

NEW
PERSPECTIVES
ON
INTERNATIONAL
MARKETING

EDITED BY
STANLEY J. PALIWODA



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NEW PERSPECTIVES ON INTERNATIONAL MARKETING

Marketing strategy is constantly adapting in the changing environment of International Business. To retain or extend a grasp of existing markets, organizations need to keep abreast of commercial innovation, social change, economic developments, and the ever-shifting political climate. Within this uncertain framework, marketing practices are tried and tested, and succeed or fail.

For this reason, the international marketer has much to learn from the cutting-edge research presented in *New Perspectives on International Marketing*. Aimed at the reader with at least some prior knowledge of the field, it draws together an eminent and international body of researchers to analyse recent changes in world markets and marketing practices. It analyses, codifies, and challenges existing literature on the subject; it offers industry-specific studies of international marketing practices and their relative successes; and it presents valuable research findings on the increasingly important markets of China and Japan.

New Perspectives on International Marketing is thus a threefold contribution to the study and practice of International Marketing. Blending empirical studies with critical theory, the collection sheds new and much-desired light on this important and often-neglected area. Students, lecturers, and practitioners of International Business and Marketing will find it a very welcome summary of recent developments in their discipline.

Stanley J. Paliwoda is Professor of Marketing at the University of Calgary, Alberta, Canada. His previous publications include *International Marketing*, *Research in International Marketing* (with Peter Turnbull), and *The AMBA Guide to Business Schools* (with A.C. Harrison).

INTRODUCTION

This book is aimed at those with some prior knowledge of international marketing, but it arrives at a time when awareness of international marketing amongst people everywhere is greater than ever before. Developments in one country, whether they are commercial innovations, economic changes, or political demands, can spread more quickly than ever before, and to all parts of the world simultaneously, as a result of greatly improved communications. Whenever change takes place, information is sought to try and quantify that change so as to respond to it accordingly. In this book, the contributors have addressed themselves to the tasks of changing marketing practices and changed world markets. In so doing, they question the wisdom of established practice and existing literature.

The book is divided into three parts, entitled:

- 'Challenging the international marketing literature';
- 'Studies on marketing to China and Japan'; and
- 'Empirical studies of international marketing that are industry-specific'

Part I begins with a contribution from Ford and Leonidou, who provide an overview of the literature, interpreting it from a European standpoint. This is not only legitimate, but overdue. Before the foundation of the United States of America, it was the European states which provided the engine for international trade. Today, it remains true that for many European nations, international trade is the most important economic activity in the creation of national wealth. However, this is not the case

with the USA, for which foreign trade may constitute only around 10 per cent of national income.

International marketing research within Europe has developed its own direction, where, in addition to studies on exporting and success in exporting, there are also studies which adopt a non-normative perspective. This leads on to the interaction studies of the International Marketing and Purchasing (IMP) Group, on which many of the contributions are based (see Chapter 5 and later). Ford and Leonidou, in reviewing the developments in the literature, discuss the facilitators and inhibitors to the export-initiation decision; the shortcomings of initiation studies; comparisons of export development models; and finally, performance problems and solutions when using overseas distributors.

In chapter 2, Gemünden presents a critical review of fifty empirical studies which have tried to identify critical success factors of export marketing. He describes their main findings, discusses the question whether and how generalizations can be derived from these studies, and proposes outlines for further research.

In chapter 3, Cannon, McKay, and McAuley focus on the international involvement of companies in the Unlisted Securities Market (USM). Background information is presented on the aims of the research study and the methodological approach adopted. They begin with an outline of the major theories of internationalization. The genesis and development of the USM is also summarized. The major focus of this chapter is on the characteristics of international companies in the USM. The findings are derived from an analysis of the annual reports of these companies.

In chapter 4, Burton and Hammoutene explore the notion, commonly held in the literature, that the management contract is or is likely to become an increasingly predominant form of industrial co-operation. They argue that the emphasis which has been placed on the management function *per se*, and on the operational aspects of the 'pure' management contract, has distracted attention away from their primary purpose as technology transfer modes.

In chapter 5, Wilson and Moller trace the development of different theoretical approaches to long-term relationships. Although the IMP concept of interaction has long been accepted

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as an approach to buyer-seller relationships in Europe, it has only recently attracted attention in North America. A number of North American scholars' work in developing theory in the area of long-term relationships is reviewed. The underlying theories that drive the work of Anderson and Narus, Dwyre, Schurr and Oh, Speckman, Fraser and Johnson, and Erin Anderson, are reviewed, along with the IMP Group work. Wilson and Möller conclude with some directions for future research.

In chapter 6, Hallen and Sandström focus on interaction processes between customers and suppliers in international markets. They argue that these are conditioned not only by the characteristics of the parties, the exchange, and the interaction environment, but also by the emotional setting and atmosphere in which the interaction takes place. The atmosphere is described in six dimensions, namely: power/dependence balance; co-operativeness/competitiveness; truth/opportunism; understanding; closeness/distance; and commitment. These dimensions can be used then to define atmosphere typologies.

In chapter 7, Tornroos also focuses on the concept of distance, defining different aspects of distance in international industrial marketing and evaluating physical, cultural, organizational, and personal distance in the interaction process. Tornroos includes a theoretical basis for further research in this field.

Heidi and Lawrence Wortzel report an empirical study of new product development in an industrializing country, Indonesia. They compare and contrast the new product development process in Indonesia with the process typically observed in an industrialized country, and suggest generalizations applicable to other industrializing countries. In Indonesia, the principal problem is not identifying a product that will sell, but manufacturing it. New products often require purchased parts and capital equipment. In many cases, purchasers expect sellers to help define, organize, and debug the manufacturing process for the new product, as well as to provide parts or machinery. Suppliers tend to be more powerful, and buyers less so, than in the industrialized countries. New product development in industrializing countries represents significant opportunities for supplier firms.

Part II on China and Japan begins with chapter 9, which is an empirical study by Cronin based on thirty-three company

interviews in England, and thirty-four in Denmark, which form the basis of a framework of the possible pitfalls that may face an organization seeking to do business with the People's Republic of China (PRC). Likewise, in chapter 10, Schlegelmilch, Diamantopoulos, and Petersen present yet another empirical study, based on forty-nine company respondents. They examine the experience of small- and medium-sized Danish companies in dealing with the PRC. In chapter 11 Johnston examines three alternative approach strategies for buyer-seller relations with the PRC, including: the authorized buying group; the agency representational model; and joint ventures with licensing. Finally, in chapter 12 Holden uses the IMP interaction model and applies it to Japanese buyer-seller relationships to elucidate the distinctively Japanese features.

Part III presents empirical studies of international marketing that are industry-specific. It begins with a chapter by Cunningham and Culligan, who look at competitiveness through networks of relationships in information technology product markets. This examines competition and the competitive process within industrial markets, and seeks to answer the question 'How can firms both create and sustain a competitive advantage?'. The argument advanced is that the sophistication of IT, the increasing rate of change of that technology, and the shifting patterns of international trade and competition have strained the ability of traditional organizational forms to cope. As a result, the network form has arisen as an alternative, and, by implication, a superior mode of organization.

In chapter 14, Frear and Metcalf, drawing upon the IMP Interaction model, examine the marketing-purchasing interface between organizations in the US aircraft engine manufacturing industry. Their findings show that high levels of co-operation and information and social exchange exist between purchasing and marketing organizations. Both buyers and sellers alike perceived their counterparts to be equally willing to exchange information, and to be generally co-operative in their dealings with each other. Perceptions of mutual trust and understanding between purchasing and marketing organizations were found to be equivalent as well. On the other hand, there were significant differences in the perceptions of buyers and sellers with regard to the level of mutual adaptation present

INTRODUCTION

within the buyer-seller relationship. This difference in opinion may be due to the power/dependence relationship existing between buyers and sellers in this industry; disproportionate financial strength and knowledge power rests with the purchasing organizations.

In chapter 15, Scheinman examines the explosive growth in US retail car sales of captive imports produced by the foreign subsidiaries or affiliates of Chrysler, Ford, and General Motors. Given a scenario of sluggish growth, Mexico and South Korea will replace Japan as the leading suppliers of captive imports for the US market, producing small cars for Chrysler, Ford, and General Motors. Further increases from Japanese affiliates will be severely constrained by the appreciation of the yen, and by the Voluntary Restraint Agreements.

Chapter 16 describes research into user-producer intermediary interactions in the medical equipment industry. The locus of innovation in the medical equipment industry lies with the user, when state-of-the-art expertise is with the medical researchers/practitioners in their clinical and/or diagnostic expertise. The prime characteristic of the medical equipment innovation process identified by the study is that there are multiple and continuous interactions between users, intermediaries, and producers throughout the process.

Forsström combines the traditional distribution chain approach founded on direct and indirect distribution channels with a competitive framework integrating the Swedish 'market as network' approach. The empirical context is founded on supplier-buyer relationships in the UK magazine paper market, focusing on the changing roles of micro- and macro-positions in the distribution network. The competitive scene in the UK for Finnish suppliers is finally elaborated stressing the Porter line of a strategic short-term framework.

In the final chapter, Easton uses a case study of the Swedish computer imaging industry to describe changes in industrial networks as flow-through nodes.

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Part One



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CHALLENGING THE INTERNATIONAL MARKETING LITERATURE

RESEARCH DEVELOPMENTS IN INTERNATIONAL MARKETING

A European perspective

DAVID FORD AND LEO LEONIDOU

This paper attempts to examine some of the trends in the literature on international marketing, and, in particular, it concentrates on some of the conceptual and methodological developments in the area. A number of points can be made initially.

First, there is a strong tradition in Europe of research into the dynamics of large-scale international business and the processes of organizational and strategic development within transnationals. Nevertheless, many large European companies are *international* rather than *multinational* in orientation. The difference between these orientations is seen in European companies in (perhaps) an inclination towards stronger centralized control of overseas sales and manufacturing operations than is the case in many US multinationals. This may be the reason why much European research has concentrated on the issues of development from a single country base, and the relationships between headquarter country operations and overseas. This means that it is difficult to draw a clear distinction between some of the 'export literature' and the 'international marketing literature'.

Second, there are perhaps almost as many studies in Europe as in North America into 'Why do companies export?' and 'What makes for success in exports?', etc. However, there is considerable research in Europe which starts from a *non-normative* perspective, and which has used international marketing as a suitable research situation in order to examine the relationships between buying and selling organizations in different circumstances (Hakansson 1982).

Third, and perhaps most important, there is a significantly different conceptual approach to marketing research in Europe. This approach many years ago realized the limitations of the marketing mix view as a way of describing and understanding market activity. Instead of the view of an active seller and a relatively passive buyer implicit in the mix approach, much European research has examined the *interaction* between two active parties, a buyer and a seller. This research is, of course, built in the context of industrial markets, and it involves understanding of the nature of the *relationship* which develops between the parties through their interaction. This approach of examining interaction and relationships also marks a move away from concentrating on the analysis of single purchases, of which the classic 'industrial buyer behaviour model' is the best example. Instead, the research in Europe tends to see each purchase as an 'episode' in the close, or perhaps distant, relationship between the parties. Thus, the purchase can only be understood in the context of the previous and current relationship and the wider 'network' of relationships in which it is enmeshed (Cunningham 1980).

Fourth, the approach to marketing (and international marketing) which emphasizes the examination of relationships has led to a distinctive methodological approach. This approach has relied on large-scale, in-depth empirical studies. For example, the original IMP study in Europe was based on 1,300 interviews. Perhaps, more importantly, the approach has rested on empirical analysis in both the selling and buying parties, to ensure a view of the relationship is obtained as seen from both sides (Hakansson 1982).

Fifth, much of the European research has concentrated on international marketing within Europe and from Europe to US/Japan. However, more recently there has been a tendency to extend these studies. This has occurred in analysis of international marketing from Europe to the Third World, and most recently in examining international marketing from the Third World to the USA and Europe (Ford and Djefflat 1983, Ford *et al.* 1987).

A REVIEW OF DEVELOPMENTS IN THE LITERATURE

This review is based on the literature which sees international marketing as a process of initiation and development through a series of stages. This is the 'classic' approach to the area and provides a useful context for some of the more recent work on buyer-seller relationships in international markets.

THE INITIATION PROCESS

Much of the published work on international marketing limits itself to describing the firm's initial motives towards export, which are perhaps the most dynamic elements in the decision to 'go international'.

Export stimuli are often classified into those arising within the firm, that is, internal or proactive stimuli, and those exogenous to it, stemming from its environment, that is, external or reactive stimuli (Olson and Wiedersheim-Paul 1978, Wiedersheim-Paul *et al.* 1978, Cavusgil and Nevin 1980). According to Wiedersheim-Paul *et al.* (1978), the above classification of export stimuli is important because 'it provides a framework for examining whether a firm's export start was stimulated mainly by the internal qualities of the firm or due to factors operative in its environment'.

Internal export stimuli are any excess capacity in the firm's resources (for example management, marketing, production, and finance) and/or any unique competence, for instance product superiority (Olson and Wiedersheim-Paul 1978, Wiedersheim-Paul *et al.* 1978). On the other hand, external export stimuli are unsolicited orders from foreign customers, entry of domestic competitors into foreign markets, increase of competition in the domestic market caused by domestic or foreign competitors, government stimulation measures, and various market opportunities (Simpson and Kujawa 1974, Wiedersheim-Paul *et al.* 1978, Olson and Wiedersheim-Paul 1978).

The decision to export which has been stimulated by internal or proactive stimuli is characterized as rational, objective-oriented behaviour, and a problem-oriented adoption process, while the stimulation of the export decision by external or reactive stimuli

is described as less rational, less objective-oriented behaviour, and innovation-oriented adoption process (Simpson and Kujawa 1974, Lee and Brasch 1978).

A large number of research studies have been conducted in order to find out the kind of stimuli which influence the firm's export decision (Simpson and Kujawa 1974, Tesar and Tarleton 1982, Joynt 1982, Brooks and Rosson 1982). A summary of their findings indicates that the company's export initiation is stimulated by both internal or proactive, and external or reactive factors, which appear with *different* rank order in each case. Of significance is the fact that among the external or reactive stimuli, the most popular was an unsolicited order from a foreign customer (Groke and Kreidle 1967, Simmonds and Smith 1968, Simpson and Kujawa 1974, Pavord and Bogart 1975, Tesar 1975, Welch and Wiedersheim-Paul 1980). This is the first indication in the literature of the recognition of the active customer.

Despite the importance of the export stimulus in the export decision, its existence or its emergence is a necessary but *not* sufficient condition for the firm's decision to look abroad (Aharoni 1966, Simpson and Kujawa 1974). Rather, 'it depends on various feelings and social and organizational structures, on previous events in the company's history and on other problem areas facing the company' at the time this stimulus has arisen (Aharoni 1966). In other words, only in conjunction with certain opinions and attitudes of the decision-makers concerned will these latent motives become effective. The decision-maker's opinion and attitude towards exporting is influenced by facilitating and inhibiting factors which are derived mainly from three major areas: the decision-maker's characteristics, the firm's characteristics, and the firm's environmental characteristics (Wiedersheim-Paul *et al.* 1978, Brooks and Rosson 1982, Garnier 1982). These are summarized in table 1.1.

A number of facilitators and inhibitors to the export decision can be seen in the literature. Examples are the decision-maker's foreign market orientation (Wiedersheim-Paul *et al.* 1978, Cavusgil and Nevin 1980), his/her type and level of education (Brooks and Rosson 1982, Garnier 1982), his/her ethnic origin (Simmonds and Smith 1968, Garnier 1982), his/her ability to speak foreign languages (Brooks and Rosson 1982, Joynt 1982),