



# Configuration and coordination of international marketing activities



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## ABSTRACT

With this paper, we contribute to the literature of configuration and coordination in international firms. While previous literature emphasized that headquarters decide upon the configuration and coordination of their foreign *subsidiaries*, we suggest that the configuration–coordination decision takes place at the level of *activities*. With a focus on *international marketing activities*, our study on German firms from the automotive industry comes up with the following major findings: (1) With respect to configuration, firms tend to centralize the planning and the control of marketing activities, but to decentralize the implementation of marketing activities. (2) For the coordination of marketing activities, direct personal supervision and informal communication are preferred to other approaches, such as socialization or formal bureaucratic coordination. (3) When combining configuration and coordination of marketing activities, we identified distinct clusters. Firms that have a high decentralization of marketing activities and that use a high level of coordination yield better coordination results than firms from other configuration–coordination clusters.

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## 1. Introduction

When going and operating abroad, international firms have to decide upon the appropriate organization of their activities. In this paper, we focus on the organization of one important activity in the international value chain, i.e. marketing (Gnizy & Shoham, 2014). While the organization of marketing has been previously explored in literature (Homburg, Vomberg, Enke, & Grimm, 2015; Ruekert, Walker, & Roering, 1985; Workman, Homburg, & Gruner, 1998), with few exceptions the international perspective of marketing organization has been neglected (Hewett, Roth, & Roth, 2003). This is why the present article sheds light on two important dimensions of international marketing organization, i.e. the dimensions of international configuration and international coordination of marketing activities (Sinkovics, Roath, & Cavusgil, 2011; Zou & Cavusgil, 2002). With the emphasis on the cross-border management of specific activities, the paper is first of all an IB (international business) paper, contributing to the management of the international firm. As the activity in question is the marketing activity, the paper also adds to international marketing literature by focusing on the organizational aspect of the

international marketing function (and not on the content aspect of international marketing, such as questions of standardization or adaptation of the marketing mix).

Like for all other activities of the value chain, such as R&D, production, logistics, sales, HR, finance or planning, international firms have to choose in how far they concentrate and centralize their marketing activities (for instance in their home country or in one host country) or in how far they disperse and decentralize them across various countries (Buckley & Hashai, 2005; Porter, 1985, 1986a, 1986b). In addition, for each of the activities, management has to make sure that they are coordinated across borders in an appropriate way (Grosche, 2012). Although IB research has come up with many suggestions of how to coordinate headquarters and foreign *subsidiaries* (Brenner & Ambos, 2013; Harzing, 1999; Martinez & Jarillo, 1989; Martinez & Jarillo, 1991; Mayrhofer, 2013; Schmid & Kretschmer, 2010), there is little knowledge about the coordination at the level of value chain *activities* (St. John & Young, 1995; St. John, Young, & Miller, 1999). However, strong evidence exists that international marketing activities are coordinated in a different way as compared to other activities (Egelhoff, 1984; Kim, Park, & Prescott, 2003; Moon, 1994; Moon & Kim, 2008; Porter, 1986a, pp. 25–27 and p. 35). In addition, different categories of the marketing activities spectrum, such as marketing planning, marketing implementation and marketing control activities, may not necessarily share the same approach to international configuration and coordination.

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The appropriate configuration and coordination of activities can contribute to the competitive advantages a firm has (Craig & Douglas, 2000; Yaprak, Xu, & Cavusgil, 2011), but little research has been carried out in the past. Hence, with the present paper, we want to answer the following research questions:

- Which *configuration* do firms choose for their marketing activities across borders in terms of centralization and decentralization?
- Which *coordination mechanisms* do firms apply for their marketing activities across borders?
- Which *clusters of configuration–coordination* can be identified for organizing marketing activities across borders and do the clusters differ in terms of *coordination performance*?

These questions are not only of scholarly interest; they are also of high relevance for international firms. Around ten years ago, a McKinsey survey found out that growth opportunities abroad usually entail a dispersion of activities and call “for extensive coordination across product, functional and geographic lines” (Bryan & Zanini, 2005, p. 54). Ralf Kalmbach, Partner and Member of the Board at German-headquartered Roland Berger Strategy Consultants stated in an interview a few years ago: “The geographical distribution of value creation is a central topic in discussions of the demands globalization places on companies. Another crucial factor, however, is how value activities are managed worldwide, and in practice this issue is all too frequently neglected” (cited in Bertelsmann Foundation, 2008, p. 61).

We will answer our questions with the following logic of our paper. In Section 2, we will outline in more detail our understanding of configuration and coordination, and we will formulate our hypotheses related to the three research questions. In Section 3, we will present our empirical study which is based on a questionnaire research in the German automotive industry. Using a sample of 95 firms, our results on configuration, coordination and the configuration–coordination clusters will be presented in Section 4 and discussed in Section 5. Finally, we will not only come to a conclusion, but also provide some avenues for future research and managerial practice.

By answering our research questions, we intend to make the following contributions: Our first two contributions are of conceptual nature. By portraying the international configuration–coordination profile for one specific value chain activity, i.e. marketing, we add to existing literature which has mostly neglected the differentiation of activities. We argue that IB literature should transcend the level of the subsidiary, and we suggest that headquarters are not necessarily dispersing and coordinating all activities in their subsidiaries in the same way. Hence, we follow Birkinshaw and Morrison’s (1995, p. 750) call that “research needs to focus below the subsidiary level, preferably at a single value-adding function”, by taking the marketing function as the focus of the present paper. However, it is not only this emphasis on activities which is novel. Bringing together configuration and coordination at the level of activities is also filling a research gap. While quite many studies exist on *either* the configuration *or* the coordination across borders, it is surprising that combined investigations of configuration *and* coordination have been scarce so far.<sup>1</sup> Based on this conceptualization, our additional contributions are of empirical nature. With our data from the automotive industry, i.e. an industry in which value chains are increasingly dispersed across countries, we are able to show that distinct patterns of international configuration and coordination can be identified in managerial practice. Applying cluster analysis to our sample, we include several contextual

factors which are helpful to better characterize existing configuration–coordination clusters. Since we draw on the systemic fit approach (Drazin & Van de Ven, 1985, pp. 519–522; Van de Ven & Drazin, 1985, pp. 347–357), we also bring a theoretical perspective to the research field which assumes that different, functionally equivalent solutions may be found (Doty, Glick, & Huber, 1993). Functional equivalence means that instead of having a one-best way solution, several solutions may exist, each of these solutions being characterized by a different, but distinct set of contextual factors (Gresov & Drazin, 1997). Hence, in our setting, the systemic fit approach incorporates the view that there are several successful approaches of how to configure and how to coordinate marketing activities. The systemic fit approach is continuing the tradition of contingency approaches; however, unlike traditional contingency approaches, it assumes reciprocal (and not linear) relationships between constructs and variables in question (Meyer, Tsui, & Hinings, 1993, pp. 1176–1179). However, we will show that our data critically challenge the view of equifinality: our empirical results reveal that different solutions are linked to different levels of coordination performance.

## 2. Literature and hypotheses development

### 2.1. Conceptual framework

As the main framework for our paper, we use Porter’s configuration–coordination matrix (Porter, 1985, 1986a, 1986b) which has received considerable attention in IB and IM (international management) literature (Holtbrügge, 2005; Moon & Kim, 2008; Moon, 1994; Taggart, 1998; Zou & Cavusgil, 2002). Drawing on the value chain (Porter, 1985, pp. 35–53), the configuration–coordination matrix shows that firms have to answer the following questions: (1) To what degree do they want their value chain activities being concentrated (i.e. centralized) in one location or dispersed (i.e. decentralized) around the world? (2) What degree of coordination do they wish to use in order to coordinate the value chain activities? The answers to these questions span a typical matrix with configuration of activities ranging from “centralized” to “decentralized” and coordination ranging from “low” to “high”. Centralization exists if comparable activities are carried out only at a certain (central) location of the firm; decentralization means that comparable activities are geographically dispersed and take place parallel to one another at a variety of units in the international firm. Low coordination usually exists in so-called multinational firms while higher levels of coordination are needed in so-called global and transnational firms (Bartlett & Ghoshal, 2002).

The configuration–coordination matrix can be found in Fig. 1. Although a superficial reading of Porter’s publications could give the impression that configuration and coordination decisions are relevant at the level of the firm (see left part of Fig. 1), a closer analysis clearly reveals that configuration and coordination decisions have to be taken at the level of each activity (see right part of Fig. 1).

While Andersson and Pedersen (2010, p. 432) praise Porter for being “one of the first on to draw our attention to the organizational, architectural and design aspects of globalization, and more specifically, to the connection between the choice of configuration and the challenges in terms of coordination”, his framework can only serve as a starting point for our research. Coordination is more than just a question of coordination degree or extent of coordination. It concerns the character of mutual adjustment of activities in order to contribute to the functioning of the value chain. Coordinating activities in an international context appears to be particularly challenging, mainly due to the geographic, cultural, institutional and administrative distance that

<sup>1</sup> In a detailed literature review conducted by the authors, this has already been outlined (see Schmid & Grosche, 2009).

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