The Link between Standardization/Adaptation of International Marketing Strategy and Company Performance

Regina Virvilaite, Beata Seinauskiene, Giedre Sestokiene

Kaunas University of Technology
Laisves av. 55, LT-44309, Kaunas, Lithuania
e-mail: regina.virvilaite@ktu.lt, beata.seinauskiene@ktu.lt, giedreik@yahoo.com

Most scientific studies concentrate on factors that impact the choice of a certain strategy, and they seek to identify forces that stimulate standardization or adaptation. But the validity of the choice of standardization or adaptation strategy is determined by its potential to improve company performance (Samie & Roth, 1992). Jain (1989) states that suitability of an international marketing strategy is confirmed by the strategy’s influence on the company performance – economic and strategic benefit, received due to implementation of the chosen strategy.

Although the factor of company’s performance should be one of the most important ones when making the strategic decision of standardization/adaptation, according to scientists, this issue has been researched empirically the least, and results of performed research works are contradictory (Katsikeas, Samiee & Theodosiou, 2006). Therefore, the link between standardization/adaptation of international marketing strategy and company performance remain a topical object of the scientific research.

The problem in this article is formulated with the help of the following question: is there any link between standardization/adaptation decisions of international marketing strategy and company performance?

The aim of the article is to develop a theoretical model of the link between standardization/adaptation decisions of international marketing strategy and company performance and to test it empirically. Seeking to realize the set task, research was performed using methods of systematic and comparative analysis of scientific literature. Empirical verification of the theoretical model was performed using the case analysis method.

Identified internal organisational and external environmental factors, which limit standardization/adaptation decisions of international marketing strategy, are presented in the article based on the analysis of scientific literature. Reviewing research of this subject, causality direction is analyzed and the link between standardization/adaptation decisions of international marketing strategy and company performance is substantiated. The performed analysis of scientific literature has shown that the link between standardization/adaption and company performance is reciprocal and complicated; possibly it is influenced by other forces, such as Porter’s (1980) generic strategies.

Based on literature analysis a theoretical model of the link between standardization/adaptation decisions of international marketing strategy and company performance was composed. The model encompasses external and internal antecedent factors that condition the decision to standardize or adapt and outcomes of standardization/adaptation as well as the influence of the generic strategy on the standardization/adaptation decisions of international marketing strategy and company performance. The model reveals that company performance may be not only the outcome of standardization/adaptation decisions, but also an antecedent of these decisions. The generic strategies have a direct and indirect (acting through the international marketing strategy) impact on company performance.

Analysis of the case of LENZE Group revealed that applied standardization/adaptation and cost leadership/differentiation strategies when they are adjusted do complement each other and their strategic goals are not confronting. This partially negates theoretical assumptions that adaptation is compatible with the differentiation strategy, and standardization is compatible with cost leadership strategy, and this reveals that other combinations of strategic decisions are also possible, conditioning the improvement of company performance.

Keywords: international marketing strategy, standardization, adaptation, company performance, generic strategies.

Introduction

The processes of globalisation and integration have a big influence on the development of international trade (Bernanty, Normantiene, 2009). Favourable conditions for business development in the international market, appearing as a result of these processes, create conditions for economies of scale, which would be impossible due to the limited size of the inner market (Sabonienė, 2009). Therefore international marketing solutions become especially relevant for enterprises that operate in a global business environment and that look for survival or business development possibilities.

Latterly more attention is given to the link between international marketing strategy and company performance in scientific literature on the subject of international marketing (Samiee, Roth, 1992; Čavusgil, Zou, 1994; O’Donnell, Jeong, 2000; Katsikeas, Samiee & Theodosiou, 2006, Solberg, Durrieu, 2008; Shilke, Reiman, Thomas, 2009). Company performance is one of the most important aspects when assessing the suitability of certain strategies (Jain, 1989). However, despite the importance of international marketing strategy for company performance, the number of scientific research works that analyse the mentioned link is limited, and results of the research works are contradictory (Katsikeas, Samiee & Theodosiou, 2006,
Shilke, Reiman, Thomas, 2009). Although theoretical assumptions exist that standardization creates conditions to receive bigger profit, not all empirical studies confirm these assumptions – for example, in the case of research of Samiee & Roth (1992). While, on the contrary, research results of other scientists reveal that standardized marketing strategies improve company performance (O’Donnell, Jeong, 2000, Zou, Cavusgil, 2002), and companies have bigger profit, when applying standardized marketing strategies (acting in homogenous markets) (Schuch, 2000).

Scientific literature is dominated by research works that analyse direct link between standardization/adaptation of international marketing strategy and company performance, without assessing the possible impact of other intermediate forces (Katsikeas, Samiee & Theodosiou, 2006, Shilke, Reiman, Thomas, 2009). Although such researches contribute to deepening the knowledge about antecedent factors of standardization/adaptation and outcomes of these strategic decisions, nevertheless, according to scientists (Katsikeas, Samiee & Theodosiou, 2006), research works of the direct link between the strategy and company performance lead to an assumption that one strategy is superior to another with regard to its effect on company results, but the mentioned approach contradicts the newest empirically based provision that neither standardization nor adaptation is inherently superior. Scientists begin to acknowledge that the link between standardization/adaptation and company performance is complicated and possibly influenced by other factors (Shilke, Reiman, Thomas, 2009, Solberg, Durrieu, 2008). It should be emphasized that the influence of standardization/adaptation decisions of international marketing strategy on company performance is named also as one of the most topical research objects of international business (Griffith, Cavusgil, Xu, 2008). Therefore inconsistent results of empirical research works and limited research contexts confirm that the link between standardization/adaptation decisions of international marketing strategy and company performance are a topical object of scientific research (Ryan, Griffith, White, 2003, Theodosiou, Leonidou, 2003).

It should be noted that there is no unanimous opinion or model that would reveal the causality and the nature of the link between international marketing strategy decisions and company performance. Based on the above-mentioned reasoning, a problem is formulated in this article with the help of the following question: is there any link between standardization/adaptation decisions of international marketing strategy and company performance?

The objective of the article is to prepare a theoretical model of the link between standardization/adaptation decisions of international marketing strategy and company performance and to test it empirically.

The object of the article is standardization/adaptation decisions of international marketing strategy and company performance.

Seeking to reach the set goal, research was performed using methods of systematic and comparative analysis of scientific literature. Empirical testing of the theoretical model was performed using the method of case analysis.

**Factors that determine standardization/adaptation decisions of international marketing strategy**

The concept of standardization/adaptation is defined from the process (process oriented standardization/adaptation) and program (program oriented standardization/adaptation) perspectives. In terms of the program perspective the marketing strategy standardization/adaptation refers to the degree to which the separate marketing mix elements are standardized or adopted in the international market. Referring to the home-host market scenario, the standardization of the separate elements of marketing mix is treated as the degree to which the marketing mix elements differs from that of the home and host markets (Lages, Abrantes, Lages, 2008).

The bigger part of scientific research (Jain, 1989; Özsomer, Bodur, Cavusgil, 1991, Cavusgil & Zou, 1993, Theodosiou & Leonidou, 2003, Powers & Lozyca, 2007) is directed towards the identification and systematisation of factors that define circumstances and create conditions for the implementation of an appropriate international marketing strategy. Scientists (Katsikeas, Samiee & Theodosiou, 2006) notice that a lot of theoretical and empirical research has been conducted where research objects are factors influencing the choice of a certain international marketing strategy. Some authors (Jain, 1989; Cavusgil & Zou, 1994; Theodosiou & Leonidou, 2003; Özsomer, Bodur, Cavusgil, 1991, Solber, 2000) distinguish internal and external factors. Other authors (Katsikeas, Samiee & Theodosiou, 2006), basing themselves on the paradigm of strategic fit (which postulates that company performance may be improved by reaching a coalignment among standardization/adaptation decisions and the context of the environment where the strategy is being implemented), emphasize external factors (of macro and micro environment) as significant ones.

In summary it is possible to state that the newest scientific studies of international marketing strategy support the contingency approach, which allows bypassing polarisation between standardization and adaptation and suggests looking for a balance among these two extremities, stating that the degree of standardization or adaptation is defined by external environmental and internal organizational factors. When operating in foreign markets standardization or adaptation should be assessed as two poles of the same decision group, and it is most important for a company to foresee under what conditions and when and to what extent it should standardize or adapt respective elements of its marketing strategy (Alimienné, Kuyvykaite, 2008).

Based on the analysis of scientific literature detailed factors of internal and external factors are presented below (Table 1).

It is obvious that factors that determine standardization and adaption decisions of international marketing strategy are of various levels – they encompass the aspects of the product, company, industry branch, market, and macro-environment.
Performance

Theoretical analysis of assessment of company performance

According to Jain (1989), the suitability of an international marketing strategy is confirmed by the influence of this strategy on the company performance – economic and strategic benefit, received after the implementation of the chosen strategy. Scientists (O’Donnell, Jeong, 2000, Samiee, Roth, 1992, Cavusgil, Zou, 1994, Shilke, Reiman, Thomas, 2009) define company performance as a multiple theoretical construct, which is defined by three dimensions: commercial performance (sales volume, sales increase, etc.), financial performance (profitability, return on investment, profit growth), and performance, related to consumer reaction (customer retention, satisfaction).

Assessment of performance of an exporting company is quite difficult because company performance may be perceived with the help of various methods (Lages, Montgomery, 2004). Performance of an exporting company is most often assessed with the help of several approaches in scientific literature: financial, strategic, and satisfaction with performance is analysed (Zou et al., 1994, Shilke, Reiman, Thomas, 2009) define company performance as a multiple theoretical construct, which is defined by three dimensions: commercial performance (sales volume, sales increase, etc.), financial performance (profitability, return on investment, profit growth), and performance, related to consumer reaction (customer retention, satisfaction).

Theoretical analysis of assessment of company performance

According to Jain (1989), the suitability of an international marketing strategy is confirmed by the influence of this strategy on the company performance – economic and strategic benefit, received after the implementation of the chosen strategy. Scientists (O’Donnell, Jeong, 2000, Samiee, Roth, 1992, Cavusgil, Zou, 1994, Shilke, Reiman, Thomas, 2009) define company performance as a multiple theoretical construct, which is defined by three dimensions: commercial performance (sales volume, sales increase, etc.), financial performance (profitability, return on investment, profit growth), and performance, related to consumer reaction (customer retention, satisfaction).

Assessment of performance of an exporting company is quite difficult because company performance may be perceived with the help of various methods (Lages, Montgomery, 2004). Performance of an exporting company is most often assessed with the help of several approaches in scientific literature: financial, strategic, and satisfaction with performance is analysed (Zou et al., 1998).

Assessment of company performance from the financial perspective depends on the stage of the business life cycle. During the growth stage its financial goal often is the growth of sales (market share). Having reached maturity, profitability criteria become most important for companies – return on capital and added economic value. During the decline stage cash flows become the most important assessment criterion. According to Doyle (2008), the assessment method of cash flows is the most suitable one when assessing different strategic choices of companies. Added economic value is a suitable method, when the aim is to assess current (ongoing) performance and its efficiency and to determine, if the current strategic decision creates value for shareholders. Added economic value measures value, which is created by the company during a certain defined period of time. According to Doyle (2008), the analysis of shareholder value is the most effective mean when seeking to assess the efficiency of alternative marketing strategies in financial terms. Results of management accounting researches, based on the contingency approach, also reveal that the system of assessment of performance results is open and changing, i.e. a changing environment of companies (economic growth, maturity stage, economic decline) has a direct impact on the changes of the system of measuring performance results (Valanciene, Gimzauskiene, 2009, Gimzauskiene, Klovienie, 2010).

Satisfaction with results of company performance is a variable that has been analyzed the most in the context of international marketing. According to scientists (Lages, Montgomery, 2004), assessment of company performance is a complicated process, which depends on a company’s objectives and its set goals. Satisfaction may mean success for one company and failure for another company. So results of research of such nature often do not allow making any generalisations and modelling behaviour of other companies. Therefore, when assessing the company performance and choosing satisfaction as an assessment criterion, it is purposeful to find out the degree of the desired result of a certain company.

Assessing the impact of international marketing strategy on the company performance, the following indicators are used: sales volume, profitability, market share, and number of loyal consumers. But, according to scientists (Boguslauskas, Adlyte, 2010), it is not enough to analyze separate indicators of company performance when seeking to assess company performance effectively, the whole indicator system should be included into the analysis. The application of a wider scale of assessment criteria guarantees intelligent and detailed assessment of strategic decisions (Zinkevičiute, 2007). Seeking to implement the company’s strategy effectively, especially in a global environment, it is necessary to move from management control to management of company performance (when measurement of efficiency is treated as an element of company performance management) (Nita, 2008).

According to Leonidou, Katsikeas, Samiee (2002), if a company has a goal to improve its sales indicators, more attention should be given to the adaptation of its marketing strategy, whereas bigger profitability might be reached by using the strategy of competitive prices. So in conclusion an assumption may be made that in case of standardization decisions it would be most purposeful to assess company profitability or its changes, and in the case of adaptation the company’s taken market share should be assessed.

### Table 1

<table>
<thead>
<tr>
<th>Factor group</th>
<th>Detailed factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro-environment</td>
<td>Economic, Political-legal, Technological, Cultural</td>
</tr>
<tr>
<td>Competition</td>
<td>Intensity of competition</td>
</tr>
<tr>
<td>Nature of the market</td>
<td>Marketing infrastructure (accessibility of communication and distribution channels)</td>
</tr>
<tr>
<td></td>
<td>Occupied market share</td>
</tr>
<tr>
<td></td>
<td>Business-to-business market</td>
</tr>
<tr>
<td></td>
<td>Business-to-consumer market</td>
</tr>
<tr>
<td>Consumer characteristics</td>
<td>Consumer behaviour</td>
</tr>
<tr>
<td></td>
<td>Consumer purchasing power</td>
</tr>
<tr>
<td>Product characteristics</td>
<td>Product type (industrial or consumer goods)</td>
</tr>
<tr>
<td></td>
<td>Product lifecycle stage</td>
</tr>
<tr>
<td></td>
<td>Product homogeneity level</td>
</tr>
<tr>
<td>Industry branch</td>
<td>Technological intensity and progress</td>
</tr>
<tr>
<td>Managerial factors</td>
<td>Managerial orientation (ethnocentric, polycentric, regiocentric, geocentric)</td>
</tr>
<tr>
<td></td>
<td>Level of coordination (level of centralisation of decision-making)</td>
</tr>
<tr>
<td></td>
<td>Experience of the company</td>
</tr>
<tr>
<td></td>
<td>Knowledge of the company</td>
</tr>
<tr>
<td>Organisational factors</td>
<td>Size of the company</td>
</tr>
<tr>
<td></td>
<td>Level of globalisation of the company</td>
</tr>
</tbody>
</table>
The link between standardization/adaptation decisions of international marketing strategy and company performance

Company performance is one of the most important aspects when assessing the suitability of specific strategies (Jain, 1989). Earlier researches are dominated by an attitude that application of standardized decisions has a positive effect on the company performance mostly due to economies of scale and decreased complexity of management (Jain, 1989, O’Donnell & Jeong, 2000). But other scientists (Lages, Abrantes, Lages, 2008) contradict stating that standardization can have disadvantages. So despite the declared benefit standardization does not always improve all companies’ performance equally (Shilke, Reiman, Thomas, 2009). Company performance is a complicated theoretical construct, and it is influenced by various factors (Ryan, Griffith, White, 2003, Theodosiou & Leonidas, 2003).

Shilke, Reimann & Thomas (2009) performed analysis of the most significant empirical researches, published in acknowledged scientific publications, which examine the link between the international marketing strategy and company performance, and determined that although results of the performed researches in general are quite contradictory, still most scientific studies reveal that application of standardized actions most often has a positive effect on company performance (in terms of unconditional link, independent of the impact of possible intermediate factors). But, according to the above-mentioned authors, this does not mean that standardization has an equal positive effect on the performance of all companies. In certain situations the benefit of adaptation may decrease the positive influence of standardization of international marketing strategy.

Researches that analyse direct link between some several variables of standardization/adaptation of international marketing strategy and company performance (one or several indicators) are predominant in scientific literature. According to Katsikeas, Samiee & Theodosiou, (2006) researches of a direct link between international marketing strategy and company performance lead to an assumption that one strategy improves the company performance, and another strategy does not. According to the above-mentioned authors, such attitude contradicts the paradigm of strategic fit, which postulates that company performance will be improved only in the case if coalignment is reached among standardization/adaptation (or their combination) and environmental context. The standardization strategy allows reaching economies of scale, but also it may condition unsatisfactory performance results, when it is incompatible with the environment of a foreign country.

Company performance as an outcome of standardization/adaptation decisions of international marketing strategy. It should be noted that a unanimous opinion is lacking in scientific literature regarding the position, taken by the factor of performance in the cause-result context, or what the direction of causality between standardization/adaptation decisions of international marketing strategy and company performance is. Many scientific studies treat company performance as a result of strategic decisions of standardization or adaptation. Historically strategy formation is defined as an antecedent to performance outcomes (causal factor) (Lages, 2000, Lages, Montgomery, 2004). March & Sutton (1997), having performed thorough analysis of the newest scientific articles on strategic management and organisational behaviour, reveal that 71% of scientific articles analyze company performance as a dependent variable, 12% of articles analyze it as an independent variable, and 11% of studies analyze performance as a dependent as well as independent variable. In other words, company performance most often is analyzed in scientific literature as the outcome of standardization/adaptation decisions of international marketing strategy. The influence of standardization/adaptation decisions, determined by certain factors, on the company performance, ignoring the behaviour of companies as a reaction to preceding performance, is the research object of many scientific studies.

Company performance as an antecedent of standardization/adaptation decisions of international marketing strategy. It should be emphasized that very few scientific studies exist in the context of international marketing that analyse the link between international marketing strategy and company performance as an antecedent, i.e. that analyse the link of the mentioned constructs from the point of view when international marketing strategy is treated as an outcome of company performance.

Assumptions are made in scientific literature of export marketing as well as of strategic management and organisational behaviour that satisfaction with previous results of company performance is directly related to bigger future commitment of companies (Lages, Montgomery, 2004). Preceding company performance that correspond to or surpass expectations stimulate companies to increase commitment in the international market; companies tend to risk more; more resources are given to export activities, so possibilities of the company to implement an adapted international marketing strategy increase (Lages, Montgomery, 2004). So it should be thought that an improved performance creates conditions to apply adaptation of marketing strategy. Preceding company performance has an indirect and a positive influence on decisions of international marketing strategy, i.e. an improved performance determines bigger commitment of the company in the international market and thus increases the company’s possibilities to apply the adapted international marketing strategy (Lages, Montgomery, 2004).

The link between the generic strategies and standardization/adaptation decisions of international marketing strategy and company performance

Authors (Shilke, Reimann & Thomas, 2009) state that company performance depends not only on the degree of standardization/adaptation of international marketing strategy, determined by external and internal factors, but also on the generic strategies that the company applies, i.e. there should be coalignment between these strategies.
Authors Leonidou, Katsikeas, Samiee (2002) also raise an assumption that the generic strategies should influence the link between international marketing strategy and company performance, so, they indicate the need to examine how and to what degree links among export marketing strategy and company performance are affected by the generic strategies, applied by the company, as one of further research directions.

Two generic strategies are distinguished in scientific literature: differentiation strategy and cost leadership strategy (Porter, 1980). Cost leadership strategy is related with the big scale of manufacture, therefore it is related also with smaller average costs, so companies that apply cost leadership strategy may compete in the market more easily. Zou & Cavusgil (2002) state that a company, seeking to gain competitive advantage based on low cost position, should apply standardization of international marketing strategy. So, Shilke, Reimann & Thomas (2009) suggest that a positive link between standardization and company performance is stronger in the case of those companies, which apply cost leadership strategy.

Morgan, Kaleka, & Katsikeas (2004) relate success of international marketing strategy or its positive impact for company performance with the generic strategies, i.e. they think that these strategies should be compatible. Shilke, Reimann & Thomas, (2009) note that the main aim of differentiation (to stand out from competitors) may be in conflict with the main aim of standardization (to present the same marketing mix to an international market). According to the above-mentioned scientists, the differentiation strategy decreases the positive impact of standardization on company performance. It is difficult to coalign standardization of an international marketing strategy with the differentiation strategy. Companies that apply the differentiation strategy seek to distinguish themselves from competitors by providing superior information, more attractive prices, distribution channels or luxury goods (Porter, 1980). In the case of the differentiation strategy competitive advantage is idiosyncracy with regard to competitors, herewith satisfying consumer needs better than competitors and reasonably selling products with premium price. In this case standardization may offer conditionally less to companies that seek the above-mentioned goal, so it will not contribute to the improvement of company performance. And conversely the adaptation strategy is an attractive choice in the case of the differentiation strategy, because strategic goals coincide (Shilke, Reimann & Thomas, 2009). According to the above-mentioned authors, standardization of international marketing strategy is less attractive for companies that apply the differentiation strategy in their internationalisation process. In this case standardization will have a smaller effect on company performance, because the differentiation strategy decreases possible positive impact of standardization on company performance. Although theoretical assumptions of scientists (Shilke, Reimann & Thomas, 2009) regarding differentiation were not confirmed, still authors think that applied standardization for all foreign markets may weaken differentiation as a competitive advantage. Meanwhile in case of the cost leadership strategy results of empirical researches, performed by the above-mentioned scientists, confirm positive influence of this strategy on company performance. Companies that apply cost leadership strategy reach improvement in performance when applying the standardization strategy, because goals of cost leadership strategy and standardization of international marketing strategy coincide (to increase efficiency).

According to scientists (Solberg, Durrieu, 2008), the link between the generic strategies and company performance is complex – the generic strategies may have a direct and indirect (through standardization/adaptation of international marketing strategy) effect on company performance. According to Solberg & Durrieu (2008), company performance could be explained best by an analysis of direct and indirect total effect of the generic and international strategies (including standardization), and not by an analysis of the individual effect of one of these strategies. In summary it can be stated that generic strategies influence the link between decisions of standardization/adaptation of international marketing strategy and company performance. The link between the generic strategies and company performance is complicated – the generic strategies may have a direct and indirect effect on company performance. Regarding the compatibility of strategic goals, the adaptation strategy is an attractive choice in case of the differentiation strategy, and standardization is the choice for the case of cost leadership strategy.

A theoretical model of the link between standardization/adaptation of international marketing strategy and company performance

Having performed systematic and comparative analysis of scientific literature, a theoretical model of the link between decisions of standardization/adaptation of international marketing strategy and company performance was composed (Figure 1).
The prepared theoretical model of the link between standardization/adaptation of international marketing strategy and company performance encompasses not only the external and internal antecedent factors that influence the decision and outcomes of these decisions, but also the influence of the generic strategy on decisions of international marketing strategy and company performance.

The model reveals that company performance may be not only the outcome of standardization/adaptation decisions, but also an antecedent of these decisions. The generic strategies influence the company performance directly and indirectly (through standardization/adaptation of international marketing strategy).

Due to the coalignment between the generic and international marketing strategies (standardization/adaptation) and successive synergy there is a bigger positive effect for company performance.

**Empirical testing of the theoretical model of the link between standardization/ adaptation of international marketing strategy and company performance: the case of LENZE Group**

The aim of the research is to test the theoretical model of the link between the decisions of standardization/adaptation of international marketing strategy and company performance empirically with the help of the example of LENZE Group.

The empirical research method was chosen for the testing of the theoretical model – an analysis of the case of an international company. The chosen empirical research method was determined by the nature of the company activities and the possibility to access the information sources inside the company, necessary for the performance of the research, and by the limited possibilities to perform a large-scale quantitative research.

Secondary and primary (unstructured interview) information sources were used for the fulfilment of the research. The interview was conducted by interviewing the responsible manager of the subsidiary company in Lithuania.

LENZE Group is active in 60 countries; therefore it is quite difficult to perform quantitative research due to big time and financial costs. The main attention in this article is given to international marketing decisions of companies, acting in Germany, Poland, and Lithuania. The mentioned companies belong to one structural branch of LENZE Group, oriented towards the Eastern European regional market.

A short characteristic of LENZE Group. LENZE Group is one of the leading industry innovators in Germany. It has more than three thousand employees in the whole world. Three hundred employees work in the department of research and development in Germany, where new products, systems of mechanical and electronic drive systems and their application decisions are created. The main seat of LENZE is situated in the city of Hameln, Germany, where Hans Lenze established the first company in 1947. The market of LENZE Group is the whole world – the company has 42 subsidiaries, and it has representatives in the form of sales and service companies in 60 countries. The biggest plants are established in Aerzen and Extertal (Germany), Asten (Austria), Shanghai (China), Tarnów (Poland) as well as Uxbridge (USA).

**Strategic decisions of gaining competitive advantage of LENZE Group**

LENZE Group, seeking to gain competitive advantage in the market, coaligns the cost leadership strategy with the differentiation strategy. The main competitors of LENZE Group in electronics are Danfoss, ABB, Shnieder Elektric, and Control Techniques. The company seeks to become the leader and competes by decreasing product prices and improving the quality of its products and services. Seeking to preserve and to increase the occupied market share and sales volume, the company applies the cost leadership strategy with regard to the industrial products (frequency converters, reducers, electrical motors, servo drives, modular systems, components). The company reaches cost minimisation due to economies of scale in many stages of the value chain, for example, by manufacturing standardized products and constantly increasing their sales volume. The preconditions for the company to apply the cost leadership strategy with regard to products are a big degree of internationalisation of the company and a wide geographical coverage of markets.

Since price does not always play the main role when gaining competitive advantage in the analyzed industries (conveyer systems, material transportation industry, packaging industry, robot technology, automobiles industry), a part of bigger than average profit, received in this industry, is invested into other sources of gaining competitive advantage, such as research and development activities. These investments create preconditions for the company to apply also the differentiation strategy, seeking to create bigger value for consumers. The differentiation strategy, applied by the company, is meant for differentiation of solutions, suggested by the company (modernisation of machinery, automation of the mechanical process). In the case of the analysed company differentiation is not related with product peculiarity, but it encompasses such aspects as manufacturing, commercial and scientific experience – the “know-how.” So the company offers standardized products, adapting technical solutions, projects, and accompanying services. Since the company applies the differentiation strategy only to created technological solutions and not to products, the company may successfully compete keeping competitive product prices as well as offering high quality individualized services (solutions).

**Empirical testing of the influence of external and internal factors on the decisions of standardization/adaptation of the international marketing strategy of LENZE Group**

**Economic environment.** Considering economic situation of foreign countries, product groups that are most widely spread in markets of separate foreign countries may be distinguished. Even 60% of the range of sold goods of
LENZE Group is low cost products – products, made by the factory AC tech Lenze (Uxbridge, USA), i.e. frequency converters, which are universal, easily programmable and have all the main functions for stable speed regulation. Whereas the biggest part of sales (85%) of the parent company in Germany is composed of electrical drives of very high quality and precision. LENZE Group forms its range of goods for markets of different foreign countries with regard to the economic situation correspondingly. In the countries where the economic situation is better and the purchasing power of potential consumers is bigger, products of high quality and price dominate the range of goods (the case of Germany), and in the countries where the purchasing power is smaller, products of lower quality and price dominate (the case of Lithuania). The company does not adapt the products themselves for a certain market of a foreign country, but it forms the portfolio of the offered products (range of goods) with regard to peculiarities of the market of each foreign country. It is obvious that the range of goods, offered by the company in the countries, which are more economically developed, is wider. Consumers in economically developed markets are more sophisticated, more selective, and wish for individualized offers. The adaptation strategy becomes more effective in these markets.

Technological environment. LENZE Group acts in industries, where technologies change fast, because clients seek to decrease production costs as much as possible, and this may be reached only by implementing the newest technologies and eliminating the human factor. In order to satisfy clients needs, LENZE Group has established international national offices, directly subordinate to the LENZE parent company as well as to regional companies in neighbouring countries, which are constantly communicating among themselves, exchanging valuable information about the market and innovations. Due to the high degree of centralisation of management decisions and control the company is able to react quickly to changes of the market and technologies.

Cultural environment. Although the company acts in the market of industrial products, its cultural environment also has some impact on the decisions of standardization/adaptation in the international market. The company standardizes certain elements of the international marketing strategy (with regard to products) in all markets of foreign countries independently of consumption habits, attitude, or education. Due to quite high degree of technical turbulence of products adaptation of marketing strategy would increase company costs and would decrease company performance. Standardized products are offered to each foreign country market, only solutions are adapted with regard to the level of technical knowledge and nature of activities of clients so that they would correspond to individual needs of each client, i.e. engineering projects are adapted, seeking to implement a particular technological task. The influence of cultural environment on standardization/adaptation decisions is expressed the most in the market of Belarus. The representative of LENZE Group in Belarus has the exclusive right to sell products of LENZE Group. The nature of activities in this country is determined by political-legal and economic factors, the size of the market, as well as by its cultural environment. LENZE Group is unable to compete with participants of the local market because, regardless of quality and price, the decision of consumers is not influenced by rational motives, but rather by subject factors, such as favour for national brands and consumers’ ethnocentrism. The country of product origin has a big influence on the clients’ purchase decision in Belarus; national production is preferred. Adaptation of the international marketing strategy in the market of Belarus in the analysed moment would not be an economically rational decision for the company due to a big political risk. Acting in a market where it is difficult to predict responses and where the company meets a bigger risk, it is not purposeful to invest more into adaptation decisions and to commit, according to company representatives. In this case the company chooses other ways to enter the market that require less risk (representative) and simpler international marketing strategies that need less investments (standardization).

Competition. This is one of the main factors that determine the international marketing strategy of LENZE Group. The main competitors of the company that influence the choice of its marketing strategy are representatives of these famous brands: Sew-eurodrive (Germany, the main and biggest company in the segment of mechanical products), Nord (Germany), Bonfiglioli (Italy), Motovario (Italy), Hitachi (Japan), Siemens (Germany), ABB (Germany), Mitsubishi (China), Schneider electric (France), Danfoss (Germany), Delta electronics (China), Omron (the Netherlands), etc. Since the degree of competition intensity is high in the markets of Lithuania and other analysed countries, i.e. there are many companies that can offer similar products, that apply similar pricing policies, distribution channels, promotion, therefore the company, seeking to gain competitive advantage in an international market, applies standardization of its marketing strategy (with regards to products), thus being able to retain competitive product price and to improve company performance. LENZE Group has a lot of experience in the manufacture of industrial drives. Due to this experience the company gains advantage against competitors and is able to offer the final products to clients as well as a full complex of technological process solutions. So the company applies the adaptation strategy in the case of solutions.

Product type. The brand LENZE is a group of industrial products for companies, belonging to the industrial sector. With regard to the abundance of analogous products, offered by competitors and existing in the market and clients circle, with regard to the pricing policy, the company applies standardization of its international marketing strategy. The standardized approach is more acceptable for industrial products because purchasing decisions are based on rational levers more than on emotional ones.

The level of product homogeneity. The international market where LENZE Group acts (the product aspect) has characteristics of monopolistic competition: many similar homogeneous products are presented to the market, the main distinctive features of which are manufacturer brands. So the level of homogeneity with respect to products is quite high.
and with respect to solutions it is low. The international marketing strategy, formed by the company correspondingly (standardization with regard to products and adaptation with regard to solutions), confirms theoretical assumptions that in the case of high level of homogeneity it is more rational to apply the standardization strategy.

**Industry.** The name of LENZE Group is widely known in industrial branches: conveyor systems, material transportation industry, packaging industry, robot technology, and automobiles industry. The main customers of the company UAB Lenze, operating in Lithuania, are manufacturing companies that manufacture products for final consumers (food products, furniture, textile, domestic electric appliances, etc.). Whereas products of LENZE Group, operating in Germany and neighbouring Poland, are more oriented towards the well-developed machinery industry, i.e. towards manufacture of serial industrial equipment (pre-packing, transportation transporters, wood processing machines, dosage lines, and elevator mechanisms).

Seeking to decrease manufacturing costs as much as possible and to keep high product quality, standardization as well as adaptation is applied with regard to products in exceptional cases. For example, universal frequency converters Smart Micro Drive are oriented towards the wide manufacturing market, they have all the main functions for the usual speed regulation, and these converters cannot be adapted for a specific industry branch, therefore their utilisation in manufacture is universal, and manufacturing costs are a lot smaller because products are not loaded with specific functions. But in exceptional cases the parent company also applies adaptation decisions (with regard to products). Products are adapted according to the need of big customers, because market conditions are dictated by big global equipment manufacturing companies, where products are adapted for a mechanism-prototype, and as a result these products-prototypes become serial products. The threat of competition decreases because the contractor becomes dependent on the manufacturer when acquiring products of specific purposes. The company ensures the supply of products for the manufacture of new mechanisms as well as for the supply of spare parts during the operation period. Product adaptation endeavours serve the purpose in this case due to an attractive market volume and the possibility to develop relationships with big clients, valuable for the company (to attract and to keep big clients, to prolong the lifecycle of relationships with these clients).

**Market nature.** LENZE Group acts in the business-to-business market. Customers of the company are industrial manufacture companies, seeking to increase production efficiency with products, sold by LENZE Group and their offered engineering solutions. So this segment is sensitive to price and to quality. The company forms its strategy accordingly: due to the applied standardization strategy the company is able to apply lower prices without giving up quality improvement (investments into research and development), and it can reach bigger consumer satisfaction due to adaption with regard to solutions.

**Organizational factors.** The parent company LENZE Vertrieb GmbH, established in Germany, controls the activity of all subsidiaries of LENZE Group (also of the company UAB Lenze, operating in Lithuania), defining sales plans for all countries with regard to market needs and potential and economic situation. The company in Poland, LENZE Polska Sp. Z.o.o., controls the company UAB Lenze, operating in Lithuania, directly. The subsidiary UAB Lenze, established in Lithuania, is responsible for the organisation of activities and results of the subsidiary Lenze in Latvia and sales representative office EVERO, established in Estonia. The sales representative office, established in Belarus, is also subordinate to the subsidiary LENZE Polska Sp. Z.o.o. in Poland.

It should be emphasized that the degree globalisation of the company is high (it operates in 60 countries), so its operation in the global markets creates big possibilities for economies of scale and maximizes the positive potential impact of standardization on company performance.

**Managerial factors.** LENZE Group has strict boundaries of company operation, i.e. territories, where a particular subsidiary company operates. Geocentric managerial orientation is characteristic of LENZE Group in the region of the Baltic States, which consists of Lithuania, Latvia, and Estonia.

It should be noted that the degree of management centralisation is big between the parent company and subsidiaries of LENZE Group, except the company, operating in Belarus, which is independent and can make autonomous decisions of the marketing strategy for the national market independently, because the company, operating in Belarus, is a representative with an exclusive right to sell products of LENZE Group.

**Experience and knowledge of the company.** LENZE Group has existed already for 63 years and has accumulated a huge amount of experience in the area of manufacture of industrial drives. This experience gives the company advantage with regard to competitors. Although the subsidiary company in Lithuania has been active only for 9 years, but due to high degree of centralisation and effective internal communication in LENZE Group it has accumulated much knowledge, how to satisfy the needs of the national market better.

**Standardization/adaptation decisions of elements of international marketing strategy of LENZE Group**

In summary it may be stated that the biggest degree of standardization, applied by the company, is with regard to distribution and promotion. The company adapts elements of services (solutions) and of prices in different markets of foreign countries with regard to cultural differences, economic situation of the country, and other significant factors.

**Empirical testing of the link between standardization/adaptation of international marketing strategy and performance of LENZE Group**

Financial indicators of LENZE Group (Table 2) confirm that coalignement of the strategies of standardization and adaptation lead to the improved company performance.
The company reaches this with the help of standardization, minimizing costs in many stages of the value chain, as well as by ensuring client satisfaction, offering them individualized solutions, adapted to particular needs. In order to receive a more accurate assessment of the situation, financial data of the years 2008/2009 were eliminated from the analysis, because during that period of time other significant forces were at work (the global crisis). Growing sales, profit, increasing cash flows, and other positive financial indicators of LENZE Group enable to conclude that the international marketing strategy, chosen by LENZE Group, allowed carrying out a quick and economically reasonable international development.

**Financial indicators of LENZE Group**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>Millions of Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>432.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>27.6</td>
</tr>
<tr>
<td>Net profit</td>
<td>14.1</td>
</tr>
<tr>
<td>Cash flows</td>
<td>30.8</td>
</tr>
<tr>
<td>Capital investments</td>
<td>13.8</td>
</tr>
<tr>
<td>Own capital</td>
<td>138.3</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>143.7</td>
</tr>
<tr>
<td>Number of employees</td>
<td>2966</td>
</tr>
</tbody>
</table>

Source: www.lenze.com

In conclusion, it may be stated that the company applies the cost leadership strategy (in case of solutions and services) to gain competitive advantage, and these strategies determine better results of company performance. The case analysis revealed that the company could coalign strategies that had different strategic goals: in the case of the analyzed company standardization/adaptation of the marketing strategy as well as both generic strategies (cost leadership/differentiation) were applied at the same time. The analysis of the case of LENZE Group partly negates theoretical assumptions that better results of company performance is reached by fitting the adaptation of marketing strategy with the differentiation strategy and standardization of marketing strategy with the cost leadership strategy. This case revealed that other combinations of strategic decisions, which would determine better results of company performance, were also possible. The applied generic strategies influence the potential of the international marketing strategy to improve company performance – in the case of the analyzed company the differentiation strategy (adaptation of technical solutions) and cost leadership strategy (using standardized products in the creation of adapted solutions) are applied. The company assesses its performance results at the end of each financial year, and if the impact of standardization decisions does not satisfy the company’s expectations, the company, having received the above-mentioned feedback, reviews factors that limit decisions and performs corresponding corrections to its marketing strategy. An adjusted theoretical model of the link between standardization/adaptation of international marketing strategy and company performance in the case of LENZE Group is presented in Figure 2.
The main research limitation is associated with the research method used. In spite of the advantages the qualitative research provides (such as in-depth understanding of the phenomenon investigated), the results of only one company cannot be the basis for the generalization. Future research should employ quantitative measures and increase the sample size.

Conclusions

1. Contradictory and inconsistent results of empirical researches and limited research contexts confirm that the link between standardization/adaptation decisions of international marketing strategy and company performance are a topical object of scientific research.

2. The new scientific researches of international marketing strategy confirm the contingency approach, which allows evading polarisation between standardization and adaptation and offers to look for a balance among these two extremities stating that the degree of standardization or adaptation is determined by external environmental and internal organizational factors.

3. Company performance is defined as a multiple theoretical construct, which is defined by three dimensions: commercial performance, financial performance, and performance, related to customer reaction.

4. A unanimous opinion is lacking in scientific literature regarding the direction of causality between standardization/adaptation of international marketing strategy and company performance. The research object of many scientific studies is the effect of standardization/adaptation, determined by certain factors, on the company performance, ignoring the behaviour of companies as a reaction to the preceding performance.

5. Preceding performance has an indirect and positive effect on standardization/adaptation decisions of international marketing strategy – an improved performance determines a bigger obligation of the company in the international market and thus it increases the company’s possibilities to apply the adapted international marketing strategy.

6. Generic strategies have an impact on the link of international marketing strategy and company performance. Because of the integrity of strategic goals the adaptation strategy is an attractive choice in the case of the differentiation strategy, and standardization is an attractive choice in the case of the cost leadership strategy.

7. The prepared theoretical model of the link between decisions of standardization/adaptation of international marketing strategy and company performance encompasses external and internal antecedent factors that influence the decision and outcomes of these decisions as well as the influence of the generic strategy on decisions of international marketing strategy and company performance. The model reveals that company performance may be not only the outcome of standardization/adaptation decisions, but also an antecedent of these decisions. The generic strategies have a direct and indirect (through standardization/adaptation of international marketing strategy) effect on company performance.

8. LENZE Group, seeking to gain competitive advantage in the market, coaligns the cost leadership strategy (with regard to products) and the differentiation strategy (with regard to solutions). Goals of different generic strategies is managed to be compatible and are not in confront, thus the company can successfully compete in the international market, keeping competitive prices and high quality.

9. Decisions of standardization/adaptation of international marketing strategy of LENZE Group are influenced by internal and external factors. In the case of this company the biggest degree of standardization is with regard to distribution and promotion, and the level of adaption – with regard to services (solutions) and price elements.

10. The company also applies product adaptation in exceptional cases (with regard to the creation of new products), if these products have the potential to become serial products (standardized products) and may be offered to all markets of foreign countries.

11. The case analysis revealed that when applied standardization/adaptation and cost leadership/differentiation strategies are coaligned, they supplement each other, and their strategic goals are not in confront. This partly negates theoretical assumptions that adaptation is compatible with the differentiation strategy, and standardization is compatible with the cost leadership strategy, and this reveals that there are also other possible combinations of strategic decisions that condition the improvements in company performance.

References


Regina Virvilaitė, Beata Seinauskiene, Giedre Sestokiene. The Link between Standardization/Adaptation and Performance in the Emerging Markets...
Problema. Nors veiklos efektyvumo veiksnių turėtų būti vienas svarbiausių veiksnių priimant standartizacijos / adaptacijos strateginius sprendimus, mokslingų teigimų, šis veiksnys yra mažiausiai empiriškai tyrimetę, o atliekų tyrimų rezultatai yra prieštarūs (Katsikes, Samiec ir Theodosiou, 2006; Shilke, Reinman, Thomas, 2009).


Strainpinto tikslas – parengti tarptautinio marketingo strategijos standartizacijos / adaptacijos sprendimų ir įmonės veiklos efektyvumo sąsają teorinių modelį ir ji empiriškai patikrinti.

Darbo objektas – tarptautinio marketingo strategijos standartizacijos / adaptacijos sprendimai ir įmonės veiklos efektyvumas.

Tyrimo metodas. Tyrimas atliekamas mokslinei literatūros sisteminės ir palyginamamosios analizės metodu. Empiriškai teorinis modelis tikrinamas taikant atejo analizės metodą.


Inzinerine Ekonomika-Engineering Economics, 2011, 22(1), 106-117

Raktažodžiai: tarptautinio marketingo strategijos, standartizacija, adaptacija, įmonės veiklos efektyvumas, konkuriavimo pranašumo įgijimo strategijos.

The article has been reviewed.

Received in September, 2010; accepted in February, 2011.