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MARKETING PERFORMANCE OF SUBSIDIARIES OPERATING ABROAD: AN INTEGRATIVE MODEL

MARCOS CORTEZ CAMPOMAR
USP - Universidade de São Paulo
campomar@usp.br

ROBERTO FLORES FALCÃO
Universidade de São Paulo
titofalcao@hotmail.com

GILMAR MASIERO
USP - Universidade de São Paulo
gilmarmasiero@gmail.com

MARCELO BARBIERI CAMPOMAR
USP - Universidade de São Paulo
marcelocampomar@terra.com.br

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ABSTRACT

In the internationalization process firms face challenges in order to be successful, such as enabling knowledge transfer, finding the optimal balance between standardizing/adapting their marketing strategies, determining the strength of external networks, and deciding the degree of reverse innovation. Research on knowledge transfer in multinational companies has grown considerably over the last 15 years, but little about its impact on the marketing performance of subsidiaries. The majority of the investigations carried out analyzes 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 the environment of operation or the 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 (15) propositions. In this paper we present the literature review and the model that will be empirically tested after gathering information to form a reliable database about the performance of multinationals.

KEYWORDS: Marketing performance, subsidiaries, integrative model.

1 INTRODUCTION

Companies 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. Not only because of the eventual saturation of their markets but mainly because such companies do not get in touch with new and important technologies and knowledge. This process of catching up with the best practices in the management field happens when companies internationalize their activities. Even though the relationship between marketing strategies and performance has been well documented with a variety of approaches (Cavusgil & Zou, 1994; Menon et al., 1999; Matsuno & Mentzer, 2000; Vorhies & Morgan, 2003; Reinartz et al., 2004; Rust et al., 2004; Baker & Sinkula, 2005), broader studies on the antecedents of the marketing performance of subsidiaries operating abroad are meager. Papers limit themselves to the discussion of the relationship between performance and another variable, such as distance, centralization or marketing standardization. They do not integrate the different dimensions. The main goal of this research is to fulfill this gap.

Although there is a considerable amount of studies analyzing and formulating models of internationalization, almost all focused on MNC without addressing and considering the complexity of the relationship networks (Rugman et al., 2011). Also noteworthy is a critique with respect to more traditional models for their inability to present and evaluate business background dynamics. They are static models that do not incorporate the turbulence of the environment (Ramamurti, 2012). Networks represent an important issue for marketing analysis, in which the performance of an organization is directly related to the company's skills to adapt and respond to markets wherein they operate (Lambin, 2000; Ferrell & Hartline, 2009). In international marketing, the mindset is very similar.

Thus, this study aims at identifying the key environmental variables described in the literature of International Business and International Marketing and at proposing 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. The model, however, does not intend to explain or analyze the reasons for the internationalization or how entry mode decisions are taken.

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 represents validated knowledge and has a great impact in the academic community. Our selection included, e.g., 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 the internationalization of companies, to discuss entry modes nor 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 this sense, in the following we present a literature review on the internationalization of companies and international marketing performance and its antecedents to summarize our constructs and modeling. In the next sections, based on the literature, we elaborate and justify our propositions and theoretical model and scales. Final remarks stressing the necessity of testing the model are also presented.

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 companies

Internationalization is the expansion of economic activities across national borders. It occurs since people went out of their place of origin in search of new lands and markets. (Khauaja, 2009). The hypercompetitive environment of the twenty-first century requires that companies 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 knowledge, and local embeddedness becomes relevant for companies to better understand and exploit local opportunities (Schlegelmilch & Chini, 2003; Oliveira Junior, 2009).

Several models and theories explain the company's internationalization process. Some are ruled by Economics, guided by the option for Foreign Direct Investment (FDI) in spite of relying only on imports and exports to sell products and purchase inputs in other countries. Others, on Business Administration, being more focused on the role and the perspective of managers. However, most models are static. They do not incorporate market dynamics and do not 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. advantages of ownership and location by Dunning (1980, 1988, 1993); ii. characteristics of the operation – Hoftede's (1980) concept of psychic distance; iii. the product life cycle by Vernon (1979); and iv. Polanyi's (1944) local embeddedness. Recent studies on the subject of international marketing performance, internationalization of companies and the role of subsidiaries were also analyzed. The proposal herein was developed in order to measure and evaluate international marketing performance of MNCs despite of entry mode strategies and other marketing decisions.

2.2 International marketing performance and its antecedents

According to Cateora and Graham (1999), from the economic perspective, globalization can be interpreted as the interaction of three processes: i. significant expansion on international flows of goods, services and capital; ii. increased competition in international markets; and iii. greater integration between national economic systems. Facing this perspective, the main challenge in an internationalized market is the development of an appropriate strategic planning which is consistent with the situation of 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 the controllable and uncontrollable variables also vary between themselves (Philips et al., 1994). According to Pipkin (2005), the lack of international marketing tools is one of the aspects responsible for the failure of organizations in foreign markets. Strategic planning is extremely important for the company to seize the opportunities in a globalized environment. From a diagnosis of the features and capabilities of the organization, a company willing to work internationally needs a strategy compatible with the environment. As reported by Czinkota (2008), even those who do not participate directly in international transactions are subject to the influence of international marketing.

Grewal et al. (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 bases for evaluating subsidiary performance. The dynamic capability perspective calls for building and leveraging capabilities across the MNC network of subsidiaries (Luo, 2002), so performance assessment involves creation-oriented and yield/exploitation processes. The standardization perspective entreats MNCs to seek scale economies by standardizing their marketing activities

across subsidiaries and adapting marketing strategy to relevant environmental differences (Syzmanski et al., 1993).
According to Keegan (2005), the responses that a company gives to global opportunities depend on hypotheses and beliefs of its management. Global marketing requires companies to behave in a way that is global and local at the same time. Being "glocal" means that the company should be able to "think globally and act locally." Keegan (2005) points out that an important task of global marketing is to understand the extent to which their marketing plans can be expanded globally, with no need to adaptation. However, as demonstrated by Theodosiou and Leonidou (2003), although there is no direct relationship between standardization and marketing performance, it influences the results of the companies.
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 marketing performance of the company and the decision to adapt/standardize (Quester & Conduit, 1996; Theodosiou & Leonidou, 2003; Xu et al., 2006; Sousa & Lengler, 2009; Vrontis et al., 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; Buzzell, 1968; Levitt, 1983; Yip, 1996). Further, 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 within the same company (Kitchen, 2003; Vrontis, 2003; Soufani et al., 2006).
Another issue that has long been studied is the relationship between marketing performance and the decision on the level of centralization (Brook, 1984; Gates & Egelhoff, 1986; Birkinshaw et al., 1998; Taggart & Hood, 1999; Vachani, 1999; Bowman et al., 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 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). According to Birkinshaw et al. (2000, p. 321), "Where the subsidiary desires autonomy, headquarters prefers control, … and where the subsidiary is acting primarily in the interests of the local business, headquarters is far more concerned about the MNC's worldwide profitability." Moreover, although research has acknowledged the application of some headquarters' control over marketing decision as vital to ensure the strategic alignment of the subsidiary's decisions (Luo, 2001), headquarters' managers should still be aware that the more control they exert over marketing decisions within the subsidiary, the greater the subsidiary's desire for autonomy (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 to analyze the interrelationship between variables. By means of a structural equations modeling, the model developed in this research represents a proposal to minimize such flaws.

2.3 Constructs and modeling

According to Townsend and Ashby (1984), 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 system numbers. A construct is a term specifically designed for a special scientific purpose, generally to organize knowledge and direct research in an attempt to describe or explain some aspect of nature (Peter, 1981). This concept is related to the determination of a construct, i.e., a variable that cannot be measured or observed directly (Hair et al., 2010). Constructs are often developed and analyzed by means of structural equation modeling (SEM).

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 the relationships and causality, which can be determined later through statistical analysis, such as a confirmatory factor analysis, for example. This technique offers the researcher the possibility to investigate how well the predictor variables explain the dependent variable.

It is noteworthy that any external influence on the dependent variable in question affects the supposed relationship of cause and effect investigated. Thus, verification of causality in the social sciences can be reckless, leading to inappropriate conclusions or determination of spurious relationships. According to Tabachnick and Fidell (2007), as it is not possible to test all possible alternative explanations it would not be possible to completely eliminate the argument of spurious relationship. Still, according to the authors, the researcher can increase the reliability of the relations studied through theoretical support. Literature reviews may support the correlations investigated.

3 PROPOSITIONS AND THEORETICAL MODEL

The critical first step in the development of the scales is to specify the domain of each construct (Churchill Jr, 1979; Martin & Eroglu, 1993), especially the marketing performance one. The researcher must be exacting in delineating what is included in the definition and what is excluded. This step involves a comprehensive review of the literature (Churchill Jr, 1979) related to marketing performance as well as HQ-subsidiary relationship and knowledge flow. The review also included the literature on scale development and related issues in both the marketing methodology and international business areas. Along with the above studies, an interdisciplinary review of the literature (e.g., international business, political sciences, economics, sociology) resulted in the identification of ten relevant dimensions.

The second step in the procedure for developing better measures is to generate items which capture the domain as specified. The literature should indicate how the variable has been defined previously and how many dimensions or components it has (Churchill Jr, 1979).

Based on the literature review, 15 propositions were elicited and different existing models integrated. Although it represents a high volume 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 and power to the proposed model.

Considering the propositions on the relationship between the constructs that will be analyzed, we propose the conceptual model that will be tested in due course during the empirical stage of the study. The model is presented in Figure 1. It is noteworthy that the latent variables were measured by means of reflective indicators. As defined by psychometry, reflective indicators are those which are explained by the constructs (Babin, Hair, & Boles, 2008), while the formation indicators explain the construct, without any correlation between them being expected (Jarvis et al., 2003; Diamantopoulos & Siguaw, 2006; Coltman et al., 2008).

Hierarchical constructs, or multidimensional constructs, as their discussion and application is often limited to a second order hierarchical structure, can be defined as constructs involving more than one dimension (Edwards, 2001; Jarvis et al., 2003; Netemeyer et al., 2003; MacKenzie et al., 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 (more important the strength of the internal network):

Several authors discuss the importance of subsidiaries in terms of marketing performance. A growing numbers of studies agree that the subsidiary might offer strategic benefits and advantages to the company (Ramamurti, 2009, 2012; Melo et al., 2015). These advantages can only be exploited if the quality of the relationship between HQ and subsidiary is good (strong internal network). The study by Holm and Pedersen (2000) points out this issue.

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

Distance-related research is one of the most important streams within international business (IB) (Zaheer et al., 2012). Hutzschenreuter et al. (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, with highlight to the studies by Geer Hofstede. The effects of distance are diverse: i. it might disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul, 1975); and ii. introduce friction (Shenkar et al., 2008) and complexity (Vermeulen & Barkema, 2002) to cross-border activities. The concept of distance first appeared in the seminal article by Johnson and Vahlne (1977) and was spread worldwide by the studies by Hofstede. In 1988, Kogut e Singh proposed a new perspective on the subject. However, despite 40 years of study, there still is ambiguity and 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 (Pae et al., 2002; Schulter et al., 2009; Sousa & Lengler, 2009).

- P3: the greater the distance (between home country and location of operation), the more important that the subsidiary develops a strong external network:

The greater the distance – cultural, economic or geographic – between home country and the location of the subsidiary, the bigger the obstacles a company has to deal with in order to become locally competitive. 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 higher the dynamics/turbulence of where the subsidiary operates, the more important the knowledge flow between the parent company and its subsidiaries (and within subsidiaries):

Market turbulence refers to the rate of change in customer preferences and competitive actions in a host country (Cui et al., 2006; Lee et al., 2008). It determines how foreign firms interpret local market information and knowledge generated from their major competitors and customers and then act on and exploit any opportunities presented in such unpredictable environmental changes. According to the degree of local uncertainty (political, legal, economic a.s.f.), MNCs need exchange information constantly and 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 minimize risks and augments the velocity in decision making (Park et al., 2013).

- P5: the higher the dynamics/turbulence of where the subsidiary operates, the more important the quality of the relationship between the parent company and its subsidiaries (more important the strength of the internal network):

According to 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 relationship HQ-subsidiary is directly related to the local dynamics, the local turbulence. It is also important for MNCs as a way of avoiding the loss of the subsidiary (Oliveira Junior, 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 regards to local turbulence.

- P6: distance exerts direct influence on the standardizing/adapting decision:

According to the amount of differences between home country and location of the operations, a subsidiary might benefit more from standardized marketing decisions or not (Quester & Conduit, 1996; Costa, 1998; Ambos et al., 2006). Several studies have shown that each situation needs to be carefully analyzed so that the MNC can benefit the most from local opportunities, maximinzing its local responsiveness.

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

Quester and Conduit (1996) conclude that standardization and centralization of the decisions is not correlated. 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 Junior (2009), the quality of the relationship between the parent company and its subsidiaries has to be very good in order to maintain the network. Otherwise, subsidiaries might become excessively autonomous or even an independent branch.

- 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):

The flow of knowledge can be an important weapon in highly competitive environments if aided by the network approach in business administration (Oliveira Junior, 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 that information is distributed asymmetrically, in order to benefit the most from it (Greenwald & Stiglitz, 1990; Quester & Conduit, 1996; Birkinshaw et al., 1998; Seufert et al., 1999; Oliveira Junior, 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 can respond to environmental opportunities and changes (local responsiveness):

Access to more knowledge and information through MNC network strength not only induces a direct effect on firm performance but also bolsters the positive effects of marketing strategic 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 to reinforce its responsiveness to local environments (Hansen & Nohria, 2004). In particular, firms with stronger ties are associated with higher levels of trust, which facilitate market information exchange (Tsai & Ghoshal, 1998).

- P10: the more autonomy granted to the subsidiary, the more important that the subsidiary develops a strong external network:

Previous propositions already mentioned the relation between autonomy and business network. Once MNC grants autonomy to a subsidiary, it is important to strengthen its chain of value (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 to handle market competition and operating problems. 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 can respond to environmental opportunities and changes (local responsiveness):

Centralization may cause a reduction of production costs, improvement of product quality and more aligned strategic programs. However, the company might incur in excessive costs of administration and concentration of activities in the HQ, causing delays in decision making (Oliveira Junior, 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, i.e. a subsidiary with limited geographic scope and severely constrained product or value-added scope. This kind of subsidiary still exists and might be necessary in some cases. However, as pointed out by several authors, the role of the subsidiary tends to gain importance for the MNC to really benefit from it and exploit local opportunities. In order to do so, as discussed previously, 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 from it (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 bigger its local embeddedness and the better it can respond to environmental opportunities and changes (local responsiveness):

The more the subsidiary is rooted in the local business networks of the country where it operates, the greater the possibilities that the subsidiary gains access to new knowledge that can ensure global competitive advantages (Andersson et al., 2002). In other words, 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 put effort in terms of embedding the company locally. In this sense, according to Achrol (1991), local embedded companies tend to present better marketing performances than other MNC subsidiaries. A marketing orientation should prove to be highly advantageous because it enhances local responsiveness of a company (Jaworski & Kohli, 1993). Rugman et al. (2011) also highlight this aspect, suggesting that a company should understand and manage its liability of outsidership rather than deal with its liability of foreignness. Further, according to Frost and Zhou (2000) and to Frost (2001), the 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 the technical and scientific community abroad. Moore & Birkinshaw (1998) also point out to the issue local embeddedness as a consequence of the local external network of the company.

- P13: the greater the knowledge flow between the parent company and its subsidiaries (and within subsidiaries), the better the subsidiary can respond to environmental opportunities and changes (local responsiveness):

Transfer of knowledge is often associated with modification of the existent knowledge to the specific context (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. Further, as stated by von Krogh and Köhne (1998), the success of companies will in the future increasingly depend on the extent to 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 to firm success (Luo, 2001; Roth et al., 2009)

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

Katsikeas et al. (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 environmental fit that determine when and how standardization is related to firm success (Schilke et al., 2009). On the other hand, Theodosiou and Leonidou (2003), e.g., demonstrated that there is no direct relationship between standardization and marketing performance, although it influences the results. Further, as stated by Achrol (1991), the problem of whether to specialize or generalize reduces to whether to develop unique skills that maximize exploitation of an environment and take the risk of that environment changing, or accept a lower level of exploitation but one that is feasible for a larger range of environmental states. Therefore, the inclusion of 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:

Jaworski and Kohli (1993) argue that the responsiveness component of a company 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 companies (Homburg et al., 2007). According to Lee et al. (2009), strategy scholars have long suggested that firms that can quickly control and deploy their internal resources 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 the subsidiaries.

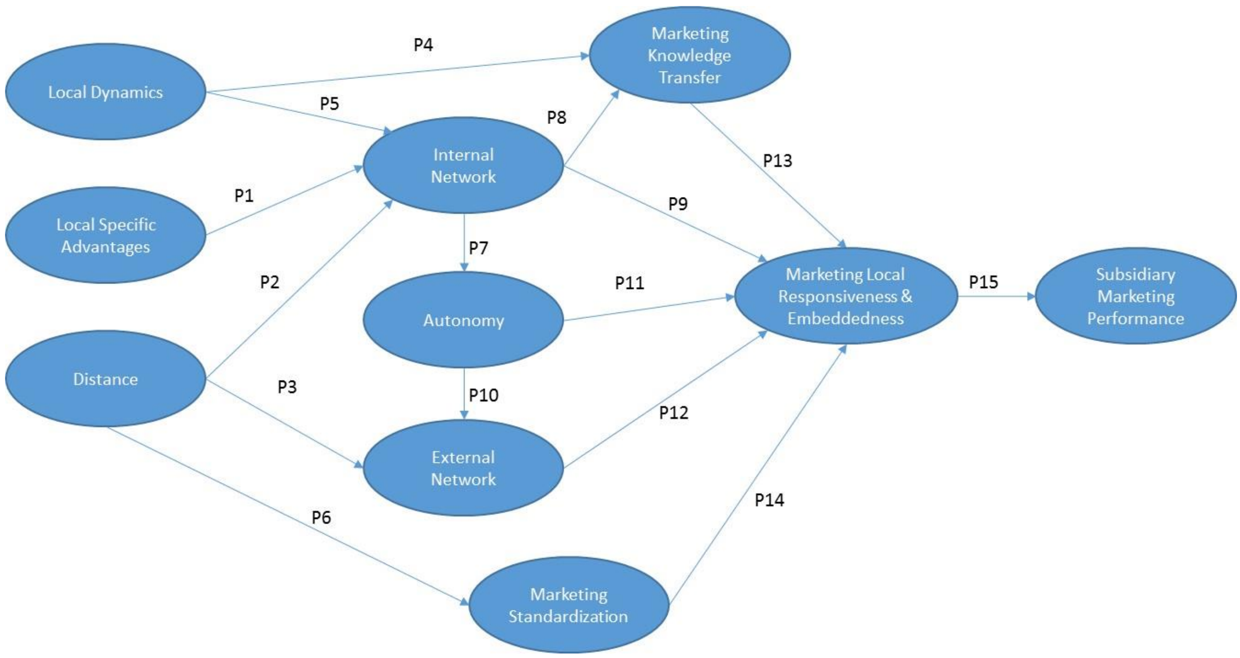

Figure 1 – Integrative model of marketing performance of subsidiaries

3.1 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 review of the literature.

Construct	Definition and Scales
Local Specific Advantage	Country Risk Index (International Country Risk – ICR – PRS Group); GDP *per capita* (World Bank); Economic Freedom Index (De Beule et al., 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 Distance Index; Governance Indicator (World Bank); Inflation rate; Median age of the population; Chiao et al. (2010); Cui et al. (2014)
Internal Network	Jaworski & Kohli (1993); Lee (2010); Lamprinopoulou & Tregear (2011)
Marketing Knowledge Transfer	Lee et al. (2009); Rocha (2009); Rocha et al. (2012, 2014); Schleimer et al. (2014); Park et al. (2015)
Autonomy	Jaworski & Kohli (1993); Homburg & Prigge (2014)
External Network and Embeddedness	Polanyi (1944); Uzzi (1997); Lee (2010); Cretoiu et al. (2010); Lamprinopoulou & Tregear (2011)
Marketing Standardization	Quester & Conduit (1996); Vrontis et al. (2009)
Marketing Local 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 et al. (2004); Schilke et al. (2009); Grewal et al. (2009); Lee (2010)

Table 1 – Constructs and proposed scales

4 CONCLUSION

This study offers a further perspective to the literature on both international marketing and international business. The review of the literature presents the main variables related to the marketing performance of subsidiaries operating abroad: i. local characteristics (psychic distance and environmental turbulence); ii. degree of centralization and autonomy; iii. degree of standardization and adaptation; iv. relationship between subsidiary and headquarter (knowledge transfer, internal and external networks); and v. local responsiveness and embeddedness.

Further, by means of the proposed integrative model, it is possible to incorporate the context of operation and the dynamics of the specific markets into analysis. These aspects help not only managers in evaluating their companies, but also offer a more robust mindset on international marketing strategy making. Thus, the proposed model permits the expansion of theory in International Business and in International Marketing.

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.

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 to be carried out as well. By creating a robust and reliable database it is possible to perform statistical analysis and the validation of the model proposed. Since any measure often reflects not only a theoretical concept of interest but also measurement error

(Bagozzi, Yi & Phillips, 1991), it is highly recommended that the researcher verify 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 by means of SEM and their relationships arbitrated – e.g. causality, mediation (full or partial), moderation. According to Hair et al. (2010), structural equations are especially useful for testing theories containing multiple equations involving dependency relationships.

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