

# Global strategy in the international advertising industry

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## Abstract

The strategic behaviour of international advertising agencies is studied using Yip's global strategy framework. In most cases, firms seek broad international engagement to leverage agency advantage; the development of uniform international management systems has a high priority; and "responsive" advertising output is common. Many agencies have developed IT systems to facilitate international communication and integration, and significant uniformity of branding and positioning policy is the norm. However, uniform patterns of industry-specific behaviour are not evident in many of the areas investigated, with wide variance in agency strategy at the firm level. These differences indicate that factors such as firm resources and administrative heritage are frequently at least as important as the industry environment in affecting strategy in international markets. The behaviour identified is also generally consistent with an industry environment where market drivers are very important, with most agency clients demanding consistent performance and quality internationally, along with responsiveness. Yip's framework, which emphasises the impact of industry structure on firm conduct, is useful in indicating how the environment tends to drive some dimensions of strategy in a 'characteristic' direction. However, it is also evident that more account needs to be taken of 'resource-based' theory, and thus the impact of idiosyncratic firm resources, when seeking to understand strategic behaviour in the industry.

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## 1. Introduction

Research in the field of international advertising has focused primarily on standardisation and contextual issues (Douglas & Craig, 1992; Shoham & Albaum, 1994; Kotabe, 2001). Study of the overseas operations of advertising agencies is limited, with gaps in knowledge of international strategic and managerial behaviour. As a result, 'we know remarkably little about how such international advertising agencies operate' (Grein & Ducoffe, 1998, p. 1).

This study focuses on the global strategy of international advertising agencies operating in Britain. The conceptual framework developed by Yip (1992, 2003) is used to describe both strategic behaviour and its

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antecedents. When studying the factors affecting strategy, a distinction is made between the impact of the external industry environment and internal variables, such as firm resources. The analysis therefore makes a contribution to knowledge of the overseas operations of agencies and the debate on the impact of the environment versus idiosyncratic firm capabilities as antecedents to strategic behaviour.

### *1.1. Theoretical framework*

The ‘global strategy’ concept has been interpreted in different ways, with initial discussion of the construct emphasising the idea that multinational firms should present a unified ‘face’ in overseas markets (Fayerweather, 1969), and the notion of ‘the global village’ with centralised manufacture of standard products for unified markets (Levitt, 1983). Bartlett and Ghoshal’s (1995) influential work builds on this discussion, and they view global strategy as an efficiency-driven approach to competition in homogeneous overseas markets, realised through scale economies from concentrated production of standardised products. Hout, Porter, and Rudden (1982) suggested that strategic options range between the polar points of a fully ‘global’ or ‘multi-local’ approach. This view was endorsed by Prahalad and Doz (1987) and Jain (1989), who argue that companies need to balance the pressures for responsiveness and efficiency when setting a strategy.

Concurrent with this discussion, there was a growing interest in the antecedents to strategic behaviour and the application of ideas drawn from the industrial-organisation approach to business strategy, with industry ‘structure’—the nature of the business environment—seen as the key determinant of ‘conduct’ and ‘performance’ (Porter, 1986; Morrison, 1990). The key environmental dimensions proposed as strategy antecedents included the nature of overseas markets, conflicting pressures for homogenisation and responsiveness, decreased transport costs and trade barriers, improved communication technology and integration pressures.

At the firm level, strategic behaviour is now seen to embrace more than a focus on uniformity driven by a desire for cost efficiency, and the idea that coordination and integration across national boundaries is the key dimension of globalisation has gained currency. The Yip framework, used in this research, conceives global strategy as multi-dimensional in nature, based on an orientation ‘that integrates and manages for worldwide business leverage and competitive advantage’ (Yip, 1992, p. 7).

### *1.2. The Yip framework*

The conceptual framework developed by Yip (1989, 1992, 2003) is not universally accepted, but has the important advantage of deriving from a comprehensive interpretation of ‘global strategy’ and its antecedents (Stonehouse, Hamill, Campbell, & Purdie, 2000; Zou & Cavusgil, 2002). A significant literature has developed around Yip’s analysis (Kotabe & Helsen, 2004), including some empirical work (Johansson & Yip, 1994).

As shown in Fig. 1, Yip identifies four sets of ‘drivers’ which represent the industry-level environmental factors determining the extent to which the adoption of global strategies is more or less rewarding. Variation in these factors across industries implies that greater or lesser use will be made of the five ‘global strategy levers’. These are participation; products and services; location of activities; marketing; and competitive moves. Each ‘lever’ is conceptualised as varying along a scale, anchored at one end on ‘multi-local’ behaviour, which is when business units in each location are autonomous and respond only to local circumstances. At the other end of the scale, ‘global’ behaviour is characterised by an integrated approach to attain worldwide competitive advantage.

In response to the industry-level environment, firms seek to align their strategy ‘levers’ with industry ‘drivers’. While the central focus of the Yip framework is on the drivers to levers relationship, derived from the structure–conduct–performance paradigm, the adoption of the levers is also seen to be influenced by company-level factors including resources, business position and ability to implement a global strategy. Some account is thus also taken of the ‘resource-based view’, where emphasis is given to a company’s internal capabilities as the key to understanding the nature of a firm’s strategy and success (Barney, 1991). However, it is clear that Yip’s framework places most emphasis on the impact of the external environment on strategic behaviour.

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