When Does International Marketing Standardization Matter to Firm Performance?

Oliver Schilke, Martin Reimann, and Jacquelyn S. Thomas

ABSTRACT
The topic of standardization of international marketing programs is an important one faced by managers of global firms and has attracted significant research attention. Although previous research has 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 article is to investigate the organizational factors that moderate the standardization–performance relationship and, thus, to explore the types of firm for which standardization is particularly beneficial. The authors examine survey data from 489 firms, and their results indicate that the standardization–performance link is significantly stronger for large firms with a homogeneous product offering, high levels of global market penetration, a cost leadership strategy, and strong coordination capabilities. The authors conclude that managers evaluating the adequacy of a standardization strategy should 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 administration ease make the strategy of standardizing international marketing programs an attractive choice to many firms (Douglas and Wind 1987; Johansson and Yip 1994; Katsikeas, Samiee, and Theodosiou 2006). Consequently, standardization is considered perhaps the most influential aspect of international marketing strategy (Zou and Cavusgil 2002).

Most prior research on the topic has primarily pertained to 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, Boddevyn, and Grosse 1998; Powers and Loyka 2007). Performance implications have received less emphasis, and thus the question of the impact of standardization on firm performance remains an enduring research concern (Griffith, Cavusgil, and Xu 2008). Among the few studies that have focused 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. Although prior research has predominantly indicated overall beneficial effects of standardiza-
tion (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, p. 589) on the need to further substantiate “some of the key underlying assumptions regarding the value of standardization.” 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 conclusive results in studies investigating an unconditional direct link between standardization and performance—suggest that the performance effect of standardization increases under certain circumstances and decreases under others. However, researchers have paid little systematic attention to the conditions other than environmental fit that determine when and how standardization is related to firm success. In making suggestions for further 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 must be viewed in light of other important firm policies and strategies; certain organizational activities and characteristics may have significant implications for the effectiveness of global standardization.

This article explores the moderating effect of several organizational factors on the relationship between standardization and firm performance. Specifically, we investigate the role of competitive strategies, other aspects of marketing strategy, product characteristics, and general firm characteristics. Thus, the study’s main contribution is to improve understanding of the internal organizational aspects that make standardization a particularly effective approach to international marketing. From an academic viewpoint, the study can help resolve some of the inconsistent results regarding the link between standardization and performance. In addition, our findings can 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 on their companies’ standardization strategy. Knowledge of these factors can reduce the ambiguity these decision makers face with regard to the appropriateness of standardization. Subsequently, 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 though prior research has put forth diverse interpretations, 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 Ruset ski 2006; Szymanski, Bharadwaj, and Varadarajan 1993; Zou and Cavusgil 2002). Buzzell (1968) was among the first to systematically discuss standardization as a significant aspect of international marketing strategy. Since then, a multitude of marketing researchers have continued to debate the drivers as well as performance implications of standardization.

From the studies that involve performance implications, three dominant perspectives have emerged: total standardization, total adaptation, and contingency (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), Ohmiae (1985), and Yip (1995), who develop various arguments regarding 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 favor-
ing the total adaptation perspective emphasize the bar-
rriers to worldwide convergence, including governmental
and trade restrictions, intercountry differences in mar-
ket 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 inter-
national organizational and external environmental factors
(Zou, Andrus, and Norvell 1997).

In line with recent research (Katsikeas, Samiee, and
Theodosiou 2006), the current article reflects a contin-
gency perspective of international marketing standardi-
ization. More specifically, we maintain that the impact of
standardization differs contingent on internal organiza-
tional characteristics. This perspective is backed up by
the inconsistent findings of previous empirical research
investigating a direct relationship between standardiza-
tion and performance. Table 1 lists important empirical
studies on the standardization–performance link and
presents the focal standardization constructs the authors
analyze, the performance variables used as dependent
variables, the main finding about the standardization–
performance relationship, and characteristics of the
sample. As Table 1 indicates, the results regarding the
link between standardization and performance have
been mixed, with several studies finding positive relationships and others reporting insignificant links.

HYPOTHESES

Direct Impact of Standardization on Firm Performance

Although previous research is inconsistent overall, 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), independ-
et of any moderating effects. Several ongoing trends
suggest that standardization remains an important,
positive antecedent to firm performance. More than 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 con-
verging markets and consumer tastes is driven by
increasing multinationalism, world tourism, world
sports, and expanded communication and transporta-
tion systems. These transformations lead firms to stan-
dardize 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). In addition,
Neff (1999) posits that standardization decreases a
product’s time to market by reducing the time needed to
adapt to local specifications. Furthermore, standardi-
zation 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 world-
wide (Okazaki, Taylor, and Doh 2007; Shoham 1999).

As a result of these benefits, the strategy of standardiz-
ing 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.

H1: All else being equal, standardization is posi-
tively related to firm performance.

Conditional Impact of Standardization on
Firm Performance

The preceding hypothesis does not mean that standardi-
zation improves the performance of all firms equally. In
certain situations, the benefits of adaptation may dimin-
ish 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. Although the
selection of moderators emerged from a comprehensive
literature review, we do not claim that these represent a
complete set of those that influence the standardization–
performance link. The specific organizational charac-
teristics whose impact we investigate here include com-
petitive strategies (differentiation, cost leadership),
aspects of international marketing strategy (coordina-
tion of marketing activities, global market partici-
pation), product characteristics (product homogeneity,
[B2C]), and the general firm characteristic of firm size.

Figure 1 summarizes the conceptual model implied by
our hypotheses.

Competitive Strategies. Morgan, Kaleka, and Katsikeas
(2004) suggest that the effectiveness of international
marketing strategy depends on the specific competitive
strategy the firm pursues because the international mar-
keting and competitive strategies must fit well with each
Table 1. Selected Studies on Performance Implications of Marketing Program Standardization

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<th>Authors</th>
<th>Focal Standardization Construct</th>
<th>Performance Variables</th>
<th>Impact of Standardization</th>
<th>Sample</th>
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<tr>
<td>Szymanski, Bharadwaj, and Varadarajan (1993)</td>
<td>Standardization of the pattern of resource allocation across marketing-mix variables</td>
<td>1. Market share 2. Return on investment</td>
<td>Positive</td>
<td>PIMS data; 1556 firms</td>
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<td>Johansson and Yip (1994)</td>
<td>Global strategy</td>
<td>Firm performance</td>
<td>Positive</td>
<td>36 companies from various industries</td>
</tr>
<tr>
<td>O’Donnell and Jeong (2000)</td>
<td>Global marketing standardization</td>
<td>Subsidiary performance</td>
<td>Positive</td>
<td>100 firms operating in high-tech, industrial settings</td>
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<tr>
<td>Albaum and Tse (2001)</td>
<td>Globalization of international marketing strategy</td>
<td>Competitive advantage</td>
<td>Insignificant</td>
<td>183 exporters</td>
</tr>
<tr>
<td>Chung and Wang (2006)</td>
<td>1. Uniform pricing strategy 2. Uniform place strategy</td>
<td>1. Strategic market expansion 2. Increased awareness</td>
<td>Mixed (positive/negative)</td>
<td>63 service international firms,</td>
</tr>
<tr>
<td>Shi et al. (in press)</td>
<td>Marketing activities standardization</td>
<td>Global account management performance</td>
<td>Positive</td>
<td>203 members of the Strategic Account Management Association</td>
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</table>
other. Research in industrial economics proposes two major competitive strategies that firms can adopt to earn an above-average rate of return: differentiation and cost leadership (Porter 1980, 1985). Both strategies remain 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 a strong performance driver. Rather, differentiating firms may 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, which enabled them to adapt their offerings easily to local tastes when selling abroad. Typically, their operations are aimed less at achieving economies of scale and scope, thus reducing the positive performance impact of standardization. For example, the Swiss-based high-quality restaurant chain Marché stands out from its competition through its market-style concept. As a differentiator, Marché has developed strong marketing capabilities, which enable it to adapt to tastes and fashions effectively when entering and operating in international markets such as Germany and Slovenia. Marché’s competitive strategy is not aimed at achieving the economies of scale and scope for which fast-food chains, such as McDonald’s, would aim.

Because 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, in general, a differentiation strategy reduces the positive impact of standardization on firm performance. Thus, we hypothesize the following:

H2: The positive relationship 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. Therefore, firms pursuing cost leadership can benefit strongly from the cost-saving potential of standardization. Zou and Cavusgil (2002, p. 41) note that to attain a competitive advantage based on a low-cost position, “the optimum

Figure 1. Conceptual Model

![Figure 1. Conceptual Model](image-url)
global marketing strategy is to sell standardized products using standardized marketing programs.” Because 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 cost leadership business strategy on the relationship between standardization and firm performance.

H3: The positive relationship 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. In addition to considering the effect of the two aforementioned generic strategies, we analyze standardization in conjunction with other aspects of international marketing strategy because investigators have found that international marketing strategy dimensions are 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 has indicated 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 affect their performance more positively. 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 enables 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 the 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 the following:

H4: The positive relationship between standardization and firm performance is stronger for firms with a high degree of coordination of marketing activities than for firms with a low degree of coordination.

The impact of standardization on firm performance is also affected by whether a firm is active globally (i.e., present in all major markets; Yip 1991) or is present in only a limited number of international markets. Prior literature has recognized 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 greater the number of markets a firm targets, the more complex and inefficient adaptation to each of the countries becomes. Thus, firms with a high degree of 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, can leverage their standardization strategy to a much greater extent than rivals with few hotels in foreign markets, such as the Germany-based hotel chain Kempinski. Therefore, we hypothesize the following:

H5: The positive relationship between standardization and firm performance is stronger for firms with a high degree of global market participation than for firms with a low degree of global market participation.

Product Characteristics. Beyond these strategic postures, we also view product characteristics as important moder-
ators 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 firms (B2B) or to end consumers (B2C).

Homogeneous products are those the market perceives as interchangeable (Bakos 1997; Greenstein 2004; Pelham 1997; Robinson, Clarke-Hill, and Clarkson 2002). High levels of product homogeneity are 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 levels of 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 considered 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 because firms may be unable to create useful adaptations. Because homogeneous products are often sold on price (Rangan and Bowman 1992), a standardization strategy may provide crucial cost-saving advantages and thus increase firm performance. Therefore, firms that operate in industries with homogeneous 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 product heterogeneity. Thus, we hypothesize the following:

\[ H_6: \text{The positive relationship between standardization and firm performance is stronger for firms offering homogeneous products than for firms offering unique products.} \]

According to Jain (1989) and Samiee and Roth (1992), firms selling B2B products can benefit more from standardization than 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. For example, the industrial gases supplier Air Products, which sells oxygen, nitrogen, and other gases primarily to other firms, strongly relies on standardization to enhance performance. Compared with firms, consumers are more context sensitive; preferences tend to be idiosyncratic to local cultures, tastes, and other factors. Against this background, we hypothesize the following:

\[ H_7: \text{The positive relationship between standardization and firm performance is stronger for firms with a B2B focus than for firms with a B2C focus.} \]

**General Firm Characteristics.** 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, though 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 that enable them to roll out standardized marketing strategies effectively. In addition, less flexible structures inhibit large firms from efficient adaptation, increasing the potential performance impact of standardization. Therefore, we propose the following:

\[ H_8: \text{The positive relationship between standardization and firm performance is stronger for large firms than for small firms.} \]

**METHODOLOGY**

**Data Collection Procedure**

Given the need for further empirical research on the standardization–performance link, we conducted a large-scale survey among firms 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 = 2549) 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 3 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.

### Tests for Potential Biases

Following Armstrong and Overton’s (1977) recommendations, 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.

Furthermore, common method bias could 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 ($\chi^2_{\text{diff}} = 4325.74, \text{Ad.f.} = 15, p \leq .01$). In addition, we applied the partial correlation adjustment procedure that Lindell and Whitney (2001) suggest to control for common method bias. Consistent with Krishnan, Martin, and Noorderhaven (2006), we used tenure of the respondent as the marker variable because 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

When possible, we adopted measurement scales from previous research. Before 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, composite reliabilities, and average variances extracted (AVE).

In this study, we applied 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 the Appendix). On the basis of confirmatory factor analysis, the composite reliabilities and AVE indicate satisfactory construct reliability and validity; they exceed the commonly used thresholds of .6 and .5.
We conceptualized standardization 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. Although Zou and Cavusgil originally proposed a four-dimensional model of standardization, also including price standardization, they dropped this fourth dimension after personal interviews with executives. They argued (p. 47) 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 [business units] had little control over the final prices of their products in foreign markets.” We followed Zou and Cavusgil in not including the pricing dimension in our standardization measure, and we adopted their measurement items for each of the dimensions.

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 Frambach, Prabhu, and Verhalen (2003), Homberg, Workman, and Krohmer (1999), and Nayyar (1993). The competitive strategy of cost leadership aims to achieve low manufacturing and distribution costs (Narver and Slater 1990; Nayyar 1993; Porter 1980). We based the measures for cost leadership on the scales that Li and Li (2008) and Nayyar (1993) employ. 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, whereas 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 using 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 users. Finally, we measured firm size in terms of the number of employees, in line with Steensma and Corley’s (2000) work.

Hypotheses-Testing Procedure

We used the covariance-based software AMOS 16.0 to test the measurement model and to estimate the structural relationships our conceptual framework posits. To test the moderating hypotheses, we primarily applied multigroup structural equation modeling as Homburg, Grozdanovic, and Klarmann (2007) outline. 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 and the other with high values of the moderator. Then, we compared a constrained model in which the effect of standardization on firm performance was 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 indexes indicated that the measurement model fit the data sufficiently well \((\chi^2 = 1,640.51, \text{d.f.} = 666, \chi^2/\text{d.f.} = 2.46\); comparative fit index \([\text{CFI}] = .93\); goodness-of-fit index \([\text{GFI}] = .85\); normed fit index \([\text{NFI}] = .88\); Tucker–Lewis index \([\text{TLI}] = .91\); standardized root mean square residual \([\text{SRMR}] = .05\)). 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 AVE 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.

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 \(.91, .91, \text{and} .85\) \((p \leq .01\). The global fit criteria indicate a good overall model fit \((\chi^2 = 37.96, \text{d.f.} = 12, \chi^2/\text{d.f.} = 3.16; \text{CFI} = .99; \text{GFI} = .98; \text{NFI} = .98; \text{TLI} = .98; \text{SRMR} = .02\)). 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 than that of the hypothesized model \((\chi^2 = 171.05, \text{d.f.} = 14, \chi^2/\text{d.f.} = 12.22; \text{CFI} = .94; \text{GFI} = .90; \text{NFI} = .93; \text{TLI} = .90; \text{SRMR} = .04\)). In particular, the decrease in chi-square was significant \((\Delta \text{d.f.} = 2, \chi^2_{\text{diff}} = 133.09, p \leq .01\). These results show

### Table 3. Discriminant Validity

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<td>Product standardization</td>
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<td>Promotion standardization</td>
<td>.72</td>
<td>.86</td>
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<tr>
<td>Standardized channel structure</td>
<td>.73</td>
<td>.72</td>
<td></td>
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<tr>
<td>Customer satisfaction</td>
<td>.36</td>
<td>.32</td>
<td>.29</td>
<td>.77</td>
<td></td>
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<td></td>
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<tr>
<td>Market effectiveness</td>
<td>.61</td>
<td>.54</td>
<td>.50</td>
<td>.62</td>
<td>.80</td>
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<tr>
<td>Profitability</td>
<td>.54</td>
<td>.49</td>
<td>.44</td>
<td>.58</td>
<td>.79</td>
<td>.84</td>
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<tr>
<td>Differentiation</td>
<td>.41</td>
<td>.41</td>
<td>.40</td>
<td>.60</td>
<td>.51</td>
<td>.47</td>
<td>.71</td>
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<tr>
<td>Cost leadership</td>
<td>.52</td>
<td>.53</td>
<td>.45</td>
<td>.56</td>
<td>.56</td>
<td>.55</td>
<td>.63</td>
<td>.71</td>
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<tr>
<td>Coordination of marketing activities</td>
<td>.62</td>
<td>.56</td>
<td>.61</td>
<td>.40</td>
<td>.54</td>
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<td>.47</td>
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<tr>
<td>Global market participation</td>
<td>.59</td>
<td>.53</td>
<td>.53</td>
<td>.21</td>
<td>.50</td>
<td>.43</td>
<td>.31</td>
<td>.38</td>
<td>.47</td>
<td>.75</td>
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<tr>
<td>Product homogeneity</td>
<td>.45</td>
<td>.36</td>
<td>.34</td>
<td>.24</td>
<td>.37</td>
<td>.38</td>
<td>.23</td>
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<td>.36</td>
<td>.27</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B2B/B2C focus</td>
<td>.15</td>
<td>.16</td>
<td>.17</td>
<td>.17</td>
<td>.18</td>
<td>.19</td>
<td>.21</td>
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<td>.18</td>
<td>.22</td>
<td>.10</td>
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<td></td>
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<tr>
<td>Firm size</td>
<td>.42</td>
<td>.35</td>
<td>.36</td>
<td>.10</td>
<td>.33</td>
<td>.28</td>
<td>.15</td>
<td>.21</td>
<td>.33</td>
<td>.56</td>
<td>.15</td>
<td>.28</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes: Bold numbers on the diagonal show the square root of AVE, and numbers below the diagonal show the correlations. Correlations \(\geq .15\) are significant at the 1% level, and correlations \(\geq .10\) are significant at the 5% level.
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 ($\chi^2 = 400.31$, d.f. = 146, $\chi^2$/d.f. = 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- and first-order factors were significant ($p \leq .01$), and standardized estimates were higher than .7.

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

Following the work of 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 indexes associated with this model were not acceptable ($\chi^2 = 1201.22$, d.f. = 147, $\chi^2$/d.f. = 8.17; CFI = .84; GFI = .80; NFI = .83; TLI = .82; SRMR = .21). In addition, the performance variance explained by this model was .34, 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. This model’s fit indexes were again poor ($\chi^2 = 826.32$, d.f. = 147, $\chi^2$/d.f. = 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**

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

Subsequently, we analyzed the differences between estimates for the standardization–firm performance path in different subsamples to test H2–H8. H2 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 ($\chi^2_{\text{diff}} = 1.02$, $p > .1$). 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 ($\chi^2_{\text{diff}} = 4.87$, $p \leq .05$). We found that standardization is more important to performance when a cost leadership strategy is emphasized ($\beta_2 = .73$) than when it is not ($\beta_1 = .40$), in support of H3. H4 proposed that standardization would be 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 coordinate their marketing activities ($\beta_2 = .66$) than when they do not ($\beta_1 = .43$). These results support H4. H5 stated that the positive relationship between standardization and firm performance would be 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 level of global market participation, standardization drives performance significantly more ($\beta_2 = .92$) than for firms with a low level of global market participation ($\beta_1 = .46$). Thus, H5 is supported. H6 predicted that the standardization–performance link would be stronger for firms whose products are homogeneous than for firms with more heterogeneous products. Given a significant chi-square difference ($\chi^2_{\text{diff}} = 3.88$, $p \leq .05$) and a higher path coefficient for firms with homogeneous 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 relationship between standardization and firm performance would be stronger for firms with a B2B focus than for firms with a B2C focus. Because there was no significant decrease in model fit when we equated the path coefficient between standardization and firm performance in
the B2B and B2C subsamples ($\chi^2_{\text{diff}} = 2.68, p > .1$), we found no support for H7. Finally, H8 stated that the positive relationship between standardization and firm performance would be stronger for large 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.

### Post Hoc Analyses

Subsequently, we conducted several post hoc analyses similar to the procedures Bouquet, Morrison, and Birkinshaw (2009) describe. 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 greatest 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 multidimensional construct. Of the 21 additional multigroup analyses for the separate dimensions (3 dimensions × 7 moderators), 19 yielded the same findings regarding the (in)significance of the moderation effect. Only two of the single-dimension multigroup analyses differed in their results compared with the analyses including the overall standardization construct.

As Table 4 shows, we found no support 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 greater than the 10% level ($p = .102$). However, the moderating influence of the B2B/B2C variable was significant for product standardization ($\chi^2_{\text{diff}} = 6.87, p \leq .05$) 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, the largely consistent pattern between the moderation results including the single dimensions and the second-order construct

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Moderator Variable</th>
<th>$\chi^2$ Difference (Ad.d.f. = 1)</th>
<th>Low Value of Moderator</th>
<th>High Value of Moderator</th>
</tr>
</thead>
<tbody>
<tr>
<td>H2</td>
<td>Differentiation</td>
<td>$\chi^2_{\text{diff}} = 1.02$ ($p &gt; .1$)</td>
<td>$\beta_1 = .43$</td>
<td>$\beta_2 = .65$</td>
</tr>
<tr>
<td>H3</td>
<td>Cost leadership</td>
<td>$\chi^2_{\text{diff}} = 4.87$ ($p \leq .05$)</td>
<td>$\beta_1 = .40$</td>
<td>$\beta_2 = .73$</td>
</tr>
<tr>
<td>H4</td>
<td>Coordination of marketing activities</td>
<td>$\chi^2_{\text{diff}} = 12.80$ ($p \leq .01$)</td>
<td>$\beta_1 = .43$</td>
<td>$\beta_2 = .66$</td>
</tr>
<tr>
<td>H5</td>
<td>Global market participation</td>
<td>$\chi^2_{\text{diff}} = 62.58$ ($p \leq .01$)</td>
<td>$\beta_1 = .46$</td>
<td>$\beta_2 = .92$</td>
</tr>
<tr>
<td>H6</td>
<td>Product homogeneity</td>
<td>$\chi^2_{\text{diff}} = 3.88$ ($p \leq .05$)</td>
<td>$\beta_1 = .57$</td>
<td>$\beta_2 = .72$</td>
</tr>
<tr>
<td>H7</td>
<td>B2B/B2C focus</td>
<td>$\chi^2_{\text{diff}} = 2.68$ ($p &gt; .1$)</td>
<td>$\beta_1 = .64$</td>
<td>$\beta_2 = .67$</td>
</tr>
<tr>
<td>H8</td>
<td>Firm size</td>
<td>$\chi^2_{\text{diff}} = 37.03$ ($p \leq .01$)</td>
<td>$\beta_1 = .54$</td>
<td>$\beta_2 = .76$</td>
</tr>
</tbody>
</table>
provides further support for our conception of standardization as a metaconstruct 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 several organizational factors that have an important role in determining the extent to which standardization facilitates performance.

This research explored Morgan, Kaleka, and Katsikeas’s (2004) position, 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 uniformly to all international markets could weaken differentiation as a competitive advantage. Under these circumstances, a nonstandardized marketing approach may be needed to maintain the integrity of the differentiation strategy. Thus, although 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 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: to 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 Morgan, Kaleka, and Katsikeas’s (2004) position 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., which 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.

In addition, we can 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 level 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 homogeneous nature of electric energy. In contrast, Coca-Cola, a firm operating in an industry with a wide variety of different products, must cope with local tastes and needs and thus cannot leverage the standardization–performance link to the extent that GDF Suez can.

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 firms, 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 suc-
cessful in a B2C market as it would be in a B2B context. Although this rationale is intuitive, it is not supported by our analysis. Instead, our findings imply that firms may require just as much customization as end-user consumers. This outcome could be a reflection of the growing momentum around customer relationship management 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 to drive efficiency. Wal-Mart, the world’s largest retailer, is an example. A key ingredient contributing to Wal-Mart’s growth is its efficient supply chain management, an advantage that has led to record growth and continued success even in a downturned economy. As firms such as Wal-Mart grow, they typically develop the necessary resources for effective marketing standardization. Although smaller firms can strive for standardization as well, their smaller size makes standardized systems less critical to their functioning. Furthermore, because of the scale difference between large and small firms, the return from investing in standardized systems and processes may not be as great for a smaller firm. Therefore, 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 both 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).

Second, by identifying important organizational contingencies, our findings reduce the ambiguity that has surrounded the performance consequences of standardization. Specifically, our findings provide empirical support for the contingency perspective of standardization, as Zou, Andrus, and Norvell (1997) articulate. 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 Zou and Cavusgil (2002) develop 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 normative network. We elaborate on specific avenues for additional research in the “Limitations and Directions for Further Research” section.

**Managerial Implications**

Although previous studies have improved our understanding of which 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 fits with the firm’s competitive strategy, other aspects of the firm’s international strategy, and general firm characteristics. Because 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 pursues differentiation as a competitive strategy, our analysis suggests that managers must give thoughtful consideration to their mar-
kets 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 also considering 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 that are 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 a firm whose strategy is guided by a need for short-term profits. On the surface, standardized practices would seemingly enhance profits. However, in general, firms must 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 reveals another important managerial recommendation. Specifically, neither B2B nor B2C firms should dismiss marketing standardization as inappropriate for their business. In general, the results suggest that marketing standardization has a similar positive association with 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. These two business types would not use the same marketing techniques; however, what should be the same 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. Although our research does not contest the validity of this mentality, it does suggest adopting a blended perspective. Specifically, global managers should attend to market differences and strive for ways to engage efficiently 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. Therefore, marketing standardization is not a “cookie-cutter” approach to marketing but rather 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 that the five factors have a significant influence on the effectiveness of standardization, managers should 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 is conducted best 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 conducted on a regular basis.

**LIMITATIONS AND DIRECTIONS FOR FURTHER RESEARCH**

Although this study provides unique insights into the link between international marketing standardization and firm performance, as are prior studies, it is limited by its conceptual focus and the methods employed. Although 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 to augment prior research that has 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 the differential effects of standardization has certainly not been exhausted. For example, further research involving 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 have an impor-
tant role. For example, we focused on Porter’s (1980, 1985) framework of generic competitive strategies because it has been held repeatedly 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). Further marketing standardization research that considers the strategy dimensions highlighted in these approaches might yield additional 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). Although 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. Because our testing of moderating effects with multigroup 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. Further research might use different statistical techniques to explore this issue in greater detail.

Another limitation lies in the empirical context of the study—U.S. firms—and generalizations from our findings should be made cautiously because 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, further research could also analyze 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 is related to its empirical design. Although 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. Moreover, we used a single respondent from each organization. Although we find no evidence of common respondent bias, the use of multiple raters in future studies might enhance the reliability of our measures (Huber and Power 1985).

It is possible 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 prior research resulted in measures with fewer than three items (e.g., promotion standardization and standardized channel structure). Although 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). Although 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. Thus, further research should be devoted to the generation of comprehensive measures for the constructs used in our study.

Finally, further research should investigate the interplay between industry-level factors (as Katsikeas, Samiee, and Theodosiou [2006] analyze) and organizational-level factors (as this study analyzes). In accordance with the positions of industrial economics and the structure–conduct–performance framework (Bain 1951, 1968), studying the interaction between industry- and organizational-level factors is an important undertaking because organizations are strongly intertwined with their environment.

CONCLUSION

This article examines the organizational factors that moderate the relationship between international marketing standardization and firm performance with a view to expanding academic knowledge and providing managerial insights. The 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 investigators to examine further the complex and contingent role of standardization from additional angles to develop a more complete understanding of the phenomenon.

### Appendix. Items for Construct Measurement

<table>
<thead>
<tr>
<th>Construct Name</th>
<th>Reference</th>
<th>Items</th>
<th>M</th>
<th>σ</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product standardization</td>
<td>Zou and Cavusgil (2002)</td>
<td>• We adopt a standardized core product across all major markets in the world.</td>
<td>3.55</td>
<td>.94</td>
<td>.90</td>
<td>.90</td>
<td>.69</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Globally standardized components make up a significant percentage of the total cost of our product.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Main features of our product are standardized across major markets in the world.</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• The product designs we use in different country markets are very similar.</td>
<td></td>
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</tr>
<tr>
<td>Promotion standardization</td>
<td>Zou and Cavusgil (2002)</td>
<td>• Execution of our advertising varies greatly from one country market to another. (R)</td>
<td>3.50</td>
<td>1.03</td>
<td>.86</td>
<td>.85</td>
<td>.74</td>
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<tr>
<td></td>
<td></td>
<td>• We use very different techniques for sales promotion in different country markets. (R)</td>
<td></td>
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<tr>
<td>Standardized channel structure</td>
<td>Zou and Cavusgil (2002)</td>
<td>• We develop similar channel structure for distributing any product in different country markets.</td>
<td>3.52</td>
<td>1.07</td>
<td>—</td>
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<tr>
<td>Customer satisfaction</td>
<td>Vorhies and Morgan (2005)</td>
<td>• Overall customer satisfaction</td>
<td>3.95</td>
<td>.64</td>
<td>.85</td>
<td>.86</td>
<td>.60</td>
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<tr>
<td></td>
<td></td>
<td>• Delivering value to our customers</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Delivering what our customers want</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Retaining valued customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Market effectiveness</td>
<td>Vorhies and Morgan (2005)</td>
<td>• Market share growth</td>
<td>3.72</td>
<td>.73</td>
<td>.87</td>
<td>.88</td>
<td>.64</td>
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<tr>
<td></td>
<td></td>
<td>• Growth in sales revenue</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>• Acquiring new customers</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td>• Increasing sales to existing customers</td>
<td></td>
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<tr>
<td>Profitability</td>
<td>Vorhies and Morgan (2005)</td>
<td>• Business unit profitability</td>
<td>3.65</td>
<td>.77</td>
<td>.91</td>
<td>.91</td>
<td>.71</td>
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<td></td>
<td></td>
<td>• Reaching financial goals</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Return on investment</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Return on sales (ROS)</td>
<td></td>
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</tr>
<tr>
<td>Differentiation</td>
<td>Frambach et al. (2003); Homburg et al. (1999); Nayyar (1993)</td>
<td>• We offer superior products.</td>
<td>3.88</td>
<td>.69</td>
<td>.83</td>
<td>.83</td>
<td>.50</td>
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<tr>
<td></td>
<td></td>
<td>• We undertake new product development above industry average.</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Relative to the industry standard, our product quality is high.</td>
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</table>
### Appendix. Continued

<table>
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<tr>
<th>Construct Name</th>
<th>Reference</th>
<th>Items</th>
<th>M</th>
<th>σ</th>
<th>α</th>
<th>CR</th>
<th>AVE</th>
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</thead>
<tbody>
<tr>
<td>Cost leadership</td>
<td>Li and Li (2008); Nayyar (1993)</td>
<td>• We continuously improve existing products.</td>
<td>3.77</td>
<td>.66</td>
<td>.87</td>
<td>.87</td>
<td>.50</td>
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<tr>
<td></td>
<td></td>
<td>• We design or produce our products to order.</td>
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<td></td>
<td></td>
<td>• Our manufacturing costs are lower than our competitors’.</td>
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<td></td>
<td></td>
<td>• We continuously improve our processes in order to keep cost low.</td>
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<td></td>
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<td>• We continuously strive for product cost reduction.</td>
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<tr>
<td></td>
<td></td>
<td>• We are constantly improving our operating efficiency.</td>
<td></td>
<td></td>
<td>.87</td>
<td>.87</td>
<td>.50</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Our efficient internal operation system has decreased the cost of our products.</td>
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<tr>
<td></td>
<td></td>
<td>• Our economy of scale enables us to achieve a cost advantage.</td>
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<tr>
<td></td>
<td></td>
<td>• We have achieved a cost-leadership position in the industry.</td>
<td></td>
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</tr>
<tr>
<td>Coordination of marketing activities</td>
<td>Zou and Cavusgil (2002)</td>
<td>• Development of promotional campaigns</td>
<td>3.70</td>
<td>.92</td>
<td>.93</td>
<td>.93</td>
<td>.76</td>
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<tr>
<td></td>
<td></td>
<td>• Pricing decisions</td>
<td></td>
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<td></td>
<td></td>
<td>• Distribution activities</td>
<td></td>
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<td></td>
<td></td>
<td>• After-sale services</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Global market participation</td>
<td>Zou and Cavusgil (2002)</td>
<td>• We have business operations in all major markets in the world.</td>
<td>3.15</td>
<td>1.27</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Product homogeneity</td>
<td>Hill (1990); Sheth (1985)</td>
<td>• Most products have no intrinsic differences from competing offerings.</td>
<td>3.40</td>
<td>.94</td>
<td>.72</td>
<td>.72</td>
<td>.56</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Many products are identical in quality and performance.</td>
<td></td>
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<td></td>
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<tr>
<td>B2B/B2C focus</td>
<td>Carpenter (1987)</td>
<td>• Share of sales direct to end user</td>
<td>1.58</td>
<td>.49</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Firm size</td>
<td>Steensma and Corley (2000)</td>
<td>• Number of employees</td>
<td>2.83</td>
<td>1.33</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

Notes: CR = composite reliability, and R = reversed items.
NOTES

1. Porter (1980) identifies 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 multigroup analysis, we 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 the multigroup analyses reported in this article.

REFERENCES


Unger, Laszlo (1983), “Strategic Planning for Commodities and Specialties: A Strategic Industry Study Based on the Example


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