# On The Identification of Frontier Issues in Multinational Marketing

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THE GROWING IMPORTANCE OF multinational marketing operations to the survival and growth of an increasing number of firms in many countries, and to the economic survival and independence of most countries is widely accepted. Yet, the academic discipline of multinational marketing has lagged considerably behind the developments in U.S. marketing. The number and quality of texts, monographs, and research studies on multinational marketing problems is surprising limited. Most if not all of the conceptual and methodological advances in marketing have occurred within the domestic marketing context with no, or at best, limited reference to the multinational marketing setting.

One possible reason for this treatment of multinational marketing as a "step child" of the marketing profession is the difficulty involved in conducting multinational marketing research. This difficulty stems from the complexity of the multinational environment, the considerably higher monetary and time costs involved in multicountry studies, the conceptual problems of comparability across languages and cultures, and the operational difficulties of implementing multicountry studies. It has been much more expedient, therefore, to study domestic marketing problems.

Whereas the operational difficulties of any multicountry study are likely to remain a serious obstacle to progress in this area, it is our belief that the identification of some of the idiosyncratic multinational marketing issues could help stimulate research in this area by both marketing practitioners and academicians. Advances in our understanding of multinational marketing decisions, actions and their determinants would require a systematic and continuous research effort. An unanswered question, however, is, On what should this research focus?

Although no one should prescribe to others what areas they should investigate, it might be desirable and useful at this stage of development in the multinational marketing field to identify some of the frontier issues which, if explored, could aid our understanding of multinational marketing decisions and operations. Such improved understanding of multinational marketing might also help our understanding of the way domestic marketing systems operate.

The purpose of this paper is to propose a framework for the identification of frontier issues in multinational marketing research and highlight some of the critical areas for future research in this area.

## The Proposed Framework

As an aid to the identification of frontier issues in multinational marketing, let us consider the simplified model of multinational marketing management presented in Exhibit 1. The model centers around the multinational marketing decision makers who are concerned with a series of multinational marketing decision. These are closely related to other multinational corporate decisions and are influenced by six sets of variables and actors:

- The corporate objectives, multinational orientation, resources and constraints
- The multinational environment
- The customers of the various multinational markets
- The competitors
- The relevant intermediate marketing organizations in the various markets
- Other relevant stakeholders of the firm (suppliers, governments, etc.)

In making these decisions, the marketing decision maker can rely on six major "decision tools":

Marketing concepts



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- Consumer behavior (and behavioral science) concepts and findings
- The theory of international economies
- Concepts from the emerging area of social architecture
- Management science concepts and techniques
- Marketing research

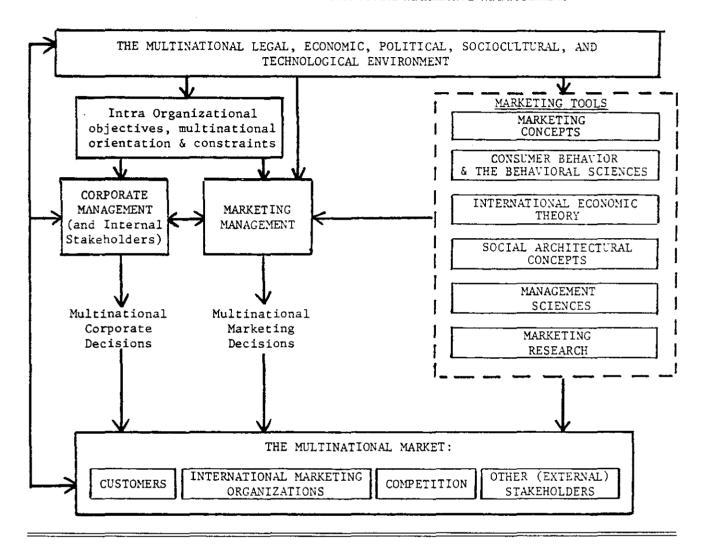
This model, in its simplified form, is obviously not unique to multinational marketing operations. Actors, decisions, decision inputs, and tools are major elements of any model whether it focuses on domestic marketing or multinational marketing operations. The special features of multinational marketing should therefore be considered explicitly as they relate to each of the components of the model. The model provides a convenient framework for the consideration of those areas, within each of the model components, that have unique multinational features associated with them. The multinational dimensions which are of major importance to a better understanding of multinational marketing operations are presented next.

# The Multinational Marketing Decision Makers

The focus of multinnational marketing decisions within a firm is not as clearly defined as its domestic counterpart. Given the large number of organizational members involved in multinational

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#### A SIMPLIFIED MODEL OF MULTINATIONAL MARKETING MANAGEMENT



marketing decisions (including export managers, marketing directors, and top corporate officers), it might be useful to develop a concept similar to the "organizational buying center." Such a multinational decision center would include all those involved in the firm's multinational marketing decisions and would serve as the relevant unit of analysis.<sup>1</sup>

The change in focus from a single multinational decision maker to a multinational marketing decision center is consistent with the way organizations operate. The concept has major implications for research on multinational marketing decisions since it affects the number and identity of the relevant decision makers. As with the analysis of organiza-

tional buying behavior (both in domestic and foreign markets), the multinational marketing decision center has considerable implication for the required data analysis procedures. In particular, conceptual and methodological procedures have to be designed to handle multiple responses from each organization and to handle any response incongruency.

Recently, and consistent with the efforts to "broaden the concept of marketing," attention has been given to the marketing decisions (and hence the decision makers) of cities and nations. The concept of a multinational city has been considered by a number of cities such as Paris, Honolulu,

Atlanta, Coral Gables, and recently Philadelphia.<sup>2</sup> In these cases one can take a marketing approach addressed to the question of how to market the city (its institutions, etc.).

When firms and cities negotiate with actors who have a stake in the key decisions and outcomes associated with their organization, the behavior of these actors is critical to the survival and growth of the firm or city. Following Ansoff<sup>3</sup> and Ackoff<sup>4</sup> we propose that multinational marketing shift its focus from single internal decision makers to the key internal and external stakeholders, i.e., all those individuals, groups, and organizations which contribute to the viability and legitimacy of the organizations which contribute to the viability and legitimacy of the organization.

Understanding the stakeholders' behavior and, in particular, expectations from the multinational firm is an essential task for any multinational organization. Exhibit 2 contains an illustrative list of some current expectations which a Trans-National Corporation (TNC) might have of its host government as a stakeholder, and the expectations which the government might have of that firm. Whenever these expectations are inconsistent, as in the illustrative case, some accomodation is necessary if the firm is to continue to function in that host country.

#### EXHIBIT 2

## AN ILLUSTRATIVE TRANSACTIONAL ENVIRONMENT OF TNC

Illustrative Expectations of a TNC from a Host Government as a Stakeholder Illustrative Expectations of a Host Government from TNC

- Acceptance of local production which the local market will absorb, replacing imports
- Freedom of action regarding level of employment, with good ethical practices regarding firing workers
- Royalty payments or other compensation for introduction of new technology

- Acceptance of local production for both local market and exports
- Stable labor force (not firing workers in bad economic conditions)
- Free receipt of technology

Stakeholders often include shareholders, creditors, customers, suppliers, unions, local community, managers, and employees as well as the governments at home and in the countries in which the firm operates. Competitors can also be seen as stakeholders. It is useful to distinguish, therefore, between external stakeholders who are outside the firm as it defines its boundary, and internal stakeholders who are seen as members of the firm. A key stakeholder, whether internal or external, is a person, group, or institution which has one or more of the following features:

 Contributes or provides inputs (e.g., revenues, productivity, or raw materials) which are needed by the firm.

 Influences key decisions such as capital investment, choice of products, or level of productivity.

 Can damage or affect negatively corporate performance if his expectations are not adequately met.

Can threaten the survival or performance of the firm by withdrawal of support.

More recently governments and other constituencies in most countries have increased their direct attention to the behavior and misbehavior of TNCs, and the economic and socioeconomic influences of their actions. The growing emphasis on rights to food, health, habitat, and a clean environment, the desire for reduced dependence on foreign investment, and the pressures of nationalist and separatist movements have all led to unilateral regulation by governments, which, for many TNCs such as pharmaceutical companies, has left few decisions unaffected by government constraints.

Multinational stakeholders also appear in the form of multinational institutions. Consider, for example, the establishment of a UN center for transnational corporations, which is based on the premise, accepted in both advanced and developing countries, that the TNC is a legitimate institution, but that its activities should be subject to increasing multilateral surveillance.

## The Multinational Marketing Decisions

Whether one is concerned with domestic marketing decisions or with those made in other countries, the basic marketing decisions—selection of target

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market segment(s), product positioning, and the four marketing mix decisions of product, price, promotion, and distribution—are the same. The multinational dimension adds a series of decisions which relate to the multicountry aspects of multinational operations. These unique multinational marketing decisions include:

- Selection of target countries
- Selection of mode of entry (e.g., direct investment vs. licensing, etc.) and its effect on the country and segment selection decision
- Determination of market segments within the selected countries
- Determination of the degree of strategy standardization (with respect to positioning, products, pricing, advertising, etc.) across countries
- Allocation of resources among countries
- Determination of an optimal portfolio of products, market segments, and countries
- Determination of the optimal "makebuy" mix of technology, production, and marketing activities across countries and modes of entry
- Determination of the positioning of various products in the selected countries (e.g., global positioning vs. regional or country positioning)
- Scheduling the order of entry to various countries (and segments) and developing models for the determination of the best mix of sequential vs. simultaneous entry at different levels and types of entry strategies
- Determining the most appropriate organizational design for the selected multinational marketing strategy

In addition, the study of the interrelationship between the multinational marketing decisions and other multinational corporate decisions (e.g. financial, production, procurement, R&D, personnel) can be of considerable value.<sup>5</sup>

#### The Multinational Environment

The multinational environment and its respective institutions and participants have received considerable attention in the multinational marketing literature. Describing these environmental factors, although important for a better understanding of multinational marketing operations, is not enough. An essential next step is the determination of the

specific effects of these environmental factors and especially combinations of factors (which explain the interrelationships among the various environmental factors) on specific multinational marketing decision and the market response functions.

The determination of the current and projected effect of environmental forces on multinational marketing decisions is a major step toward a better understanding of multinational marketing. It requires a considerable amount of continuous empirical work tied together with conceptual developments concerning hypothesized relations between current and projected environmental forces (singularly and in combination) and the following current and anticipated considerations:

- Restrictions on the firm's freedom to operate (both ability to enter a market and the requirements imposed on the nature of operation within a market)
- Demand facing a firm (i.e., expected sales and income).
- Cost of operations which together with the expected income determine the firm's profitability.
- Risks involved in the firm's operations
- The volatility of the specific operation.

Studies aimed at the determination of the effect of various environmental scenarios (based on a set of interrelated components of the multinational—both country of origin and target country—legal, economic, political, sociocultural, and technological environment) on these areas are essential input to the multinational marketing decisions discussed in the previous section. To fully benefit from such studies, they should follow a specific set of conceptual considerations (based on our current state of knowledge), should be based on the most advanced methodology for environmental forecasting, and should be designed as a systematic cumulative research effort.

## The Marketing Decision Tools

The most promising area for new research in multinational marketing seems to be various aspects of the marketing decision tools—marketing concepts and models, concepts and findings from the consumer behavior and behavioral sciences, concepts from the field of social architecture, and

concepts, models, and techniques from management science and marketing research. In particular, it is important to examine the relevance of these tools to the various multinational marketing decisions and their impact on the outcome of marketing decisions.

Marketing Concepts and Models—The major marketing concepts (such as the marketing orientation, the concepts of market segmentation, and product positioning) are as applicable in multinational marketing as they are in domestic marketing operations. Furthermore, the approach to the solution of marketing problems should also be the same regardless of the geographical boundaries involved.

Little is known, however, on the degree to which the operationalization of these concepts should be changed to facilitate their actual application in the multinational context. Initial attempts to identify similar market segments across countries suggested, for example, the concept of a two-step segmentation approach. Yet, further work is required to determine whether and how to adjust the domestically oriented marketing concepts to the multinational environment.

In addition, new multinationally oriented marketing concepts should be developed to support the unique set of multinational marketing decisions. Such idiosyncratic multinational marketing concepts could also provide important insights into the nature of domestic marketing operations and improve the current state of marketing knowledge, especially if focusing on issues such as:

- the allocation of resources among products and countries
- the scheduling of marketing effort over time and space
- the organization design required to implement an effective and efficient multinational marketing strategy
- the conditions under which standardized marketing strategy is most preferred.
- the interdependencies between mode of entry and the marketing mix decisions
- the effect of marketing activities in one country on the firm's competitive position in other countries
- the normative tradeoff between short term and long term objectives given

- the much higher levels of uncertainty in international operations
- the conditions which should determine the balance between domestic and foreign operations and the desired level of international orientation
- the interdependency between international finance, personnel, and production decisions and the international marketing decision and the implications of these interdependencies to the basic marketing concepts and approaches

Of major importance in this context is the development of new multinational marketing concepts. These concepts should reflect the special characteristics of the international environment and required international marketing decisions. In fact, if one takes a broader multinational marketing perspective, it is clear that all the current marketing concepts were developed within the boundaries of a single (although heterogeneous) market. The international perspective adds about 150 countries, leading to the need for new conceptual ways of looking at and understanding marketing activities and their input in a number of countries and not just within a single country.

A Social Architectural Approach-Social architecture<sup>8</sup> is concerned with the theory, research, and practice of institution building, i.e., the design of a unique value creation and delivery system. Social architecture, in the context of the multinational environment, is concerned with the question of how TNCs and other firms involved in international marketing operations can be designed to meet the needs and values of various stakeholders in countries with diverse sociocultural, economic, and political environments. While firms involved in multinational marketing operations were considered legitimate in the past, if they were viable, the need has increased to have legitimacy conferred by those groups which have the power to alter or dissolve the firm itself...

Legitimacy cannot be conferred by management, but rather by the external actors who contribute to the enterprise. The questionable future of TNCs and other multinational corporations in many countries is due to the legitimacy question, not the

viability of profitability of the given firms. Consider, for example, the nationalization of oil companies in the OPEC countries and the nationalism of extracting companies in Third World countries.

Organizational development (OD) and many of the approaches to organizational design have offered a planned and systematic approach to developing an *intra* organizational system. These approaches have been based on managed participation by the members of the organization in a diagnostic and implementation process (OD) or via an analysis of the decision and information flows. Both approaches tend to ignore, however, the increasing importance of governments and other external stakeholders.

A social architectural view of the organization is consistent with recent work in interorganizational theory and research<sup>9</sup> and offers some guidelines as to how to approach the question of organizational design given (a) the diversity of actors who have a stake in the firm's key decisions, and (b) the contextual environment<sup>10</sup> of the firm with its multiple internal and external stakeholders who operate within (c) the wider multinational, and political, economic, technological, cultural environment. The design of efficient and effective organization of multinational marketing approaches, which takes into consideration both the interorganizational design considerations<sup>11</sup> and the social architectural approach, offers a major challenge to both marketing and organizational behavior researchers and practitioners.

Consumer Behavior and the Behavioral Sciences—The neglect of the multinational consumer behavior area is clearly evident if one examines, for example, the published articles in the Journal of Consumer Research. Only one out of more than seventy five articles in the first ten issues of the Journal has dealt with some aspect of multinational consumer behavior. Yet, the study and understanding of consumer behavior in various countries is an essential input to the development of any multinational marketing strategy and theory.

The multinational environment can provide a rich setting for the study of similarities and differences among consumers and their responses to marketing variables. Furthermore, given the relatively limited role cultural anthropology has played in the development of consumer behavior (compared with psychology and sociology, for example), studies on multinational consumer behavior might not only help apply cultural anthropological concepts and findings to the explanation of consumer behavior in the multinational setting, but also contribute to an understanding of domestic consumer behavior (for example, with respect to the consumption related behavior of various subcultures, the role of gifts, the important symbolism of colors, shapes, and the like).

The application of behavioral science and consumer behavior concepts and findings should not be limited, however, to the study of multinational consumers, but should be expanded to the study of all relevant stakeholders of the firm. The change from a focus on consumers to stakeholders is of particular relevance in the multinational environment in which marketing outcomes depend on the attitudes and behavior of large groups of stakeholders.

Management Science Concepts and Models—Both the philosophy of management science and a number of its decision tools can and should be utilized in making multinational marketing decisions. Yet, as with the other marketing decision tools, only a scattered and limited number of management science studies have been conducted as aids to multinational marketing decisions.

Careful examination of the unique multinational marketing decisions might suggest a number of politically fruitful applications of management science approaches. For example, the determination of the optimal mix of products and market segments among countries can be made by some appropriate resource allocation models. The selection of target countries and the associated mode of entry can be aided by appropriate computer simulation models. The uncertainty and complexity of the multinational environment can be handled using appropriate planning (for example, the Critical Path Method) and decision theoretic tools (for example, decision theory).

The complexity of the international marketing environment suggests even greater need than in domestic operations for the employment of resource allocation, optimization, scheduling, and forecasting techniques as inputs to international marketing decisions. Yet to date there have been only scattered attempts to use, on an ongoing basis, management science models and techniques as inputs to international marketing decisions. Given this low level of utilization, and the mostly intuitive approach to many international marketing decisions, it would be helpful if management were to accept, as a first step, the need to structure explicitly the international marketing problems and decisions, even without attempting to follow it up with an optimization or forecasting techniques.

Marketing Research—Most multinational marketing research activities to date have focused on marketing research within a single or a limited number of foreign countries. As such, some of the more obvious problems involved in multinational research (such as language problems and the need for cross-country comparability of results) have been addressed. Yet any systematic analysis of the conceptual, methodological, and administrative issues involved in undertaking multinational marketing research activities is so far lacking.

Explicit consideration of and research in the following areas is, therefore, required:

- The development of appropriate multinational marketing models involving the identification and operational definitions of: the unit of analysis, the dependent variable(s), and the relevant set of independent variables.
- The development of multinational research designs. The design of experimental and nonexperimental studies, whether of a cross sectional or longitudinal nature, requires a clear understanding not only of the problems under examination but of the ability to undertake such studies in various countries—the availability of appropriate research organizations (interviewers, etc.), the respondents' ability to cooperate (in completing diaries for example).
- The research instrument should be

- meaningful to the respondents and clean of ethnocentric biases. At the same time, the design should allow for any required cross-cultural comparisons.
- The data collection procedures should be designed to be compatible with both the desired research design and the available data collection facilities (mail, telephone, personal interviews).
- The data analysis and interpretation should utilize the relevant recent developments in data analysis procedures.<sup>12</sup> There is no justification for multinational marketing studies that rely on obsolete research technology.
- Appropriate sample design of both countries and respondents within countries.

Multinational marketing research should be concerned with three levels of multinational marketing analysis: (a) the country selection level which involves the examination of a large number of countries and the clustering of countries, (b) the binational or multinational level of analysis of the relation between the home office and the selected target country (or countries), and (c) the intracountry studies (that is, marketing research in a foreign country). It is only this latter step which is common to both domestic and international marketing research activities.

## **Concluding Remarks**

No single paper can even attempt to list all the frontier research issues in multinational marketing. Furthermore, no paper should attempt to dictate areas which *should* be investigated by others. Advances in research occur when researchers tackle problems of interest to *them* which at the same time have some relevance for the area under investigation.

The objective of this paper was to provide a framework for the identification of gaps in our current understanding of multinational marketing. It is the sole responsibility of interested researchers to identify a specific set of research issues. It is our belief, however, that if this set of issues is aimed at improving our understanding of multinational marketing, the future research paths should

include specific components of three sets of variables:

- A specific marketing decision
- A specific set of environmental factors
- A specific set of decision tools

Studies of specific combinations of items from these sets should receive priority over the simple descriptive studies now commonly conducted in multinational marketing studies. It is further believed that the managerial focus of such sets can help bridge the current gap between the academic and business communities leading to richer, more insightful, and more pragmatically useful multinational marketing studies.

#### NOTES

- 1. For a discussion of the buying center concept, see Y. Wind, "Organizational Buying Center: A Research Agenda," in G. Zaltman and T. V. Bonoma (eds.), Organizational Buying Behavior, Chicago, AMA, 1978.
- 2. Heenan, D., and H. V. Perlmutter, "Building Global Cities," Chapter 6 in Multinational Organizational Development: A Social Architectural Approach, Addison-Wesley, forthcoming.
  - 3. Ansoff, I., Corporate Strategy, New York, McGraw-Hill, 1965.
  - 4. Ackoff, R., Redesigning the Future, New York, Wiley, 1974.
- 5. The interrelationship between marketing and the other business functions, and the required research in this area are discussed in Y. Wind, "Marketing and the Other Business Functions," in J. Sheth (ed.), Research in Marketing, Vol. III, in press.
- 6. See, for example, P. R. Cateora and J. M. Hess, International Marketing, revised edition, Homewood, Ill., Richard D. Irwin, Inc., 1971.
- 7. Wind, Y., and S. Douglas, "International Market Segmentation," European Journal of Marketing, Vol. 6, (Spring 1972), 17-25.
- 8. Perhautter, H. V., Towards a Theory and Practice of Social Architecture, Tavistock, 1965.
- 9. See, for example, William M. Evan, ed., Inter-Organizational Relations, Middlesex, England, Penguin Books Ltd., 1976.
- 10. Emery, F. E., and E. L. Trist, Towards a Social Ecology: Contextual Appreciation of the Future in the Present, New York, Plenum Publishing Corp., 1975.
- 11. See, for example, Jay Galbraith, Organizational Design, Reading, Mass., Addison-Wesley, 1977.
- 12. In this context, all the various multivariate statistical techniques and choice models discussed in recent marketing research texts should be considered for international marketing research. For an excellent review of these data analysis procedures, see Paul E. Green and Donald T. Tull, Research for Marketing Decisions, 3rd ed. Englewood Cliffs, N.J., Prentice Hall, 1975.