Journal of World Business 45 (2010) 59–67

Contents lists available at ScienceDirect

Journal of World Business

journal homepage: www.elsevier.com/locate/jwb

Understanding multi-level institutional convergence effects on international market segments and global marketing strategy

David A. Griffith *

Department of Marketing, The Eli Broad Graduate School of Management, N370 North Business Complex, Michigan State University, East Lansing, MI 48824-1122, United States

ARTICLE INFO

Keywords:
Marketing strategy
Institutional economics
Convergence
Market segments

ABSTRACT

Dynamic changes in the global marketplace have increased opportunities for marketing strategy standardization due to the convergence of cross-national market segments. An oversimplified understanding of the complexities of this convergence could lead to ineffective global marketing strategy execution. This study develops a multi-level institutional approach to address level-based convergence effects necessary to understanding market segment convergence and its influence on global marketing strategy. A model of influential level effects on global marketing strategy is developed having implications for global marketing academics and practitioners.

© 2009 Elsevier Inc. All rights reserved.

The development of global marketing strategy has been the subject of intense academic debate and research for decades (cf., Baalbaki & Malhotra, 1993, 1995; Katsikeas, Samiee, & Theodosiou, 2006; Ryans, Griffith, & Jain, 2008; Sanchez-Peinado, Pla-Barber, & Hébert, 2007; Sousa & Bradley, 2008). Central to this debate is the extent to which marketing strategy elements, e.g., elements of the marketing mix, can be transferred effectively across countries (e.g., Baalbaki & Malhotra, 1993, 1995; Jain, 1989; Katsikeas et al., 2006; Okazaki, Taylor, & Doh, 2007; Onkvisit & Shaw, 1987, 1999; Ozsomer & Prussia, 2000; Sanchez-Peinado et al., 2007; Seggie & Griffith, 2008; Shoham, Brencic, Virant, & Ruvio, 2008; Solberg, 2000; Taylor & Okazaki, 2006). Underlying this debate has been the weighting of the effectiveness gains of local market adaptation against the potential economic benefits obtainable through standardization in cross-national segments (Katsikeas et al., 2006; Ozsomer & Prussia, 2000; Ryans, Griffith, & White, 2003; Sousa & Bradley, 2008). This has become increasingly complex given the movement toward globalization at multiple levels and the increasing dynamism of markets and their effects on market segments (Ghemawat, 2003; Luo, 2007; Okazaki et al., 2007).

The issue of market segments and market segmentation has received increased attention in the literature due to globalization (Steenkamp & Ter Hofstede, 2002). A wide variety of segmentation bases and methods have been used by scholars investigating this important area (e.g., Askegaard & Madsen, 1998; Bolton & Myers, 2003; Day, Fox, & Huszagh, 1988; Steenkamp & Ter Hofstede, 2002). Wedel and Kamakura (1999) note that the goal of market segmentation is to identify those individuals who exhibit similar behaviors and therefore will react uniformly to marketing stimuli. While market segments have often been viewed as having clearly defined boarders within a nation-state, the movement toward integrated markets due to globalization has created the need for conceptualizing market segments in new ways (Ghemawat, 2003; Okazaki et al., 2007). For example, as Ghemawat (2003) notes, market integration creates opportunities for firm strategies to stretch across national boundaries in a semi-globalization approach. While the issue of global marketing strategy employment is well formulated, limited research has employed a strong theoretical foundation for its understanding (Lages, Jap, & Griffith, 2008; Morgan, Kaleka, & Katsikeas, 2004). The extant literature has done little to incorporate the theoretical complexity of the environment to provide academic or practitioner actionability, an action called for by Katsikeas et al. (2006).

The purpose of this study is to contribute to the literature by specifically addressing these limitations (i.e., lack of theoretical foundation and complexity of the environment) in the literature by employing institutional economics to examine the factors influencing the changes in cross-national market segments and adaptation appropriateness of a firm's global marketing strategy as the firm operates across countries. Institutional economics is used to understand the appropriateness of global marketing strategy elements. This will provide academics and practitioners with a better understanding of how to adapt and standardize their marketing strategy. Institutional economics is discussed first, explicating the dimensionality of institutions. Next, the multi-level nature of institutions in which firms operate, and the dynamic nature of these elements are addressed. This sets the foundation for market segment convergence. Next, we discuss the complexity of global marketing strategy, both as discussed in the literature (i.e., the complex nature of each marketing mix element) as well as

* Tel.: +1 517 432 6429; fax: +1 517 432 1112.
E-mail address: griffith@bus.msu.edu.

1090-9516/$ – see front matter © 2009 Elsevier Inc. All rights reserved.
doi:10.1016/j.jwb.2009.04.006

executed within the marketplace. Implications for academics and practitioners are then discussed setting forth a foundation for actionability.

1. The complexity of institutions

1.1. Institutional economics

Institutional economics has become a central aspect of international research (Jackson & Deeg, 2008; Luk et al., 2008; Luo, 2005). Institutional economics is founded on the premise that the institutional environment is composed of a set of fundamental social, legal and political tenets that govern economic activity (Davis & North, 1970; North, 1990). These tenets influence the organizations operating within each country market. Empirical studies based on nation-state level factors (reflective of institutional environments) such as education, capital investment, technological innovation, national culture, etc., continue to demonstrate nation-state-based performance differences (e.g., Chelminski & Coulter, 2007; Franke, Hofstede, & Bond, 1991; Gomez-Meija & Palich, 1997; Homburg, Kuester, Beutin, & Menon, 2005; Luk et al., 2008; Shane, 1995; Song, Nason, & Di Benedetto, 2008). For example, Franke et al. (1991) demonstrate that differences in nation-state level economic performance may partially result from differences in national culture. In addition, research suggests that the more dissimilar the country profiles, i.e., institutional environments, the more difficult it is to understand the requirements of the collection of operations and responses appropriate to local demands (Goerzen & Beamish, 2003). To better understand these institutional elements, each is briefly discussed.

Social institutions are constructions derived from the culture of individuals within a set society. Culture is one of the most studied aspects of institutional effects on business, most notably through the work of Hofstede (Kirkman, Lowe, & Gibson, 2006). Culture is defined as the homogeneity of characteristics that separates one human group from another and provides a society's characteristic profile with respect to norms, values and institutions that affords understanding to how societies manage exchanges (Hofstede, 2001). While numerous frameworks of culture have been offered (e.g., Clark, 1990; Hofstede, 2001; Triandis, 1995; Trompenaars & Hampden-Turner, 1998), the work of Hofstede (2001) presents an ideal conceptualization for the study of social institutions as it directly relates to the attitudinal and behavioral approach upon which exchange transactions (e.g., commerce) are founded. Hofstede (2001) identifies five dimensions along which countries can be classified: individualism, power distance, uncertainty avoidance, masculinity and long-term orientation. While Hofstede's classification provides for national cultural understanding, more fine grained insights can be gained by examining specific country cultural elements. For example, the significance of key cultural institutions such as guanxi (connections, relations) and propriety (li) is often traced to the Confucian emphasis on social roles and clan ties (Gu, Hung, & Tse, 2008; Lee & Dawes, 2005; Peerenboom, 2001). Guanxi, in particular, can play a role in the key commercial area of contract implementation (Ahlstrom, Bruton, & Yeh, 2008; Peerenboom, 2001), trust in firm boundary spanners (Lee & Dawes, 2005), as well as on firm capability (Gu et al., 2008).

The legal element of institutional economics is concerned with codified rules and laws and their impact on organizations and individuals (North, 1990). This institutional environment encompasses property rights, contract law, company law and arbitration, and numerous commercial customs, and differs widely across nation-states (Scott, 1995; Zhang, Griffith, & Cavusgil, 2006). As firms operate within legal environments, their operations are constrained by the legal parameters the operating environment sets forth. For example, Edelman and Suchman (1997) denote three unique legal environments influencing organizational activities: the facilitative environment (i.e., law provides for an exogenously developed passive set of policies and practices that managers actively engage), the regulatory environment (i.e., an exogenously developed active set of constraints injected into the firm's operating environment) and the constitutive environment (i.e., where the legal system constructs and empowers organizational actors and their relationships). The implication of the institutional element is clearly delineated in the literature. Studies show that differences in the legal systems in two institutional environments can influence shareholder protection (La Porta, Lopez-De-Silanes, Shleifer, & Vishny, 1998) and the time and costs associated with opening a new business (Djankov, La Porta, Lopez-de-Silanes, & Shleifer, 2000). Similarly, Capelleras, Mole, Greene, and Storey (2008) found that when examining registered new venture growth rates across markets, differences in regulatory environments influenced growth. Further, Zhang et al. (2006) indicate that differences in legal environments influence the timing of the dispute handling procedures in contract violations, therefore influencing the overall governance of exchange transactions.

The political institutional environment is also a fundamental aspect influencing business. The political environment refers to the structuring and operation of political institutions within a society. Political institutions exist along a continuum from democracy to totalitarianism. A democracy offers constitutional opportunities for changing governing officials, and a social mechanism which permits the largest possible part of the population to influence major decisions by choosing individuals for political office (Lipset, 1995). Common traits of a democracy include popular sovereignty, political equality, majority rule, civic participation, a free press and protection of individual liberties. Alternatively, a totalitarian political systems is one in which one party controls all the political, economic, military and judicial power (Roskin, Cord, Medeiros, & Jones, 2000). Totalitarian political environments are characterized by a single ideology, a monopoly in communication and a controlled economy (Friedrich & Brzezinski, 1965). Rodriguez, Siegel, Hillman, and Eden (2006) note the importance of political institutional effects on firm business strategy and the need for greater guidance in the literature as to how these environmental aspects influence firm competitive strategy. Similarly, Dow (2000) notes that differences in political systems are a key element separating nation-states influencing market selection decisions.

1.2. Degree and speed of institutional convergence

These three institutional elements have been employed to categorize nation-state environments when exploring critical global marketing issues (see Fig. 1). The conceptualization of nation-state institutional elements has been static in nature. This is probably due to the cross-section research employed in comparative market system research and its general reliance on static economic models. However, institutional elements are not static in nature but rather ever evolving through integrative efforts both within and between macro (e.g., institutions) and micro (e.g., firms, consumers) economic actors (Akhter, 2004; Ghemawat, 2003; Holm & Sorenson, 1995). Akhter (2004), building on Holm and Sorenson (1995) and consistent with Ghemawat (2003), notes that at the country level, globalization is a process of intensified interaction between markets that fundamentally changes the economic, social and political positions of these markets. The degree of convergence of institutional elements of these markets is parallel to the degree of engagement of an individual nation-state within the global environment. This entails integration not only in terms of frequency of engagement (i.e., the number of bi-lateral or multi-lateral trade agreements a country has made), but more

دریافت فوری ← متن کامل مقاله

ISIArticles
مرجع مقالات تخصصی ایران

- ✓ امکان دانلود نسخه تمام متن مقالات انگلیسی
- ✓ امکان دانلود نسخه ترجمه شده مقالات
- ✓ پذیرش سفارش ترجمه تخصصی
- ✓ امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
- ✓ امکان دانلود رایگان ۲ صفحه اول هر مقاله
- ✓ امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
- ✓ دانلود فوری مقاله پس از پرداخت آنلاین
- ✓ پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات