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GLOBALISATION IN ADVERTISING II: USE OF GLOBAL STRATEGIES BY INTERNATIONAL ADVERTISING AGENCIES

ABSTRACT

This paper analyses the use of global strategies by international advertising agencies. It uses Yip's (1989, 1992) conceptualization of global strategy as a multi-dimensional construct composed of a number of elements which he termed 'global levers'. The paper examines each of these levers in turn seeking to uncover which components of global strategy are being adopted and how are they being implemented by the agencies.

This paper supplements a previous working paper in this same series. In that paper the extant literature regarding theories and definitions of globalisation and global strategy was examined. The terms were clearly defined for the purpose of this study. Additionally Yip’s framework for global strategy’s was introduced and the methodology of the overall study was presented. In the previous paper the forces pushing globalisation (in Yip’s terminology the ‘global drivers’) facing the advertising industry were identified. It was suggested that market drivers were the predominant force impacting the industry and cost, government and competitive drivers had a limited influence.

In this paper the anticipated effect of the global drivers facing the advertising industry are presented. A number of propositions are developed regarding the expects the use of each of the ‘global levers’. Based on interviews with senior executives in the international advertising agencies the actual use of each global lever is then discussed. The anticipated and actual results are then compared and conclusions drawn regarding the efficacy of Yip’s framework as a predictive modal.

Three distinct ‘typologies’ of agency emerge, each following a differing overall approach in response to the industry globalisation drivers. It is suggested that the reason for the alternate strategic approaches is related largely to the administrative heritage of each organization. The paper concludes by suggesting areas for further research.
INTRODUCTION

The previous part of this paper has already identified the 'global drivers' facing the advertising industry. In this second part of the paper focus switches to the strategic responses of the international advertising agencies. Questions to be addressed include:

How are multinational advertising agencies making use of the global strategic levers?

Are there significant difference between the strategies being followed or are all agencies making use of the same global levers?

How useful is the Yip framework as a tool for understanding globalisation and the use of global strategy in this industry?

METHODOLOGY

A complete methodology for the overall project is presented in the first part of this paper. The reader is referred to that section for an understanding of how data was collected and analysed.

In the first part of the paper on global drivers the bulk of the material presented was lifted directly from the interviews conducted with industry experts. This paper on the use of the global levers makes much greater use of secondary data collected about each agency. This results from a significant company information search conducted prior to each of the executive interviews in order to triangulate potential bias from any single respondent and to make the most of time spent with each executive. Reference where appropriate is also made to extant literature which sheds further light on either an industry driver or use of a lever.
The senior advertising agency managers interviewed for this section of the project were identified largely through company websites or annual reports. The structure of many of the advertising agencies is such that often no single chief executive of the agency can be readily identified which meant that careful consideration of which individual within the organisation to contact was required. The targeted individual for this particular research was the highest placed director within the organisation with a responsibility for setting international strategy. Other participants in the study included the strategy director of one of the conglomerate marketing holding companies and an interview with George Yip focussing on the application of his model in service industries.

| Table 1 - List of Agency Interviewees Contacted Regarding Use of Global Strategies |
|----------------------------------------|---------------------------------|---------------------------------|
| Bartle Bogle Hegarty                  | Bates Worldwide                 |
| Simon Sherwood                        | Michael Coyle                   |
| Group Managing Director               | European Client Service Director|
|                                       | Regional Director - Central/ Eastern Europe and Middle East |
| BBDO (Abbot Mead Vickers)             | BMP/ DDB                        |
| Julian Ingram                         | Michael Bray                    |
| Director of Business Development - Managing Director (Europe) | Managing Director - International |
| D’Arcy International                  | J. Walter Thompson              |
| Eddy Stephens                         | Michael Mädel                   |
| Senior VP, Corporate Communications   | President and Chief Executive Officer - Europe, Middle East and Africa |
| M&C Saatchi                           | Ogilvy and Mather               |
| Moray McLennan                        | Lionel Godfrey                  |
| Joint Chief Executive                 | Worldwide Client Service Director |
| Saatchi and Saatchi International      | WPP Communications PLC.         |
| Alan Bishop                           | Eric Salama                     |
| Chairman                              | Group Director of Strategy      |

**LINKING DRIVERS WITH LEVERS**

Ideally in this study one would wish to be able to study the expected impact of each driver on agency use of global strategies in isolation. When elements of a particular driver are strong for example what would be the expected agency response in terms of usage of the global levers?
Answering such questions lies as the basis of testing Yip’s framework as a predictive model. However such environment-strategy relationships are rarely straightforward and attributing specific uses of any lever to any particular driver is problematic for a number of reasons.

Firstly, Yip himself has never clearly stated which drivers will affect the usage of which levers. Three of the four drivers according to Yip affect all of the global strategic levers. In both his case study examples (Yip 1991, 1992) and his empirical studies (Yip and Johannson 1994: Yip, Johannson and Roos 1997) Yip takes care not to link any particular driver with any particular lever. In the models presented in the empirical studies Yip aggregates both drivers and levers into single constructs (of ‘industry drivers’ and ‘global strategy’) which obviates the need to delineate links between specific drivers and levers.

The second difficulty again relates to the fact that use of any lever is affected by more than one of the drivers. Drivers therefore may be offsetting and a suggestion that any one driver encourages use of a particular lever may be negated by another driver which discourages such use. Making predictions of firm behaviour based on any single driver without a consideration of the impact of the other drivers is therefore ill-advised. It may be that one element of a particular driver is so over-riding in either promoting or hindering globalisation that this single element would take precedence negating the impact of the other drivers.

What can be done with Yip’s framework is to make predictions on how firms will respond to the combination of global industry drivers impacting the industry. Once a picture of the totality of forces driving globalisation within the industry have been laid out then projections on how firms are likely to react can be made. Such a method allows for offsetting impacts of different drivers to be considered and to attach additional weight to the impact of a driver or component of a driver that has a particularly strong influence on the industry.

Such an approach may be seen by some to lack the scientific rigour that comes with linking particular drivers to particular levers and clearly identifying relationships which can be statistically tested. It may be argued that assessing the combination of drivers allows for investigator bias to enter the analysis as the potential for subjective judgements on driver
weightings is introduced. This may be seen as a limitation of the Yip framework. However other similar strategic models, notably Porter's 'five forces' or Porter's 'diamond model' require exactly the same analytical approach. In this study the qualitative interview method has specifically allowed for the fact that different drivers carry differing weights and the assessment thereof has been based strictly on interviewee comments. As a result, within the limitations of the framework, investigator bias in determining the combination of global drivers has been minimised.

There still remains the difficulty however that having recognised the extent of globalisation in the industry the interpretation of expected strategic responses is largely down to the investigator. The Yip framework does not provide a prescriptive guide to which strategic levers will be adopted for a particular set of drivers and this weakness certainly limits the application of the framework as a functioning model. Attempts to test the framework by comparing actual to expected results can thus always fall foul to charges that the combination of drivers was incorrectly analysed and/or the expected use of levers was incorrectly interpreted. Without clear causal relationships Yip's framework thus becomes impossible to either prove or disprove, a criticism similar to charges made against the Porter models previously cited (Davies and Ellis 2000).

There are therefore limitations to this process of evaluating expected versus actual use of global strategies. To be fair Yip has never claimed that the framework has the ability to predict particular uses of global strategy. He would however hold that an understanding of the combination of global drivers can act as an aid to understanding which global levers may be employed. It is only in this sense that the framework can be used in this study, as a tool which acts as more of a guide to likely actions or even potential strategic moves rather than a determining model of the same.

This paper progresses by firstly outlining expected uses of the global strategic levers referring as far as possible to Yip's previous writings where his own interpretations have been provided. A series of propositions regarding expected use of global levers are presented. Once these expected uses have been compared with the strategies that are actually being used by the agencies
a conclusion on the utility of Yip’s framework in understanding industry globalisation and firm use of global strategies will be made.

Propositions Regarding Expected Use of Global Levers

In this industry the ambiguity of the global drivers makes it difficult to predict which of the global levers will be used by the international advertising agencies. The fact that cost, government and competitive drivers appear to neither promote nor inhibit globalisation within the industry may suggest that the usage of the global levers by agencies will not be greatly influenced by these environmental factors. The conflicting nature of market drivers meanwhile would suggest that agencies will have to be selective in their use of global levers, adopting integrated strategies to meet the needs of global clients while retaining multi-local strategies in order to meet the needs of local clients and the local market-intelligence requirements of the multinationals.

Proposition 1: Agencies will strive to develop or maintain worldwide coverage

Moving through Yip’s global levers, the first lever to consider is that of ‘global market participation’. Based on the markets driver one would suggest that worldwide coverage is a requirement of the international agencies. Despite the fact that many clients have consolidated their own marketing operations globally, they still do demand that their agencies are able to function ‘on their behalf’ in local markets providing marketing feedback on local conditions and adaptation of centrally agreed upon positions and campaign themes. Therefore one would expect to see continued maintenance of a significant worldwide branch network operating in most of the countries where clients have markets. One would also expect decisions on market presence to be made with regard to the overall well-being of the network rather than on a stand-alone market-by-market basis suggesting agencies will make significant usage of this lever. The ‘global participation’ lever therefore needs to be broken down into these two elements.

Appendix 2 presents in graphical form the expected use by international agencies of these elements along with the expected usage of all other levers. The diagram is based on a similar
analytical tool presented in Yip (1992 p.262), a similar diagram will be presented in Appendix 3 once the actual use of global levers has been discussed and Appendix 4 will show a comparison between expected and actual use.

Proposition 2: *Agencies will seek to develop standard methods and procedures to be implemented worldwide however ‘global output’ will be less common.*

The use of the ‘global services’ lever is difficult to predict. Clearly based on the discussion in the previous paper one would not expect agencies to be churning out standardised ‘products’ in the sense that this lever was defined by Yip or is accepted in the broader globalisation literature. Analysis of the market driver has suggested that while clients are looking for a worldwide integration of their advertising output, the majority are still looking for agencies to consider on a market by market basis how much adaptation is required and what form that adaptation should take. What clients do appear to be demanding however is a consistent level of quality in each international office of their global agencies and as a result one may expect that certain organisational methods and standards may be implemented in order to ensure the standardisation of output *quality* if not the output itself. Once again one would therefore anticipate that this lever may need to be broken down somewhat as there will be elements of the service which are standardised while other elements remain locally adapted. In Appendix 2, this lever has been decomposed into ‘global output’, i.e. global advertising and also ‘global methods and procedures’.

Proposition 3: *There will be very limited centralisation of activities.*

The ‘global location of activities’ lever appears in Yip’s model to be primarily driven by the desire to achieve cost efficiencies and as we have seen the cost drivers in advertising are relatively insignificant. This together with the high proportion of local clientele of the agencies would suggest that there would be very limited geographic concentration of activities within the agencies. The client conflict concerns highlighted earlier would further limit opportunities for product or industry specialisation where geographic centres of excellence may have been utilised. The need to retain ‘good people’ in each branch office further means that work will tend to be
shared around the network rather than centrally pooled. Although one would expect that most
elements of an agencies value chain would be recreated at each location it is possible that some
centralisation of some activities may occur. With global clients for example one may expect
some form of global account management to exist within the agency probably with this activity
centred in the nearest branch office to the decision-making centre of the client. This may even
be extended into the creative function with one branch office taking a ‘lead agency’ role working
as the primary developer of a global campaign with local adaptation occurring at other
international offices.

Proposition 4 : Agencies will seek to develop ‘global brands’ of their own

In terms of ‘global marketing’ one would expect that given the advent of global customers and
the desire to present an integrated approach worldwide that agencies would make substantial
usage of this lever. In terms of branding and positioning one would expect that the international
agencies would go for a unified approach which would not only appeal to global clients but also
help to attract local clients seeking a ‘badge of assurance’. As suggested above servicing of
global clients may take an integrated approach with sales activities centred close to customers’
headquarters. However in common with many other services which depend on personal selling
there will be substantial downstream marketing activities which are organised at the local level,
certainly this would be true with respect to the large number of local clients. Appendix 2
decomposes the 'global marketing’ lever into two components of ‘global branding’ and ‘other
marketing activities’ before outlining the expected use of each of these components of
international strategy.

Proposition 5 : Agencies will match developments of major competitors although extent of
‘global competitive moves’ may be limited

The final lever is that of ‘competitive moves’. As already suggested competitive drivers do
appear to be pushing the international agencies to shadow each others moves, certainly in terms
of maintaining a worldwide presence. Again we would expect the market driver of global clients
to influence firms to cross-subsidise international operations, accepting losses in some markets
if this allowed them to gain or retain an important worldwide account. Although there may be no government barriers to use of competitive moves, other elements of competitive drivers including the client conflict concerns already mentioned suggest that this lever may not be widely used outside of these specific circumstances.

While this assessment of the expected use of global strategic levers has posited the broad anticipated take-up of particular levers it does not go into a great deal of specific detail about how these levers will be used or how usage may vary between different types of agency. This will be revealed in the following section where each lever is analysed in detail backed up by examples of individual strategies and comments from senior executives within the agencies. What this section has done however is to provide a staging point which assists in our consideration of the validity of the Yip framework. The assessment above is based purely on the preceding analysis of the global drivers and therefore the extent to which actual practice matches with these judgements presented here will reflect the power of the Yip framework as a predictive model.

ACTUAL USE OF GLOBAL STRATEGIES BY ADVERTISING AGENCIES
- THE ‘GLOBAL LEVERS’

Each of Yip’s five ‘global levers’ is in fact a scale with firms choosing either to set the lever somewhere between a purely multi-local or alternatively a completely ‘global’ setting. By analysing the use of these levers by advertising agencies it is possible to see that different types of agency have adopted differing forms and combinations of international strategy in order to deal with the international environment previously outlined. Rather than the single approach to the use of global levers that was predicted in the previous section, what emerges is a more complex picture with different agencies making different levels of use of the various levers. In the following examination of the first of the levers, global market participation, a categorisation of three distinct types of international agency will be introduced. As will be demonstrated each of these three groups tends to follow a distinct path with regard to the full range of strategic levers and the categorisation will be extended into our examination of those other levers.
Global Market Participation

The first lever in the Yip framework, global market participation, covers more than the name initially suggests, it means much more than competing worldwide. As Yip points out being active in many countries does not necessarily mean that a firm is behaving globally. Indeed Yip also suggests a firm limited to operations in a fairly small number of countries may still be employing what he terms a global strategy. The meaning of market participation as Yip sees it is selecting markets to compete in based on their ‘potential contribution to globalisation benefits and to the global competitive position of the business’ (Yip 1992 p.67) rather than on their stand-alone attractiveness. Analysing whether a firm is making participation decisions on a global rather than multi-local basis requires asking such questions as does the firm seek to be in strategically important markets?, and does it seek a balance between markets that allow it to make effective use of the other globalisation levers? A global strategy with regard to participation therefore suggests an integrated approach to choosing which markets to be in and which levels of commitment to make in each. The first proposition presented above suggested that firms would make significant use of this lever.

Based on the interviews conducted it readily became apparent that each of the international agencies were making participation decisions in this strategic manner. Each agency recognised that their position and participation in one market strongly influenced the performance of the agency in other markets. Choices on which countries to participate in are not based on market by market considerations, Bartle Bogle Hegarty (one of the ‘smaller’ agencies) for example located its third office in Singapore not because it necessarily saw that market as profitable in and of itself but because it needed to be able to represent to its global clients that it had some understanding of the Asian marketplaces. Other examples were given where agencies had entered particular markets at the request of a particular client even though they were concerned about the profitability and viability of that market on a stand-alone basis.
The international networks did strive to find a balance between their revenues and global advertising spends\(^1\). Further, most of the networks had made some form of entrance into the strategically important Japanese advertising market (WPP’s acquisition of a stake in Asatsu or D’Arcy’s alliance with Dentsu for example) even though profitability there was not anticipated in the short-term. The actual use of each lever on an agency by agency basis is presented in Appendix 1.

The need to meet clients’ geographic requirements was universally expressed by all of the agencies, however the actual strategic response varied markedly. Indeed across the full spectrum of the global levers being used by the international agencies the one area of greatest difference between them came with regard to how they managed global market participation (Appendix 1 illustrates the significant difference in usage of this element of the lever). Each agency claimed to be able to provide the worldwide coverage that clients required, however there was a clear disagreement regarding how this could and should be achieved.

On the one hand there were the large global networks which choose to offer full service offices in every major international market (J. Walter Thompson for example has 255 offices in 88 countries). These networks argued that a full-service operation in each local market was essential in order to meet client needs, suggesting that their strong local office networks made it possible for clients to be assured that campaigns were being appropriately designed and executed in the local marketplaces. Michael Madel of J. Walter Thompson put it this way;

‘In order to have a meaningful offer in the market you have to be rooted in a market which means you have to understand the culture, the tradition, the dynamics of the market because otherwise you cannot advise your client properly’

Similarly Eddy Stephens of D’Arcy argued that even where global campaigns were created for global clients an understanding of local consumers was necessary;

\(^1\) A number of agencies talked about the need for this balance, most obviously Bates which states in their annual report that one of the over-riding objectives of the group is to rebuild its position in the United States, Michael Coyle summed it up thus ‘You need to be strong in America to be strong worldwide’.
‘Where we have been successful with global campaigns.....there has been a profound consumer understanding market by market, There is no global consumer, there is a local consumer to whom we can express globally but until we can understand the differences and similarities locally before we get to global we can't go anywhere.......although more and more businesses are more and more global and although more manufacturing companies have global brands, there is still a continuing need for someone in a local market, be it the client or the agency to continue to evaluate whether the proposition of the brand in their market is the relevant one’

Opposed to these large networks there were agencies such as M&C Saatchi or Bartle Bogle Hegarty which has but three regional centres and a number of smaller less than full service international offices. They too argued that they had the capability to support the international needs of clients but without the need for offices situated around the world. These agencies suggested that through the establishment of key centres of excellence they were able to develop strong ideas and creative campaigns which could be run in a wide range of countries. These smaller agencies tend to use partner agencies in the local markets for ‘distribution’ of advertising. Moray McLennan of M&C Saatchi for example explained the basis of his firm’s participation strategy;

‘We’re a start-up agency five years ago, and we pitched for and won the British Airways and Qantas business. The formula that we went to them with was that what they needed was to limit the number of countries that actually produce it if you like. A bit like talking to any manufacturer if you like where they don’t have factories in seventy-five countries which leads to high overhead, variable quality and lack of consistency.......you don’t need to be constructing ads in the country - you need a handling house in the country arguably to actually supply, translate. What you don’t need is the expensive overhead of creative and all the issues that that brings with it because every creative person if they are worth their salt wants to add something, change something and therefore the consistency disappears’
Similarly Simon Sherwood of Bartle, Bogle Hegarty stated;

‘Availability on a global level is not a problem, anyone can find an agency network that has offices everywhere OK, what is in short supply is creative thinking and quality of ideas. And that’s our starting point. the world doesn’t need another advertising network it doesn’t need any agency offices, what it needs a lot more of is big, big, ideas that can make brands famous on a global level. That to us seems to be where the premium is at its highest. So if you start with that point of view, you don’t end up building a network, you end up concentrating your talent base in those key areas where you can find the talent’

There was then two distinct approaches to this particular element of the ‘participation’ lever, interesting because it demonstrates that despite facing a similar set of global drivers individual agencies took different strategic responses. On further review of the interviews it was found that even among the larger international networks there were two distinct participative approaches being offered to clients, a distinction based on the degree of integration of local offices into the wider network. Some of the agencies expressed that they offered to clients a tightly co-ordinated network stressing the high degree to which worldwide offices worked together. Other agencies focussed on the strength within the network of local offices who operated with a high degree of independence (‘run at arms length’ according to Julian Ingram of BBDO) reflecting a much ‘looser’ form of network.

There are then three organisational forms offering essentially different propositions to their client bases. The integrated networks like J. Walter Thompson, D’Arcy and Ogilvy offered a local presence in virtually all markets combined within a single agency entity. The associated networks like BBDO and DDB similarly offered worldwide coverage but with a higher degree of local responsiveness based on their localised agencies2. And finally smaller agencies like M&C Saatchi or Bartle Bogle Hegarty offered services for global clients but co-ordinated from a smaller number of offices. Not all agencies fall easily into these categories (Saatchi & Saatchi

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2 Both Michael Bray and Julian Ingram referred to their organisations as ‘federations’, this may be another way to think of this group
being a notable outlier) however the generalisation into these broad groupings does assist in analysing the industry. This distinction between the three participative approaches actually was seen to determine the agencies use of the other global strategy levers and we will return to this classification of agencies again in examination of those other levers.

In attempting to understand why different agencies had adopted different strategic approaches it is necessary to consider issues beyond the global drivers. In looking at specific agencies it was clear that the choices they had made regard were often largely based on their respective administrative heritages (Bartlett and Ghoshal 1991). Those firms that had already established a large number of international offices when their clients were operating on a multi-local basis (the 'integrated networks') have retained their widespread international presence, generally these firms have grown organically and retain a single strong corporate identity. The more recently developed international networks (the 'associated networks') have tended to grow by acquisition and for reasons that will be explained later have chosen by and large (with the exception of Saatchi and Saatchi, itself now acquired by Publicis) to retain their strong local national identities. The smaller firms with limited resources, often newly established, simply don't have the capabilities to offer an international network of their own and instead depend on local partners for whatever adaptation may be necessary along with media placement which still does require a significant local presence.

Yip would suggest that the differences in approach were still consistent with his overall framework. He has explicitly recognised that the global drivers were not in themselves

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5 Saatchi and Saatchi has attempted to build a more integrated network, despite the fact that it grew through acquisition. Alan Bishop, Chairman of Saatchi and Saatchi International stated 'our slogan is 'one team, one dream', we did not want it to be a confederation of independent agencies, I mean some agencies like it that way - we did not, we wanted it to have great coherence otherwise we could not see what we would be offering our globalised clients if we ourselves were not offering a globalised point of view and globalised quality standard and globalised commitment to standards of service. So we have to have globalised standards in that way.' In most respects Saatchi and Saatchi is closer to the integrated networks than the associated newtworks.

4 A similar qualitative study of internationalisation in the accounting industry by Greenwood et al similarly found that there were differing strategic responses to similar environmental stimuli, in this study too the reason given for this result was each firm's administrative heritage.

5 Based on the annual reports of these firms, much of the international expansion of these networks has occurred within the past twenty years.
deterministic (1992 pp.25-26) and Figure 1 demonstrated that the ‘position and resources of the parent company’ was a moderating factor on the adoption of the global levers. As can be seen the background of each agency has clearly influenced the approach to the global participation lever each has adopted.

Designing Global Services

The second proposition made with respect to the expected use of global levers suggested that advertising agencies would make limited use of the driver of ‘global services’. It was proposed that as a result of prevailing market drivers that agencies would limit their use of standardised worldwide outputs yet may implement standard working methods or procedures. On analysis of the interviews with the agency executives it was clear that agencies were actually making use of both these forms of standardisation. It also emerged that there were clear and significant differences between the agencies regarding the usage of each ‘form’ of standardisation, differences that could be explained with reference to the three-part classification of agencies earlier identified.

Yip states that ‘globally standardised products or “global products” are perhaps the one feature most closely identified with global strategy’ (1992 p.85) and further states that ‘cost reduction is usually the most important benefit of product standardisation’ (ibid pp.17). Although such reasoning is easy to understand in the manufacturing context where standardisation can go hand in hand with centralisation and with that the attendant economies of scale, the concept requires some significant rethought when it is applied to services and the advertising industry in particular (Yip doesn’t mention services in this respect apart from a brief mention of the standardisation pushed by McDonalds). Indeed some of the characteristics of services (Sasser et al 1992) including the inseparability of production and demand and the heterogeneity of service offerings militate against service standardisation. In a creative industry like advertising where the service interaction is highly customised and variation is the source of competitive advantage it becomes very difficult to see how the service can be standardised at all (Aharoni 1993).
Although it is clear that agencies in meeting the needs of different clients are unable to provide a single ‘advertising output’ to all of them, there are in fact two ways in which we can think of standardisation when related to the advertising industry. The first of these is the concept of ‘global advertising’, cases where agencies run single global campaigns for their clients in many markets worldwide, this can be seen as standardisation of output on a client by client basis. In this regard it may be possible to rank agencies along a scale depending on the extent to which advertising is run worldwide or locally adapted for each market.

Equally important however may be not so much the standardisation of the final advertising output but rather the standardisation of the processes and methods by which the advertising is created. Although not universally practised the interviews suggest that this form of standardisation is more common than standardised ‘global advertising’ output.

To take global advertising first, in our study of the market drivers it was noted that there are very few cases where firms employ truly globally standardised advertising, indeed the few cases where this has happened (the British Airways campaign developed by Saatchi and Saatchi in the 1980’s is often cited as an example) stand as exceptions to the general rule. However it is clear that there can be significant differences in the amount of local adaptation that agencies use in different markets with some firms relegating local offices to mere translators of work sent down from the head office while others encourage a more multi-local approach with completely separate campaigns created and running in different markets.

Although agencies tend to fall in line with the demands of each client often running global campaigns for some clients while at the same time running highly localised campaigns for others (Vardar 1992) it is clear that certain agencies do tend to attract certain types of clients that have a favouritism for either highly global or highly local campaigns. In particular the smaller agencies with fewer international offices not surprisingly promote their abilities to devise effective global campaigns that work well across markets and which require minimal local adaptation. As a result they have had great success in attracting ‘global advertisers’, Bartle Bogle Hegarty for example handles the accounts of Levis, Polaroid and Johnnie Walker among others while one of M&C Saatchi’s largest international accounts is that of British Airways which it
inherited when the firm split from Saatchi and Saatchi. Simon Sherwood explained their clients’ needs and how these differed from the larger networks:

‘We have also found a number of clients who are looking for more similarities and more consistency in their messaging as well and they often find that network agencies are the worst culprits when they come to putting their hand up and saying ‘ah, but that wont work here’ because the very fact that they have an office in each market means they have to recognise that each market is different from the next one’

Of the networks, both the integrated entities and the associated networks tend to take on a wider range of clients who demand a mix of both standardised and locally adapted approaches (indeed clients change positions on what type of advertising they require, Coca Cola for example has flip-flopped on this a number of times in recent years). It may be expected that firms that insist on a higher degree of local responsiveness would migrate to the ‘associated networks’ while those favouring a higher degree of centralisation prefer to work with the ‘integrated’ networks. However this may be an over-simplification and further research or content analysis of international advertisements from the agencies may be needed to confirm this suggestion.

Speaking of the approach of BBDO however (one of the associated networks), Julian Ingram noted that organisations’ position on global advertising;

‘Now multi-national clients are coming to and reviewing their agencies and no longer need for a variety of reasons, technology being one of them, changing consumer changing habits, consumer fragmentation, media fragmentation being another, they no longer need a process system driven network to manage uniformity. That was a product of the eighties and the seventies. What they need is a network that understands when global or regional is right, but also understands when it is wrong’

In terms of the second form of ‘global services’, using standardised approaches and methodologies, there are clear signs that agencies do differ with regard to the extent that they make use of this element of the lever. While agencies did seem concerned to avoid suggestions that working methods were pushed down from above or that such requirements would stifle
creativity or flexibility at the local level there was a general consensus that the advent of global clients and the greater degree of sharing of work between international offices (see section on ‘location of activities’ lever) required that consistent methods were used. A number of times managers talked about the need to ensure that all employees within the agency ‘spoke the same language’ or had a shared common understanding of how campaigns should be created and run.

The reasons given for greater concern over common working methods can also be traced back to the needs of global customers. Yip had suggested that ‘having global customers drives a business toward developing globally standardised products’ (1992 p.38) or that ‘offering standardised products can be a necessity for serving global customers’ (ibid p.40). However it is clear that in the advertising industry even though they may not be looking for a standard product in the conventional sense (that it is the same output in every market) what they are looking for is an international consistency in quality of output and re-assurances as to how their agencies are operating in international markets. They thus demand that there are similar procedures and operating methods in use in each international office and indeed the agencies ability to convince global clients that constant standards are being employed and that consistent control systems are in place can be a significant part of bidding for any global account.

The agencies varied in how consistent standards were maintained and the degree of formality that was involved in this activity. Although all agencies recognised the need to ensure global standards and all talked to a greater or lesser extent about standardisation of methodologies, in practice the way in which this was implemented varied widely. Almost all of the agencies interviewed stated that they had their own means of working, their own methods and often their own set of advertising ‘tools’ particular to their agencies, which they used in all international offices. However on further examination it became clear that while the usage of standard methods was required in some of the agencies, it was seen to be optional in others. Lionel Godfrey of Ogilvy and Mather for example commented on the common methodologies used in his agency compared to some of the other networks;

‘We all know what we stand for, we all know the principles of how to do business, what we are trying to achieve and how we are trying to achieve it. And that gives us much
more of a feeling of all being part of the same family than when you are a network that
has been built up principally by acquisition with no common philosophy or bond linking
all the offices around the world. I mean I travel the world enormously for Ogilvy and
when you walk in an Ogilvy office anywhere in the world the people talk about
advertising in the same way, they use the same language, they use the same proprietary
techniques and yeah you just plug yourself in and away you go. You don’t have to
explain to them what you are talking about when you talk about brand stewardship and
brand audits and this or that because they have all been trained in the same way. And as
I say I think it is a great competitive advantage, people like IBM want us all around the
world because they know they are getting the same thing.’

Michael Coyle noted the requirement that similar methods were used at Bates;

‘On multinational clients, we do insist, so that the central client whenever he visits the
agency, a brand wheel can be put up which encompasses what that brand is in that
particular market’

However other managers in the associated networks such as Julian Ingram of BBDO for example
noted that although they had proprietary techniques available individual country managers were
able to use those techniques on a ‘take it or leave it’ basis depending on the country managers
perception of whether or not it was appropriate in any particular case.

Rather than enforcing use of prescribed working methods it was found that some of the agencies
were consciously not requiring that standardised methods be used to create work but instead
relied more on what can be termed output controls. One way these controls worked was for
frequent meetings of senior creative staff from international offices where each displayed the
work from his or her own region for the comment and scrutiny of others. Alternatively it was
sometimes left up to comments from either the client or the global account director to be fed back
up the chain before notice of unacceptable quality standards from a particular international office
were accounted for. The decision not to enforce standardised methods was seen as allowing for
a greater degree of flexibility on the part of the creative staff.
In determining which agencies tended to rely on a higher degree of standardised methods and approaches one again needs to bear in mind the caveat that agencies tended to follow the demands of clients and while they may work in one way on a particular account they may work in a completely different manner on campaigns for other clients. However, having said that, one can make a number of generalisations in this regard, again referring to the three categories of international agency previously identified. Firstly it was very clear that the integrated networks were the major proponents of standardised working methods, they each had their proprietary set of tools and each invested heavily in training so that staff around the world were familiar with ‘how things were done’ within that particular organisation. On the other hand the associated networks were much less closely aligned in terms of the degree of standardisation of methods that was expected, these firms depended much more on output controls as the primary guarantee of quality and were the most reluctant to proscribe ways of working to the various agencies which made up their international network. Finally in the case of the smaller agencies with limited international offices the degree of standardisation in working methods was somewhat more difficult to ascertain, they tended to focus on cultural control suggesting that offices in different countries naturally had the same ways of working and similar (high) standards. This may be due to the small size of the agencies which means that formal controls are less necessary than in a widespread network.

Before leaving the topic of service standardisation, it is worthwhile to note that the motivations behind such strategies for the advertising agencies and the expected benefits to be gained are clearly quite different from those in manufacturing and as normally stated in the globalisation literature. Although it is undeniable that in the search for consistency some standardisation occurs, it is clear that cost reduction is not the motivation for the advertising agencies. Rather the motivation is to improve overall service quality and to take advantage of the best practices existing within the organisation. Whereas in the existing literature on standardisation the focus has always been on standardising for the purpose of reducing overall unit cost and standardisation is often seen as a sacrifice (of local responsiveness) that must be made in order to bring down

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6 Julian Ingram of BBDO stated ‘The fact of the matter is if you put the systems and processes in place then you don’t get creative work. You look at the creative output of McCann’s who service their clients wonderfully, a good agency for the types of clients at McCann’s they are absolutely fine but they have to accept his trade-off of having everything done nicely and having all these systems and processes in place and the trade-off for that comfort factor is they haven’t got work that’s as creative as it could be.'
costs, the same process or logic is not at work in the advertising industry. Reducing variability and ensuring consistency is not intended to reduce costs and does not obviate the necessity to act in a locally responsive manner. Indeed, in many cases such efforts to implement global standards actually increase costs for the advertising agencies as they are required to layer a global structure and the accompanying control systems and methods over an existing and remaining widespread international network.

Appendix 3 provides a diagrammatic representation of the use of the ‘global services’ lever by the international agencies. For the purposes of this diagram the lever has been split into its two components of ‘global advertising’ referring to output and ‘common working methods’ referring to the degree which offices within the agency worked in the same manner.

Global Location of Activities

Within the Yip framework, global location of activities refers to ‘deploying one integrated, but globally dispersed, value chain or network that serves the entire worldwide business rather than the separate country value chains or one home-based value chain’ (Yip 1992, p.104). In simpler terms this has been equated with centralisation where within a manufacturing setting for example, a global firm may decide to centralise all production in one location and all R&D in another rather than replicating these activities in each country where it does business. Again in the advertising industry, being in the service sector, the concept of global location of activities differs slightly as the opportunities for centralisation of activities may be seen as more limited due to the location-bound nature of this and other professional services (Boddewyn et al. 1986, Roberts 1999). When analysing the expected use of this lever by the international agencies our third proposition suggested that there would be a very limited use of this lever.

Once again there are a number of ways in which we can consider the use of this particular lever with regard to the advertising industry. Firstly if one considers the industry in the simplest sense of the degree of centralisation of activities, it is apparent that most of the international agencies are still very much at the multi-local end of the spectrum in this regard. For both the integrated and associated networks each national office operates as a full-service agency and all activities
are conducted on a local basis. Traditionally the international offices have been fairly independent and it has often only been financial controls and financial reporting that linked national agencies to the head offices. The reasons for this continued multi-local approach has already been touched upon and that is the need for international offices to be able to work together with local clients. Even in the most international of agencies, local clients tend to account for the majority of the business generated in any one office and therefore it is seen as necessary to retain a full-service capability in each market. Country office managers would be very reluctant to give up any agency activity to a centralised function located elsewhere as it was perceived that this may cause great inconvenience to local clients. The industry’s somewhat lackadaisical approach to costs also limits the stimulus to centralise activities for the purpose of attaining cost savings.

Despite this there were some examples in a limited number of agencies where there had been some centralisation of ‘higher value chain activities’ such as finance, information technology etc. There were also isolated examples where some agencies had moved further to the global end of the scale and had started to centralise some creative work with ‘centres of excellence’ located in one office that specialised in creating advertisements for a particular industry sector for example. Unsurprisingly it was the integrated networks that showed the greatest degree of centralisation of activities while the associated networks had very little.

Taking a broader reading of this lever (and moving beyond Yip’s definition of the term) there is another somewhat more complex form of ‘global location of activities’ that does have significant relevance to the advertising industry. This relates not so much to the configuration of activities but rather their co-ordination (Porter 1986). There clearly has been an integration of value chain activities in the advertising industry with offices in many countries now working together on various projects and campaigns even though activities have not been centralised in any one location. In recent years in the advertising industry there has been very significant increases in the co-ordination of activities in the form of sharing of information, cross-national co-operation on tasks and a genuine networking of the advertising agencies. This indeed is where the real
Advances in global integration of the advertising agencies are occurring and therefore it is worthy of deeper consideration.

Prompted by the globalisation of the client base and customers' desire for some degree of consistency between their advertising in different nations, the advertising agencies have been forced to develop internal systems whereby such global consistency can be achieved without the sacrificing of national responsiveness. What this has resulted in are rather complex information, communication and management systems which allow for many national offices to be actively involved in the creation of global campaigns. Agency staff around the world get to play a participatory role in all stages of campaign development rather than being mere implementors and translators of campaigns developed in the head office. Of course this is not unique to the advertising agencies; the building of networked organisations and the 'leveraging of intellect' (Quinn et al. 1996) has become a requirement for all knowledge-based organisations (Stewart 1997). However, given the peculiar need for both an integrated approach to clients' marketing needs together with the local presence and understanding that is demanded by the client base, the need to make this work in advertising is probably as strong as in any other industry.

The primary mechanism to allow such networks and systems to work may be the Global Account Management teams who travel frequently around the world (or at least their region) keeping all parties in touch with one another. Most of the large agencies still run a matrix structure with the management of global accounts laid over the operational and creative staff that reside in the local offices.

To return to our classification of the differing types of agency it was possible to note that both the smaller international agencies and the 'integrated networks' were much further advanced in terms of development of these co-ordinating mechanisms than were the other form of agency, the associated networks (see Appendix 3). Eddy Stephens talked about the role of the Global Account Managers at D'Arcy:

Yip does discuss co-ordination methods and tools in some detail (1992: pp. 193-203), but does so in the context of enabling the implementation of global strategy rather than as a lever of global strategy itself. Primarily Yip refers to management processes and how existing strategies can be controlled and integrated. The argument presented here suggests that such management processes are equivalent to a lever that firms can choose to use or not in 'producing' in an internationally integrated manner.
The most successful global organisations assign one person to be responsible for the brand globally and that person is more than the guardian or the custodian, he represents the brands opportunity within the organisation and accordingly he or she has to be able to tell other people within the team where to find the information and hand in hand with a centrally organised database or an available database is somebody who can help, guide, inspire, possess the knowledge and I think the organisational issue is critically important in this. It isn’t enough merely to have the information, one has to have the brand leader, the brand champion if you like to manage it.’

In order to build these integrated systems much attention has been focussed on the use of advanced information technology and in particular the use of intranets where each international office has access to all agency information on a particular client and can access examples of work created for that client in other markets, analyse market research data on the success of a particular approach as well as work together with other national offices on a global or regional campaign. Indeed the development of such technologies has greatly enhanced the co-ordination of office activity and the further investment in and development of these systems is at the forefront of the international agencies strategies going forward. However perhaps more important has been the development of the human systems which have allowed for the co-ordination of work, integration of effort and joint development of campaigns on an international basis. Michael Madel of J. Walter Thompson discussed how technology and human systems were developing to allow greater integration of the firms knowledge base:

‘It will allow us to group people together to work on a given project for a certain period of time through the means of technology, because I mean to fly someone from Shanghai to London to work there for a few days is probably difficult because they have other obligations, they have to say fine on this project I can group these three people together and on this project you work through technology work together and hopefully you will have results that reflect a more international viewpoint, what we are talking about is not exporting a piece of copy but truly creating international advertising and you can only create that the more input you get into the group that originates the better the work will
be and the more meaningful it will be and the ultimate is that you will have three or four people representing different parts of the world really working together without sort of flying them all across the globe and putting them in a room somewhere....."

Although potentially fraught with conflict (which indeed existed when completed campaigns were sent down from head office for local adaptation) agencies have sought to manage the process in a manner which ensures a maximum of co-operation, this has been done through the design of appropriate reward systems, attention to principles of procedural justice⁸ and the occasional rotation of lead office responsibilities for certain global accounts. Alan Bishop of Saatchi & Saatchi explained how such systems worked to minimise conflict;

‘But if you work correctly and if all those that have a stake in it have the opportunity to contribute their ideas - so if everybody has had the opportunity to say what they want and then they have the opportunity to make the decision as to what runs and then they have the opportunity to execute that anyway, you don’t get so much of a problem’

Clearly the management of this form of organisation needs to be radically different from the traditional multinational structure, again when Alan Bishop was asked whether systems and decisions within Saatchi’s were made on a top-down basis and passed along to subsidiaries he responded;

‘We don’t have a top to go down and we don’t have subsidiaries, you know it is the other way around’

In concluding this section on the use of the ‘global location’ lever, as was noted with the ‘global services’ lever, it is important to recognise that the motivation for use of this particular strategy is clearly improvements in service quality rather than the achievement of any cost savings. Whereas in many manufacturing businesses centralisation of activities is aimed at reducing duplication and gaining economies of scale, the use of this lever by the advertising agencies in

⁸ See Banerjee (1994) for a fuller account of how global accounts are managed within agencies and how principles of procedural justice are applied in the agency context.
terms of increased communication and co-ordination brings few if any savings and probably in the vast majority of cases increases the cost of the firm as opposed to working in a truly multi-local manner. The motivation for the advertising agencies of integrating value chains in the way that has been described is quite different - it allows for the agencies to get a truly global perspective along with ongoing local feedback during the creation of campaigns and further allows for the best human resources within the organisation to be involved in any project regardless of their location.

As with ‘global services’, ‘location of activities’ needs to be separated into the two components identified above. In Appendix 3 the agencies are initially ranked with regard to the extent that they have actually centralised value chain activities. Secondly they are ranked with regard to the extent that they have co-ordinated and integrated such activities on a world-wide basis.

Creating Global Marketing

‘A worldwide business uses global marketing when it takes the same or similar approach or content for one or more elements of the marketing mix, that is the same or similar brand names, advertising and so on in different countries’ (Yip, 1992 p.135). This section discusses the extent to which the agencies market themselves globally and in particular whether they take a global or multi-local approach to their own brand names, their advertising and their selling efforts. Based on analysis of the global drivers our fourth proposition expected that agencies would make significant use of this lever although in common with most services it was expected that ‘below-the-line’ marketing would continue to be co-ordinated at the local level.

The use of a single common brand name by advertising agencies worldwide was not as common a practice as had been expected. Although there are a number of established ‘brands’ in the industry, even the longest established international networks commented that a local appellation would be used in international markets (often in conjunction with the international network

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This point was backed up by Professor Paul Michel who stated ‘I wouldn’t be surprised if globalisation increased costs rather than reduced them, there are very few if any, other than banking, international service businesses where they save any money through globalisation’
name) if it was warranted in the particular circumstances. Lionel Godfrey of Ogilvy and Mather stated;

'Sometimes if the name is very strong, like in Spain our partner for years has been Pasat, Louis Pasat and it's the second largest agency in Spain and he's one of the most famous men in Spain so it would be foolish not to use his name, so in Spain we are known as Pasat, Ogilvy and Mather and we will keep that going because there is a strong advantage to doing so.'

If this was the case among the integrated networks it is very much more so in the case of the associated networks. In these firms the local brand names are frequently exceedingly strong in the local markets and the name of the international network may be relatively unknown to most of the customers who buy on a local basis. Perhaps the clearest example of this is the BBDO network which only exists in the U.K. in the form of its acquisition of the famed Abbot Mead Vickers agency - widely regarded as one of the finest creative houses in the world. Julian Ingram of BBDO explained the branding philosophy and client management approach in this case;

'The brand BBDO in the U.K., in its advertising is AMV/BBDO, the brand BBDO in France, its advertising is CLM/BBDO etc etc etcetera. So we don't have here, there is no BBDO entity. This is a co-ordination and management centre - it doesn't manage clients at all...... Because our strength, that would deny our strength. Because our strength isn't here - our strength is in those agencies that have built up a dominant position and attracted high quality staff..'

Of all the agencies approached only one, Saatchi & Saatchi, insisted that all international offices operate under the single parent brand name in all markets. Alan Bishop commented on the branding strategies of the other agencies;

'you know this is absolutely nuts and just self-justifying. If any of their clients came to them you know, if Pepsi came to them and said 'hey we think it's a really good idea if we
call Pepsi different things in different countries - what do you think guys?" BBDO - Pepsi client, do you think they would say ‘we think this is a great idea chaps’ come on!!!'

In terms of advertising, it is paradoxical that few agencies actually engage in much advertising of their own services. In fact despite asking each of the agencies visited few had any recollections of recent ‘house campaigns’. Where advertising was done in local markets there was a general expectation that these would make use of the agency style, colours etc but would not necessarily be required to be passed back for head office approval.

Being a professional service, most of the marketing of advertising agencies naturally occurred through direct selling based on face to face contact between the agency and the client. It is indeed in this aspect of operations that the dual nature of many of the agencies can be fully understood as the standard operating practice in the industry is to separate the sales function for global clients (as previously noted these accounts are often managed separately also) from the sales activities of the local agencies which concentrated on local business. Agencies tended to ‘mirror’ their clients and often organised their sales functions in as many different configurations as they had clients. If one client preferred to buy globally and run the business from one location then the agency would go along with that and situate one global account manager directly beside the client. On the other hand if the client bought locally then there may be a whole range of account people working on that one account internationally. Indeed across the range of global levers, this willingness to adapt sales activities to the organisation of clients was the one constant amongst all of the agencies surveyed. Lionel Godfrey further explained how Ogilvy & Mather adapted practices to different client needs:

‘Sometimes they operate a different way by brand, Unilever is another good example, the home and personal care side of Unilever which is things like Pond’s and Dove that division of Unilever runs on a much more global basis than the foods business, the foods business at Unilever has traditionally been much more localised, less centralised because the brands have not been global or even regional brands they have been local brands. So, there’s a brand in Germany called Latte which is a margarine, there is a similar but not
identical brand in Belgium called Effy which are not marketed the same way. They are in the same overall category and occasionally they exchange knowledge and learning but there is local autonomy in the way that those brands are run... within Unilever there are variations brand by brand in terms of how centralised or decentralised and across our spectrum of clients there will be variations in how we do it but it is always driven by how the clients themselves are organised. What we cannot do is if the client is very centralised we cannot allow a lot of local autonomy, because that is a recipe for disaster and vice versa, because if the client allows a lot of local autonomy we cannot go in from the centre and say ‘you must do it this way, we demand it’ because our local client says let’s do it this way and he has got autonomy. So you have to be very sensitive to how each of the clients is doing it and how each of the brands is being run and then structure and tailor-make your own organisation for the handling of that client to mirror what he is doing.’

It is obviously difficult to characterise this approach to sales as being either global or multi-local, the agency practices whatever format is necessary to match with the client. As agencies were willing to sell to clients on a global basis and indeed often located offices close to where such spending decisions were made then it may be suggested that they are indeed marketing globally. On the other hand the vast majority of sales (to either local or multi-national clients) were made on a local basis. As a result it would be incorrect to assess these activities as being carried out on either a global or multi-local basis, Appendix 3 notes for this component of the ‘global marketing’ lever that actual practice was client-dependent.

The nature of marketing in this sector meant that there were few significant differences to be drawn between the agencies with the exception of the differing attitudes to brand names already mentioned. However the fact remains that in the advertising industry marketing and promotion tends to be towards the multi-local rather than the global end of the scale. *Prima facie* other service industries including other professional services such as accounting or consulting seem to be closer to the global end of the scale than advertising.
This limited usage of the global marketing lever runs counter to our fourth proposition based on the global drivers and needs some further explanation. Clearly the unexpected usage of this lever has major implications for the usage of the Yip framework. It may be as Alan Bishop said that the other agencies simply have got it wrong and are clinging to an outmoded form of operation. It may be that they haven’t sufficiently recognised the drivers of the industry and have not adjusted their international strategies accordingly. On the other hand one may make the argument that our assessment of the globalisation drivers was incorrect, perhaps for example the importance of local customers was underestimated. Unfortunately within the limitations of the Yip framework the gap between the expected use of the lever and actual use cannot be satisfactorily explained. If the first argument is accepted, that the agencies have got it wrong, then this very much limits the use of the framework as a predictive model (though not necessarily as a prescriptive one). Alternatively if it is suggested that the drivers were incorrectly analysed and needed to be re-assessed then this could quite easily be written off as ex post rationalisation.

Global Competitive Moves

Study of the use of competitive levers has been pioneered by Hamel and Prahalad (1985) and Sumantra Ghoshal (1987). In summary use of this lever suggests that strategic moves may be taken that appear sub-optimal within a particular market context although such actions may be beneficial to the overall global position of the group. Yip (1992 p.167) states that it is ‘the most difficult of the five levers to use, because its consequences are less directly visible than globally standardised products or globally uniform marketing’. After studying the global drivers our fifth and final proposition suggested that agencies may make limited use of global competitive moves. After analysis of the agency interviews there was indeed limited evidence that such competitive moves were being made.

Yip’s focus and that of previous literature has been on the use of global competitive moves as a means of building advantage in international markets through use of such methods as cross-subsidisation, counter-parrying, targeting global competitors and co-ordinating sets of global moves10. In advertising however such moves were not taken, firstly because cutting prices in

10 See Yip (1992) chapter 7 for a fuller discussion of each of these points.
any market was not seen as the optimal way to achieve growth and secondly because there is not the same concerns over (or benefits to be gained from) building market share. Conflict issues which limit any one agency to handling only one customer from each product category in any one market militates against the ability for a single agency to dominate in terms of market share in any case (further the advertising industry is very fragmented). Therefore many of the classic global competitive moves become moot when related to the advertising industry. In terms of the three-way classification of advertising agencies identified earlier there were no significant differences to report with regard to this lever.

Where there was cross-subsidisation in this industry was occasionally within a particular client account where profits booked from the client in one country were used to support a loss-making position for the agency with that particular client in another country. However this was not altogether common and whether such cases were inspired by a strategic desire to attract clients rather than an operational requirement caused by differing volumes of work in different locations is open to question. In any case each agency reported that each of their international offices needed to be self-supporting and subsidisation of any office would not continue beyond an initial start-up period.

Even where ‘competitive drivers’ pushed agencies to widen their own worldwide networks in order to retain clients this was often seen as a ‘defensive’ rather than ‘offensive’ form of competitive strategy. As already discussed the need to keep up with competitors has required agencies to maintain an international presence and to organise their sales and marketing staff to co-ordinate with the international structures of their clients, however these actions more clearly fit under the levers of ‘global participation’ and ‘global marketing’ respectively more than they are global strategic moves.

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11 Alan Bishop, Chairman of Saatchi and Saatchi International, put it this way ‘we obviously want to grow the agency but we want to grow it profitability and we don’t do it by you know...its suicidal for us to do that by undercutting financially and actually its self-defeating as well - if I say to you ‘give us your business because we are cheaper’, that’s not very compelling’

12 As in other service industries studied, market share was not seen as a priority. Firstly unlike in manufacturing where share led to scale which led to economies, the same link between scale and economies did not exist in services. Secondly working in a fragmented market adding points of market share would never lead to market dominance and the competitive advantage that went along with that.
In analysing competitive moves by the agencies one may comment on the strategic choice of the large international networks to diversify into other areas of marketing communications (Tilbian et al. 1999), this allows them to lock clients in to a convenient one-stop shop for all their marketing requirements. Although such diversification by the agencies has occurred on a worldwide basis and may help the overall position of the international network it could just as surely be used by a purely domestic agency. Therefore it would be hard to classify as a global competitive move in the sense that Yip's framework suggests. The one case that was put forward as a possible manifestation of this practice was where an agency would forego a particular local client (say the Fiat account in France) in order to take on a larger global or regional account (say Ford in Europe) this clearly fits the description of acting sub-optimally locally for a globally better position. However the fact that the move is not competitor-directed again raises the question of whether it fits neatly into this category.

It may be that this lever of competitive moves is simply not that applicable in the advertising industry. When many of the agencies were queried about possible cross-subsidisation, building market share and globally co-ordinated competitive moves, the response was often one of bewilderment and confusion. One of the few interviewees who understood the concept was Lionel Godfrey of Ogilvy & Mather who commented:

'I think that individual market shares in the agency business are not sufficiently large. You know it is not like Unilever fighting Proctor and Gamble where it is virtually a duopoly. There are a number of international agencies in any market and it is unlikely that any one agency is going to be so big that it needs to be attacked in that way, you know by and large everyone has their own business to run. You know I am an economist by training and so I understand what you are driving at......[but] our business is so fragmented. I mean it is not necessarily fragmented if you look at holding companies but if you look at individual agencies it is and it is unlikely therefore that you are going to get that sort of directed behaviour going on.'
SUMMARY OF THE USE OF GLOBAL LEVERS

Testing of the five initial propositions

The examination of the use of the global levers was based on an analysis which suggested that 'market drivers' were the primary force pushing globalisation in the industry. However, those drivers were complex in that although some clients were buying on an integrated basis worldwide requiring an integrated response by agencies there were still a large number of local and multi-national clients who bought on a local basis. Even global clients required that their agencies, while serving them on an integrated basis worldwide, still retained a strong local presence and local capability. This created a situation where the international agencies faced *simultaneous pressures* to act in both a 'global' and a 'multi-local' manner. The above analysis has demonstrated how the agencies have used the global levers in order to respond to these conflicting demands.

Firstly with regard to global market participation agencies are finding that although some clients may be pulling their own marketing activities out of 'secondary markets' and centralising decision-making in one location, the agencies *normally* do not have this option and are required to be active in all markets in order to service global clients fully. Thus the first proposition for this study was generally supported.

In determining the degree of 'standardised services' in the advertising industry there are clear demands to *minimise* standardisation in some areas while increasing it in others. For example the international agency will be expected to present a consistent (standard) brand identity for the client in all international markets but will also be expected to provide specialised country specific knowledge that can be incorporated into final 'localised' campaign. On the one hand agencies are experiencing a demand for greater standards of consistency between international offices with regard to the expected quality of service they provide, on the other there is a demand for greater specialisation, indeed customisation, at the office level with clients/customers demanding a service that may require specialised knowledge of the local environment. This presents a more
complex picture than proposition two originally suggested, however the findings largely support the proposition as presented.

There is little in the way of centralisation of activities in the advertising industry supporting the third proposition. This is due to the need to maintain full service operations in each national location. However there has been significant developments in the co-ordination of agency activities on an international basis. This is being accomplished through increased integration of firms control systems, implementation of global training programmes and the sharing of worldwide best practices; it is further being met through the creation of international centres of excellence, intra-firm international transfers of personnel and increasingly the use of integrated corporate data systems to facilitate the collection, dissemination and application of the firms acquired knowledge base. Indeed the most significant challenge for advertising agencies in the years ahead will be the management of these systems and the ability to leverage the knowledge and intellect of the international organisation.

Increasingly with regard to their own marketing agencies are organising their sales activities to fit in with the global structures of their clients while again retaining a high degree of localisation with a local sales operation running in each market and often the maintenance of local rather than global brand names. Thus the fourth proposition was not supported by the findings from the study.

Finally in terms of competitive moves, there was very little evidence that any of the agencies were engaging in this type of behaviour. Thus the fifth and final proposition was supported.

Use of levers by categories of agency

Within these broad industry responses, the analysis presented above has suggested that there are several differing strategic approaches available to the international agency facing this combination of both global and local requirements. Three distinct groups of agencies have been identified each of which makes use of a different configuration of the global strategic levers, this has been summarised in Appendix 3. This diagram is based on a similar analytical tool first
presented by Yip which ranks companies along the multi-local - global continuum for each of the strategic levers. In line with the above discussion a number of amendments have been made to the initial format of this diagram, specifically the drivers of ‘global participation’ ‘global services’, ‘global marketing’ and ‘global location of activities’ have been broken down and additional dimensions of these levers have been added. For each lever rather than illustrating a single industry position along the scale an effort has been made to situate the three categories of agency with regard to their particular usage of each of the levers.

Although not every agency fits easily into any one of the three categories what this diagram indicates is that there are differing possible approaches and responses to the same ‘globalisation’ pressures. As has been previously mentioned the reasons for the alternative strategic stances are often based on the administrative heritage and resource capabilities of the respective agencies. The smaller agencies operate in fewer countries and with a higher degree of standardisation, the long-established networks retain their global presence and capability for local adaptation. Examination of this analytical tool may encourage some to compare the ‘strategic groups’ in order to try and rank them with regard to which is either the ‘most’ or ‘least’ global. No such attempt has been made here as such a ranking misses the point, all the firms are ‘global’ in that their strategy is integrated across national borders, however the configurations of how this is being done varies between the agencies.

One interesting viewpoint on the different approaches as represented in the diagram is to consider that these varying configurations of levers do not necessarily suggest that the different groups are responding to the same environmental pressure in different ways. Rather one may suggest that each group is behaving in a way consistent with the environment presented by their particular clients, the integrated agencies service a lot of multi-local clients for example who demand local responsiveness, the smaller agencies service many global clients seeking global advertising. It may be that rather than having a single industry environment there are in fact several ‘industry sectors’ based on a classification of client type and that therefore the strategies being followed by each agency group is consistent with the particular requirements of their client base, this idea was expressed by Simon Sherwood of Bartle Bogle Hegarty:
'I don’t think there is any right or wrong way of doing it and different clients need different things. Most of those networks have built their business on the backs of client expansion, so in the 50’s and 60’s when these big American corporations decided to move their businesses out of America and conquer the world they asked their agencies to go with them......that’s because they believed that each market was fundamentally different from the next one and therefore they had to have a presence in each. And who’s to say that’s wrong? Because those companies are vast and huge and we are small and we don’t work with those kinds of clients. I think our view is that that is all well and good but there are now different kinds of clients who are looking for different kinds of input.'

While evidence has been presented that different ‘types’ of agency are making different usage of the various levers it could be suggested that the search for differences is overshadowing a greater degree of similarity within the industry; that the wood is being obscured by a concentration on the trees. It is certainly true that for the majority of the levers there is a greater similarity regarding their usage between the agencies then there is difference.

Conclusion on ‘fit’ between expected use of levers and actual use

As has been seen advertising agencies have responded to the prevailing set of globalisation drivers in much the way that would have been expected. Appendix 4 provides a diagrammatic representation of the expected use of each lever, alongside the actual use by the three categories of agency. Once again this diagram has been prepared through the assignation of numerical values to each lever by the researcher based on the interviews conducted.

There are three particular items of interest unveiled by this diagram, each of which has been previously commented upon. Firstly the fact that three distinct categories of agency emerged was something that could not have been predicted based upon the analysis of the drivers alone. Although the behaviour of the individual agencies can be explained when set in the context of the full model, that is allowing for companies ‘position and resources’, it would not have been possible even if that information had been previously available to have predicted the common groupings of agency type with regard to the configuration of global strategies they adopted.
Secondly comprehensive examination of the strategies being followed by the advertising agencies revealed a number of hidden dimensions to ‘global strategy’, dimensions not explicitly covered amongst Yip’s global levers. One example of this was the sharing of common processes and procedures which indicates a form of integration of ‘global services’ and perhaps more importantly the emergence of ‘networking’ and knowledge sharing which was a fundamental component of how agencies were integrating activities between international offices. In both of these areas then, it was only through study of international operations that these ‘additional’ levers emerged, certainly they would not have been predicted based on the Yip framework.

The third and final element of interest relates to the marketing lever which stands out as being the one proposition which was not supported and the predicted use differed markedly from what agencies were actually doing. The expected use was high, the actual use was low. The implications of the discrepancy for the Yip framework have been noted and will be revisited in the conclusion to the paper when refinements to that framework are proposed.

Overall however, examination of Appendix 4 suggests that there was significant similarities between actual and expected use of the levers using the Yip framework as a predictive tool. Of course the inability to test the framework as a model and the degree of subjectivity in assessing the expected use limits the utility of the framework as a model. It is perhaps necessary to restate that advertising is an unusual industry with as Grein and Ducoffe (1998) stated an ‘intense combination’ of integration-responsiveness pressures. Cost, government and competitive drivers neither pushed nor inhibited the adoption of global levers and the strong market drivers were complex in their nature. Given these difficulties the Yip framework has been at least partially substantiated with no element of the framework outrightly refuted.

**CONCLUSIONS**

The above analysis has presented a thorough examination of both the forces pushing globalisation in the advertising industry and also the strategic responses of the international advertising agencies. There are a number of points which merit further attention in concluding this paper.
Firstly, patterns of global strategy and motivations for use thereof differ markedly in this service industry compared to the established thinking on global strategy which has mostly been developed with regard to manufacturing settings. A more complex form of global strategy has been presented, similar in composition to Bartlett and Ghoshal's transnational solution.

An ongoing theme of this paper has been the utility and the limitations of Yip's framework for global strategy. As the organising theoretical model for this paper it has been demonstrated that the framework does have use as an organising tool for understanding both the forces pushing globalisation and firms' use of global strategies. However, in this empirical application a number of significant shortcomings of the framework were identified, these will be discussed and a number of suggested adaptations or modifications to the framework are proposed.

Nature of globalisation in the advertising industry

Despite the differences between individual agencies, what this analysis has very clearly demonstrated is that the use of global strategies, the motivations behind them and the benefits to be expected differ markedly from the use of global strategies in other industries. The bulk of the theory developed and empirical studies so far conducted have related to manufacturing settings. In this service industry it is clear that global levers are used in a quite distinctive manner reflecting the specific forces influencing this industry.

The traditional paradigm of global strategy; standardisation of products, centralisation of production, achieving economies of scale and from that building global market share and competitive position is simply not the model that persists in advertising. Rather the underpinnings of global strategy in this industry depend upon a process of developing worldwide local capability which can be amalgamated and managed on a worldwide basis. The explanation for the difference can be explained largely by the configuration and strength of the globalisation drivers with market drivers rather than cost being the compelling force behind international integration of the agencies.
The desired result of adopting global strategies within advertising is not the achievement of lower costs but rather improvements in quality. Agencies repeated time and again that it was superior creative work and the ability to service international clients that were the critical success factors in the industry rather than the ability to lower costs. Competitive advantage comes not from offering lower prices but instead charging higher fees based on this superior service. Similarly, market share is a less important objective, rather profitability of a limited number of accounts becomes key. This means that not only are the expected benefits of ‘globalisation’ different but also explains the variants in adoption of global strategy that have been demonstrated in this analysis. These simple points require a new way of thinking about global strategy, to equate the process with standardisation, centralisation and cost efficiencies is no longer appropriate and instead a more complex picture of global knowledge management and integrated management systems that tie together local activities emerges.

Returning to the literature for a moment, one can easily see that in line with the Bartlett and Ghoshal classification, international advertising agencies are clearly being pushed towards the ‘transnational solution’. This requires that firms simultaneously develop ‘global capabilities’ (which Bartlett and Ghoshal incorrectly limited to cost efficiencies) while at the same time retaining a degree of local responsiveness. This is in line with the findings of both Banerjee and Grein and Ducoffé previously summarised. This analysis has significantly added to the existing literature by explicitly identifying the means and processes by which advertising agencies have responded to these simultaneous pressures to become ‘global’ or ‘transnational’ whichever term is preferred.

*The Utility of Yip’s Framework*

Given the suggestion that the process of globalisation is fundamentally different in this industry it is appropriate to question whether Yip’s framework of global strategy holds up as an analytical tool for the consideration of advertising and perhaps also other non-manufacturing industries.

When attempting to predict the use of the ‘global levers’ by advertising agencies based on the analysis of the industry drivers the point was made that the framework was not a testable model.
Yip neither in his theoretical nor his empirical studies has ever delineated linkages between specific drivers and specific levers and therefore it is impossible to test the framework in a statistical sense to see whether relationships between drivers and levers can be proven. The multi-dimensional nature of the drivers and the levers and the varying strengths and influences of each further inhibit the idea of turning the framework into a scientific model which can be tested and proven. The question arises whether some adaptation of the framework would allow the development of just such a model, is it possible to hypothesize links between specific drivers and levers which can be tested and on the basis of which one can assess an industries drivers? And then from that can one make a valid prediction of which levers will be used and to what extent.

As previously stated the Yip framework is very similar to other commonly used strategic management concepts in this manner, notably both Porter’s ‘five forces’ and his ‘diamond’ of national competitiveness. Both of those tools share the problem that each construct is itself multi-dimensional and neither can be tested statistically as a result. Some may suggest that just because Porter’s work was also limited in this manner does not mean that we should necessarily accept Yip’s framework, however it does indicate that the limitations in this framework are by no means unique.

It would be pointless to make the argument that the framework does not suffer from this limitation, for reasons stated it is not possible to use it as a predictive model that can be scientifically tested. However that is not a strong enough reason to discard the framework in total. What needs to be recognised is that the framework is not intended to be used as a model but rather as a ‘strategic tool’ with an aim of aiding understanding and comprehension of the areas of globalisation and global strategy. As with the five forces, use of the tool assists the understanding of what is happening within an industry and may suggest possible strategic options open to firms within it, however it is not and cannot be made into a deterministic model.

The major missing component from the Yip framework was the whole area of the development of information networks outlined above, in the analysis this was placed under the lever ‘global location of activities’. Yip had talked about similar integrative systems but he had considered
these as an element of management of a global organisation rather than as a ‘global lever’ in itself. In Yip’s text he made the suggestion that if the organisation had made use of other global levers then it required these integrative systems in order to make those levers work, to co-ordinate global marketing for example or to integrate value chain activities scattered across countries. However what this case has demonstrated is that the use of such information systems is much more than a management control mechanism for other forms of global strategy but rather an integral element of global strategy itself. Indeed this element of the ‘locations’ lever was where most of the agencies were concentrating development of their international strategy with the recognition that enabling all offices within the network to be not only able to communicate with each other but to actively work together and share information were the key organisational challenges going forward.

Significant literature has been developed on the ‘networked’ organisation or the ‘knowledge based company’ and the means by which firms are developing these systems have been demonstrated and discussed in detail in such papers. In this paper the need to maintain strong local offices and the inability to centralise key activities has only served to highlight the importance of such activities in the advertising sector. With respect to Yip it is perhaps necessary to note that his framework was largely developed in the late 1970’s and it may be that he did not anticipate the developments that have occurred in this field. Certainly it would have been difficult to predict advances in information technology and communications which lie at the heart of the ‘networked’ organisation and the speed with which they have developed in the past two decades.

**AREAS FOR FURTHER RESEARCH**

The one area of great interest that is not covered in the study is the performance outcome of using global strategies. Although agency executives were asked to explain why they were using particular global strategies and what benefits they hoped this would achieve, the purpose of such questioning was primarily to understand the motivations behind the use of such strategies rather than to measure the performance outcomes. Yip’s framework of course suggests that there is a
normative link between the use of individual global strategies and the performance benefits that can be accrued; a testing of these links within either the manufacturing or services sector has still to be empirically conducted. However the same difficulties of modelling this information arise in Yip’s framework as each globalisation benefit is derived in part from use of a number of global levers and therefore simplistic activity-performance linkages cannot be hypothesised.

Despite these difficulties and others inherent in measuring service sector performance (Nachum 1996) such a study which maybe compares the performance of the differing strategic responses to globalisation may be a promising area for future research. To date there has been little study but much debate over the effectiveness of global advertising strategies (Neff 2000) as the global integration of agencies is fairly new however and still an ongoing process it may be some time before any definitive conclusions can be made in this regard.

Extension of this study into other types of service industry (Lovelock and Yip 1996) may also shed further insight into this emergent field of business research. This paper has suggested a number of times that it may be the characteristics of services rather than the advertising industry itself that has caused the unique forms of globalisation observed here. It would be interesting to see if such patterns hold true for other service industries or whether they have their own distinct forms of globalisation drivers and use of global drivers. In particular different categories of service such as people-centred services or possession-centred services (as opposed to the information-centred advertising industry) may be suitable areas for future research. A comparison of a number of service industries across these different categories may allow for further refinement of the Yip framework. In particular such a study would allow for consideration of whether the additional levers added into this study hold as necessary elements of a framework for other services or whether other components of global levers emerge in their own right when other service industries are studied.

References

13 Nachum’s study was of international advertising agencies and sought to explain why some firms prospered while others failed. He notes the difficulties of measuring performance in this industry and notably did not find any link between agency productivity and performance in international markets.

14 Using Lovelock and Yip’s 1996 classification of service categories.


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Tilbian, Lorna, Paul Richards and Jeremy Lewis 'Media Agencies: It's globalisation stupid' West LB Panmure (research report), April 1999


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Advertising Industry Levers

Saatchi and Saatchi

Ogilvy

BBDO

JWT

Bates

Mac Saatchi

APPENDIX I

Moves Location Marketing Products Participation
## APPENDIX 2

### Expected Use of Strategic Levers by Advertising Agencies

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<th>Stand-alone by Market</th>
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<th>Integrated Globally</th>
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<td>Global Market Participation</td>
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<th>Stand-alone by country</th>
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<td>Global Competitive Moves</td>
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**Key:** E Expected Use of Global Levers
APPENDIX 3

Actual Use of Strategic Levers by Advertising Agencies

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<td>Global Market Participation</td>
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Key: ■ 'Associated' Networks
      ○ 'Integrated' Networks
      ◆ Smaller International Agencies
### APPENDIX 4

Comparison of Expected and Actual Use of Strategic Levers by Advertising Agencies

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**Key:**
- ■ ‘Associated’ Networks
- • ‘Integrated’ Networks
- ◇ Smaller International Agencies
- E Expected Use of Global Levers

**Note:** The Use of information sharing techniques and networking of production were not anticipated as a result of global drivers.
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