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GLOBALISATION IN ADVERTISING I: GLOBALISATION DRIVERS IN THE ADVERTISING INDUSTRY

ABSTRACT

This paper examines the causes of globalisation in the advertising industry. It is based on a qualitative survey of both advertising industry experts and senior executives responsible for setting international strategy within the agencies themselves. The underlying theory behind the study is an adapted version of Yip’s framework for global strategy (1989, 1992) which provides a multi-dimensional view of the globalisation process.

A follow-up working paper in this series provides an in-depth assessment of the strategic response of advertising agencies to these globalisation drivers. This initial paper presents the theoretical background and methodology of the overall study. A thorough discussion of the development of the literature on globalisation and global strategy is presented. Yip’s framework is detailed and critiqued. The main body of this paper outlines the drivers of globalisation with respect to how they impact the advertising industry. The follow-up paper considers the ability of the Yip model to predict the strategic behaviour of advertising agencies given the globalisation drivers outlined here and suggests a number of modifications to Yip’s framework.

The major finding presented in this paper is that the principal driver of globalisation in the industry is the emergence of ‘global clients’, customers who appoint agencies to represent them on a worldwide basis. They then expect a globally integrated service to be offered by the agencies.

The paper concludes by summarizing the drivers of globalisation in the advertising industry. The major implications of these drivers for the strategies of international advertising agencies suggested.
INTRODUCTION

Global Strategy

As a starting point for this study it is first necessary to define what the term ‘global strategy’ means. The terms globalisation and global have unfortunately become widely overused in recent years to the point that the words themselves have become rather meaningless without further expansion on exactly what is meant by any particular usage of the term (Rugman 2001). Amongst other things globalisation - a term in search of a definition - has been promoted as a ‘force’ that has led to worldwide economic advancement on the one hand alongside environmental degradation and economic exploitation on the other. Outside of the economic sphere ‘globalisation’ has been targeted as the cause of the spread of disease, the breakdown of cultures and changes in geo-political power structures. Sociologists, scientists, cultural anthropologists all have examined the topic and sought to identify the impact that this concept called globalisation is having on their respective fields (Friedman 1999). Giddens (1999) when defining globalisation recognises the widespread usage and coverage of the term referring to it as a ‘runaway’ force that leads to ‘convergence’ of the cultural, social and political spheres as well as the economic.

It is understandably difficult to define a term that has come to mean so many different things to so many people. For the purposes of this study therefore we will concentrate on the application of the term with regard to how it has affected business organisations and in particular focus on what is understood by the term global strategy. Traditionally ‘globalisation’ and ‘global strategy’ had been viewed together as a ‘generic’ form of international strategy that multinational firms chose as an alternative to the previously accepted form of ‘multinational’ organisation (now often termed a multi-domestic or multi-local strategy). It was explicitly suggested that firms who put local responsiveness

Bartlett & Ghoshal (1989) p.19
first would choose a multi-local strategy, firms who wished to pursue lower costs chose a global strategy. This uni-dimensional view looked at the choice to adopt a global strategy as a conscious decision to base international competitive strategy on a paradigm of lowering costs through concentration of production with a concurrent drive for standardisation of marketing policy in areas such as product and promotion policy.

One of the earliest pioneers of the globalisation literature was Fayerweather (1969) who talked about the ‘unification idea’ where the MNC presented a completely unified face in all countries in which it did business again with standardised products based on concentrated production. Perhaps the best known of the early* articles on global strategy by Levitt (1983) famously discussed the concept of the global village and suggested that use of a ‘global strategy’ was an inevitability and that all firms would one day be ‘global’ producing standardised product for unified markets. Cvar (1986) explicitly articulated the view that a global firm is one organised in such a way to take maximum advantage of global efficiencies through the reduction of costs wherever possible and the concurrent enforcement of standardisation of products and procedures. Bartlett and Ghoshal although proposing another organisational form they termed the transnational (more of which later) re-iterated the conventional view that ‘in the global organization, the cost and quality advantages of global efficiency are expected to provide sufficient value that customers will eschew idiosyncratic differences in preferences and accept standard products’ (Bartlett and Ghoshal 1989 p.61). To the present day the conventional wisdom still tends to continue to equate global strategy with lowering of costs and standardisation, Hill and Jones’ s (2000) widely used text on Strategic Management being one such example.

* Although it may appear strange to refer to a 1983 article as an ‘early’ writing on globalisation as Hussey notes, ‘the major contributions on global strategy have appeared only since the 1980’s’ (p.4). Hussey also noted that ‘the cumulative index of Long Range Planning for the first 17 volumes, from its foundation in 1968 to 1984, has headings for international business and multinational companies but not for global. In fact the major books on global strategy did not begin to appear until 1986 and after’ (p.9).
Multi-dimensional Views of Global Strategy - The Yip Framework

This unsophisticated view of what is meant by global strategy has however come increasingly under review and subjected to growing criticism (Segal-Horn 1996). Douglas and Wind (1987) in arguing for a contingency approach suggested that a strategy of universal standardisation was ‘naive and oversimplistic’. Hout, Porter and Rudden (1982) were among the first to question the dichotomous nature of the international strategic choices facing the firm suggesting that it was not a choice of multi-local or global that faced firms but rather a choice of extent regarding how ‘global’ a firm would choose to be. Prahalad and Doz (1987) were also early proponents of this approach developing a spectrum between need for integration on a global basis contrasted with need for local responsiveness and suggesting that most firms would find themselves somewhere in the middle.

Porter (1986) further introduced the concept of multi-dimensionality to global strategy by suggesting to firms that they needed to consider which activities they would seek to coordinate or concentrate on an international basis.

‘International strategy has often been characterized as a choice between worldwide standardization and local tailoring, or as the tension between the economic imperative (large scale efficient facilities) and the political imperative (local content, local production) ........Neither characterization captures the complexity of a firm’s international strategy choices. A firm’s choice of international strategy involves the search for competitive advantage from global configuration/coordination throughout the value chain. A firm may standardise (concentrate) some activities and tailor others’ (1986 p.35)

Porter and others from the industrial-organisation school of strategy initially suggested that the potential for firm usage of global strategy was largely dependent on industry characteristics (Porter 1986, Morrison 1990) and that as different industries faced differing globalisation pressures the nature of the global strategies that firms adopted similarly differed on an industry by industry basis. This analysis resulted in a conceptual separation between pressures pushing ‘globalisation’ and
appropriate firm level ‘global strategies’ used in response to these forces. This was an important distinction as prior to this use of the term ‘globalisation’ had often lumped both cause and effect together. As will be seen the separation of ‘globalisation’ from ‘global strategy’ is a key part of the conceptual model adopted for this study and the resultant findings that have emerged.

There appeared to be broad agreement on factors that were pushing the globalisation of industries, that is factors which allowed for or encouraged an integrated international approach by firms in the industry. Improvements in both transportation and communications (Vernon 1992) were often seen as cross-industry influences which allowed firms to manage international operations in an integrated manner with movement of people, products and ideas in a way that was not possible in years past. All of the major writers on global strategy at the time (Porter, Prahalad and Doz, Hamel and Prahalad, Bartlett and Ghoshal, Yip) were in broad agreement that converging consumer tastes, opportunities for economies of scale and experience effects, falling government barriers and competitive pressures also ‘pushed’ globalisation although the strength of these forces differed markedly by industry.

Much less straightforward however was exactly what was meant by the term global strategy. Although there was a recognition that it went beyond the action of standardising products and centralising production, there was little agreement on what exactly could or should be included under the heading of global strategy. Broad agreement reigned that global strategy involved an integration of activities across international markets, many writers took the option of referring to global strategies as those ‘where activities were integrated on a worldwide basis’. Yip for example broadly defines the term as;

‘...taking an integrated approach across countries and regions’ (Yip 1992 p.10) ‘that integrates and manages for worldwide business leverage and competitive advantage’ (ibid p.7-9)

Although more recently John Child has suggested that there is also an ‘ideational’ component to globalisation pushing firms to behave in a similar way and to adopt global strategies.
However as Porter asserted in order for this definition to be meaningful it is necessary to be very clear about what we mean by activities and also what we mean by integrating' (1986 p. 19). As per the quotation above Porter suggested strategy could be examined by dis-aggregating the firm and considering the extent to which each element of the value chain was concentrated and/or co-ordinated, however such an approach did little to clarify the definition of what was or was not a global strategy. In seeking to unpack the term Bartlett and Ghoshal suggested that the extent of integration could be determined by the international inter-company transfers of products, resources and knowledge and indeed several follow-up studies (Kobrin 1991, Harzing 1998) measured the extent of global integration of firms by developing measurement proxies for these terms. Again however knowing that a firm was integrated and had significant inter-firm transfers did not assist in defining what particular strategic actions could be defined as making up a global strategy. Zhou and Cavusgil (1996) pointed out that 'although previous studies have begun to develop the components of global strategy formulation of a comprehensive framework has not yet been realised', they pointed out that the concept of global strategy included a disparate range of activities including the traditional Levitt (1983) view of product standardisation, Ohmae's (1985) assertion of worldwide market participation, Porters configuration of value activities, Jain's (1989) marketing standardisation along with Hout Porter and Ruddens (1982) competitive leverage and Hamel and Prahalad's (1985) cross-subsidisation. For good measure Zhou and Cavusgil themselves threw additional components of 'global strategy' into the mix including the decomposition of both uniform marketing and the concentration of value-added activities.

Although Zhou and Cavusgil had attempted to expand upon his work, the multi-dimensional model put forward by George Yip (1989, 1992) remains the most complete and widely accepted framework for understanding and analysing global strategy. Yip was the first to put forward a multi-dimensional framework that sought to explain both the underlying pressures for globalisation within industries and also the global strategic responses of firms to those pressures. In his framework he suggested that the process was being pushed by a number of 'underlying conditions in each industry that create the potential for using global strategy' (Yip 1992 p.31) these forces he referred to as 'Global Drivers' which differed in intensity by industry. Further Yip suggested that depending on the strength of industry drivers firms would be required to adopt certain global strategies, explicitly confirming that a global strategy was not uni-dimensional but made up of a range of possible sub-
strategies, which he termed ‘Global Levers’. Each of these levers could be set at an appropriate level for the firm given its particular industry condition, alongside considerations of the company’s size, ability and resources to respond to any particular globalisation force that may prevail. This framework crystallised the view that global strategy was not a single uniform package of cost reduction, centralisation and standardisation but rather a series of choices to be made and alternatives to be selected from a broader palette of potential global strategies.

Naturally this more complex view of what is meant by global strategy makes the definition of the term more difficult than if the uni-dimensional view outlined above were to be accepted. The truth however is that global strategy is indeed complex and not given to a simplistic one line definition. A clear understanding of the Yip framework which provides the conceptual model for this study is thus required in order to identify and comprehend the components of both ‘globalisation’ and ‘global strategy’ as discussed in this study.

FIGURE 1 SHOULD BE INSERTED HERE

Figure 1 illustrates Yip’s ‘framework for global strategy’. In simple terms the model suggests that some industries have high potential for the use of global strategies based on the strength of the global drivers; cost, market, government and competitive. The model makes clear that even when an industry has this potential, adoption of global strategies is not appropriate for every firm, there are moderating factors indicated in the model as ‘position and resources of business and parent company’ (basically asking the question does the firm have the financial and personnel resources to behave globally). Global strategies specifically refers to the use of the ‘global levers’ what Yip has defined as the individual components of global strategy. This should be appropriate and consistent with the drivers affecting their industry. Assuming that the organisation has the ability to implement the global strategic levers it will then be able to reap the benefits of those strategies. Yip of course

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iv  Zhou and Cavusgil note that the Yip model encompasses many of the elements of global strategy identified by other writers but was the first framework to bring these disparate elements together.

v  The ‘position and resources of business and parent company’ corresponds roughly with what Barney (1991) categorises as physical and human capital and in the framework this directly feeds into the decision that a firm will make regarding possible usage of global strategies. The second component refers to ‘organisation’s ability to implement a global strategy’ which corresponds to Barney’s category of ‘organisational capital’.
details exactly what is meant by each driver and lever and explicitly outlines the links between them and the performance benefits that the use of each lever could be expected to bring (Yip 1992 p.20, exhibit 1.5).

Of the more recent literature on the field of international organisation, Bartlett and Ghoshal’s strategic typologies have been widely utilised by a number of researchers studying global strategy. Bartlett and Ghoshal suggested that there are in fact four types of multinational strategy available to international firms, an international strategy, a multi-local strategy, a global strategy and ‘the transnational approach’ (see Figure 2).

FIGURE 2 SHOULD BE INSERTED HERE

The first of these, an international strategy is where a powerful head office makes decisions on behalf of offices in all locations exporting products, marketing methods, management styles etc from the headquarters to international subsidiaries which have little or no local autonomy. The multi-local approach is where each international office does act autonomously. There is a great degree of local responsiveness under such a structure and very little integration of the various international operations of the firm. Bartlett and Ghoshal’s view of the global firm, as identified above, suggests that such firms are beholden to reducing costs and to do this they centralise production and standardise output. Their fourth form of international organisation is what they term ‘the transnational solution’ and is an organisational format which recognises the need to be both locally responsive and globally efficient.

Bartlett and Ghoshal accept that their account of the transnational ‘describes an idealized organisational type’ (1989 p.57) which is neither easy to create nor to manage (Bartlett and Ghoshal 1987(a), 1987(b)). In the transnational organisation not only are activities dispersed between subsidiaries but so too is control, leadership and authority. In terms of organisational structure Bartlett and Ghoshal refer to the transnational as being an integrated network with a high degree of inter-dependence between units. Such an organisation should have the capability to seek and take advantages of efficiencies where they exist, adapt and remain flexible to particular local needs and take advantage of worldwide learning created at any point within the organisation.
There is in fact much similarity between both the Yip and the Bartlett and Ghoshal frameworks, they arrive at the same destination although through different routes. Each suggests that the dichotomy of either locally responsive or globally efficient is illusory and that the real choices are more complex and involve trade-offs between the two. Choices must be made that position the firm somewhere along a scale and where possible allow for the use of strategies that combine the achievement of both goals. In fact the transnational approach can still be seen as behaving in a ‘global’ manner according to Yip’s classification, that is one that has made appropriate choices with regard to the use of particular global levers in line with the prevailing industry conditions and environment. This point will be returned to in the conclusion to this paper. The enduring popularity of the ‘transnational approach’ may be due to the relative simplicity of the model and the fact that Bartlett and Ghoshal have focussed on the contemporary issue of how such organisations can be managed. However to repeat, Bartlett and Ghoshal state that the transnational is an idealised type and they provide little in the way of guidance as to how firms reach this state or analysis of the conditions and choices that lead them there. This is why the Yip model which operationalises exactly those factors is a more useful framework and has been selected for this empirical study.

Definitions of Key Terms

Having examined the conceptual model and in order to avoid possible confusion the following key terms will be strictly defined within this study.

Firstly the term globalisation will be used to refer to the broad process of integration of the world economy and industries within it resulting from trends and developments in communications, transportation, economics, government policy, cultural convergence and competitive positioning as outlined above. In any particular industry this can be measured in extent by the strength of the global drivers as they may affect the firms within it. Therefore in the case of advertising the globalisation of the industry is a function of the strength of the prevailing cost, market, government and competitive drivers.

The term globalisation has also been used to refer to ‘adoption of global strategies’ by business organisations. However to avoid confusion the term will not be used in this manner in this paper.
Rather ‘globalisation’ in this study exclusively relates to developments within the business environment affecting industries which may or may not elicit a particular organisational response.

The term global will be used in the broad sense as per Yip’s definition outlined above to describe firm-level behaviours or activities which are co-ordinated and integrated on a worldwide basis rather than decided on a multi-local or stand-alone basis.

Importantly it is necessary to recognise that ‘global’ when used in this descriptive sense is a relative term by which firms or strategies can be compared depending on the extent to which their activities are internationally integrated and co-ordinated. Again this reflects Yip’s understanding of the term as illustrated by his belief that ‘the question is not whether a firm is global or not but rather how global a firm may be’ (Hussey in making the same point uses the rather ugly term of ‘different degrees of globalness’ 1994, p.17). A strategy which is completely integrated worldwide with no local adaptation may be described as very global while at the same time it is possible to describe a strategy with a degree of worldwide integration and a degree of local adaptation as more global than a strategy which is decided on a completely stand-alone basis which could be described as not at all global.

Where reference is made to a ‘global firm’, organisations thus defined are ones which have a high degree of worldwide integration which make significant usage of the global strategic levers (measures of the extent of integration of individual strategic elements). It is recognised that usage of such a term may be seen as insufficiently precise by some who may question at what stage on the continuum a firm can be classified as ‘global’ or whether the term can be applied to a firm which makes use of some of the global strategic levers but not of others. This imprecision will be minimised through discriminating usage of the term ‘global’ and whenever possible when using it as a descriptor to apply it to particular elements of strategy rather than to an organisation as a whole.

Based on the above definition the term can and will also be applied to ‘global customers’ which refers to companies who buy worldwide making the purchase decision on an integrated basis rather than stand-alone decisions in each market. In this discussion of the advertising industry reference will also be made to ‘global campaigns’ (Vardar 1992) which again indicate an approach where an
organisation’s advertising is developed on an integrated basis worldwide rather than separately and independently developed in each national market.

Finally it may be necessary to address one other commonly understood interpretation of the term ‘global’ where the word is used to describe an organisation with a worldwide presence. As should be clear from the above definition such organisations who may operate in every country in the world may or may not have a ‘global strategy’, despite extensive international operations they may choose to operate in a multi-local manner. In line with this definition the term multinational organisation will be used as an umbrella term to describe an organisation with significant international operations, with the descriptor of either multi-local or global firms reserved for those multinationals following a particular form of strategy to organise and manage those operations.

**Related Studies, Research Questions and Contribution to Literature**

A number of papers have already considered the advertising industry with regard to the Bartlett and Ghoshal model, although none have as yet applied the Yip framework to it. Perhaps the most influential of the previous studies has been that of Banerjee (1994) who in a prescriptive paper suggested that advertising agencies would be forced to move towards a transnational approach and to make the philosophical, managerial and structural changes that this would require. Based on the recognition of conflicting demands for both local responsiveness and global integration Banerjee examined in detail the changes that both client firms and agencies had to make in order to make international advertising work effectively. He concluded that most agencies had a long way to go particularly in terms of building a genuine network which allowed for the forms of ‘global learning’ (Hamel and Prahalad 1991) that the transnational organisation requires.

The one paper most closely related to the present study, by Grein and Ducoffe (1998), also noted that advertising agencies were subjected to a range of simultaneous pressures for both global integration and local responsiveness, and similarly suggested therefore that Bartlett and Ghoshal’s transnational model may be an appropriate structure for the international advertising networks. Based on a qualitative study of 15 agency principals (in New York) they revealed that these pressures did exist and that agencies were being forced to respond. They found however that in general agencies had
not yet sufficiently developed systems and methods for sharing knowledge and information between international offices and that international agencies ‘may not currently possess sufficient leverage to adopt the kind of strong, unified, corporate visions that the transnational framework indicates are necessary to build global networks that are maximally integrated as well as locally responsive’.

The major difference between these previous studies and this one is that although both observe the same organisational requirements of advertising agencies neither Banerjee nor Grein and Ducoffe set out to explicitly examine the particular forces pushing agencies to be either locally responsive or globally integrated. They also did not examine in any systematic manner the particular strategies that agencies were using that could demonstrate either a global (using Bartlett and Ghoshals definition of that term), multi-local or transnational strategy. Indeed at the conclusion of the Grein and Ducoffe paper they comment that ‘a closer examination of the issues surrounding the integration-responsiveness framework and how these apply to the global advertising agencies is necessary’.

While this paper agrees with the suggestion of these writers that the ‘number of forces that apply to the advertising industry...suggests that this is an industry with some of the most intense combination of these pressures’ it goes somewhat further. This working paper explicitly details the nature and strength of these forces and the follow-up paper lays down how advertising agencies are responding to them.

The study advances the current literature in two main areas. Firstly it is anticipated that this in-depth case study of globalisation and use of global strategy in a single industry will advance understanding of what the term global strategy means, how it is used and what drives it forward. As has already been discussed the concept of ‘global strategy’ is widely interpreted and lazily defined largely as a result of a lack of empirical study and evidence. By nailing down definitions and dissecting the use of each global strategy lever by agencies in the industry it is expected that further clarity can be brought to bear on the core concepts of what is meant by globalisation and global strategy. The extending and questioning of the Yip framework can be seen as a step forward in bringing academic rigour to the topic of ‘globalisation’ something which may have been hereforeto lacking.

Secondly the case study of the advertising industry extends a more general understanding of the internationalisation process in service industries. Questions of generalisability will be addressed at
the conclusion of this study, however it is clear that this in-depth study of one industry can be used by researchers and practitioners alike who have an interest in how multinational service firms organise and compete internationally. Forces of globalisation do not remain constant and the opportunity and ability to implement global strategies gather pace as time progresses (Yip 1994). Therefore an updated review of how firms within a particular service industry are organising internationally may be timely and of wider general use to those studying the internationalisation process.

**METHODOLOGY**

**Qualitative Approach**

This research is based upon a qualitative approach which involved personal interviews with advertising industry experts and senior executives within multinational advertising agencies. In some ways the use of a qualitative approach holds the researcher up to greater scrutiny (Gummesson 1991) with regard to the methods chosen and the results that are reported from such research. Without the support of ‘scientific methods’ or the back-up of tests of statistical significance it becomes more difficult to assure users of qualitative research of the internal and external validity of the research and in particular its reliability and objectivity (Marshall and Rossman 1989). However the decision to adopt a qualitative approach for this study was taken for a number of clearly defined reasons which can be explained in terms of Zelditch’s (1962) two step judgement criteria of qualitative research methods. This criteria requires that such methods should achieve firstly informational adequacy, that is the method chosen should lead to the best understanding of the subject to be studied and secondly efficiency in terms of allowing data to be collected at the least cost in terms of time, access and cost to the participants.

Firstly then it has been generally recognised that qualitative studies may be more appropriate for process studies such as this which seek to focus on ‘how something happens rather than the outcomes or results obtained’ (Patton 1990, p.94), Yin more succinctly suggested quantitative surveys could answer questions of the ‘who?, what?, where?, how many? and how much?’ varieties but case studies
were needed to answer questions of the ‘how? and why?’ interrogative form (Yin 1984 p.6). As Yin explained these questions are more explanatory and ‘deal with operational links needing to be traced over time, rather than mere frequencies or incidence’ the present study clearly falls under this categorisation seeking to explain both why agencies may adopt global strategies and specifically how they are undertaking that process. Although some writers suggest that qualitative research is an inappropriate form when working with an already developed theoretical framework because of the possibility of ‘introducing a premature closure on the issues to be investigated’ (Bryman 1988) this has been disputed by other researchers notably Yin (1994) and Miles and Huberman (1984) who suggest that such an approach can be acceptable where the framework is being tested and expanded, this is the approach taken in this study. It may also be noted that many of the existing empirical studies of globalisation (particularly in the service sector) are based upon qualitative research (Greenwood et al 1999), the Bartlett and Ghoshal model was developed largely on the basis of case study research, the Grein and Dutcoffe paper on transnational strategies in advertising similarly was based on a series of executive interviews.

The second reason for the choice of a qualitative methodology was the efficiency of this approach. The project tests a multi-dimensional model, the range of issues covered being extensive. Respondents were variously required to answer a series of questions regarding the nature of their industry, a fairly wide-ranging examination of their firm’s strategies in the international arena along with details of performance data along a range of dimensions. If a quantitative approach was to be employed then in order to run statistical tests on results from a survey each of the underlying constructs within the model would have to be represented by an appropriate number of indicators in order to ensure construct validity. Such an approach would inevitably require a survey document that ran to a significant number of pages which would require some time and effort for the respondent to complete. As the only people who could satisfactorily answer the questions to be raised were in senior strategy-setting positions within their organisations it was considered that they would be unwilling to respond to any lengthy questionnaire whether it was administered personally or as part of a mailed survey (Yu and Cooper 1983). Once again it has been suggested that qualitative

Marshall and Rossman recognised the difficulty of surveying ‘elite’ respondents suggesting that qualitative interviews were more likely to be fruitful as ‘elites, in general, resent the restrictions placed on them by narrow, stereotypical questions. They desire a more active interplay with the interviewer’ (1989 p.94)
methods are preferable for studies where a large amount of data is required from any single respondent (Patton 1990) and in retrospect the huge amounts of data collected during the interviews (each transcript ran for an average of twenty single spaced pages) could never have been collected through survey methods.

**Interviewees**

The research was split into a series of in-depth interviews with two main groups of participants; leading advertising industry experts and senior managers within the advertising agencies. The purpose of speaking with the former grouping of interviewees was to question them regarding their perception of the global industry drivers and the way and extent to which they affected the advertising industry. Only ‘industry-level’ rather than ‘firm-specific’ questions were put to the industry experts. Results from this round of interviews are presented in this working paper. When speaking with the senior managers of the agencies the interviews specifically focused on the extent to which their firms were making use of the global levers, that is the types of global strategies their agencies had adopted, along with the performance benefits that the agencies considered the use of such global strategies may deliver. Results of the executive interviews are presented in the follow-up working paper.

This methodology of interviewing two separate groups provided a number of benefits, firstly it provided a means of triangulation for the study while at the same time avoiding difficulties associated with common method variance. Further, by concentrating on specific aspects of the model with each set of interviewees it was possible to explore that aspect in an in-depth manner which made the best use of the limited time available to many of the interviewees.

The first group of interviewees, the industry experts, were selected on the basis of their standing within the industry and their knowledge of trends and developments within it. They were identified from a number of sources, firstly through reference to lexis/nexis searches of the ‘advertising industry’ and ‘globalisation’ which surfaced individuals familiar with the current state of the industry. This was backed up through use of a ‘snowballing’ approach (Saunders *et al* 1997) where interviewees were asked to recommend other industry experts who could be consulted for this
research. Although the selection process for the industry experts cannot claim to be random the study did draw on a wide range of individuals from industry associations, financial institutions and academia (a full listing of industry experts is shown in table 1). Details of how industry executives were identified and selected and a listing of those interviewed is provided in the follow-up working paper.

| Table 1 - List of Industry Experts Consulted on Extent of Industry Globalisation |
|-----------------------------------|-----------------------------------|
| Advertising Association           | Charterhouse Securities           |
| Lionel Stanbrook                  | Alex De Groote                   |
| Deputy Director General           | Senior Media Analyst             |
| Granville Investment Bank         | International Advertising Association |
| Simon Lapthorne                   | Archie Pitcher CBE               |
| Media Specialist - Equity Research| Executive Director               |
| Institute of Practitioners in Advertising | International Journal of Advertising |
| Hamish Pringle                    | Prof. Paul Michell (Leeds University) |
| Chairman                          | Editor                           |
| West LB Panmure                   |                                   |
| Richard Hitchcock and Simon Wallis|                                   |
| Media Analysts                    |                                   |

The Interview Process

Each of the interviews was conducted in the workplace of the individuals concerned. Prior to the interview a summary of the research objectives was submitted to the interviewee along with a listing of the subject areas to be discussed. As some of the early test interviews had revealed some degree of confusion over what was meant by the term ‘global’ an attempt was made in the pre-interview letter to clarify to respondents that the study would consider the international activities of the industry/company and the interviews would then seek to determine whether these activities were conducted on a global or multi-local basis using the definitions outlined in the introduction to this study. In some of the interviews this definition was further clarified, however it did become apparent that several interviewees continued to use the term ‘global’ outside of this context, equating the term with either multinational or worldwide. While this means that a certain degree of care must be taken in analysis of the interviews it should not have any impact on the conclusions drawn - individuals
were not directly asked to state how ‘global’ their industry, firms or strategies were. Such determinations of the extent of industry globalisation or firm use of global strategies come from an in-depth analysis of each interview and an assessment of how each interviewee described the global drivers or levers for the industry or the firm.

The questions asked in the interviews were based on a semi-structured interview format (Stroh 2000 (A)) that sought to ensure complete coverage of all of the global drivers (in the case of the industry expert interviewees) and the global levers (for the agency interviewees). The questions were based on an operationalisation of the constructs that had been derived from a number of sources. Firstly a copy of the questionnaire used by Johansson and Yip (1994) in their study of globalisation in U.S. and Japanese manufacturing firms was obtained and used together with suggested indicators from Yip’s text which listed methods of measuring industry drivers and strategic levers. There were however a number of variations made to those general questionnaire items in order to specifically adapt the interview questions to the advertising industry. Prior to each of the agency interviews substantial secondary research on the organisation was conducted, this served to establish legitimacy with the interviewees and focussed discussion on elements of the strategy not already evident from materials in the public domain.

Each interview was recorded with the permission of the interviewee and there were no objections to this. Each interview lasted between thirty-five and ninety minutes with an average duration of just over one hour, each interview was fully transcribed on the same day as the interview was conducted. In total the eighteen interviews yielded over three hundred and fifty single-spaced pages of transcribed material.

Analysis and Presentation of Data

Following transcription each interview was coded using the NUD*IST software programme which allowed for easier access to any specific section of any interview and further allowed for a more systematic analysis and evaluation of this qualitative data (Gahan and Hannibal 1998, Stroh 2000 (B)). In analysing the data, qualitative data tables (Miles and Huberman 1994) were prepared and these are available from the author upon request. Additionally using the NUD*IST software an
analysis of each expert's assessments of global drivers and each agency's use of the strategic levers was made. Again following methods suggested by Miles and Huberman a diagram was prepared which used a five point scale to illustrate the strength of each driver according to each expert consulted, the results can be seen in Appendix 1. While the quantification of qualitative data in this way is not supported by all researchers (Pratt 2000) as Miles and Huberman suggest the use of such tools can aid to assist the reader to understand the data without being required to sift through the full amount of materials assembled.

Within this paper only limited use of quantification of the data is made, this 'numbers game' (Pratt 2000) has been consciously avoided in part because of the small sample size involved in this study. Rather the approach of integrating selected quotations into the paper has been adopted in an attempt to provide a flavour of respondents' comments and to re-inforce particular elements of the analysis. While selecting quotes in this way (and in particular leaving good quotes out) is difficult the approach has been recognised as a means of summarizing interview experiences and of supporting the analyses made (Pratt 2000)

FINDINGS

Globalisation of the Advertising Industry - The Global Drivers

Cost Drivers

Cost drivers in the Yip model exist where an industry has (i) high economies of scale or experience effects along with sourcing efficiencies, (ii) high product development costs and fast changing technology, (iii) differences in country costs and favourable logistics. These conditions will favour the use of global strategic levers 'in particular the global activity location lever as well as the global market participation and global product levers' (Yip 1992 p.45).
Economies of Scale and Experience along with Sourcing Efficiencies

At the heart of much of the literature on globalisation is the belief that the process has been primarily driven by cost factors. As an example the Bartlett/Ghoshal model identified in Diagram 2 specifically equated a global strategy with the search for cost efficiencies. Indeed the traditional models have seen global competition as being primarily cost based with ‘global competitors’ standardising products, centralising production, lowering costs and thereby increasing worldwide market share. In this view firms who did not compete on a global basis were consigned to either serving small niche markets or else being driven out of the industry by firms who did ‘compete globally’ and were able to benefit from economies of both experience and scale.

However as will be restated later in this paper, the same concept of global competition may not be appropriate in many service industries. Within advertising, based on the interviews conducted cost drivers were not seen as particularly strong (refer to Appendix 1 for an assessment of each expert’s assessment of the strength of each globalisation driver). It was considered that there were few opportunities for significant reductions in costs to be gained by an agency making use of global strategic levers. Significantly this also meant that there are few cost-based competitive disadvantages to not making use of global strategic levers, that is continuing to operate in a multi-local manner.

In understanding the limited cost benefits that can be gained by a multinational advertising agency there are a number of factors to consider. First and foremost amongst these is the limited economies of scale that exist in the industry. In line with the broader literature on service industries there is a realisation that the need for local presence in services limits the opportunity for agencies in this sector to achieve significant economies (Campbell and Verbeke 1997, Katrishen and Scordis 1998). As will be discussed, even where concentration of activities has occurred very limited cost reductions have been realised.

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vi See for example Porter’s 1986 paper which concentrated almost exclusively on cost benefits as the motivation for a firm to globalise.
Above and beyond constraints on other service industries, one perhaps unique factor limiting any potential realisation of economies of scale by advertising agencies is the limits placed on their absolute size by client conflict concerns. These concerns prevent any individual agency from handling direct competitors in any product category in a single market. This limits both the growth potential of the firm and also any benefits that may be gained from industry or product specialisation. It is interesting to note that in media buying very significant economies of scale do exist thanks to the huge buying power of the media companies which are not subjected to the same conflict concerns. Although this activity used to be handled by agencies, this is not now normally the case as separate media buying firms now dominate this activity. Client conflict concerns in part explain why the large marketing conglomerates (WPP, Interpublic and Omnicom) continue to run separate agency networks rather than combining them into one for potential cost savings. The same concerns also explain why individual advertising agencies have chosen to grow through concentric diversification into related marketing services rather than through further market penetration. All these factors work against the realising of economies of scale.

The difficulty in obtaining economies of scale and sourcing efficiencies may be best represented by the fact that a number of industry analysts made the point that there was little difference in the profitability of multi-national clients who ran ‘global campaigns’ as compared to purely local clients.

(ii) High Product Development Costs and Fast Changing Technology

Yip suggests that in industries where costs of developing ‘localised’ products are high and where there is a short product life cycle then standardised products will make economic sense for the manufacturer. Certainly for advertising agencies the major cost is that of labour and the cost of replicating that country by country for a client is multiplicative. Further the ‘products’ produced by agencies are normally used by clients for a limited time-span with a need to constantly update advertising messages. According to Yip such factors would favour heavy centralisation in a bid to minimise these costs.

Often however these media buying companies are owned directly or indirectly by the agencies. Many of the largest belong to the marketing conglomerates which also own many of the leading agencies.
However, no matter what savings may be available to firms through the use of these global strategic levers the same point came across again and again in the interviews. This was that for a number of reasons cost savings were not a motivation for standardising output and/or centralising activities as far as the agencies were concerned.

Within the industry there is just not the same attention paid to cost control as in many other types of business. Although some suggest that the rise of the advertising conglomerates and their emphasis on maintaining high profit levels have led to a greater concern over costs (Scott 1998) it is still clear that the emphasis on their control does not begin to approximate that found in most manufacturing businesses or indeed in many other service activities (retailing or hotels for example).

In part the relative unimportance of cost control in the advertising industry is due to the fact that for the client the work of the agency is largely seen as the key factor in determining the success or failure of a particular advertising strategy. However the fees payable to the agency are in most cases a small fraction of the total advertising budget with the bulk of that spent on media placement (Hamish Pringle of the IPA estimated that typically 10-15% or less of any campaign budget was spent on production with the balance on media). Clients continue to consider that it is well worth paying for a well conceived campaign rather than making savings at the agency level and then failing to get the hoped for response once the media spend has been made. The fact is that cost control could not be said to be a critical success factor within the advertising industry. Instead a thorough understanding of consumers, high levels of creativity, and crucially having access to the right people in the right place are what determines industry success or failure. Competition is still rarely cost-based and advertising services remains a prestige product where low prices do tend to signify lower standards. Agencies are prepared to pay well for who they see as the best talent and over-excessive focus on cost-cutting is not only seen as unnecessary in order to work with top clients but may even be antithetical to the creative and free-wheeling culture agencies are striving to attain.

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This point is backed up in the literature, Les Naylor (1992) of Young and Rubicam has written 'Advertising development and production costs are a relatively small proportion of the total investment made in strong brands. Scale economies in these costs are false economies if they reduce the effectiveness of national media spending, damage brand equity and demotivate local management', similarly Anholt (2000 p.122) writes 'Standardizing creative and production is merely scratching the surface of the financial issues and a single misjudgement in the way media is bought can wipe out in one stroke a whole raft of painstakingly accrued creative and production savings'.
Hamish Pringle of the IPA summarised what many of the industry experts had to say about the industry attitude to costs:

‘it sounds like a very self-indulgent characteristic but I think it comes back to this question of the nature of the business. You know the business is a creative, entrepreneurial, people-oriented business....So people are not that focused on the money, if they were really focused on the money they would be doing investment banking or whatever. Clearly owners of agencies may make some money and they tend to be more focused on the costs and so on, but because they know the nature of the business, if they set out their stall so as to be a cost-focused business the chances are they won’t recruit the right talent and they will never get there in the end’.

(ii) Differences in Country Costs and Favourable Logistics

Where significant differences in factor conditions exist then firms may be able to take advantage of producing in a lower cost country. Yip’s point about logistics refers primarily to manufactured products suggesting that high value goods with low transportation costs are more locally to be manufactured in a centralised location. It has previously been suggested that information-based services such as advertising (Lovelock and Yip 1996) may be able to overcome local-presence requirements and gain cost benefits through centralisation of activities. If an agency could centralise services in a low cost country then effectively there are no transportation costs for information transmitted electronically. However most of the industry experts consulted considered that international agencies needed to maintain a strong locally based network (serving a significant number of local clients) as necessary for purposes of demonstrating their understanding of individual markets and maintaining credibility with their multinational clients. Some opportunities to profit from centralisation may exist with the advent of improved technologies however agencies are somewhat constrained in this regard by the perceived need to locate either next to their clients or in areas where creative professionals wanted to work - normally areas where costs and salaries were high. Noting the tendency for the U.K.’s leading agencies to be centred around London’s West End
for example one respondent noted that most advertising professionals could quite easily change their jobs without having to change their tube station.

There are therefore negligible cost benefits that can be gained by agencies either by offering a standardised output or by geographically concentrating advertising production. Together with the fact that competition is rarely based on price this therefore suggests that cost drivers within the industry are relatively unimportant and will put little pressure on agencies to utilise the global strategic levers.

**Market Drivers**

Market drivers are defined by Yip as (i) global customers and channels, (ii) common customer needs, (iii) transferable marketing and lead countries. Market drivers according to Yip will affect the use of all five global strategy levers (Yip 1992, p.33) in particular those of global products and uniform marketing (Yip 1992, pp.6-7).

(i) Global Customers and Channels

‘Global customers buy on a centralised or coordinated basis for decentralised use, or at least they select vendors centrally’ (Yip 1992 p.33). In the advertising industry, client firms’ desire to work with an agency on a worldwide or at least multi-market basis, is the primary driver of the adoption of global strategic levers that has taken place to this point.

It has long been noted that the advertising industry has based its own international development on the internationalisation of its clients (Perry 1990, Edvardsson et al 1993), agencies being pushed to

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* The study by Grein and Ducoffe (1998) came to the same conclusion ‘The overwhelming consensus however was that globalisation of clients is the key force. Clients are increasingly managing their businesses on a regional or global basis. They wish to use more standardised campaigns around the world........[the] benefits were considered important enough to outweigh the sub-optimal positioning in some countries’
follow major customers around the globe. In recent years as clients have geographically consolidated their own organisations and in particular sought to co-ordinate their worldwide marketing operations the advertising agencies have been required to move in step. Agencies increasingly need to be able to work in a way that recognises clients’ international structure and their increasingly integrated marketing objectives such as having a single brand-name, position and advertising strategy worldwide. Lionel Stanbrook of the Advertising Association put it this way:

‘The agenda is being set by the advertisers. And that can mean....a huge impact on the organisational characteristics of the agency’

Typically the larger multinational clients use a ‘club’ of two or three international agency networks to manage their business worldwide, with one club agency looking after the business in some countries while other club members represent the client in others. In general there is a high degree of co-operation between different agencies in the clients’ club. The development and rationale of the ‘global client’ was summarised by Simon Wallis of West LB Panmure;

‘If you had to pick one catalyst it is that over the past twenty years you’ve had a globalisation of the client base of the agencies...and companies like Coca-Cola or companies like Microsoft that are having to reach out right across the globe....they have really sought agencies that are able to co-ordinate that marketing effort and if you use too many agencies you run the risk of diluting the brand message or having uncoordinated advertising that clashes with each other.’

Although the global integration of the multinational client base has certainly had an impact on the agencies, there are a number of complicating factors which determines their response with regard to the extent and nature of their own use of the global strategic levers. What becomes clear is that although many clients have made wholesale use of the levers of standardised products or global advertising, the response of an agency in terms of the use of similar levers is rather more complex as the ‘markets’ driver is actually quite complex in nature.
To understand this, one firstly must recognise that the extent to which clients have themselves integrated their worldwide marketing varies widely, dependent largely on the industries in which they operate. Agencies therefore have to be able to deal with some clients who make significant use of global levers (in the computer or electronics industries for example) while also working with clients whose international operations are still organised on a primarily multi-local basis (in media or food processing for example). The need to be able to serve both types of client has meant that agencies have had to develop organisational structures and account management teams some of whom may operate ‘globally’ and some on a multi-local basis within the same agency. The market drivers in this sense therefore cannot be easily classified as either weak or strong with different segments of the market having differing demands.

(ii) **Common Customer Needs**

A second element of market drivers is the extent to which customers are willing to accept a standardised output across a range of markets. In the case of the advertising industry this acceptance can be considered from both the client and the final consumer perspectives. Another way of phrasing such a question is does ‘global advertising’ work and will final consumers and thus client firms accept it? If the client base allowed and accepted highly integrated global advertising then one would suggest that this driver would indeed push agencies to adopt the global strategic levers of standardisation of output and centralisation of production. Once again however the acceptability or otherwise of ‘global advertising’ is not a clear-cut issue that allows for easy classification of this aspect of the market drivers.

The debate over the use of global advertising has raged for decades, indeed such discussions form the basis of most international advertising texts and the arguments for and against have been ventilated time and again. The concept was highly touted in the seventies and eighties but even then more talked about than practised (Vardar 1992). Most recent literature recognises that a totally standardised worldwide campaign is by and large unworkable and that different markets require at the very least differing executions of a single advertising theme. Banerjee (1994) remarked that;

‘the multinational advertising standardisation issue should no longer be viewed as a set of
mutually opposed bi-polar alternatives. The realities of contemporary brand marketing and advertising are far too complex to lend themselves to such simplistic enquiry and decision making. The key issue is not to merely ask whether to standardise or not to standardise? But to ask a more meaningful set of questions, what elements should be standardised?, to what degree should they be standardised? And to what geographic extent should they be standardised?"

In line with our overall framework one may suggest that the acceptability of global advertising will be partially product or industry-dependent, however no matter what the particular product or client company the perception that advertising still remains a ‘local business’ was put forward by most of the industry experts. Hamish Pringle of the IPA noted the limitations of global advertising and the need for a local understanding;

‘I think ten to fifteen years ago there was a much more imperialistic view, again largely driven out of the States, which was ‘we own the global culture, its our music, its our movies, its our language and its our brand so we are just going to do it in the way we have always done it. And what they were really looking for were global agencies who were basically ‘yes sir, no sir, three bags full sir’ and they would basically run the ads or the strategy or whatever it was around the track. And there were lots of brownie points for doing the Marlboro man everywhere or doing Coke everywhere.....but as people have learned more and more about the markets they are in because of their research in these markets I think they have been able to see that there is a genuine difference in culture that there are different customer motivations, personality types and all that good stuff market by market and sector by sector, so one might have one overall guiding strategic mission and intent for a particular brand, people are saying we need to tailor that to the local conditions because it isn’t one size fits all’

The result of this is that although many clients have integrated their marketing functions on a worldwide basis, there is still a recognition that even the most global campaigns require some form of local adaptation in each market. Even if adaptation is not required in a particular location the client still often considers it important that the agency is in that market and able to understand it well
enough to conclusively make that determination. Global clients increasingly seek to work with a single agency worldwide for purposes of ensuring that their brand has a common global identity and a standard set of brand values, however how that identity and those values are communicated in individual markets is very often not standardised on a worldwide basis but rather locally determined (agencies differed in their views of the extent to which the degree of localisation needed to vary with not surprisingly those with the largest global networks claiming that localisation was vital while those smaller agencies with a limited worldwide coverage claimed that a higher degree of standardisation was possible if the campaign was properly conceived and executed, this will be explored further the section on use of global levers).

Clients therefore demand that although they may have centralised their own marketing activities, they still require that the agencies maintain a local presence in a wide range of markets and indeed the ability to show strength in each local market (in terms of ability to attract and retain local clients) can be a major factor in determining whether a particular agency is appointed to manage the clients’ business in that country. This leads to situations where the advertising agency effectively becomes the local eyes and ears of the client firm who have reduced their own marketing activities within some areas yet still demand that the agency retains a significant presence there. Therefore although global clients do exist and agencies need to be able to globally promote a single brand identity for their clients worldwide they are still very much required by these same global clients to ‘act local’. Simon Lapthorne of Granville Investment Bank explained what global clients require from their agencies;

‘what the advertisers want is sort of global reach, global strategy but local execution and understanding of the media markets and the nuances and sort of tweaking campaigns but conveying the same brand values’

Added into this mix is the fact that in almost all cases the majority of the work for any office of any international advertising network continues to be for local clients serving the local market-place. Although not all agencies were willing to reveal the split of global/local accounts those that did suggested that a 50/50 balance was common amongst the major international networks with the smaller international players having a greater proportion of local work. Motivations for continuing
to work for local firms included the idea that it demonstrated to global customers their understanding of local markets, the suggestion that most branch offices would be unsustainable if they depended on global clients alone and finally and most importantly that local clients provided opportunities for creative staff working in national offices the forum to display their talents (as opposed to simply adapting global campaigns devised elsewhere). This final point was seen as necessary in order to attract the highest quality staff. These local clients will place little pressure in the form of market drivers for agency adoption of global levers.

(iii) Transferable Marketing and Lead Countries

Transferable marketing relates to the ability of a firm to use a similar marketing strategy worldwide. Lead countries refers to the existence of geographical locations where the major developments in an industry occur. When the former exists in an industry then firms will find it easier to move into international markets and utilise a similar marketing strategy. Where an industry has identifiable lead countries then all participants will be drawn to compete in these markets and greater use may be made of global competitive levers.

The established ‘brand-names’ of the international advertising agencies are likely to be significant assets when entering international markets with an appeal to multinational and local clients alike. Agencies with an international reputation should be able to capitalise and ‘transfer’ that standing. On the other hand much of the actual marketing of advertising services is in the form of direct selling based largely on cultivation of personal contacts. With the exception of clients who buy centrally such marketing must be conducted on a localised basis with limited opportunities for international transfer.

Certainly the concept of lead countries applies in advertising and any major international agency requires a presence in both the United Kingdom and the United States, more specifically in London and New York. All of the agencies interviewed had major offices in both these locations.

To summarise, the market drivers facing the advertising industry are rather complex and may indeed be unique to the industry. On one hand global clients are selecting agencies to represent them on a
worldwide basis and demanding integrated worldwide support. However on the other hand they are demanding that whatever network they choose not only maintains a strong presence in each local market but is actually strongly rooted in that local marketplace with skilled local staff capable of understanding the local market and developing advertising that will appeal to it. Similarly clients are demanding that the agencies be involved in the development of a global brand image and be responsible for the coordinated worldwide promotion of a single brand position. At the same time they require that the agencies be responsible for the local implementation and adaptation of advertising executions.

All of this makes it difficult to provide a neat one-line summary of market drivers as they impact the advertising industry. Certainly aspects of some client’s behaviour are pushing agencies to integrate their international activities however other aspects of their requirements along with significant numbers of local clients require a multi-local response. Such complexity is not easily reconciled under the Yip framework and may require a re-conceptualisation or redefinition of what is meant by market drivers.

**Government Drivers**

Yip listed the elements of government drivers as (i) favourable trade policies, (ii) compatible technical standards, (iii) common marketing regulations, (iv) government owned competitors and customers and (v) host government concerns the latter two of which act to inhibit rather than promote globalisation (Yip 1992 p.51). If government drivers are high then this will effect firms’ usage of all five global strategic levers (Yip *ibid*).

(i) *Favourable Trade Policies*  

It has been suggested that government barriers to trade in services remain generally higher than for manufactured goods (Walter 1988, Fugate and Zimmerman1996). However the extent to which government influences positively or negatively the potential for advertising agencies to make use of global levers was not seen by industry experts as particularly high.
There are few specific government barriers on trade in advertising. As in other service industries restrictions on direct investment would probably be more of a concern. No interviewees commented on significant investment barriers affecting the industry. Further there are few restrictions on cross-national ownership of advertising agencies as confirmed by Alex De Groote of Charterhouse Securities:

‘you’ve got a few mergers going on at the moment Havas and Schneider, WPP and Young and Rubicam, Publicis and Saatchi, I don’t really anticipate any serious regulatory friction here.......Generally regulatory issues are not a concern in the industry’

It may be that ongoing moves at the WTO to free up trade in services will assist all agencies in the long term while freedom of labour movement within Europe has already allowed for easier transfer of staff in that continent.

(ii) Compatible Technical Standards

This element of the driver largely applies to manufactured goods rather than services. Differences in international acceptance of personal qualifications may affect some service industries but in advertising this component is not really an issue.

(iii) Common Marketing Regulations

There appears to be no particular restrictions on the way that advertising agencies market their services in different countries. Yip suggests that this would lead to the usage of standardised marketing campaigns by the agencies.

(iv) Government Owned Competitors and Customers and Host Government Concerns

Although various government bodies do make up a significant customer of advertising in most countries there is little evidence to suggest that they act in a nationalistic manner when appointing advertising agencies. There is no evidence of government owned competitors.
In the Yip framework the absence of government restrictions in each of the above areas would promote the use of the global levers.

Where governments may have more of a negative impact is in the area of advertising standards and allowable advertising content. The regulations in this regard and how they are enforced (voluntary codes or legal requirements) vary from country to country. In a more indirect manner government concerns over ownership of media which keeps most national media out of the hands of foreigners has meant that advertisers have had to deal with many different owners in different places, resisting integration. An interesting aside is that the media buying companies which have tremendous economies of scale are perhaps even more affected by government regulations concerning where and when advertisements of differing types may or may not be placed thus reflecting a very different pattern of globalisation in that industry.

Differing standards do not necessarily affect how agencies work for clients in different countries, it could however limit the extent to which a standardised campaign could be implemented worldwide. The industry experts had somewhat divergent views on the impact of differing government standards. Some suggested that outside certain industries (tobacco, alcohol) there was actually rather few restrictions on the marketing of most other products. Others suggested that although government standards did vary the advertising agencies were fairly easily able to cope with this and all that was required in most cases was a little ‘tweaking’ at the local executional level. Others saw government as having a more pernicious effect and suggested that government controls over advertising were steadily increasing as time went by, in particular the various trade blocs were seen as imposing standards based on social objectives which differ markedly between regions. Finally some of the other experts suggested that although governments appeared to have limited direct effect on advertising, agencies had to be self-controlling with respect to local cultural values and mores in order to avoid the threat of greater governmental intervention. Appendix 1 demonstrates the divergent views that industry experts held over the strength of government drivers.

Although respondents provided a number of examples of specific cases in which certain countries would disallow a certain type of advertisement, there was a general consensus that advertising
agencies were not overly constrained by widely different regulatory regimes. Certainly in contrast to many manufacturing industries for example (automobiles, pharmaceuticals) government drivers could not be seen as having a major impact on the industry. Similarly there was no strong perception that government liberalisation had particularly allowed for the further globalisation of the industry. Indeed the differing standards prevailing in different countries further required agencies to have strong local offices in each market aware of each countries particular regulations.

**Competitive Drivers**

Yip has stated that competitive global drivers are strong in an industry when there are (i) high imports and exports, (ii) competitors from different continents, (iii) interdependence of countries and (iv) globalised competitors. Morrison and Roth (1992) suggest there is evidence of strong ‘competitive drivers’ in many business services. High competitive drivers means that firms will be forced to compete on an integrated worldwide rather than market-by-market basis. Unfortunately Yip does not explicitly state which strategic levers will be most impacted by existence of strong competitive drivers although one would expect the lever of global competitive moves to be significantly used in such circumstances and may impact both the global presence and the global services levers.

(i) High imports and exports

Yip suggests that where an industry has high levels of international trade then different national competitors will encounter each other more often leading to greater degrees of competition. This is in contrast to low trade industries where ‘multi-domestic’ firms dominate each national market with lower levels of international competition. In the advertising industry where investment rather than trade is the dominant form of international expansion this component of the driver could in the strict sense be seen as low. However as has been demonstrated there is significant international investment by the main agencies and it does tend to be the same leading agencies ‘fighting it out’ in all international markets (excluding perhaps Japan). This would lead one to expect higher competitive drivers.

(ii) Competitors from different continents
Pointing to examples from manufacturing industries, Yip highlights cases where American and Japanese companies in the same industry tend to have greater competitive rivalry. Different methods of competing along with nationalistic elements and government support lead to an ‘all or nothing’ mentality. In advertising the industry (again excluding the Japanese market) is dominated worldwide by American and British firms with a high-degree of cross-ownership. It would be difficult to argue that this leads to significantly higher competitive drivers.

(iii) Interdependence of countries

In this industry it is clear that there is an interdependence between countries as the performance of any national office within the network can have a strong impact on the award or retention of a particular client’s account on a regional or global basis. Julian Ingram of BBDO referred to this as ‘the Albanian problem’ where one had to ensure that clients were satisfied with service provided around the world - even in very small markets - due to concern that an unsatisfied client may take their whole account elsewhere. This will mean that firms are unwilling to concede a dominant market position to any competitor even in what may be considered less important markets. This serves to heighten levels of overall ‘global competition’.

(iv) Globalised competitors

There are ‘globalised competitors’ (Yip’s term) in this industry at least in terms of global presence. There was indeed a distinct feeling within the large networks of a need to meet the ‘distribution’ of other competitors in order to remain on the bid list of global clients who were re-evaluating their agency relationships. This has an impact on agencies in terms of the need to manage accounts in an integrated manner and to establish worldwide presence. Simon Lapthorne of Granville Investment Bank explained how the need for such presence was often competitor-driven;

‘increasingly at least on a regional basis, your ability to compete ..... does depend on having access to your own presence in all countries which are relevant to that brand. And if your competitors have done that then yeah, there is definitely a kind of follow the leader kind of approach because there is a feeling among agencies rightly or wrongly that they exclude
themselves from the ability to get on the pitch list for P&G's paper products in Europe - if you don't have the same 'distribution' to borrow a term from financial services. If you don't have that network then you do sort of exclude yourself from the competition.'

There are however just a couple of caveats that need to be added to this discussion. Firstly there is not a universal agreement that having a global presence is really necessary with some firms such as M&C Saatchi and Bartle Bogle Hegarty working with a much smaller international network, this point will be further discussed when we consider the lever of global presence. Secondly it is interesting to note that in the advertising industry although global competitors prompted a strategic response from other firms in the industry the actual levels of competition between global competitors may not be particularly fierce (indeed the competition for top creative people was often more intense and certainly caused more disputes). This was due in large part to client conflict concerns which inhibited firms from greatly increasing global market share as the number of clients they can take on is restricted in any one industry, again this point will be further addressed in the section on global competitive moves.

Finally, there is some debate whether competitive drivers are in fact a driver of globalisation or whether they are merely symptomatic of the presence of other drivers at work\textsuperscript{x}, with regard to the advertising industry this idea can be quite clearly demonstrated.

It could be suggested that the interdependence of countries argument and the need to meet the worldwide distribution of competitors is not a separate driver at all but just another expression of the influence of market drivers in the form of global customers. When this point was put to Professor Yip he suggested that competitive drivers often revealed the strength of other drivers that had until then had remained latent;

'I could see a number of industries where the other three drivers are latent and they don’t really become strong until the competitor does it and in some cases the competitor leads the

\textsuperscript{x} The argument that 'competitive drivers' are not really an independent driver in their own right but rather just a reflection of the existence of other drivers within the industry is fully explored in a critical review of the Yip model prepared as a preliminary study to this paper (Whitla 1999)
Once again it is difficult therefore to provide a single ‘high or low’ measure to the strength of competitive drivers in the advertising industry. In assessing industry experts’ views on these drivers (Appendix 1) the evaluation of their comments was complicated and influenced by which particular aspect of competitive drivers they had focussed on in their interviews. While there are certainly some elements of Yip’s competitive drivers existing in the industry it would appear a stretch to suggest that competitive drivers were a vigorous force pushing industry globalisation.

CONCLUSIONS

The above analysis has examined the globalisation drivers and highlighted some of the difficulties in assessing the strength of each. Difficulties in providing a definitive ‘strong or weak’ assessment of each driver arise because each of the drivers is itself a multi-dimensional construct. Some indicators for any driver may indeed by pushing ‘globalisation’ while others may be holding it back; falling trade barriers for example suggest high government drivers while stronger national controls on advertising suggest the opposite. As has been previously suggested there is a danger that analysis of experts’ comments may be somewhat deceptive based on the particular elements of each driver that interviewees decided to focus upon.

These limitations are inherent in the Yip framework. Despite the difficulties they present there is a need to attempt to summarise the strength of each driver in order to form a picture of the major forces pushing globalisation in the industry. However to provide a one-word assessment of the strength of each driver in the industry would clearly be incomplete and superficial. Further for reasons to be explained later it is necessary to consider the interaction of the drivers and to summarise how they may work together or how a component of one driver may offset elements of other drivers.

This criticism however applies to many widely used strategic management models. The Yip framework in this sense is very similar to Porter’s five forces for example, another multi-dimensional model where each construct is made up of a number of components.
A review of the various globalisation drivers suggests that they are having the following impact on the advertising industry. Firstly, cost drivers in advertising are relatively weak. The global agency enjoys no cost benefits over the multi-local one and there are in any case few pressures on multinational agencies to significantly reduce their costs. For these reasons the ability to improve competitive position by lowering costs through adoption of global strategies is limited and cost drivers will have a minimal impact on the adoption of global levers.

Market drivers are strong with respect to global clients with the paradox that such global customers require considerable local knowledge and presence. Clients do make purchase decisions based on both the worldwide coverage of agencies and the ability to provide an integrated service that caters to clients’ own integrated marketing objectives. It is clear that the demands of clients have imposed significant strategic, structural and operational changes on the international agencies and that market drivers therefore significantly impact the industry.

Government drivers are negligible in that the advertising industry is not highly regulated and really never has been. There are to some extent offsetting trends with regard to this driver. On the one hand trade barriers, such as they are, seem to be falling; movement of skilled staff is becoming easier between countries and regulatory barriers on cross-national ownership are increasingly insignificant. On the other hand regulations on the output of the industry, the advertising itself, may be increasing. Statutory and self-imposed controls on advertising content may limit the ability to offer truly global campaigns in some circumstances.

There are elements of competitive drivers that are pushing the international networks to maintain their worldwide presence. The need to keep up with competitors and match the moves they make is seen as important in an industry where the output is essentially undifferentiated. However as competitive drivers are often a reflection of the existence of other drivers one sees little more than the re-assertion of the market drivers with international agencies required to provide a comparable service to other networks in order to meet the changing needs of their clients.

In terms of importance clearly market drivers dominate others in terms of driving the use of global levers, their influence far outweighs that of the other drivers. Exactly how these market drivers
impact the agencies in terms of their adoption of global strategies will be examined in the follow-up working paper in this series. Of the other three drivers although they may have a secondary impact on the international strategies of the agencies they patently do not dictate the form of international structure and strategy that they will adopt. Although cost, government and competitive drivers do not appear to be pushing or driving globalisation it is equally as important to recognise that they also do not inhibit the adoption of global levers. Unlike other industries where, for example, government regulation may force a multi-local response or others where costs of transportation may require local production, no such barriers to the adoption of particular global levers appear to be created by these particular drivers. As will be seen in the second paper in this series this makes the forecasting of which strategic levers will be adopted by advertising agencies rather difficult.

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Advertising Industry Drivers

- Cost
- Market
- Government
- Competitive

Drivers:
- Lapthorne
- Wallis
- Michell
- Stanbrook
- De Groote
- Pringle
- Pitcher
FIGURE 1 - YIP'S FRAMEWORK FOR GLOBAL STRATEGY

Position and Resources of Business and Parent Company

Industry Globalization Drivers
- Market
- Cost
- Government
- Competitive

Global Strategy Levers
- Global Market Participation
- Global Products
- Global Location of Activities
- Global Marketing
- Global Competitive Moves

Benefits/ Costs of Global Strategy

Organization's Ability to Implement a Global Strategy

Source: Adapted from Yip (1999)
FIGURE 2. BARTLETT AND GHOSHAL'S MULTINATIONAL STRATEGIES

Pressure for Local Responsiveness

Global Strategy | Transnational Strategy
---|---
International Strategy | Multi-domestic Strategy

Pressure for cost reduction
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