

## Marketing performance of subsidiaries operating abroad: An integrative model

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### ABSTRACT

In the internationalization process firms face challenges in order to be successful, such as enabling knowledge transfer, finding the optimum balance between standardizing/adapting their marketing strategies, determining the strength of external networks, and deciding degrees of reverse innovation. Research on knowledge transfer in multinational firms has grown considerably over the last 15 years, but still little is known about its impact on the marketing performance of subsidiaries. The majority of the investigations carried out analyze knowledge transfer but not its interrelationships with the performance of subsidiaries. Several other studies evaluate the standardization/adaptation decision, but do not take into consideration issues such as operational environments or psychic distance. To fill this gap we review 70 articles published in top-tier peer-reviewed international and national journals in the field of international business and international marketing. From this review we build up a framework for the development of an integrative and explanatory theoretical model of the marketing performance of subsidiaries operating abroad with fifteen propositions. In this paper we present a literature review and model that will be empirically tested after gathering information to form a reliable database about the performance of multinationals.

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### 1. Introduction

Firms can choose between entering the global competition or remaining restrict to their local positions. However, it must be emphasized that the survival of those who opt for a strictly local strategy is limited (Ramos, 2011), not only because of eventual market saturation, but mainly because such firms are not abreast of new and important technologies and knowledge. This process of catch-up with the best practices in the management field happens when firms internationalize their activities. The relationship between marketing strategies and performance has been well documented and has a variety of approaches (Cavusgil; Zou, 1994; Menon; Bharadwaj; Adidam; Edison, 1999; Matsuno; Mentzer, 2000; Vorhies; Morgan, 2003; Reinartz; Krafft; Hoyer, 2004; Rust; Lemon; Zeithaml, 2004; Baker; Sinkula, 2005). However, most papers focus on a specific entry mode, such as the investigation by Dalmoro (2010).

Broader studies on the antecedents of the marketing performance of subsidiaries operating abroad are meager. Therefore, despite the amount of papers on the subject, international performance still represents a hot topic in terms of research in International Business (Carpes; Velter; Scherer; Lütz, 2010).

Although there is a considerable number of studies analyzing and formulating models of internationalization, almost all focused on MNCs without addressing and considering the complexity of relationship networks (Rugman; Verbeke; Nguyen, 2011). Also noteworthy is a critique related to more traditional models due to their inability to present and evaluate background business dynamics. They are static models that do not incorporate environment turbulence (Ramamurti, 2012). Networks represent an important issue for marketing analysis, in which the performance of an organization

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is directly related to its ability to adapt and respond to markets they operate in (Lambin, 2000; Ferrell; Hartline, 2009). In international marketing, this mindset is very similar.

The existence of friendly and effective mechanisms of efficient and dynamic models that enable a faster evaluation of the performance of each foreign unit is increasingly relevant. Presence in foreign markets can occur in various forms and, depending on the business environment, an organization may need to relocate its local operation. This is what happened to AMBEV in 2013, for example. At the time, the firm decided to close its unit in Venezuela after realizing that the local dynamics were unsustainable; its products, however, continued to be offered through its network (AMBEV Closes Factory..., 2013). The case of Nestlé and Danone also illustrates the importance of properly monitoring environments. Because of cultural differences and the liability of outsidership (Rugman et al., 2011), both companies chose to close factories in China in 2011 (Domingues, 2011).

Thus, this study aims to identify the key environmental variables described in International Business and International Marketing literature and proposes a theoretical, integrative, and explanatory model for the marketing performance of subsidiaries operating abroad. The model developed incorporates the dynamics of the environment and the issue of organizational learning, and can be applied to large and small organizations—even franchise chains can benefit from it. Franchise chains such as Arby's and KFC, for example, were unable to properly analyze the Brazilian market before settling in the country. They did not achieve satisfactory results and ended their operations in Brazil after massive investments had been made (Naves, 1999).

The model is presented after a careful selection and review of previous literature on the concepts and theories described in articles published in top-tier peer-reviewed academic journals. Generally, the research results published in top journals represent validated knowledge and have great impact on the academic community. Our desk research focused on journals with an h-index greater than or equal to 60. We also supported our selection on the Qualis (Sucupira) classification—a Brazilian system for qualifying academic journals—seeking “A” journals. We included, for example, the *Journal of International Business Studies*, the *Journal of*

*International Marketing*, the *International Business Review*, the *Journal of International Management*, and the *Revista de Administração da USP (Management Journal of the University of Sao Paulo)*.

It is important to highlight that this article is not intended to explain the reasons for firm internationalization, to discuss entry modes, or to analyze the decision on where to operate. Our main goal is to present an integrative new model of the marketing performance of subsidiaries operating abroad. In the following section, we present a literature review on the internationalization of firms and international marketing performance as well as their antecedents in order to summarize our constructs and modeling. In subsequent sections, based on the literature, we elaborate and justify our propositions, theoretical model, and scales. Final remarks are also presented that stress the necessity of testing the model.

## 2. Literature review

This chapter briefly discusses the main theories and concepts relevant to the development of the integrative model that is presented below.

### 2.1 Internationalization of firms

Given the hypercompetitive environment of the twenty-first century, firms need to search for new forms of management and focus on intangible assets such as the development of knowledge and skills. In this sense, the role of subsidiaries gains importance as a source of information and new technologies, and local embeddedness becomes a relevant issue for companies when better understanding and exploiting local opportunities (Schlegelmilch; Chini, 2003; Oliveira, 2009).

Several models and theories explain the internationalization process of firms. Some are ruled by Economics, guided by the option of foreign direct investment (FDI) in spite of relying only on imports and exports to sell products and purchase inputs in other countries. Others from Business Administration focus more on the role and perspective of managers. However, most models are static, do not incorporate market dynamics, nor do they facilitate an understanding of the marketing performance of subsidiaries, which is the aim of this paper.

The development of the propositions that were used for the construction of the integrative

theoretical model presented in this study has incorporated various concepts and theories, such as: i) the advantages of ownership and location by Dunning (1980, 1988, 1993); ii) operation characteristics—Hoftede's (1980) concept of psychic distance; iii) product lifecycle by Vernon (1979); and iv) Polanyi's (1944) local embeddedness. Recent studies on the subject of international marketing performance, internationalization of firms, and the role of subsidiaries were also analyzed. The proposal herein was developed in order to measure and evaluate international marketing performance of MNCs regardless of entry mode strategies or other marketing decisions.

## 2.2 International marketing performance and its antecedents

From an economic perspective, globalization can be interpreted as the interaction of three processes: i) the significant expansion on international flows of goods, services, and capital; ii) increased competition in international markets; and iii) greater integration among national economic systems (Cateora; Graham, 1999). Facing this perspective, the main challenge in an internationalized market is the development of appropriate strategic planning that is consistent with the interdependence and unification of the global economy.

While domestic marketing involves manipulating only controllable variables (i.e., product, price, place, and promotion) and monitoring uncontrollable variables (e.g., economic, competitive, cultural, and legal environments), international marketing involves dealing with several markets in which controllable and uncontrollable variables also vary between themselves (Philips; Doole; Lowe, 1994). The lack of international marketing tools, according to Pipkin (2005), is one of the aspects responsible for the failure of organizations in foreign markets. Strategic planning is extremely important for firms to seize opportunities in a globalized environment. From a diagnosis of firm features and capabilities, an organization willing to work internationally needs a strategy compatible with the environment.

Grewal, Iyer, Kamakura, Mehrotra, and Sharma (2009) state that prior literature addresses the strategy–performance link in International Business according to four perspectives: dynamic capability, standardization, configuration–coordination, and integration–responsive (Luo, 2002; Zou; Cavusgil,

2002). Each perspective yields insights into assessments of global marketing performance and contributes to the development of market creation and market yield processes as a basis for evaluating subsidiary performance. Dynamic capability calls for the building and leveraging of capabilities across the MNC subsidiary network (Luo, 2002), and thus performance assessment involves creation-oriented and yield/exploitation processes. The standardization perspective entreats MNCs to seek economies of scale by standardizing their marketing activities across subsidiaries and adapting marketing strategy to relevant environmental differences (Syzmanski; Bharadwaj; Varadarajan, 1993).

Within the field of international marketing, the debate over the extent of standardization or adaptation has occupied a significant part of past research. Several researchers concentrated their analysis on the relationship between firm marketing performance and the decision to adapt/standardize (Quester; Conduit, 1996; Theodosiou; Leonidou, 2003; Xu; Cavusgil; White, 2006; Sousa; Lengler, 2009; Vrontis; Thrassou; Lamprianou, 2009; Schmid; Kotulla, 2011). Supporters of standardization of the marketing mix stipulate that consumers' needs, wants, and requirements do not vary significantly across markets or nations and argue that this strategy enables economies of scale (Fatt, 1967; Levitt, 1983; YIP, 1996). Furthermore, different advertisements from different countries might create confusion amongst consumers (Backhaus; Van Doorn, 2007). On the other hand, proponents of adaptation stress the difficulties in using a standardized approach and its lack of potential local responsiveness (Kashani, 1989; Thrassou; Vrontis, 2006). Recent studies try to determine a balance between both approaches—a coexistence, establishing a complex interrelationship in the same firm (Kitchen, 2003; Vrontis, 2003; Soufani; Vrontis; Poutziouris, 2006).

Another issue that has long been studied is the relationship between marketing performance and decisions about the level of centralization (Brook, 1984; Gates; Egelhoff, 1986; Birkinshaw; Hood; Jonsson, 1998; Taggart; Hood, 1999; Vachani, 1999; Bowman; Duncan; Weir, 2000; Young; Tavares, 2004; Homburg; Prigge, 2014). Integration–responsive (Zou; Cavusgil, 2002) and configuration–coordination (Bartlett; Ghoshal, 1989; Craig; Douglas, 2000) perspectives suggest the need to leverage location-specific advantages and take explicit account of firm- and country-specific advantages enjoyed by each

subsidiary while coordinating activities across subsidiaries in order to gain relevant synergies and control location-specific advantages and disadvantages.

Subsidiary autonomy represents an important variable in terms of marketing performance as well (Homburg; Prigge, 2014). However, Birkinshaw, Holm, Thilenius, and Arvidsson (2000, p. 321) believe that “Where the subsidiary desires autonomy, headquarters prefer control . . . and where the subsidiary is acting primarily in the interests of the local business, headquarters are far more concerned about the MNC’s worldwide profitability.” Moreover, although research has acknowledged the application of some headquarters’ control over marketing decisions as vital to ensuring strategic alignment with subsidiary decisions (Luo, 2001), headquarter managers should still be aware that the more control they exert over marketing decisions within subsidiaries, the greater the subsidiaries’ desire for autonomy will be (Homburg; Prigge, 2014).

Regardless of the importance of such issues, none of the models proposed by the authors take into account the impact of other variables simultaneously. In this sense, the proposals may fail to incorporate aspects that directly influence marketing performance as well as analyze the interrelationship between variables. The model we propose could reduce such flaws.

### 2.3 Constructs and modeling

Townsend and Ashby (1984) state that the measurement concept is related to the process of assigning numbers to objects in a way that empirical qualitative relationships between the objects are reflected by numbers as a property of the numeral system. Being so, the first step in proposing a model is the definition of constructs whose relationships we intend to evaluate (Hair; Black; Babin; Anderson, 2010).

An aspect emphasized by Hair et al. (2010) and Tabachnick and Fidell (2007) is that all models should be supported by theory. The theoretical basis is a necessary condition for determining relationships and causality, which can be determined later through statistical analysis (e.g., confirmatory factor analysis). It is noteworthy that any external influence on the dependent variable in question affects the supposed relationship of cause and effect investigated. Thus, causality verification in the social

sciences can be reckless, leading to inappropriate conclusions or the determination of spurious relationships. As it is not possible to test all possible alternative explanations, it is impossible to completely eliminate the argument of spurious relationship (Tabachnick; Fidell, 2007). Still, according to the authors, the researcher can increase the reliability of the relations studied through a broad literature review.

### 3. Propositions and theoretical model

The critical first step in the development of the scales is to specify the domain of each construct (Churchill, 1979; Martin; Eroglu, 1993). The researcher must be exact in delineating what is included in the definition and what is excluded. In our study, this step involves a comprehensive review of literature related to marketing performance as well as the HQ–subsidiary relationship and knowledge flow. The review also included literature on scale development. Along with the above studies, an interdisciplinary review of literature (e.g., international business, political sciences, economics, and sociology) resulted in the identification of 18 relevant dimensions. From this point, a second desk research was carried out in order to seek the definitions of each construct and possible scales to measure them. By doing this, we gathered all dimensions into 10 constructs and elicited 15 propositions, integrating different existing models.

Although there is a large number of relationships, theory corroborates all of them. The disregard of any of the propositions—by exclusion or grouping—without the proper application of statistical tests may represent a loss of reliability or power for the proposed model.

It is noteworthy that the latent variables were measured by reflective indicators. As defined by psychometry, reflective indicators are those which are explained by the constructs (BABIN; HAIR JR; Boles, 2008), while the formation indicators explain the construct, without any correlation between them being expected (Jarvis; Mackenzie; Podsakoff, 2003; Diamantopoulos; Siguaw, 2006; Coltman; Devinney; Midgley; Venaik, 2008). The model is presented in Figure 1.

Discussion and application of hierarchical constructs, or multidimensional constructs, are often limited to a second order hierarchical structure, and can be defined as constructs involving more than one dimension (Edwards, 2001; Jarvis et al., 2003;

Netemeyer; Bearden; Sharma, 2003; Mackenzie; Podsakoff; Jarvis, 2005). As such, they can be distinguished from unidimensional constructs, which are characterized by a single underlying dimension (Netemeyer et al., 2003). The utility of hierarchical construct models is based on a number of theoretical and empirical grounds (Edwards, 2001). Proponents of the use of higher-order constructs have argued that they allow for more theoretical parsimony and reduce model complexity (Edwards, 2001; Mackenzie et al., 2005).

### 3.1 Propositions and theoretical basis

**P1:** *the greater the local advantages where subsidiaries operate, the more important the quality of the relationship between the parent company and its subsidiaries (and the strength of the internal network) is.*

Several authors discuss the importance of subsidiaries in terms of marketing performance. A growing numbers of studies agree that the subsidiary can offer strategic benefits and advantages to the firm (Ramamurti, 2009, 2012; Melo; Borini; Oliveira Jr; Parente, 2015). Such advantages can only be exploited if the quality of the relationship between the HQ and subsidiary is good (i.e., a strong internal network). A study by Holm and Pedersen (2000) points out this issue.

**P2:** *the greater the distance (between the home country and the location of operation), the more important the quality of the relationship between the parent company and its subsidiaries (and the strength of the internal network) is:*

Distance-related research is one of the most important streams within international business (IB) (Zaheer; Shomakre; Nachum, 2012). Hutzschenreuter, Kleindienst, and Lange (2015) propose that distance typically refers to the extent of differences between country pairs. Literature relates distance to four different dimensions: culture, administration, geography, and economy (Ghemawat, 2001). Culture is the most discussed dimension in the literature, giving the studies of Hofstede prominence. The effects of distance are diverse: i) it can disturb the flow of information between the firm and the market (Johanson; Wiedersheim-Paul, 1975); and ii) it introduces friction (Shenkar; Luo; Yeheskel, 2008) and complexity (Vermeulen; Barkema, 2002) in cross-border activities. The concept of distance first appeared in

Johnson and Vahlne's (1977) seminal article and was spread worldwide by Hofstede's studies. In 1988, Kogut and Singh proposed a new perspective on the subject. However, despite 40 years of study, there still is ambiguity and a lack of clarity in regards to: i) the dimensions of distance, and ii) the measurement of distance (Hutzschenreuter et al., 2015). Even so IB researchers agree that it represents an important construct for the analysis of MNC activities and performance and that the quality of the relation between HQ and subsidiaries should be related to it (Sousa; Lengler, 2009).

**P3:** *The greater the distance (between the home country and location of operation), the more important it is for the subsidiary to develop a strong external network.*

The greater the distance—cultural, economic, or geographic—between the home country and the location of the subsidiary, the bigger the obstacles that a firm has to deal with in order to become locally competitive will be. Thus, it is important to maintain a good relationship between HQ and subsidiaries and to strengthen the internal network of the MNC (Sousa; Lengler, 2009; Hutzschenreuter et al., 2015).

**P4:** *The greater the dynamics/turbulence where the subsidiary operates, the more important the knowledge flow between the parent company and its subsidiaries (and within subsidiaries) is.*

Market turbulence refers to the rate of change in customer preferences and competitive actions in a host country (Cui; Griffith; Cavusgil; Dabic, 2006; Lee; Chen; Kim; Johnson, 2008). It determines how foreign firms interpret local market information (and knowledge generated from their major competitors and customers) and then acts on it, exploiting any opportunities presented in such unpredictable environmental changes. According to the degree of local uncertainty (political, legal, economic a.s.f.), MNCs need constant exchange information and to share decisions in order to maximize their marketing performance (Birkinshaw et al., 1998). Knowledge management becomes more important as well (Schlegelmilch; Chini, 2003) because companies learn, and the sharing of previous experiences minimizes risks and speeds up decision-making (Park; Vertinsky; Becerra, 2013).

**P5:** *The greater the dynamics/turbulence where the subsidiary operates, the more important the quality of the relationship between the parent company and its subsidiaries (and the strength of the internal network) is.*

As reported by Birkinshaw et al. (1998) and Borini (2010), the greater the dynamism of the competitive environment, the greater the probability that the subsidiary becomes strategically important. Thus, the quality of the HQ–subsidiary relationship is directly related to local dynamics/ turbulence. It is also important for MNCs as a way of avoiding the loss of the subsidiary (Oliveira, 2009). Studies by Schlegelmilch and Chini (2003) and Park et al. (2013) have also discussed the importance of the relationship between HQ and subsidiary in relation to local turbulence.

**P6:** *Distance has a direct influence on the standardizing/adapting decision.*

According to the amount of difference between the home country and the location of the operations, a subsidiary may benefit more from standardized marketing decisions (Quester; Conduit, 1996; Costa, 1998; Ambos; Ambos; Schlegelmilch, 2006). Several studies have shown that each situation needs to be carefully analyzed so that the MNC can benefit the most from local opportunities and maximize local responsiveness. Jain (1989) proposes a framework for determining the extent of standardization of marketing programs.

**P7:** *The better the quality of the relationship between the parent company and its subsidiaries (strength of the internal network), the more autonomy is granted to them.*

Quester and Conduit (1996) conclude that there is no correlation between standardization and the centralization of decisions. Thus, it is possible for a MNC to have a strong internal network and some centralized decisions and offer a high degree of autonomy to its subsidiaries. Other studies, such as the paper by Gates and Egelhoff (1986) and Birkinshaw et al. (1998), show that higher levels of autonomy (up to a certain level) tend to increase the degree of entrepreneurship of subsidiaries, improving their local marketing performance. However, as pointed out by Oliveira (2009), the quality of the relationship between the parent company and its subsidiaries has to be close in order to maintain the network. Otherwise, subsidiaries might become excessively autonomous or even an independent branch. Therefore, to some extent centralization is important, as discussed by Ferreira, Beltrão, and Almeida (2013).

**P8:** *The better the quality of the relationship between the parent company and its subsidiaries*

*(strength of the internal network), the more important the knowledge flow between the parent company and its subsidiaries (and within subsidiaries) is.*

The flow of knowledge can be an important weapon in highly competitive environments if aided by the network approach of business administration (Oliveira, 2009). Subsidiaries usually have better information about the local operation than the HQ in the country of origin. This issue has been discussed in other arenas since Jensen and Meckling's (1976) agency theory. Therefore, HQ and subsidiaries should avoid information being distributed asymmetrically (Greenwald; Stiglitz, 1990; Quester; Conduit, 1996; Birkinshaw et al., 1998; Seufert; Von Krogh; Bach, 1999; Oliveira, 2009).

**P9:** *The better the quality of the relationship between the parent company and its subsidiaries (strength of the internal network), the better the subsidiary is at responding to environmental opportunities and changes (local responsiveness):*

Access to more knowledge and information through MNC networks not only induces a direct effect on firm performance, but also bolsters the positive effects of strategic marketing postures on firm performance (Lee, 2010). Increases in MNC network strength help the foreign firm obtain more resources from other foreign subsidiaries and its headquarters, reinforcing its responsiveness to local environments (Hansen; Nohria, 2004). In particular, firms with stronger ties are associated with higher levels of trust, facilitating market information exchange (Tsai; Goshal, 1998).

**P10:** *The more autonomy granted to the subsidiary, the more important it is that the subsidiary develops a strong external network.*

Previous propositions mentioned the relation between autonomy and business networks. Once a MNC grants autonomy to a subsidiary, it is important to strengthen its value chain (locally and internationally). According to Chiao and Ying (2013), by being closer to the market, a subsidiary can gain sufficient information to understand market characteristics and consumption habits. As a result, the parent firm should grant subsidiaries a higher level of autonomy in order to handle market competition. However, autonomy alone is not sufficient to exploit local opportunities. Subsidiaries need partnerships and a strong external network (Brook, 1984; Gates; Egelhoff, 1986; Bowman et al.,

2000).

**P11:** *The more autonomy granted to the subsidiary, the better the subsidiary is at responding to environmental opportunities and changes (local responsiveness).*

Centralization can reduce production costs, improve product quality, and better align strategic programs. However, excessive administration costs and activity concentration in the HQ, can cause delays in decision-making (Oliveira, 2009). Such delays reduce local responsiveness and usually spoil local marketing performance (Birkinshaw et al., 1998; Moore; Birkinshaw, 1998; Bowman et al., 2000). According to Birkinshaw and Morrison (1995), a subsidiary with little autonomy is probably a local implementer, that is, a subsidiary with limited geographic, product, or valued-added scopes. This kind of subsidiary still exists and is necessary in some cases. However, as pointed out by several authors, the role of the subsidiary must gain importance for the MNC to really benefit from it and exploit local opportunities. In order to do so, a marketing prerequisite is that managers effectively understand local needs and desires. In other words, subsidiaries need to become locally embedded for the MNC to obtain maximum results (Birkinshaw et al., 1998; Moore; Birkinshaw, 1998; Taggart; Hood, 1999; Vachani, 1999; Bowman et al., 2000).

**P12:** *The stonger the external network of the subsidiary, the greater its local embeddedness is and the better it is at responding to environmental opportunities and changes (local responsiveness).*

The more the subsidiary is rooted in local business networks, the greater the possibilities that the subsidiary gains access to new knowledge that can ensure global competitive advantages (Andersson; Forsgren; Holm, 2002). This means that the subsidiary's external network is related to the degree of its local embeddedness and responsiveness. In order to become a dynamic organization designed to be sensitive to quickly unfolding market events, marketing managers have to try to embed the firm locally. In this sense, according to Achrol (1991), local embedded firms tend to present better marketing performances than other MNC subsidiaries. Marketing orientation should prove to be highly advantageous because it enhances a firm's local responsiveness (Jaworksi; Kohli, 1993). Rugman et al. (2011) also highlight this aspect, suggesting that a firm should understand and manage its outsidership liability rather than deal with its foreignness liability.

Furthermore, according to Frost and Zhou (2000) and Frost (2001), subsidiaries that are involved with local institutions and build relationships with them are characterized as respectable corporations in the country and are accepted as participants in technical and scientific communities abroad. Moore and Birkinshaw (1998) also point out to the issue of local embeddedness as a consequence of a firm's local external network.

**P13:** *The greater the knowledge flow between the parent company and its subsidiaries (and within subsidiaries), the better the subsidiary is at responding to environmental opportunities and changes (local responsiveness).*

Knowledge transfer is often associated with the modification of existent knowledge to specific contexts (Foss; Pedersen, 2002). In other words, knowledge transfer is one of the factors that allows the subsidiary to better understand and respond to local dynamics and opportunities. Furthermore, as stated by von Krogh and Köhne (1998), the success of firms in the future will increasingly depend their ability to generate knowledge and to transfer it internally. By seeking market knowledge from its headquarters and other units, a foreign subsidiary may benefit from improving its responsiveness to opportunities and threats arising from its host country, which is important for firm success (Luo, 2001; Roth; Jayachandran; Dakhi; Colton, 2009)

**P14:** *The standardizing/adapting decision exerts influence on the ability of the subsidiary to respond to environmental opportunities and changes (local responsiveness).*

Katsikeas, Samiee, and Theodosiou (2006) argue that the effect of standardization on marketing performance becomes stronger if a fit is present between overall marketing program standardization and the market environment in which it is implemented. However, researchers have paid little systematic attention to the conditions other than the environmental fit, which determines when and how standardization is related to firm success (Schilke; Reimann; Thomas, 2009). On the other hand, Theodosiou and Leonidou (2003), for example, demonstrated that there is no direct relationship between standardization and marketing performance, although it influences results. Moreover, as stated by Achrol (1991), the problem of whether to specialize or generalize becomes reduced to whether to develop unique skills that maximize exploitation of an environment and take the risk of

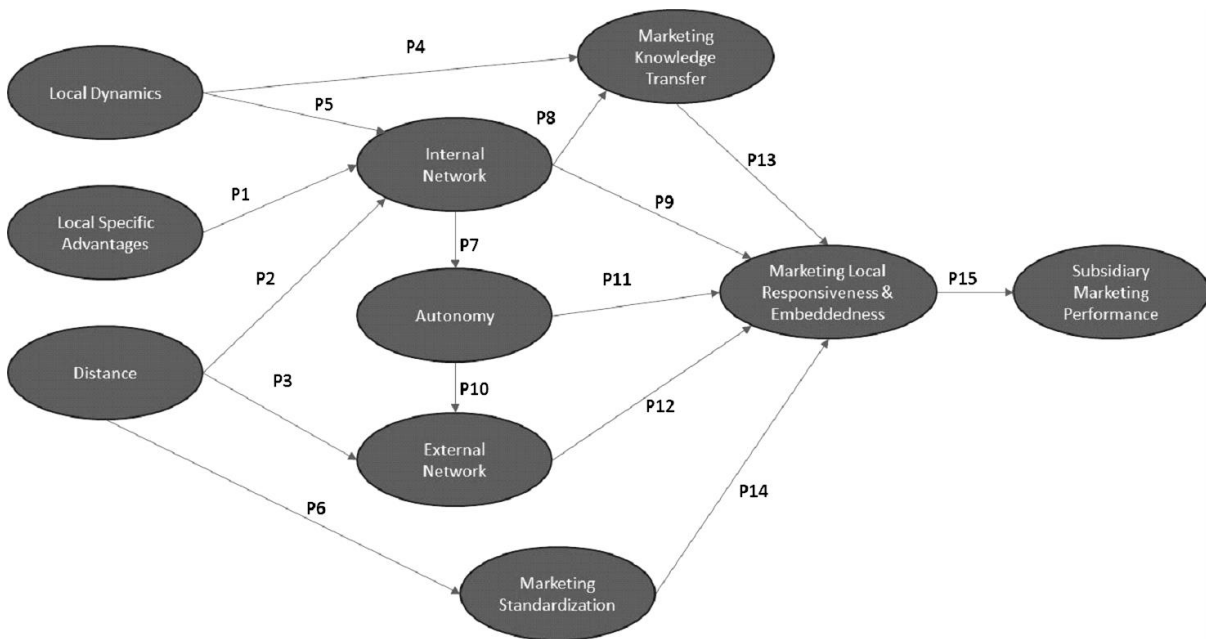


Fig. 1

Integrative model of the marketing performance of subsidiaries

Source: Developed by the authors

that environment changing, or accept a lower level of exploitation but one that is feasible for a larger range of environmental states. Therefore, when including a moderating variable, local responsiveness seems accurate for the analysis of the impact of standardization/adaptation on marketing performance.

*P15: The greater the ability (skill and speed) of the subsidiary to respond to environmental opportunities and changes (local responsiveness), the better its marketing performance will be:*

Jaworski and Kohli (1993) argue that the responsiveness component of a firm is defined as being composed of two sets of activities: i) response design (i.e., using market intelligence to develop plans); and ii) response implementation (i.e., executing such plans). Quick responses to environmental changes have become a vital success factor for today's firms (Homburg; Grozdanovic; Klarmann, 2007). According to Lee et al. (2009), strategy scholars have long suggested that firms that can quickly control and deploy their internal resources in order to act on environmental challenges and opportunities are more likely to obtain better marketing performance. In international marketing, local responsiveness plays the same role, influencing marketing results of subsidiaries.

### 3.2 Proposed scales

Table 1 presents the scales that will be used for the measurement of each of the constructs of the proposed model. All scales and indices were identified in the literature review.

## 4. Conclusion

We believe our work adds to the literature on both international marketing and international business, and adds another element to the growing set of research findings on the marketing performance of subsidiaries operating abroad. The review of the literature offers a new perspective of the main variables related to this issue: i) local characteristics (psychic distance and environmental turbulence); ii) degree of centralization and autonomy; iii) degree of standardization and adaptation; iv) The subsidiary–headquarters relationship (knowledge transfer and internal and external networks); and v) local embeddedness and responsiveness.

Furthermore, by means of the proposed integrative model, it is possible to incorporate the context of operations and the dynamics of specific markets into analysis. These aspects help not only managers in evaluating their firms, but also offers a more robust mindset when developing international marketing strategies. Thus, the proposed model permits the expansion of theory in International Business and in International Marketing.



**Tab. 1**  
Constructs and proposed scales

Construct	Definition and Scales
Location-Specific Advantage	Country risk index (international country risk – ICR – PRS Group); GDP per capita (World Bank); economic freedom index (DE BEULE; ELIA; PISCITELLO, 2014); Melo et al. (2015)
Local Dynamics	Ease of doing business (EDB – World Bank); Gini index; Eroglu (1992); Jaworski, Kohli (1993); Alon, Shohan (2010); Melo et al. (2015)
Distance	Hofstede's distance index; governance indicators (World Bank); inflation rate; median age of population; Chiao, Lo, Yu (2010); Cui et al. (2014)
Internal Network	Jaworski, Kohli (1993); Lee (2010); Lamprinopoulou, Tregear (2011)
Marketing Knowledge Transfer	Lee, Chen, Lu (2009); Rocha (2009); Rocha, Borini, Spers, Khauaja, Camargo (2012); Rocha, Borini, Spers, Ogasavara, Khauaja, Camargo, Melo (2014); Schleimer, Coote, Riege (2014); Park et al. (2013)
Autonomy	Jaworski, Kohli (1993); Zou, Cavusgil (2002); Homburg, Prigge (2014)
External Network and Embeddedness	Polanyi (1944); Uzzi (1997); Lee (2010); Cretoiu, Barakat, Ximenes, Alvim, Neves (2010); Lamprinopoulou, Tregear (2011)
Marketing Standardization	Jain (1989); Quester, Conduit (1996); Zou, Cavusgil (2002); Vrontis et al. (2009)
Local Marketing Responsiveness	Jaworski, Kohli (1993); Lee et al. (2009); Lee (2010)
Subsidiary Marketing Performance	Jaworski, Kohli (1993); Cavusgil, Zou (1994); Menon et al. (1999); Homburg, Pflesser (2000); Townsend, Yenyiyurt, Deligonul, Cavusgil (2004); Schilke et al. (2009); Grewal et al. (2009); Lee (2010)

**Source:** Organized by the authors

Concerning managerial contributions, the proposed model might be useful for the determination of the variables that affect marketing performance in subsidiaries. Furthermore, it can assist marketing managers in the understanding of the results from the analysis of measurable and known variables. The model summarizes the main variables that can affect marketing performance. In terms of a rationale, it is ready to use. Its validation is needed to ascertain cause-and-effect relationships.

For future studies we recommend secondary data research, using existing data from MNCs and even official reports and databases. A survey with marketing managers of subsidiaries operating abroad is important as well. By creating a robust and reliable database, it is possible to perform statistical analysis and validate the model proposed. Since any measure often reflects not only a theoretical concept of interest but also measurement errors (Bagozzi; Yi; Phillips, 1991), it is highly recommended that the researcher verifies the reliability and the validity of the model, the variables, and their relationship.

We suggest the development of both a confirmatory factor analysis and a discriminant analysis in order to determine which propositions can be gathered. Once the propositions are determined, they can be evaluated through structural equation modeling and their relationships can be arbitrated—that is, causality, mediation (full or partial), moderation. We propose the use of structural

equations because they are especially useful for testing theories containing multiple equations that involve dependency relationships (Hair et al., 2010).

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