3) There is a positive relationship between  $c$  and  $p$ , that is, a decrease in the total cost per unit usually leads to a decrease in the price per unit. This is because the price per unit results from the cost per unit plus mark-up, also taking demand- and competitive-related factors into account.

(1.4) Finally, there is a negative relationship between  $p$  and  $qs$ , that is, a decrease in the price per unit usually leads to an increase in the quantity of products sold.<sup>4</sup> The size of this effect depends on price elasticity of demand.

Taking equation (1) and its interdependencies (1.1) to (1.4) into account, a specific strategy of international product standardization/adaptation can be regarded as maximizing product profit, if it fulfils the following requirements:

$$(2.1) \Delta(c * qp) < \Delta(p * qs); \text{ with } \Delta c < 0 \vee \Delta p > 0 \vee \Delta qs > 0$$

$$(2.2) \frac{\Delta qs}{qs} > \frac{-\Delta p}{p}$$

In plain language:

(2.1) A strategy of international product standardization/adaptation can lead to an increase in product profit, if the possible relative increase in total cost associated with the strategy is

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<sup>4</sup> According to the Veblen effect, luxury goods can, in some cases, be an exception from this rule (see e.g. Leibenstein, 1950; Bagwell/Bernheim, 1996).

lower than the possible relative increase in revenues, or vice versa, if the possible relative decrease in total cost associated with the strategy is larger than a possible relative decrease in revenues. The best case would of course be if there is a strategy that both decreases total cost and increases revenues. We will show later on that such a strategy exists.

(2.2) Furthermore, a strategy of international product standardization/adaptation can lead to an increase in product profit, if it allows for a relative increase in the quantity of products sold that is larger than the relative decrease in the price per unit, or vice versa, if it allows for a relative increase in the price per unit that is larger than the relative decrease in the quantity of products sold. The best case would again be if there is a strategy that both increases the price per unit and the quantity of products sold. But since price elasticity of demand is usually negative, as shown in (1.4), this case is rather rare.

The pivotal question now is: in which situations does a *high* degree of international product standardization fulfil requirements (2.1) and (2.2), and in which situations does a *low* degree of international product standardization, i.e. a high degree of international product adaptation, fulfil these requirements? We will answer this question only from the perspective of a *high* degree of international product standardization, since we assume standardization/adaptation as being a symmetric continuum. Therefore, the opposite of the following answers holds true for a *low* degree of international product standardization.

The fulfilment of requirement (2.1) depends on the question of how a high degree of international product standardization affects  $p$ ,  $qs$ , and  $c$ . As far as  $p$  and  $qs$  are concerned, we have to identify situations in which a high degree of international product standardization leads to an increase in the price per unit and/or in the quantity of products sold. Since  $p$  is directly linked to  $wp$  (willingness to pay), and since  $qs$  is directly linked to  $qd$  (quantity demanded), those situations must be found in which a high degree of international product standardization leads to an increase in  $wp$  and/or in  $qd$ . This is the case if we have markets

with high cross-national homogeneity of demand that ask for similar or identical products across nations (e.g. due to cross-national image spillover effects or supranational laws).

*Hypothesis 1: Cross-national homogeneity of demand for a specific product positively moderates the relationship between international product standardization and product profit.*

With regard to  $c$  we have to distinguish between (a) a change in total cost per unit depending on a change in the quantity of products produced, and (b) a change in total cost per unit at a constant quantity of products produced. (a) According to relation (1.2), an increase in  $qp$  leads to a decrease in  $c$ . The size of this effect primarily depends on the potential for cost savings by realizing economies of scale through mass production. A high level of mass production can be achieved for products that are highly standardized,<sup>5</sup> but the potential for mass production and hence, for economies of scale, can differ greatly depending on the kind of product. Thus, situations with products having a high potential for economies of scale call for a high degree of international product standardization.<sup>6</sup>

*Hypothesis 2: The potential for economies of scale for a specific product positively moderates the relationship between international product standardization and product profit.*

(b) In addition, assuming a constant level of  $qp$ , a higher degree of international product standardization always results in a decrease in  $c$ . The size of this effect depends on the question of how cost-intensive, in contrast, a high degree of international product adaptation is. This cost-intensity primarily depends on the cost of modification of the product and is

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<sup>5</sup> However, mass customization can be a way to combine international product adaptation with mass production (see e.g. Pine, 1999). Therefore, the following hypothesis 2 only holds true for situations in which mass customization is not possible or not desirable.

<sup>6</sup> This relationship should also be tested for possible interaction effects of foreign market size and foreign market share. This is because the potential for cost savings by international product standardization might increase, if foreign market size or foreign market share increases.

independent from foreign market size. Thus, situations with products having high cost of modification call for a high degree of international product standardization.<sup>7</sup>

*Hypothesis 3: The cost of modification of a specific product positively moderates the relationship between international product standardization and product profit.*

Finally, the fulfilment of requirement (2.2) depends on price elasticity of demand, as described in relation (1.4). If an MNC offers a product with high price elasticity of demand abroad (e.g. resulting from a high intensity of foreign competition), a small increase in price leads to a relatively large decrease in the quantity of products sold.<sup>8</sup> In such a case, the MNC should attempt to offer its products at lower prices in order to increase its revenues and profits. Lower prices, in turn, call for lower cost, which can be realized most easily through standardized mass production, as shown above.<sup>9</sup> Thus, situations with high price elasticity of demand call for a high degree of international product standardization.

*Hypothesis 4: Country-specific price elasticity of demand for a specific product positively moderates the relationship between international product standardization and product profit.*

Interestingly, none of the existing articles on international standardization/adaptation consider all four antecedents just derived. In contrast, the antecedents analyzed by previous research, as shown in Figure 5, do not *directly* moderate the relationship between the strategy of international product standardization/adaptation and product profit. In the following, this shall be exemplarily shown for (1) cross-national similarity in market environments and consumer preferences, (2) market size, (3) product type, and (4) some organizational/managerial factors.

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<sup>7</sup> This relationship should also be tested for possible interaction effects of cross-national homogeneity of demand. This is because cost-intensity of international product adaptation might increase, if cross-national homogeneity of demand decreases.

<sup>8</sup> As stated above, this does not hold true for some luxury goods, according to the Veblen effect (see e.g. Leibenstein, 1950; Bagwell/Bernheim, 1996). Therefore, the following hypothesis 4 can only be sustained for products with negative price elasticity of demand.

<sup>9</sup> However, see footnote 5.

(1) Cross-national similarity in market environments and consumer preferences is only relevant in terms of product profit, if it results in high cross-national homogeneity of demand, which, in turn, positively moderates the effect between product standardization and product profit. For instance, different political environments across nations can be just irrelevant, if they do not affect the demand for a specific product, and similar consumer preferences can be obsolete, if these preferences are not transformed into similar demand, e.g. due to differing legal restrictions across nations. If there is an (indirect) effect of cross-national similarity of market environments or consumer preferences on the strategy-performance relationship, this effect is automatically captured by the measured cross-national homogeneity of demand.

(2) As shown above, previous research is inconsistent with regard to the effect of foreign market size on the performance outcome of international product standardization. According to our profit-theoretical framework, this is not surprising, since the effect of foreign market size is actually diverse. On the one hand, large foreign markets can call for product standardization, if the potential for economies of scale is relatively high; the more so if cross-national demand is homogeneous. On the other hand, product adaptation can be advantageous in large foreign markets as well, if the cost of modification and thus, the cost of international product adaptation is relatively low as compared to possible increases in revenues; the more so if cross-national demand is heterogeneous. Hence, the relevant question is not how large a foreign market is, but which of the effects – potential for economies of scale, cross-national homogeneity of demand, or cost of modification – is strongest in a given situation.

(3) The profit-relevance of product type (e.g. consumer vs. industrial good, product vs. service, commodity vs. luxury good) to the international standardization/adaptation strategy is only an indirect one as well. This becomes clear when taking into consideration that e.g. consumer goods can differ greatly with regard to the directly profit-relevant moderating

variables cross-national homogeneity of demand, potential for economies of scale, cost of modification, and country-specific price elasticity of demand.

(4) Finally, organizational and managerial factors, such as nationality of the parent MNC, EPRG orientation, or centralization in decision-making, are not profit-relevant for the international standardization/adaptation strategy at all. Of course, MNCs headquartered in the U.S., MNCs whose managers are ethnocentrically oriented, or MNCs with high centralization in decision-making *actually* might tend to highly standardize their products across nations; but as derived above, these antecedents do not moderate the relationship between product standardization and product profit.

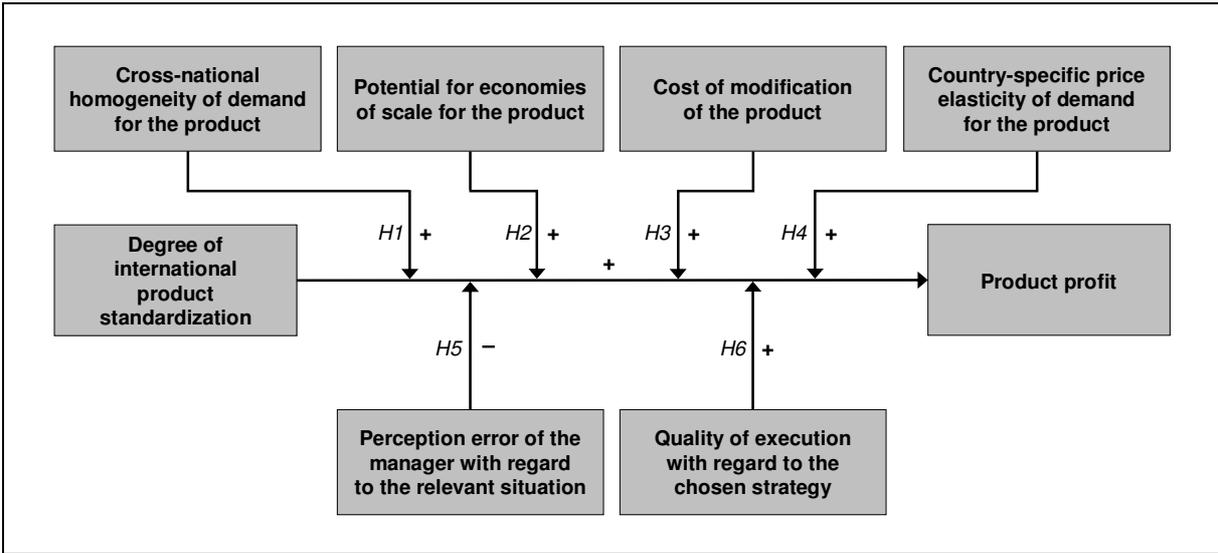
Based on our own recommendations for future research expressed in section 3, we will integrate two more aspects in our theoretical framework. First, for studies relying on manager interviews, we want to capture managers' ability to realistically perceive the internal and external situation of their MNCs. This is because managers' perception errors may lead to wrong strategic decisions resulting in lower product profit.

*Hypothesis 5: The perception error of an MNC's manager with regard to the relevant situation of the MNC negatively moderates the relationship between the pursued strategy of international product standardization/adaptation and product profit.*

Second, we want to account for the quality of execution of the analyzed strategies, since a poor implementation of strategy can lead to lower product profit even if the manager's perception is realistic and the chosen strategy is appropriate.

*Hypothesis 6: The quality of execution with regard to the pursued strategy of international product standardization/adaptation positively moderates the relationship between the strategy and product profit.*

Figure 7 summarizes a potential research design which is based on the profit-theoretical contingency framework. Since all variables and their relationships have been derived theoretically, it is essential to empirically test our hypotheses, especially for the following reasons: first, it has to be tested in how far the six moderating variables can *in fact explain* the variance in product profit depending on the degree of international product standardization. Second, it is of high importance to investigate which portion of the variance can be explained by each of the variables in order to *weight* the variables according to their relevance. Third, it should be tested if there are differences between *industry segments* and *countries* with regard to the relevance and weighting of the six moderating variables. This could help to identify industry-segment- and country-specific situation-strategy fits and to provide managers with industry-segment- and country-specific recommendations.



**Figure 7:** Potential research design for future empirical studies aiming to provide theoretically grounded recommendations with regard to international product standardization/adaptation

If our hypotheses are supported, it will be possible to provide recommendations to MNCs’ managers that are both theoretically and empirically grounded. This could help managers to know *which antecedents* they have to consider (or even influence) *in what way* in order to

choose a *specific degree* of international product standardization for maximizing *product profit*.

Similar to our theoretical derivation of the profit-relevant moderating variables related to international *product* standardization/adaptation, future theoretical contributions should attempt to derive the profit-relevant moderating variables related to international standardization/adaptation of pricing, distribution, communication, and marketing processes, also considering possible interdependencies between them. Furthermore, as stated above, more research should be done on theoretically explaining managers' collective decision-making processes in order to better understand (or even predict) what *actually* happens in MNCs and why. As already claimed by Ryans et al. (2003), Theodosiou/Leonidou (2003), and Birnik/Bowman (2007), it is about time to move research on international standardization/adaptation away from a primarily data-driven field, and to attach greater importance to well-grounded theoretical explanations and recommendations.

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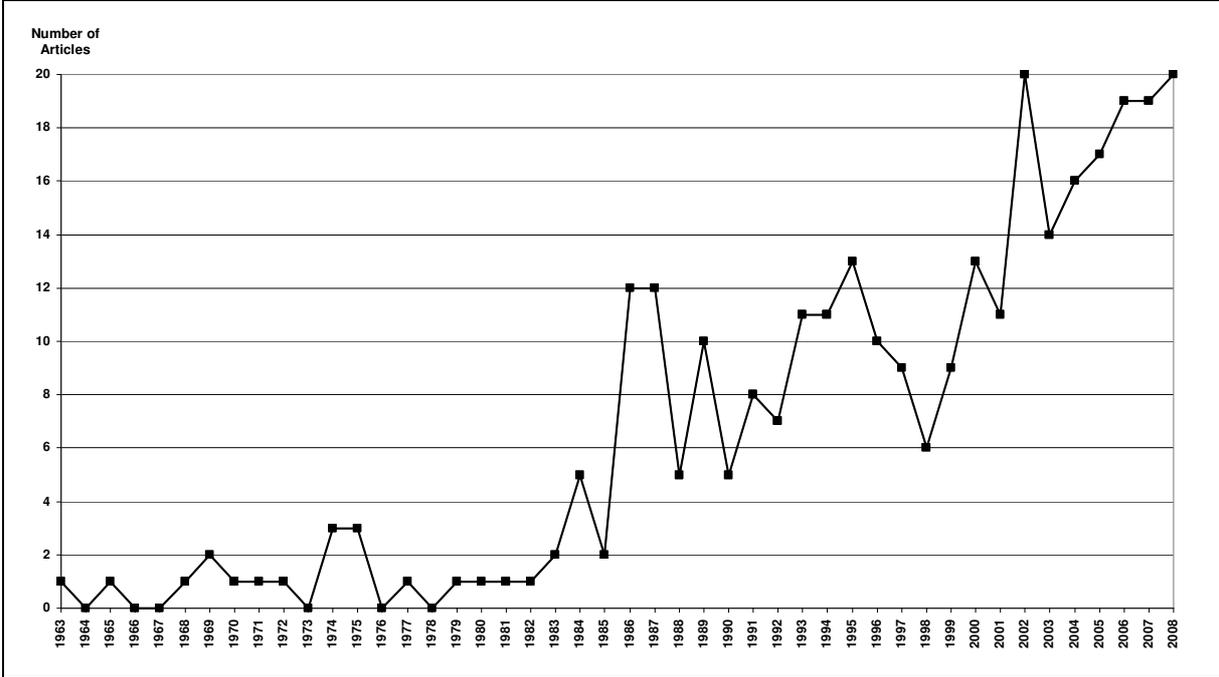
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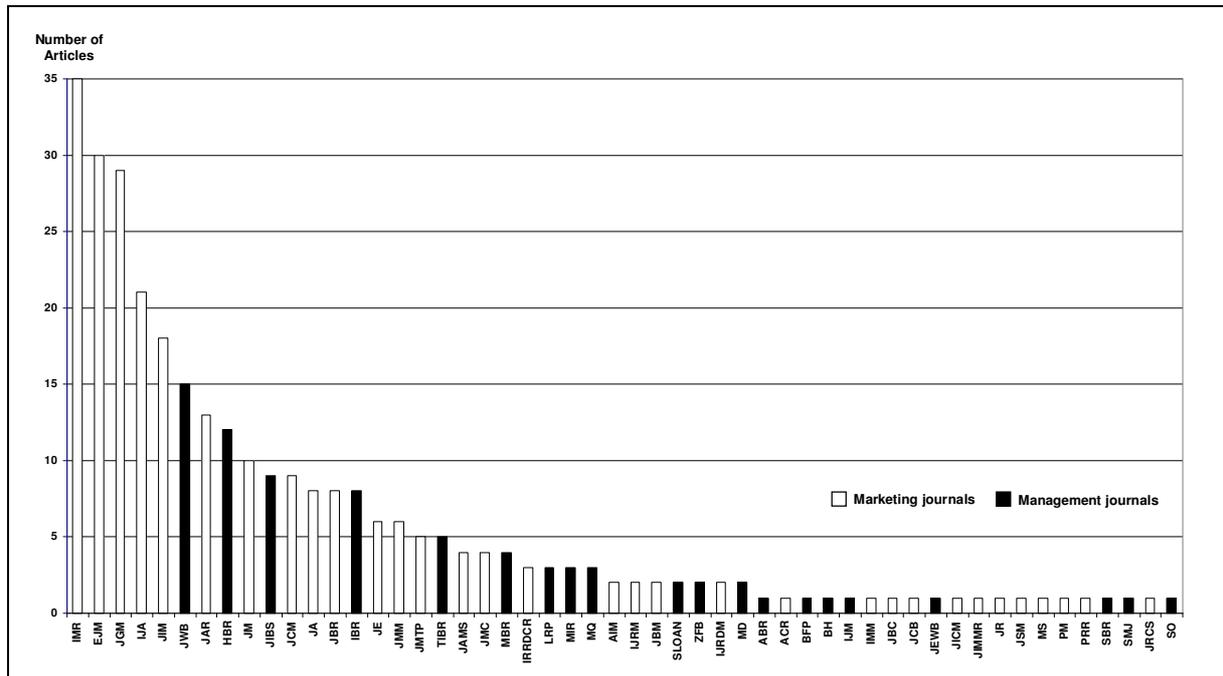
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The entire list of references with all 305 articles on international standardization/adaptation of marketing can be requested from the authors.

**Appendix 1:** Overview of all 305 articles on international standardization/adaptation broken down by publication date



## Appendix 2: Overview of all 305 articles on international standardization/adaptation broken down by journal



ABR = American Business Review  
 ACR = Advances in Consumer Research  
 AIM = Advances in International Marketing  
 BFP = Betriebswirtschaftliche Forschung und Praxis  
 BH = Business Horizons  
 EJM = European Journal of Marketing  
 HBR = Harvard Business Review  
 IBR = International Business Review  
 IJA = International Journal of Advertising  
 IJM = International Journal of Management  
 IJRDM = International Journal of Retail & Distribution Mgt.  
 IJRM = International Journal of Research in Marketing  
 IMM = Industrial Marketing Management  
 IMR = International Marketing Review  
 IRRDCR = Internat. Rev. of Retail Distribut. & Cons. Research  
 JA = Journal of Advertising  
 JAMS = Journal of the Academy of Marketing Science  
 JAR = Journal of Advertising Research  
 JBC = Journal of Business Communication  
 JBM = Journal of Brand Management  
 JBR = Journal of Business Research  
 JCB = Journal of Consumer Behaviour  
 JCM = Journal of Consumer Marketing  
 JE = Journal of Euromarketing  
 JEWB = Journal of East-West Business  
 JGM = Journal of Global Marketing

JIBS = Journal of International Business Studies  
 JICM = Journal of International Consumer Marketing  
 JIM = Journal of International Marketing  
 JIMMR = Journal of Internat. Marketing & Marketing Res.  
 JM = Journal of Marketing  
 JMC = Journal of Marketing Communications  
 JMM = Journal of Marketing Management  
 JMTP = Journal of Marketing Theory & Practice  
 JR = Journal of Retailing  
 JRCS = Journal of Retailing and Consumer Services  
 JSM = Journal of Strategic Marketing  
 JWB = Journal of World Business  
 LRP = Long Range Planning  
 MBR = Multinational Business Review  
 MD = Management Decision  
 MIR = Management International Review  
 MQ = McKinsey Quarterly  
 MS = Marketing Science  
 PM = Psychology and Marketing  
 PRR = Public Relations Review  
 SBR = Schmalenbach Business Review  
 SLOAN = Sloan Management Review  
 SMJ = Strategic Management Journal  
 SO = Strategic Organization  
 TIBR = Thunderbird International Business Review  
 ZFB = Zeitschrift für Betriebswirtschaft