The Devolution of the Marketing Function in South African Multinational Companies to their Subsidiaries within Africa

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MBA Full-Time 2015

A research paper submitted to the Graduate School of Business, University of Cape Town, South Africa in partial fulfilment of the requirements for the Masters of Business Administration degree

09 December 2015

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ABSTRACT

This research examined the way in which South African multinational companies (MNCs) devolve the decision-making power of their marketing function to their various subsidiaries in Africa. Qualitative research was conducted with senior marketing executives from 15 MNCs across seven different business sectors. The research found that the centralisation of decision-making occurs when a business has a global brand or corporate identity to protect, as well as when economies of scale and scope can be achieved by attaining efficiencies gleaned from centralising procurement for the group. Economies of scale were found as being a “by-product” of implementing global brands and clustering countries within close geographic proximity to one another. Decentralisation was found to occur when psychic distance is greater between the headquarters (HQ) and its subsidiaries, as heterogenic market conditions make the devolution of power to the subsidiary essential to survive and prosper. Furthermore, the extent to which the devolution process takes place, is profoundly dependent on the capacity and capability of the marketing resources, coupled with the existence of institutional voids that are evident within subsidiary environments. The research suggested that group marketing strategies should be set by HQs, and that strategies then need to be devolved to subsidiaries, while providing guidelines from which they can develop an execution strategy that is relevant to their market.

Keywords: marketing; devolution; multinational companies; Africa; South Africa
DECLARATION

I, Craig O’Flaherty, declare that this research paper is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the Masters of Business Administration degree at the Graduate School of Business, University of Cape Town. It has not been previously submitted for any degree or examination in this, or in any other university.

Craig O’Flaherty

Signed at .................................................................

On the 9th day of December 2015
ACKNOWLEDGEMENTS

I would like to sincerely thank everyone who helped me on this journey.

Thank you specifically to:

John Luiz, for allowing me to work on this fascinating piece of research, as well as for supporting, encouraging, and directing me from the very beginning;

All of the research participants for giving up of their time to allow me to understand their views on the research subject matter. I trust that this report will effectively reflect all of your valuable insights;

Finally, and most importantly, I would like to thank my family, from the bottom of my heart, for their relentless support throughout my entire MBA journey. Without your love and belief in me, this would not have been possible. I love you all very much.
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CHAPTER 1: INTRODUCTION

1.1 Purpose of the Study

Questions regarding the ideal way to devolve various functions between the subsidiaries of multinational companies (MNCs) has arisen over time, taking into account the varying market dynamics that the host country of the MNC is faced with when operating in its subsidiaries’ bespoke environments. The purpose of this research was to look, through explorative means, to understand how South African MNCs devolve the marketing function from their headquarters (HQ) to their various subsidiaries in Africa.

1.2 Context of the Study

This research attempted to contribute to knowledge on South African MNCs. There is a multitude of views regarding the appropriate devolution of the marketing function within MNCs. Various authors examine the ideal balance between leveraging economies of scale and scope, and brand uniformity, with adaptation to unique regional nuances so that the MNCs’ strategies are relevant and effective within their subsidiaries’ markets (Aaker, 2008; Birnik & Bowman, 2007; Chae & Hill, 2000; Dimitrova & Rosenbloom, 2010; Duncan & Ramprasad, 1995; Ghemawat, 2001; Griffith, Kiessling, & Dabic, 2012; Homburg & Prigge, 2014; Kirca, Bearden, & Roth, 2010; Kirca & Hult, 2010; Loyka & Powers, 2003; Malhotra, Sivakumar, & Zhu, 2009; Matanda & Ewing, 2012; Nakata & Sivakumar, 2001; Ozsomer, Bodur, & Cavusgil, 1991; Ozsomer & Simonin, 2004; Quester & Conduit, 1996; Koku, 2005; Solberg, 2000; Sousa & Bradley, 2005; Theodosiou & Leonidou, 2003; Viswanathan & Dickson, 2007; Vrontis, Thrassou, & Lamprianou, 2009; Wu, 2013; Xu, Cavusgil, & White, 2006).

Research indicates that the extent to which this function is decentralised will considerably enhance or diminish the extent to which both the HQ and the subsidiaries’ requirements are met; a “win-win” scenario for both parties should be achieved (Carpano & Chrisman, 1995). What comes across consistently in the literature with regard to the decentralisation of strategy in MNCs, is the extent of the similarity that
exists between the MNC’s HQ and the operating environments of its subsidiaries (Dimitrova & Rosenbloom, 2010; Ho, 2014; Kirca et al., 2010; Malhotra et al., 2009; Ozsomer et al., 1991; Quester & Conduit, 1996; Koku, 2005; Sunu & Kuada, 2008; Vrontis et al., 2009; Williams & van Triest, 2009).

The literature has developed from a largely industrialised point of view, and focuses on the centralisation versus decentralisation of MNC strategy, the effects of local culture, and how an MNC should develop a marketing strategy fit for foreign markets. A relatively small amount of work has been done on understanding marketing functions within Africa (Abratt & Higgs, 1994; Burgess & Steenkamp, 2013; Darley & Blankson, 2008). There appears to be a gap in the literature with regard to how MNCs devolve their marketing strategy to their subsidiaries in Africa; this paper will try to understand how MNCs go about doing this.

1.3 Research Question

The central research question is: How is the marketing function devolved by MNCs from their HQ to their various subsidiaries in Africa?

1.4 Significance of the Study

Africa has become of growing importance to the global economy (Luiz & Davis, 2015), and it is therefore imperative that one understands how to operate in such an inimitable environment, so that organisations do not waste precious resources or unintentionally infringe on local customs and traditions due to lack of “know-how”. In line with this, one can not avoid the issue of institutional voids, which refers to the absence of intermediaries that connect buyers and sellers, which affects the ease at which trading can occur (Khanna & Palepu, 2010). MNCs need to be wary of these voids and need to learn to operate as effectively and efficiently as possible within them. MNCs also need to understand that when working within emerging markets, they are operating in an environment in which regulatory systems are not always appropriately developed (Luiz & Visser, 2014); this makes doing business in these markets all that more challenging. This paper bridges an aperture in the literature as it explores how the marketing function of MNCs is devolved to their subsidiaries in Africa. Furthermore, it provides a guideline
in terms of the “ultimate mix” between standardising marketing strategy and allowing autonomy for local nuances in various markets. This study provides guidance that is “fit for Africa”, by providing an understanding of the dynamics behind the ultimate decentralisation strategy. This will assist Chief Marketing Officers (CMOs), as well as other marketing managers and practitioners, looking to develop and implement marketing strategy. It also adds to the limited body of literature currently present regarding marketing strategies for MNCs in Africa, with specific reference to the secret to success for South African MNCs.

1.5 Limitations of the Study

This study focused on the devolution of the marketing function of South African MNCs from their HQ to their various subsidiaries in Africa. In other words, this study looked at the various scenarios in which MNC’s centralise and/or decentralise the marketing component of their organisation. It did not explore how to market or develop marketing strategy in emerging markets. The research did not explicitly focus on the differences or similarities between the different sectors in which the South African MNCs operate. With regard to devolution in the context of the African market, the influence of the South African MNC, in contrast to that of industrial-originated organisations, should not be taken for granted. It could be argued that South African MNCs have country-specific advantages to their competitors that reside outside of Africa when it comes to understanding the way in which various African countries operate. They also have a deeper appreciation of what it takes to succeed under Africa’s volatile, and somewhat turbulent, market conditions. This will not be explored in this paper due to the limited time frame that was given. Finally, this research was conducted in a qualitative manner. Future research could look at this research topic from a quantitative perspective.

1.6 Assumptions

It was assumed that interviewees had sufficient knowledge of the industry and the companies within which they operate, in order to clearly and coherently answer the questions presented. It was surmised that they would answer questions truthfully, without fear of exposing confidential information. Both of these assumptions were likely to be met. If they, however, were not met, this would have affected the outcome
of the research findings, as a true representation of the way in which organisations operate would not have been portrayed.

1.7 Research Ethics

This research was conducted in accordance with the Graduate School of Business’s (GSB) research ethics, of which approval was received from the GSB’s Ethics in Research Committee. Research participants were given an outline of the research that was to be conducted prior to the interview process. They were made aware of the option that if they so wished, they could withdraw from the study at any point in time. The CMOs were offered the option of keeping their name and the name of their company anonymous in this paper. Furthermore, before any information from the interviews was published, interviewees were offered the opportunity to approve everything that had been transcribed from the interview, so that they did not feel that they had been misrepresented in any way or that any confidential information was being infringed upon.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The research delineates how MNCs devolve their marketing function to their subsidiaries. This extensive review encapsulates the key findings from literature on the devolution of the marketing function within MNCs. The literature review focuses on trying to understand how the process of decentralisation is devolved, while looking at the potential enablers and inhibitors within the MNCs’ contexts. It also explores the unique circumstances with which MNCs need to contend, within the context of emerging markets. The literature review discusses how MNCs are generally structured. It then moves on to focusing on the role of the marketing function within an MNC. Thereafter, it looks at what fosters a centralised versus a decentralised approach to marketing strategy. Finally, a conclusion is drawn on the findings from the literature review.
2.2 The Structure of MNCs

MNCs are perceived as being among one of the most powerful forms of organisations in the world, as they often have large intellectual property rights, are one of the biggest employers, dominate global stock markets, and are significant contributors towards the economic development of the countries in which they operate (Williams, 2009). MNCs set up subsidiaries in various countries across the globe in order to help streamline the flow of information and communication between their HQ and subsidiaries in foreign markets; this is done to extract as much value for the organisation as possible. In doing this, a two-way transfer of knowledge is facilitated (Luiz & Visser, 2014). Subsidiaries have the ability to capture local market knowledge of the countries in which they operate and feed this back to the MNC so that strategy can be developed from a much more informed standpoint (Griffith et al., 2012; Ho, 2014; Holm & Sharma, 2006). This allows the MNC to learn to accommodate for, and adapt to, the localised demand of its foreign subsidiaries (Ambos, Ambos, Schlegelmilch, Alcácer, & Chung, as cited in Luiz & Visser, 2014). Ambos et al. (2006) state that, although the receiving of local market knowledge is of significant benefit to the MNC’s HQ, one should take caution so as not to over-rely on this source of information. They also state that the benefit that the HQ derives from receiving knowledge from subsidiaries depends on the subsidiaries’ strategic mission, the economic development within countries, and the ability for the HQ to absorb this knowledge (Ambos et al., 2006).

Holm and Sharma (2006) believe that MNCs are beginning to implement structures that accommodate for fluctuating market demands in order to best generate, distribute, and use competence. One should be mindful of the role of technical infrastructure in the process of facilitating the swift transfer of rich knowledge (Ambos & Ambos, 2009). This technical infrastructure includes knowledge mapping, distributed learning, business intelligence, and the collaborating of software (Ambos & Ambos, 2009). Gammelgaard and Ritter (2005) found that virtual communities are a great way of bridging the distance gap between the HQ and its subsidiaries, where regular face-to-face contact is not possible. For MNCs, virtual communication means that they have a platform to communicate in real-time with their operations anywhere in the world, in the form of emails, corporate intranet, telephone, and videoconferences. However, Gammelgaard and Ritter (2005) caution that for efficient knowledge transfer to take
place over a long-term basis, one should not overlook the effect of personal interventions. When discussing barriers to the transfer of knowledge, emphasis needs to be put on the relationship between HQ and subsidiary managers (Williams, 2009). Shared values, common purpose, and trust between both parties, is necessary for alignment and the benefits that synergies could bring (Williams, 2009).

Ho (2014) believes that, unless the decentralisation of an MNC’s international strategy is enforced, sustainable benefit from its subsidiaries cannot be derived. When looking to decentralise and give authority to subsidiaries, Alfoldi, Clegg, and McGaughey (2012) propose several benefits to the MNC, which include relieving the HQ of having to monitor the organisation on a daily basis, allowing the subsidiary to exploit local operational expertise, and enabling a fine balance between the integration of strategy from HQ and local response (Alfoldi et al., 2012). They do warn that when allowing for autonomy in subsidiary decision-making, one needs to take caution of the inherent risks, which include questioning the legitimacy of the subsidiary as being an intermediate principal, and running the risk of loosing direct line-of-sight to the subsidiary’s daily operations (Alfoldi et al., 2012).

Achcaoucaou, Bernardo, and Castan (2009) suggest that various situational factors within markets, play a vital role in determining an organisation’s optimal structure. They state that a centralised strategy is more suited to stable and predictable market environments, whereas a decentralised strategy lends itself more to that of volatile market conditions (Achcaoucaou et al., 2009). Celo, Nebus, and Wang (2015) concur with this argument, as they are of the opinion that market complexity is an important determinant of how an MNC determines the type of structure that it will implement. They suggest that where low levels of complexity exist, a more hierarchal organisational structure should be utilised, as this allows for better performance.

Another consideration to make when analysing how MNCs outline their strategy, is how they adapt their organisational structures and strategies in order to accommodate for global expansion (Gammelgaard, McDonald, Stephan, Tüselmann, & Dörrenbächer, 2012). Gammelgaard et al. (2012) found that intra- and inter-organisational networks exist within MNCs, which have a fundamental effect on the way that power is devolved to subsidiaries. Intra-organisational networks include the parent company and MNC subsidiaries, whilst inter-organisational networks consist of the external stakeholders
that the MNC operates with on a regular basis, for example suppliers, customers, competitors, and international or domestic corporate entities (Gammelgaard et al., 2012). The authors note that these cannot be mutually exclusive from one another, and that it is imperative that the HQ and its subsidiaries coordinate their strategies effectively. It was found that subsidiary performance is influenced by an increase in their autonomy, which is a primary facilitator of the management of inter-organisational relationships (Gammelgaard et al., 2012).

Finally, Dörrenbächer and Gammelgaard (2011) mention that in the current debate with regard to the globalisation of MNCs, the apparent influence that subsidiaries have over the strategic direction of the MNC is assumed to be negligible. However, based on their research, “micro-political bargaining power” was found to play a crucial role in giving the subsidiary leverage when negotiating with HQ. Micro-political bargaining power refers to scenarios where subsidiaries practice their influence over the HQ through a variety of their own initiatives, strategic information, politics, issue selling, and manipulative behaviour (Surlemont, as cited in Dörrenbächer & Gammelgaard, 2011).

2.3 The Role of the Marketing Function within MNCs

Strategic global marketing planning for MNCs has become increasingly imperative considering ever-changing market environments, coupled with the fierce competition that MNCs face within the worldwide platform in which they compete (Chae & Hill, 2000; Viswanathan & Dickson, 2007). Chae and Hill (2000) believe that catalysts to the strategic global marketing planning process come from both within the organisation and outside of the organisation. Internally, the Chief Executive Officers (CEOs) that are brought in, the size of the firm, as well as the type of organisational climate that exists within the MNC, are key contributing factors to the success of a marketing strategy (Chae & Hill, 2000). Externally, one needs to be aware of macro-environmental complexities and uncertainties that exist (Chae & Hill, 2000).

A big part of a MNC’s marketing success relies on its ability to position its brands across numerous countries and diverse markets in which its subsidiaries reside (Usunier & Lee, as cited in Matanda & Ewing, 2012). In order to do this, it can be argued that a
dual approach between centralisation and decentralisation may be necessary in order to extract as much value for the firm as possible. This type of marketing structure enables MNCs to react to changes in local market environments timeously, while allowing them to leverage off of the benefits that the MNC has to offer, for example by tapping into global best practice initiatives from other subsidiaries, and by utilising benefits from economies of scale and scope (Wickman, as cited in Matanda & Ewing, 2012). In support of this, Nakata (2002) believes that, given the vast heterogeneity of markets across the globe, a more market-oriented approach may be the key to unlocking long-term value for the MNC.

In summary, the most prevalent debate in the literature regarding international marketing within MNCs is on whether to standardise or adapt strategy to account for varying foreign markets (Chae & Hill, 2000; Loyka & Powers, 2003; Quester & Conduit, 1996; Solberg, 2002; Theodosiou & Leonidou, 2003; Viswanathan & Dickson, 2007; Vrontis et al., 2009). When MNCs market their products abroad, the marketing mix (consisting of product, price, place, and promotion) considerations on whether to standardise or adapt to foreign market environments, can be the defining factor as to whether or not they succeed within these environments (Vrontis et al., 2009). Arguments for the standardised approach suggest that economies of scale and scope, as well as brand uniformity, are essential. On the other hand, a multitude of arguments suggest that a decentralised approach is necessary in order to account for varying macro and micro economic factors that present themselves to the subsidiary within their environment. In light of this, the literature review looks to delineate how, and under what circumstances, a MNC centralises or decentralises marketing strategy.

2.4 Economies of Scale and Scope

The management of market assets seems to be a primary source of competitive strategic advantage in the twenty-first century (Day, as cited in Harvey, Kiessling, & Novicevic, 2003). Having a standardised strategy enables organisations to benefit from scale and scope, which results in lower costs and higher profit margins (Carpano & Chrisman, 1995; Sousa & Lengler, 2009). Economies of scale within the marketing context, refers
to the cost advantage derived from the standardisation of the marketing mix, and from the creation of a single strategy for the global market (Douglas & Craig, 1989; Sousa & Lengler, 2009; Vrontis et al., 2009). Economies of scope, on the other hand, refers to the attainment of cost advantage through shared marketing, production, and distribution facilities, along with the application of the same management and logistical systems used by various product lines and/or product businesses (Douglas & Craig, 1989; Harvey et al., 2003). Both economies of scale and scope work hand-in-hand to provide financial benefits for the organisation.

The standardised approach is enabled by the centralisation of the MNC’s strategy. Centralising marketing functions within MNCs makes sense if the primary objective of the business is to drive economies in both scale and scope for the organisation (Dimitrova & Rosenbloom, 2010; Loyka & Powers, 2003; Morgan & Rego, 2009; Schilke, Reimann, & Thomas, 2009; Vrontis et al., 2009). Here, the business capitalises on its size advantage in order to leverage financial benefits for the organisation by utilising a common set of resources to execute global strategic decisions. To effectively implement an internationally-standardised strategy, precise coordination in activities between the host country and that of the subsidiaries across multiple country locations, is required (Cavusgil, Deligonul, & Yaprak, 2005; Loyka & Powers, 2003).

Solberg (2002) mentions that one of the fundamental dilemmas in global brand management is weighing up the trade-off between achieving economies of scale, and the cultural prerequisites of local adaptation. The key underlying question is to determine whether this trade-off between resources spent on centralising control and coordination, and the benefits in brand image and messaging, is worth it for the organisation in the long-term (Porter, 1996; Solberg, 2000). Supporters of the standardised approach believe that markets are increasingly homogeneous and are global in scale and scope. They are convinced that the key for survival and growth is the MNC’s ability to standardise their goods and services (Fatt, Buzzell, Levitt, & Yip, as cited in Vrontis et al., 2009). Furthermore, they believe that consumer mobility and economies of scale and scope are advantages that outweigh the need for adaptation to the local environments in which subsidiaries operate (Terpstra & Sarathy, as cited in Quester & Conduit, 1996). Sousa and Lengler (2009) came to the conclusion that the rationale for supporting a standardised approach appears to be linked to the assumption
that organisations can market homogeneous products worldwide, and in so doing achieve economies of scale, which result in higher margins, as a result of lowered costs. Koku (2005) argues that there is a natural tendency for MNCs to focus their attention on the benefits of efficiency as far as the globalisation of the firm is concerned, as large and homogeneous markets inevitably propagate economies of scale and its associated advantages. Koku (2005) goes on to say that the problem that he has with the economic school of thought on the globalisation of markets is that the implied assumption is that the standardisation of the marketing mix across foreign markets is the only viable means to ensure the economic expansion of the organisation.

On the other hand, Wind and Douglas (as cited in Viswanathan & Dickson, 2007) oppose the centralised structure. They argue that when looking into cases where the costs of production are not a substantial part of the total cost for the organisation, the benefits of economies of scale are negligible. Duncan and Ramprasad (1995) mention that in a study that they carried out, they looked at economies of scale as being a major reason for using standardised advertising across multiple countries and continents. Their findings suggest that saving money is one of the least important reasons for standardisation.

When taking the size of the MNC and/or its subsidiaries into consideration, Quester and Conduit (1996) believe that this may be a noteworthy factor when explaining the degree of standardisation that a subsidiary should apply to their marketing mix. They go on to mention that smaller subsidiaries may be more prone to a standardised approach because they can minimise costs incurred by using economies of scale. A weakness in their argument is that they do not define what a “smaller” subsidiary is, which leaves the reader with uncertainty with regards to which subsidiaries this may apply to.

In the emerging market context, Khanna and Palepu (2010) warn that, should MNCs decide to deploy a more decentralised approach to their in country subsidiary operations, they may run the risk of localising their strategy too much, thereby undermining the global advantages of scale and branding, while at the same time creating unnecessary operational complexities. With regard to current market shifts in emerging countries in search of growth, organisations that enjoy economies of scope could become the ultimate winners (Harvey et al., 2003).
In summary, MNCs need to adopt a standardised approach to their marketing strategy in order to derive maximum benefit from economies of scale and scope. In other words, should organisations use an economies of scale and scope approach, they should experience substantial financial benefits, especially within the short-term. However, one should be mindful that deploying this tactic alone, without much room for deviation, could very well squander the chances of long-term benefits for the MNC due to their lack of flexibility (Porter, 1996).

**Proposition 1:** Marketing functions are best centralised within MNCs when the benefits of economies of scale and scope are key driving factors for the organisation.

### 2.5 Brand Uniformity

The consumer of today is becoming more “globalised” as a result of travel to foreign countries and through exposure to global media such as television, newspapers, and the World Wide Web (Dicken, as cited in Vrontis, Thrassou, & Lamprianou, 2009; Townsend, Yeniyurt, Deligonul, & Cavusgil, 2004). In light of this, global brands cannot afford to have heterogeneous messaging of their products in different countries, as it will create confusion with their customers and will dilute the global impact of their marketing efforts (Aaker, 2008; Townsend, Luiz, & Bick, 2006; Backhaus & van Doorn, as cited in Vrontis et al., 2009). Global brands can be defined as being products or services that retain consistency in terms of brand proposition, look and feel, messaging, and product formulation (Hankinson & Cowking, as cited in Matanda & Ewing, 2012). They can be seen as tools that enable MNCs to portray and manage consistent corporate and brand images across a diverse customer base (Matanda & Ewing, 2012). To activate a global brand with a uniform message across a vast array of countries would require a standardised international advertising approach (Vrontis et al., 2009).

Consumer demand for global products (i.e. brands) is higher than it has ever been. The globalisation of the marketplace is forcing MNCs to integrate global strategies, which should positively impact performance as a result of an increase in demand (Ozsomer & Simonin, 2004). Keeping consistent brand messaging across the MNC’s subsidiaries is a
prominent reason for a more centralised marketing approach. A standardised approach to adopting a globally uniform brand image entails keeping the strategy, execution, and language the same when undergoing a multinational advertising campaign (Duncan & Ramprasad, 1995). Duncan and Ramprasad (1995) suggest that the most important reason for standardisation is to have a single brand image. They also go on to say that because the number of brands selling in multiple countries has increased, and because of the potential desire to build a single brand image, advertising agencies will be pressured to make advertising initiatives more homogeneous. One could also state that an MNC’s potential goal of creating brand uniformity and economies of scale go hand-in-hand towards achieving a coherent objective for the organisation (Dimitrova & Rosenbloom, 2010; Khanna & Palepu, 2010; Solberg, 2000; Sousa & Lengler, 2009; Viswanathan & Dickson, 2007; Vrontis et al., 2009; Vrontis, 2003). Global brands are the driving force behind universal consistency in brand messaging.

One could also argue that a standardised brand and/or marketing programme is rarely optimal (Aaker, 2008). This is because of the varying degrees of the development in vital infrastructure in the different economies around the world. Therefore, the task of developing an effective global marketing strategy is complex and is beyond the know-how of a single organisation (Koku, 2005). Morgan and Rego (2009) support this as, in their opinion, marketing literature suggests that extending a brand across multiple market segments can weaken it, depending on the consumer perceptions of the “fit” of the brand across the different market segments (Aaker and Keller, 1990; Broniarczyk and Alba, 1994). There appears to be little research done to determine when the standardisation of international advertising actually pays off and when it does not (Solberg, 2002). One of the most debated topics against the standardised approach suggests that one should favour adjustment for local adaptation, which implies making provision for differences in marketing strategy and brand expression across different markets (Harris, 1994; Van Gelder, as cited in Matanda & Ewing, 2012).

A considerable determinant of whether to centralise or decentralise the marketing function within MNCs, is the role played by global versus local brands in their subsidiaries’ portfolios. As mentioned earlier by Matanda and Ewing (2012), because global brands have a world-wide presence, they need to have a consistent look and feel (i.e. product), have uniform messaging and activations (i.e. promotion), be sold in a
particular segment/channel of the market (i.e. place), and be priced at a certain premium (i.e. price); all four Ps of marketing need to be executed in order to align with the global brand propositioning. In doing so, both brand uniformity and economies of scale can be derived (Dimitrova & Rosenbloom, 2010; Khanna & Palepu, 2010; Solberg, 2000; Sousa & Lengler, 2009; Viswanathan & Dickson, 2007; Vrontis et al., 2009; Vrontis, 2003). From a functional decision-making perspective, decentralisation is prevalent with regard to local brands (Schuiling & Kapferer, 2004). These are brands that are established and sold solely within a particular subsidiary’s market, and which tend to have far greater liberty in their execution of the four Ps (Schuiling & Kapferer, 2004). With local brands, economies of scale and brand uniformity are no longer a driving factor for the MNC to leverage off, however, some control is still placed within the brand planning process, as guidelines are required so that the strategic thinking of the marketing function within subsidiaries is still aligned with the overall MNC’s approach (Strizhakova & Coulter, 2013; Townsend et al., 2006).

With regard to the emerging market context, the largest challenge seems to be that of trying to execute global brand positioning in markets where the majority of the consumer base may not have had exposure to the global platform (Zarantonello, Jedidi, & Schmitt, 2013). One needs to ask if this strategy is relevant within a specific context. For instance, exposing a local consumer in an emerging market to an advertisement of a household product that communicates style and sophistication in accordance to its global brand guidelines may not have an impact on a local consumer who is only concerned with product functionality and benefits. Even though the product and price may be within the target market’s reach, the simple disconnect in communication can have detrimental effects on the success of the product within that particular market. To make provision for this, literature has revealed a so-called “glocal” approach (Strizhakova & Coulter, 2013; Townsend et al., 2006), where it is suggested that the core messaging and positioning of the brand should stick within global brand parameters, while allowing for local refinements. This may be as simple as using local dialect in communication in order to translate a message that resonates more coherently with the end user of the product within a particular market.

In summary, global brand uniformity holds a strong argument in support of a centralised marketing function within MNCs, due to a wealth of benefits for the organisation and its
consumers. Brand uniformity and economies of scale are often seen as appearing together in literature when arguing in favour of a standardised marketing strategy, however one should be mindful of the arguments presented against this approach, and be cognisant of the effect that it could have with regards to long-term benefits to the MNC (Porter, 1996).

**Proposition 2:** Marketing functions are best centralised within MNCs when the benefits of brand uniformity are key driving factors for the organisation.

### 2.6 Psychic Distance

There is an abundance of literature surrounding the influence of heterogeneous culture dynamics when it comes to supporting the devolution of MNC strategy to subsidiaries (Darley & Blankson, 2008; Kirca & Hult, 2010; Loyka & Powers, 2003; Malhotra et al., 2009; Nakata & Sivakumar, 2001; Williams & van Triest, 2009). It can be argued that no two countries can ever be perfectly alike, therefore no one strategy can be used to compete within these markets (Vrontis et al., 2009). This is especially apparent when MNCs operate in emerging markets where uniformity of any kind is scarce between countries (Abratt & Higgs, 1994; Burgess & Steenkamp, 2006; Chikweche, 2013; Townsend et al., 2006).

Aside from culture variances, research has revealed that other country-centric macro factors, such as economic, political, environmental, and social, play a significant role in supporting a devolved strategy (Koku, 2005; Wu, 2013). Theorists have increasingly used “psychic distance” theory to explain the degree to which MNCs can devolve their marketing strategies within various foreign markets (Sousa & Bradley, Evans & Mavondo, Madsen, O’Grady & Lane, as cited in Sousa & Lengler, 2009). Psychic distance refers to the individual’s perception of the differences between the home country and the foreign country in terms of economic development, climatic conditions, lifestyle, consumer preferences, language, education, and cultural values (Sousa & Bradley, as cited in Sousa & Lengler, 2009). Sousa and Bradley (2006) highlight that cultural distance and psychic distance are two different concepts; cultural distance refers to differences in values amongst countries, whereas psychic distance is concerned with
an individual’s perception of these differences. They state that the degree to which international marketing strategy is adapted, tends to be framed by the CMO’s psychic distance towards a foreign country (Sousa & Lengler, 2009), therefore the greater the perceived psychic distance between the host country of the MNC and the subsidiary, the greater the need for an adaptive approach (Luiz & Davis, 2015).

In the literature, psychic distance has been acknowledged to have a significant influence on organisational performance (Brewer, 2007; Evans, Mavondo, & Bridson, 2008; Sousa & Bradley, 2005; Sousa & Lengler, 2009). Sousa and Bradley (2005) conducted a study to draw scholarly attention to the link between psychic distance and international marketing strategy. Their research findings, based on a survey of over three hundred managers and owners who were responsible for the foreign markets of their organisations, suggest that psychic distance plays a prominent role in the devolution of strategic processes. However, there have also been conflicting views on psychic distance, which have been cited by a few leading researchers such as Stöttinger and Schlegelmilch (as cited in Sousa & Lengler, 2009), which question the usefulness of this concept and propose that it may be out-dated (Sousa & Lengler, 2009). Furthermore, Williams and van Triest (2009) argue that cultural distance does not have an impact on the decentralisation of MNC strategy. They say that when considering MNC decentralisation, cultural distance is too crude a measure, and one should not overlook the fact that it is not just the psychic distance between the MNC’s foreign markets and their home country, but that it is also the actual geographical distance between its alliance partners, such as advertising agencies and suppliers, who may be dispersed across multiple countries relative to its internal units (Zaheer & Hernandez, 2011).

MNCs looking to adopt a more decentralised approach can still keep control by use of a “process strategy” that outlines the global parameters in which local strategy can be devolved, so as to extract as much value out of the process for the HQ as for subsidiaries (Mintzberg & Waters, 1985); this approach goes hand-in-hand with the “glocal” strategy mentioned earlier. MNCs with an increasing globalisation of marketing activities and cross-cultural contact have the challenge of contending with how individuals react to the national culture of other countries, which becomes
increasingly important for their marketing departments (Alden et al., as cited in Steenkamp, 2001).

One should be aware that culture might be a barrier to a centralised marketing planning approach. However, if one attempted to introduce cultural change to support the marketing planning process, one could run the risk of destroying a culture, and the strategy could back-fire (Saker and Speed, as cited in Abratt & Higgs, 2014). Steenkamp (2001) states that the Hofstede (1980, 1991) and Schwartz (1994, 1997) models are two rigorously tested and comprehensive cultural frameworks that have been developed over the last two decades. They are the starting point to understanding various dimensions of culture, comprehending and testing antecedents of national culture, and determining cultural stability. Ghemawat (2001) furthers this school of thought by advocating that distance has cultural, administrative, political, and economic dimensions that effect how attractive a foreign market looks. He talks about four basic factors where distance between two countries can manifest; this consists of cultural, administrative, geographic, and economic factors, also known as the “CAGE” framework. Malhotra, Sivakumar, and Zhu (2009) suggest that from their research, Ghemawat’s CAGE framework provides the most comprehensive tool for analysing differences between two countries, as well as the subsequent effect on a firm’s internalisation strategy. On the other hand, Chung (as cited in Vrontis et al., 2009) argues that variances in culture have no drastic impact on product, price, place, and process, however he states that the main effect is on promotion, suggesting that organisations should use a tailored promotional approach when entering a different cultural market. Homburg & Prigge (2014) reinforce what has been mentioned in previous research by elaborating that they believe that two sets of control variables have an effect on the devolution process: firstly, the unique cultural characteristics of the subsidiary country; and secondly, subsidiary characteristics such as value to the firm, size, competence of senior executives, and geographical distance to HQ. International subsidiaries of MNCs are prone to have unique culturally-rooted strengths and weaknesses when implementing the marketing function (Nakata & Sivakumar, 2001).

The ability of a MNC to gain knowledge from foreign markets is challenged by the environments in which their subsidiaries operate, especially in markets that are different from the MNC’s home market(s), thereby heightening the importance of developing a
strategic approach. Griffith et al. (2012) found that having a strategic orientation that tailors to local market conditions is important. They use the Miles and Snow typology, which distinguishes strategic organisations according to four distinctive types of strategic configurations: defenders; reactors; analysers; and prospectors (Griffith et al., 2012). Their results show that MNC subsidiaries undertaking a “prospector” orientation, which works to find and exploit new product and market opportunities, develop superior knowledge attainment, conversion, and application capabilities (Griffith et al., 2012). Quester and Conduit (1996) discuss work done by Gamier in 1982, regarding elements of risk when dealing with subsidiary and HQ objectives, and the impact that this has on the degree of strategy centralisation. They propose that the greater the degree of foreignness of the subsidiary environment from the host country environment, the greater the risk of misinterpreting messages from key stakeholders in their value chains (for example customers, suppliers, and HQ misunderstanding technical language), and therefore the stronger the inclination to decentralise decision-making. They go on to support this by mentioning that the greater the unpredictability of market conditions in subsidiary environments, the more important it is to have a devolved strategy in order to handle issues in a timely manner. Furthermore, when one considers the use of expatriates in executive roles to help execute standardised strategy in subsidiaries, this approach is often compromised due to large cultural and geographical distances between the two parties (Harvey et al., 2003).

With regard to the emerging market context, Burgess and Steenkamp (2013) present results that highlight the importance of incorporating the cultural identity of the target audience when developing marketing programmes related to environmental sustainability goals. More MNCs have shifted their focus towards the African continent in search of future growth opportunities for their organisations. This has been ignited by a considerable inflow of financial resources, as well as joint ventures between businesses in developed and developing countries in Africa (Ofosu & Hansen, Mnich & Owusu-Frempong, as cited in Darley & Blankson, 2008). It is surprising that there is still little documented on the cultural implications of these transactions, and their impact on marketing to African consumers (Darley & Blankson, 2008). Coming to grips with attitudes, perceptions, and beliefs that characterize African culture is essential for MNCs, in order to succeed within the African marketplace (Darley & Blankson, 2008). When doing business in Africa, one should be prepared to improvise with regard to
strategic direction, due to institutional voids such as weak institutions, poor infrastructure, and inconsistent government policy (Khanna & Palepu, 2010; Luiz & Ruplal, 2013). One also needs to understand that when working within the African context, the principal of reciprocity is fundamental, which can not and should not be overlooked when working within unique market conditions (Darley & Blankson, 2008).

In summary, the diversity between cultures, climates, economies, political structures, languages, consumers, and educational levels plays a vital role in affirming that a decentralised strategy within subsidiary environments is necessary for the long-term survival of these organisations; these dynamics are well summed up by psychic distance. The question that still remains unanswered is to what degree the ultimate level of devolution within MNC structures should be, so that maximum benefit is derived for all parties involved?

**Proposition 3:** Marketing functions are best devolved within MNCs when the relative psychic distance between the host country of the HQ and the subsidiary is relatively large.

## 2.7 Conclusion

MNCs need to leverage their size and access to resources, as this is what gives them their competitive edge. This requires a standardised approach of sorts. The argument that remains prevalent today is to what extent decentralisation can be incorporated into the MNC’s marketing strategy so that it can derive benefits from operating at scale, as well as to allow for enough liberty within the system for subsidiaries to adapt strategy to suit local requirements and enable the agility needed to respond to any sudden changes in market dynamics, as this is very common in the context of emerging market. Furthermore, strategic decision-making with regard to global brands, favour a more centralised approach with regard to the implementation of the four Ps of marketing. On a functional level, local brands developed and sold exclusively within a particular subsidiary, allow for more of a decentralised approach to implement the marketing strategy within the MNC.
CHAPTER 3: RESEARCH METHODOLOGY

This research was conducted on South African MNCs that have multiple subsidiaries within Africa, to ascertain the views of CMOs, in order to determine how, or to what extent, their marketing function is devolved. Inductive qualitative research was utilised in this study. This refers to the establishment of a particular proposition, based on the observation of factual evidence that is presented (Adams, Khan, Raeside, & White, 2007). It lent itself to this study as it gave the respondents an unconstrained scenario in which to express their views and experience of the research matter presented. The advantage of this approach was that it allowed for multiple complex realities to be expressed by the various individuals with whom this research was conducted, which conventional quantitative methods would not do (Gummesson, 2006). It was also favourable as it allowed the researcher to observe common themes that emerged between the various interviewees’ responses, as well as gained clarification with regard to the possible cause and effect within the devolution of marketing strategy in MNCs (Adams et al., 2007).

3.1 Research Design

A semi-structured interview schedule was used (see Appendix B). This gave the researcher direction, while allowing the respondents the flexibility of elaborating where necessary (Adams et al., 2007); this allowed the researcher to capture the necessary data. Where possible, the researcher conducted the interviews one-on-one. Where this was not possible, telephonic interviews were conducted. Each interview took place for approximately 45 minutes. The interview schedule was emailed to the interviewees at least one week prior to their interview, so that they could have the opportunity to prepare adequately. Face-to-face and telephonic interviews enabled the researcher to facilitate the discussion, as well as to allow for a flow of dialogue. This allowed the researcher to extract as much information as possible, with the help of appropriate probing techniques.
3.2 Population and Sample

3.2.1 Population

The population consisted of all South African MNCs with operations in Africa. Organisations appropriate to this study were selected via the Labour Research Service [LRS] (2015), as well as the ‘Who Owns Whom’ database. 107 of these organisations, across 19 different sectors, were identified via the LRS.

3.2.2 Sample and sampling method

A sample of 15 MNCs was drawn through the use of a non-probability sampling technique, where samples were collated based on personal judgment (Adams et al., 2007). This was followed by the snowball approach, which entailed building samples through referrals. This was appropriate as it enabled the researcher to gain access to hard-to-reach organisations (O’Leary, 2004). A total of 22 interviews from 15 different South African MNCs were conducted. Although not part of this research scope, a further interview was also conducted with a senior executive of a major “non-South Africa” MNC in order to help provide additional insight around proposition two as well as to understand their view on the marketing devolution process. This will be explained further in chapter four. The list of respondents is presented in Appendix A. Interviewees included CMOs and senior marketing executives from within the host country and from a sample of seven MNC subsidiaries.

3.3 The Research Instrument and Procedure for Data Collection

A semi-structured interview schedule was utilised (see Appendix B). The questions were structured, based on the literature that was reviewed. Each interview was recorded with the permission of the interviewee. The recordings were then handed over to a language practitioner for transcription.

3.4 Data Analysis and Interpretation

The content of each transcription was analysed. This entailed extracting and counting
key words and phrases from the interview transcripts, followed by analysing the frequency of key words and phrases (Adams et al., 2007). The purpose of this was to describe and to draw meaning from what the interviewees said (Adams et al., 2007). For the semi-structured interviews, content analysis was beneficial as it presented findings representative of what was said by interviewees, which allowed for a more in-depth understanding of the content and helped to find common answers in their responses (Adams et al., 2007). Adams et al. (2007) identify six steps in content analysis, which were used accordingly: identifying the unit of analysis; choosing a set of categories; coding data; tabulating data; illustrating the material; and drawing conclusions. With specific regard to the coding process, thematic coding was applied to identify, name, and group various findings (Maxwell, 2005). A summary of these findings can be found in Appendix C. This was done to cluster the findings, so as to allow for comparisons, prioritisation, and the development of underlying themes found; these were used to tell an analytical narrative (Tharenou, Donohue, & Cooper, 2007). The key requirement needed for this research technique to be valid, was that the respondents answered the questions that were posed to them as openly and honestly as possible, in order to give the researcher a true representation of the findings.

3.5 Limitations of the Study

When using inductive qualitative research, it was important to keep in mind that this method does not purport to show an absolute representation of the information available. It should be noted that bias could be possible by using the snowball approach, because of the high probability of similarities between respondents (Adams et al., 2007). Limitations regarding non-probability sampling, centre around how representative these samples are with regard to representing the entire population (Adams et al., 2007). When conducting interviews telephonically, the researcher needed to be aware of the drawbacks of this approach, which included: impersonality, especially in instances where the interviewer and the interviewee had never met; lack of visual contact, leading to difficulty in reading non-verbal communication; the potential for interruptions; and early termination of the interview, as a result of potential time pressures (Adams et al., 2007). A possible limitation of content analysis is subjective researcher bias, which refers to the inherent beliefs, theories, and perceptual lenses carried by the researcher (Maxwell, 2005).
3.6 Validity and Reliability

Reliability refers to the consistency of the measurement instrument used, irrespective of interviewees’ responses (Adams et al., 2007). Reliability is a prerequisite for validity, however it is not sufficient on its own (Adams et al., 2007). With regard to survey research, this was particularly important in that it was necessary to ensure that all the respondents had the same understanding of what the questions were and what the key concepts meant, in order to derive inferences from the findings after conducting the analysis of the research (Adams et al., 2007).

Validity refers to the credibility of the conclusions drawn, and inferences, or propositions, posed (Adams et al., 2007; Maxwell, 2005); it reveals the accuracy of the measurement. It is important to note that validity does not imply that the “objective truth” is being presented, however it presents the grounds in which to determine which accounts are credible and which are not (Maxwell, 2005).

3.6.1 External validity

External validity refers to the extent to which findings from one study can be applicable to, and generalised across, other settings (Adams et al., 2007; Tharenou et al., 2007). The researcher controlled for this by reviewing applicable research that had been conducted on multiple case studies (Tharenou et al., 2007). This was done by conducting interviews with MNC CMOs across seven different industries and across various countries in Africa (see Appendix A); this allowed for a cross-sectional representation of the findings.

3.6.2 Internal validity

Internal validity refers to the extent to which changes in the dependent variable are ascribed to changes in the independent variable (Adams et al., 2007). In other words, it reflects the degree that causes have had on effects (Tharenou et al., 2007). Internal validity is high when the explanation for the outcome is solely related to the change in the independent variables that have been identified (Adams et al., 2007). Internal validity is low when alternate explanations, outside of what have been identified, could influence the outcome of the proposition (Adams et al., 2007).
The researcher controlled for this by using a variety of different methods, for example by using data triangulation, which was used to capture information from a diverse set of respondents and settings, reducing the effect of systematic bias to establish defensible cause and effect relationship propositions (Maxwell, 2005; Tharenou et al., 2007). Here, a CMO, or senior marketing manager, from each of the 15 MNC’s HQs was interviewed. A further seven respondents, responsible for the marketing function in select subsidiaries of these MNCs, were also questioned. This was done to ensure that a multi-dimensional perspective was attained; this decreased potential bias by interviewing only one representative from the MNC’s HQ, in the hope of reducing the effects of “social constructivism,” a subjective rather than an objective view, and to establish the most accurate view of the “truth” (Adams et al., 2007).

The use of a digital audio recording device was another control used to obtain “rich” data from the intensive interviews, encapsulating, verbatim, all that was discussed (Eisenhardt, 1989; Maxwell, 2005). This was followed shortly after by transcribing the interviews within a short timeframe (approximately thirty days) so as to ensure that the data collected was relevant and reliable.

Respondent validation and member triangulation were used whereby the respondents were offered the opportunity to review a copy of the transcription from their interview so that they were given the chance to be actively involved in reviewing the material for accuracy, and in doing so, helped to triangulate the observations and interpretations (Adams et al., 2007; Maxwell, 2005).

3.6.3 Reliability

Reliability was ensured through the use of a semi-structured interview schedule, which led to a consistent set of questions that were posed to each interviewee. This organised approach helped with collating and analysing the data. In addition, the use of a recording device to capture the interviews verbatim, and the transcription of the interviews by a language practitioner, added to the reliability of the research.
CHAPTER 4: RESEARCH FINDINGS, ANALYSIS, AND DISCUSSION

4.1 Introduction

This chapter presents research findings based on interview content and the thematic coding that was applied. The chapter discusses the findings in terms of the themes that arose.

4.2 Economies of Scale and Scope

The results suggested that, where economies of scale in the marketing function are pursued for the benefit of synergies, in terms of cost savings and consistent brand messaging across multiple markets, the marketing function should be centralised. This approach seems to occur when MNCs allocate countries to various regional clusters, where these countries are generally within close geographic proximity to each other, and where they can benefit, for example, from using one media agency to purchase media spots, or a specific supplier to produce point of sale material. Secondly, the economies of scale approach applies when MNCs try to market a “global” or “Pan African” brand, or branding campaign, across all of the markets that they have operations in, which by nature needs to have consistent brand messaging and guidelines that are adhered to. A by-product of this, whether intentional or not, is efficiencies that are generated for the organisation. The effects of global brands on the devolution of the marketing function will be discussed further in section 4.4 below.

MNCs that chose to pursue an economies of scale or scope approach, mentioned that, from a media and advertising point of view, it has been beneficial for the HQ to deal with a select group of creative and advertising agencies that can deliver on their requirements for their Pan African operations. What this means is that, rather than trying to source different agencies in the various countries in which subsidiaries reside, which would invariably lead to different cost structures, production times, and so forth, the group are able to extract considerable cost savings for the organisation by pursuing a centralised approach. The following responses supported this analysis.
How it has really worked well centrally is the production process on our advertising, dealing with a head office merchandising team, having a representative for stores at head office, and filtering all of that information that comes from stores to us, helps us… communicate more effectively, and reach economies of scale. (Respondent 15)

We’ll be able to use an advertising agency [globally] just to be sure to get things out in the market. And you know, you can use that to gain economies of scale so you don’t have different people in the different offices doing the same work. (Respondent 19)

We would have synergies in media strategies and buying, and to some extent through our creative agencies. (Respondent 9)

It was also noted that even though an organisation may have the opportunity to benefit from economies of scale, when there is no incentive for the subsidiaries to collaborate in a joint purchasing drive, subsidiaries would overlook this opportunity.

[Economies of scale] is seen as extremely important, but I don’t think we are necessarily that good at it. The whole concept of shared services is part of the principles and the way in which we operate where economies of scale are achieved via centralised, but it’s not always… a good example is we’ve got five countries launching exactly the same bank app next year, but each country is doing their own marketing campaign because that is their decision and there’s no incentive for them to collaborate because each one would be measured independently. (Respondent 2)

When enquiring about the pursuit of economies of scale and scope from a subsidiary perspective, the interviewees confirmed and supported what those from HQ had said. It was confirmed that if there was an opportunity for the group to attain economies of scale and scope, and they as a subsidiary could benefit from cost-saving, and/or the product or service was suitable for their market requirements, then they would support this initiative.

[Economies of scale are] huge… We want a bigger agency because they have more clout and they’re able to negotiate better rates because they have more customers… they can pass those savings on to you… When we talk about cost, economies of scale always
wins, even with all of our suppliers; the more you produced, the lower the per unit cost. So if you can tap into something, there are some things that I get from group. There are these pens. It is cheaper for me to get it from group because they’re supplying the entire network. So they just have this large stock sitting there and we pull it from there. Anytime I have to get pens locally it costs me more. So when it comes to those things… economies of scale, always. (Respondent 3)

Where we can, we do. So where it makes sense, we will try and use group leverage to get better deals. So, let me give you an example. When it comes to online marketing… our organisation uses Trip Advisor, we would negotiate our pricing with that organisation from a group perspective and not from an individual perspective, because we would get much better rates. (Respondent 11)

In some cases, there was an apparent link between economies of scale and the clustering of countries for strategic and efficiency reasons, for example clusters such as East Africa, West Africa, and Southern Africa. Here, economies of scope were achieved whereby these clusters were formed by MNCs in order to leverage production and logistical benefits from being within close geographic proximity to one another.

We leverage off, for example printing of our adverts for the SADC stores, we print quite a lot of adverts in South Africa, and it gets sent to the stores, and that enables us to reach an economy of scale in our printing costs. (Respondent 15)

We’ve now started looking at East Africa, so we are looking at economies of scale. Unfortunately there’s just one me, but we’re looking at economies of scale now, so in the future we will be looking from an agency point of view, a media spend point of view, and all of that. We are a massive organisation on this continent, and yet we do not harness the power of agencies and other suppliers. So we haven’t done that, but we will be looking to do it. (Respondent 8)

Consistent with what was highlighted in the literature review, was a link between having global brands within MNC portfolios and attaining economies of scale. Cost savings naturally seem to occur in these circumstances, due to the standardised approach of marketing global brands, both within their communication and their execution.

Economies of scale are important. Obviously economies of scale come through having global brands, where you can create single points of creativity. Against my previous
point, don’t “cut off your nose to spite your face” by making it so inflexible for efficiency’s sake, that you lose the effectiveness. (Respondent 4)

At brand level, the regional and global brands essentially offer scale benefits because they are the sum total of many parts across the world, so they can do bigger things than anyone could do individually. (Respondent 7)

There were, however, a considerable number of interviewees who felt that even though there could be potential benefits gained from pursuing a centralised approach, the heterogenic market conditions presented in the various African operations where they have subsidiaries, would render economies of scale as being irrelevant within their markets. These interviewees felt that an economy of scale approach was not applicable to their marketing function. The perceived benefits of focusing on tailoring bespoke marketing strategies to suit local market conditions were seen to be more favourable than that of a centralised approach that would not accommodate for these nuances.

It’s not hugely important to us… where economies of scale are important are things like money management and so forth, there it is about scale. But in terms of marketing, we would take individual freedom of decision far more seriously than economies of scale, but we do occasionally look at consequences of that and say, “Okay guys, we’re over-complicating things here. Let’s try to have some common way of doing it…” (Respondent 1)

We’re not really able to attain economies of scale in the offshore structure because we operate in such diverse markets. (Respondent 10)

In the past, the emphasis was very big, but we’ve realised that with import duties, and all kinds of duties that get applied… let’s say I print marketing material in South Africa and send it to the country, we end up paying more for it because of the import duties and all kinds of fees that the countries have to pay before the country sees it. So we have pushed away from that and rather share whatever marketing information we need to share via an electronic medium, as opposed to doing one bulk production and sending it to the countries. (Respondent 12)

I think the company tries hard not to implement a one-size-fits-all. But I think what is
important to recognise is that there are cost benefits, as well as in ad agency time and creative and all that, and possibly expertise in a brand to be used by doing a template and giving it out to different countries. However, you have to localise it and so for example, what comes to mind in Tanzania is Kiswahili. Don’t communicate in English. So whatever marketing material you… have got, make sure that you localise it in Kiswahili. (Respondent 13)

One interviewee mentioned that even though economies of scale within their marketing function is an important factor for their South African operations, they approach this in a completely different manner in their other African countries, as each market is different.

It doesn’t really within the marketing function; not in the context of your questionnaire, which is in Africa… inside of South Africa, economies of scale is fairly big. In business and in marketing your big expenditures are your third party providers, your agencies, your media, your paper, and things like that, and you absolutely try and centralise as much of that buying power as possible to scale. That doesn’t apply outside of South Africa, so I would say no emphasis. (Respondent 21)

In conclusion, the researcher’s first proposition suggested that MNCs would favour a more centralised marketing structure if the key driver of their strategy were to reap the benefits from economies of scale and scope; the research confirmed this proposition. Where economies of scale can be derived by the MNC through running centralised activities, for example by using one or two media houses for pushing creative for above the line and below the line campaigns across the continent, they will do so. However, economies of scale and scope do not appear to be the primary and fundamental driver with regards to whether or not an MNC chooses to pursue a more centralised strategic approach to the marketing function. Economies of scale seem to be a by-product of either having a global brand within their portfolio, or by having economies of scope with geographic proximity in clusters of markets where it makes sense to pursue the centralisation of resources, to gain efficiencies for the business.
4.3 Brand Uniformity

In this research, all interviewees highlighted the importance of having consistent brand messaging. They confirmed that due to the nature of the “global consumer”, it is critical that what people see and experience with regard to their brand in one country, is consistent with what they see and experience in another. In addition, the World Wide Web has made the world seem “smaller”, and it has made it a more easily accessible place, therefore one needs to be aware that they are in the global spotlight twenty four hours a day, seven days a week.

Everything that you put on [the] Internet, whether you’re in South Africa or Tanzania, makes you accessible all over the world, so it’s more and more important for us to unify our brand strategy across all our markets. (Respondent 17)

A common way of achieving consistency seemed to be by centralising the communication and execution of brands, and by providing strict guidelines from the HQ in terms of the way in which the brand should appear to customers. This was the case with regard to the execution of corporate branding, as well as in cases where the organisation had a global or Pan African brand within their portfolio, where a standardised look and feel was critical. Brands are seen as being “sacred” to many of the interviewees, especially with regard to the marketing function; they are seen as needing to be handled with care, particularly with regard to global, or Pan African brands. A multitude of interviewee responses expressed this sentiment.

Brands are sacrosanct. So you’ve got to ensure that as far as possible… if a consumer sees a brand around the world, [and] if you’re a global brand, that you are as consistent as you can [be] with its brand positioning. (Respondent 4)

So [with regards to] the strategic direction we get from the global brand manager in South Africa… you can’t build Pan African brands unless you have… [exactly] the same execution. (Respondent 5)

The brand CI, or strategic initiatives, are mostly housed at head office, and that’s to ensure that there is a commonality with the brand identity at an international level, and also to ensure that controls are in place when we put together specific promotional advertising or brand development advertising, that the brand communication or the CI
of the brand is carried through effectively… Because of our centralised approach, being able to control that and having the checks in place before any communication goes out to any market, we are able to see that alignment exists. (Respondent 15)

A global brand is important and that’s the stuff that is centralised, so of course this does mean that it’s red and blue and it looks like this; that’s what we stand for. (Respondent 21)

If they have a corporate branding, that is done through the head office… we don’t touch branding. The branding has to come from the head office. Any change, any logo… how it has to be placed, it is done entirely through our head office… so global branding is very important. And you cannot play with a brand. (Respondent 20)

The nature of the global brands are that they do have certain defined measurement criteria and benchmarks against which they are measured, and those are reported through the operations person in a standard way through to the global centre, once he’s able to compare like with like across whatever global regions these brands have. (Respondent 7)

Who the brand is, what the brand is, what the brand stands for, all of that I would imagine makes sense to be at a group level because you’re not going to have a different version… in Zambia than you’re going to have in South Africa; it’s still one brand that you’re building, with the result that that should be centralised. (Respondent 22)

Our “core global brands”… we would roll out across Africa. And those brands are much more closely controlled in terms of the brand strategy marketing mix, communication mix, etc, because we do obviously have to sustain an alignment with brands in terms of positioning across the continent. (Respondent 9)

It became apparent that even though the unanimous response was that global brands should be strategically positioned from a central point in order for them to succeed, it was even more apparent that subsidiaries needed to be given flexibility with regards to
how brands are executed and “brought to life” within their particular markets. Flexibility is needed in order to account for heterogeneous market conditions found between different countries, for example an advertising campaign that is worded in one language may have a completely different meaning once it has been translated into another language. It is critical that the subsidiary has “room” to manoeuvre.

With a global brand, you create the guardrails and it’s what I call some “gives and takes”. You say to the country, “Take the global positioning in essence, because we have to do that, and I’ll give you the ability to implement locally relevant execution trade-marketing plans.” (Respondent 4)

Centralised approach works better for us in instances where we are launching international EPL campaigns… it just makes life easier for us if we develop the campaigns at corporate office and then filter it down to the countries, who can then localise it and add local pricing if it’s a decoder special. If they use local language, it will resonate better with their market. That makes our lives much easier because then we have total control of what the ad looks like. (Respondent 12)

As far as the global brands are concerned, they are also localised, but within much tighter parameters, so there is far less freedom to move in country in terms of how they can implement. I think it’s working okay. I think that the execution of global brands locally is quite challenging, unless there is some local flexibility. (Respondent 7)

So if it’s a global brand we’re talking about, we would very strongly control from the centre the brand positioning, and to some extent the marketing mix, but the actual activation and communication in country is very decentralised. (Respondent 9)

It is standardised from a global brand template and then it’s localised and adapted to that particular region. And it works extremely well for us. (Respondent 10)

The only thing that we standardise is the corporate identity of the brand, which tends to be the same across all our markets around the world… the rest is left up to the market to be customised according to the culture, the languages, and all the differences that they might face locally in country. (Respondent 17)

When we are talking about the brand… it’s centralised, it’s far more consistent, we can control it, we know that the message that we are trying to portray is the message that the
customer should be receiving… because we are good at executing our strategy across our chains, I think there are bigger opportunities in some of the decentralised marketing. Where are the biggest prizes? It’s in the role out of centralised. But I think, we’ve got to shift into being a customer-led business, and we are shifting, and we’re very conscious of that. And I think that when you come down to communities and local areas of what’s important, I think that’s where decentralised marketing has a bigger role to play. And that’s probably one of our opportunities. (Respondent 16)

The senior executives, who work at subsidiary level, agreed that the strategy for global brands must be set at HQ level. However, they also insisted on the importance of having a degree of autonomy with regard to the execution of global brands, in order to make it locally relevant for subsidiary markets.

Global brands, or Pan African brands, have to be centralised. There’s no doubt about that. So the global brand manager… sits in Stellenbosch [and] reports to the marketing director… worldwide. So the brand plan and the positioning and strategy… has to be centralised. Then the execution of it in each country has to be decentralised. (Respondent 5)

Your brand is fundamental. And I think you have to stay with the brand. So your brand templates… your brand identity… has to come from one area and then you can replicate it. So that I would say would be… a head office… approach, but then we come to the implementation of that [and] we talk about decentralisation… Certainly, if you’re an all Africa brand, or if you’re a global brand, you’ve got to have very strong guidelines. So you do require that, but there must be flexibility to allow in country… to adapt your campaign. (Respondent 13)

When it comes to the regional brands, more and more we [have] to adopt a centralised view. So previously you had a little bit of luxury to play around with those brands, but now, as a franchise brand, regional brands are subject to a centralised strategy. So that’s what it is. It’s very much like the Coke system, where [we say]… “Here is your box of tools and go implement”… With global brands, I think that it’s very stayed, very consistent, and very identifiable. So if you were to cross East Africa, you would know that this is what [it] needs to look like, and nothing else. (Respondent 8)

One interviewee gave an example of when his competitors had tried to implement a
ridged, centralised approach to their brand marketing strategy, which resulted in a suboptimal result.

How our image is portrayed in the marketplace, whether it’s through hard branding, adverts, or through our messaging, there’s something which is very much driven from a head office or strategic view… now we see that with our competitors… they get dragged into these sort of global marketing activities, which are entirely inappropriate for the market. So we really do have the best of both worlds. (Respondent 11)

Even though The Coca-Cola Company are not a South African MNC, the researcher believed that it was necessary to get their views on how they devolve the marketing strategy of Coca-Cola, which is probably the most “global brand” of all-time. From the comments that were made from the Managing Director of their South African based anchor bottler in Tanzania, the researcher found that their approach to global brand devolution was very much in line with how the South African MNCs, that were included in the research, devolve their marketing strategy. From a strategic marketing positioning perspective, The Coca-Cola Company have a global set of guardrails that they need to adhere to, but they also have the liberty to localise content where possible, so that they are able to execute the brand without deviating from their global standards.

We take the global marketing themes, for example like “open happiness” or “share a Coke”, but then we localise it in each of the regions on a country perspective. So from a HQ point of view, they own the brand, they set the themes and the direction for the brand, but locally we do the tweaks in terms of localisation… think global, act local. So let’s give an example of… “share a Coke”. Now “share a Coke” is where you put your name on the label of the bottle. So what you’d have to do is locally you have to find out… the names. Is it Muslim names? Is it Christian names? How do you activate it? Do you do it in Swahili? Do you do it in English? So that is how we take a global campaign and then we localise it… So there is consistency in the non-negotiable, but there is a bit of discretion on how you activate the brand. (Respondent 23)

In summary, the research findings have confirmed that marketing functions are best centralised within MNCs when the benefits of brand uniformity are key driving factors for the organisation. It has been found that there are often strict branding guidelines that are put in place from the HQ, and then a template providing strategic direction is handed
over to subsidiaries to enable them to execute that strategy. It is critical that a portion of this strategy is decentralised, especially when it comes to the execution of the brand in market, as long as it stays within the global brand parameters. If there is no liberty to tailor the brand marketing strategy, even to the slightest degree, it could be detrimental to the company’s resources.

4.4 Psychic Distance

The research showed that one has to take account of, and make provision for, tailoring marketing strategy to local market conditions. No matter how “similar” markets may seem to be, there is always a need for the local adaptation of marketing strategy in order for marketing initiatives to be successful.

Heterogenic factors, such as cultural, political, economic, social, and technological dynamics, play a major role in the way that the public receives a marketing initiative. These dynamics are constantly changing, and it is therefore essential that subsidiaries have autonomy in order to make decisions timely, to seize opportunities that may present themselves, and to prevent any potential loss due to the potential rigidity of centralised decision-making. A view that “one-size-fits-all” will not work.

We have regionalised the markets, as no country is the same. There are demographics, language, cultural, climatic, consumer, and psychographic influences that impact how we operate… Many strategies encompass the entire business, however as each country has its own communication and business challenges, these are tweaked to accommodate [for] these nuances. (Respondent 14)

The product assortment is different in every country and we need to, from a marketing point of view, communicate that effectively. So we’re not sending messages that don’t relate to a customer, or if there is no demand for a certain product. (Respondent 15)

In terms of the way that we manage our marketing activities, we typically work with the countries, where they will focus on their local market. (Respondent 6)

One of the things that we did find is that you can’t just have a top-down approach, or
see every case or every marketing activity as a one-size-fits-all. There are too many nuances that happen on a marketing inventory level in terms of the people, the way they accept, [and] even… pay for tickets. (Respondent 19)

There are very few strategies… that are standardised globally… Before you actually get into development of the plans, either at a country or a portfolio or a brand level, you would have already had a face-to-face engagement to talk about the issues in a sort of collaborative manner. (Respondent 7)

You can’t take a “cookie-cutter” approach… [that] what works in South Africa will necessarily work in the other countries, and you can’t do a test in Zambia and say, “well that will work in Kenya,” because the customers are completely different… we take our needs of what happens in this market, but then we tailor [it] for the various markets. If we have stores in a specific country that [are] struggling, we could turn something on in those countries specifically, versus having to do it everywhere. So I think [that] as we are moving on this journey, it will get more and more tailored to the individual markets, because one size most certainly doesn’t fit all. (Respondent 22)

That’s where I think the… strategy of having a corporate group view, but allowing the domestic markets’ nuances to influence the actual operational rollout is the essential mix, because there are very distinct differences. (Respondent 9)

The only thing that we standardise is the corporate identity of the brand, which tends to be the same across all [of] our markets around the world… Then the rest is left up to the market to be customised according to the culture, the languages, and all the differences that they might face locally in country. (Respondent 17)

One interviewee stated that they believe that although they support more of a decentralised structure due to varying market nuances, sometimes these nuances are over-emphasised. It can therefore be deduced that one should not conclude that something would not work in a particular market, as there could be certain benefits to having some form of synergy between markets.

You account for local culture and local differences and formalities and behavioural stuff… we are acutely aware that there are differences. I’m also acutely aware that often differences are over-stated. (Respondent 1)
Support from subsidiaries, with regards to decentralising the marketing function to allow for subsidiary autonomy to develop strategies for their markets due to greater physical distance, was even stronger than that of interviewees from HQs. Autonomy allows them to be locally relevant, so as to serve their customers’ needs timeously.

It is critically… important. I mean, let me give you a very good example. We’re launching a cognac brand extension in three weeks’ time. The local liquor legislation is very different from country to country… local legislation governs whatever we do. (Respondent 5)

I think it has an important role and one has to be sensitive to what you’ve said… So you have to be sensitive to language… you have to be sensitive about the culture and the nuances [within] the culture… we’ve spoken about social and religious, all those things come into the picture. Every country is different and you have to work within it. (Respondent 13)

I believe that each country has got it’s own needs…. What my travel in Tanzania needs is different from Kenya, and can be different from Nigeria… So I personally think that we should be giving a chance to the [people] who are running the business in the stations to have their say, so that they can pursue and give them the opportunity to do the right thing, rather than us enforcing on them. (Respondent 20)

So the local dynamics play an immense role in how we develop our marketing strategies… For example, this year is an election year and we have actually curtailed spend on ATL by at least 70% just to allow for the noise that was happening around elections. So the marketing strategy had to take on a completely different turn as to where do we invest and what do we do… Another example is economic, I mean we had a terribly shocking economic year, so what we have found is we have had to divert all funds into affordable brands and not into your big mainstream brands and add sponsorships and make a lot of noise. We’ve actually had to go in and look at what the consumer can afford. (Respondent 8)

What the company recognised is that we have a set of circumstances and markets in Tanzania, and strategies in Tanzania, which may not necessarily work in South Africa. For it to be more effective, we would adopt and take from South Africa and play with it,
and adapt it to suit our market… We have Tanzania and Kenya effectively in the same region; similar language, similar in all sorts of stuff, and very similar cultures; and the two marketing strategies are totally different. (Respondent 11)

Even when MNCs choose to geographically cluster markets into certain regions for strategic purposes, it is important to note that no two countries are alike, even if these countries are bordering one another and/or share a common dialect; marketing needs to be decentralised accordingly. Local heterogenic market dynamics have a significant role to play in the extent to which the marketing function is devolved to subsidiaries of MNCs.

I’ll give you an example about my region. I’ve sometimes developed campaigns specifically for my region, which would not necessarily relate to Eastern Africa and Western Africa. So those clusters help us manage the business better, but we’re not ignorant of the fact that, as much as we have these clusters in the regions I’ve said, they are still different markets within the clusters. (Respondent 12)

We don’t see any homogeneity in cluster regions… you have to be very aware of the local dynamics. It has a major influence on the marketing function. I’ll give you some examples. As I said earlier, here you’re in an Islamic country and you have to be aware of elements such as the dress code and alcohol. You cannot mention alcohol in anything. (Respondent 10)

The minute you get out of the Southern African space and move into East Africa and West Africa and the rest of Africa, there needs to be clear, fresh thinking as to how you approach these markets; culturally, politically, [and] economically they are very, very different. (Respondent 18)

To summarise, after looking at both HQ and subsidiary perspectives, the researcher concluded that a relatively large psychic distance between the host country of a HQ and a subsidiary, contributes and acts as a catalyst towards a more decentralised marketing function within an MNC. This is to allow for the subsidiary to have the autonomy needed to delineate their marketing strategy so as to suit the relevant and applicable market conditions that they face, and to execute the strategy in a successful manner. It
was evident that subsidiaries need to be able to have the autonomy to be flexible in ever changing market conditions, be it political, economic, social, or technological. This is especially true within a volatile emerging market context such as Africa’s.

4.5 Centralisation vs. Decentralisation

In the final question of each interview, the interviewees were asked how they would delineate the “ultimate” marketing devolution strategy. They were of the unanimous opinion that there is room for both a centralised and a decentralised strategic approach. Most interviewees expressed satisfaction with their MNC’s current mix, whilst others believe that a little work is still needed in order to get to where they ultimately want to be.

Interviewees from HQ believe that a collaborative team effort needs to be applied in outlining the ideal devolution process, and that one party should not feel more inferior or superior to the other. It was seen as being important to receive valuable input from both the HQ and the subsidiary that compliment, rather than compete against each other.

For me, if you’re trying to decide on centralisation versus decentralisation, both works; you should have both, but on both of them, it’s gives and takes. If you can get them to mutually agree, people will make it happen. But don’t put straight jackets on either… you need everyone to work together; I’ve learnt that over many years. It’s not “us” and “them”… it is, “we’re all in this together.” (Respondent 4)

I think that the company is quite focussed on ensuring that marketing strategies are developed and tailored with in county implementation in mind, so they develop it on a collaborative basis… I think we’ve got a well-balanced approach [as] to how we tackle in country implementation… it’s very much localised as far as possible with best practice input. (Respondent 7)

Our philosophy is therefore, whilst we want to develop a very aligned marketing strategy across the continent wherever we operate, using the strengths or differential capabilities that we have in specific categories, we are very aware, and actually work in Africa, which makes us more and more aware of the differences in consumer behaviour,
consumer needs, consumer (particularly in food and beverages) preferences, where really you have to work from a top-down, but also from a bottom-up basis, to find the ideal marketing mix. (Respondent 9)

There was consensus from two different MNCs’ HQs that the ideal mix should have 60% of the power decentralised to subsidiaries and 40% held centrally at the HQ. This stressed that, although one must look to try and find a balance between the two parties’ interests, the HQ needs to set strategic direction for the group, and a significant amount of decision-making power needs to rest with the subsidiary.

The business is pushing us towards the regionalisation of the business, in that there’s more power given to the countries, as opposed to strategies being handed down. We are trying to reach a level where we have got a good balance between what comes from in country, upwards into the corporate office, and what comes from the corporate office, going downwards and being passed on to the countries… So that would be the mix for me, where 40% is centralised and 60% is decentralised. (Respondent 12)

If I have to do a head count on budgets, it’s about 40% central and 60% business units, more or less. I think that’s about right. It isn’t perfect. I wouldn’t want too much centralisation. Centralisation would make my life easier, so for me as head of marketing for a group across various countries, the command and control centralised systems [are] easy as pie, because I can control the brand and everything. But will it be better as a consequence? I’m not so sure. (Respondent 1)

A prominent theme that came through was centred on human resources. The capacity and capability of marketing teams within subsidiaries appeared to be a quintessential element that determines how much power is devolved to a particular subsidiary. It was apparent that the more capacity and capability found within human resources in the marketing function, the more the strategy seemed to be decentralised.

I’m a big fan of de-centralisation, but ultimately it requires a huge investment in HR. So my view of marketing is marketing starts in HR... Therefore your most important decision is who to hire. (Respondent 1)

You don’t have the right level of skill in every market, so to have a shared service is a lot more appropriate… For me the essence of the ultimate strategy is the people
underlying it because your strength is only influenced by who is responsible for developing it… So for me the first thing in the ideal combination is that you’ve got people with a broader view than just their own view, which then enables them to collaborate. To me, the ideal version is where the collaboration has defined where the centre strategy ends and where the local strategy begins. (Respondent 2)

This is a challenge, as many… [people] in country have limited marketing skills. We ensure tight controls of our brand and plans and ensure that global rules are applied… The success of [the] “letting go” of the marketing function depends largely on the skills within these decentralised areas. Centralised marketing strategy is key for consistency. (Respondent 14)

You asked the question, “Do you not have a marketing representative in each country?” If we had that, there would be a huge benefit for us. It would alleviate a lot of the pressure off the operations team so they can operate and trade and rather focus on those aspects. Having someone in country that could handle all the different challenges that we face, like competitions boards in some of the countries, there is legislation that is different to here in South Africa in terms of privacy policies, and also in terms of all the information from the operators, consolidating it, and feeding back to us to be better at doing content strategies for our social media platforms or our website. (Respondent 15)

So far it’s working so well and we’ve had a lot of benefits from it because our local teams are actually learning a lot by seeing what has been done outside… It’s really being able to see what’s happening elsewhere and to be able to implement or localise it to other markets as well. So for me the thing we could improve on is maybe to do a lot more utilisation of talent, so for example we’ve found there’s a stronger talent in one country, and we should be able to extend that knowledge to more than this country by flying them outside so that they can go and train other people… So the more we let our people interact with others, the more we can grow. (Respondent 17)

I think that other countries do not have the same dynamics and understanding, and I’m finding that more and more with some of the marketing managers; I have to go back and explain some of the principles of marketing. They do need a lot of guidance, and I think that is why we also have regional teams, to try and make sure that we’re all going in the same direction. (Respondent 12)
Furthermore, the stage of the life cycle that the company is in with regard to the amount of time that they had been operating in a foreign market seemed to determine the way in which power was devolved. In other words, as the MNC acquires more experience within a subsidiary’s market, and as it grows and expands its resources (both capital and human), so the power is devolved accordingly.

I think today it’s early days and it’s primarily led from here… I think that as it grows, I would like to see that the strategic direction is set up in South Africa, and I think more and more work with the teams on the ground who see the customer, understand the customer, and engage with the customer, to advise on what that looks like. So even though we would involve them in our strategic processes, or that we engage with them, or that we give them a toolkit on how to activate in the different markets, rather than everything just happening from here, to make sure that it is tailored. (Respondent 22)

Subsidiaries were also very much of the opinion that there is a role for both centralisation and decentralisation within the marketing strategy setup. It was apparent that some form of structure, framework, or template should be handed over from the HQ to the subsidiary to work from once the overall group marketing goals and strategies have been set. From there, they stressed the need for as much autonomy in their local strategy development as possible, to ensure that they have pragmatic, strategic executional plans to deliver on these.

I don’t think we’re perfect, but I think we started on the right approach where you have your global brand strategies and that gets shared within your regions. And then within the regions, I believe you need to look at decentralising it… so you get a framework, but within that framework you can tweak it to become country specific. And I think that allows the plans to be developed in the country and get presented to the regional hub, and the regional hub sign off “yes” if that was in the framework of our brand plans. Don’t let the countries just run by themselves. (Respondent 23)

I would say that the marketing of all local and regional brands need to sit [both locally] and [regionally], but there needs to be [adherence] to the marketing way, which is the way we market this company, which is the marketing strategy… Global brands, or Pan
African brands, have to be centralised. (Respondent 5)

I think that the guidelines have to be given by the corporate as in, “this is the template and this is the way we’re going to operate, [and] these are the campaigns that we have got planned for the year,” and then… “What have you guys got planned? What do you need to do?” And put them all in the total plan. So I think it’s got to work in conjunction, and obviously planning in advance works. (Respondent 13)

I do believe there is room to have a PLC [HQ] who has absolutely strong, confident subject matter experts in those roles. And that’s the value that I see. So the ultimate mix would be if you’ve got subject matter experts who are available to you to be able to make life easier in a country. And it’s going to be a very fluid relationship, so I’ve got to be confident and actually want to ask for the help because I know that there’s such fantastic help that I’m not going to be able to do by myself, I must want to do that, and similarly the PLC must be absolutely willing to share and adapt their knowledge to a local nuance. And I think that would be absolutely fabulous. You actually don’t need a PLC involved until you go into the operations, not at all. But just having those more strategic conversations with people in the know will make it a lot easier. (Respondent 8)

We’re almost there in the sense that the centralised part is where we get to meet and we get to look for ideas as one. And we get to see how that matches up to the group strategy. That works. It is a bit of pride that you have to put to the side; not a bit, [but] a lot. Because you are the king of your castle in your own country and then you go there. (Respondent 3)

I think where we are at now is… an ideal situation, where we have a light hand from a central point of view, and a heavy hand [from] a local point of view. (Respondent 11)

I think I’ll do what I find is the best marketing approach. Create standardised templates for inputs across all markets. Create standardised templates for what is the current situation. And then create a shopping basket per segment or revenue stream that each one can pick from and drive, and basically build their revenue plans, [or] marketing plans based on that, so that from a group perspective, you have a view across the group and you can support accordingly. (Respondent 18)
For the MNCs that have businesses outside of the African continent, it was largely evident that they would apply the same marketing devolution strategy to these subsidiaries as they would for their subsidiaries situated in Africa. In this case, their approach largely focussed on empowering the subsidiary as much as possible in order to have an autonomous decision-making process, within corporate parameters.

The approach is the same everywhere; you account for local culture and local differences and formalities, and behavioural stuff. (Respondent 1)

I do think that outside of Africa versus inside of Africa… the localness of beer means it’s the same marketing devolution, as you call it, should apply, or would apply regardless of where you were in the world. (Respondent 7)

So the approach would be similar. Our business outside of Africa is there to a large extent to support the Africa business; so to facilitate trade with countries and investment into Africa. So our office in New York is about facilitating deals into Africa. But they would have a similar kind of approach, where a portion is centralised and a portion is decentralised. (Respondent 2)

I would say, “yes”, because basically what we are doing at our level is only a replication of what has been sent across the world. So when you are flying and you see the… brand, you might find a slightly common alignment of the strategy. (Respondent 17)

In summary, what unanimously came from both HQ and subsidiary levels was that one must have a combination of both a centralised and a decentralised approach in order to be successful over the long-term. What was consistently found was that HQs should set the top-level strategic goals for the MNC and provide frameworks that their subsidiaries can use to populate their own locally developed strategy, with regard to how they think they can best achieve those goals, given their unique market dynamics, conditions, and the resources that they have at their disposal. This allows for both parties to have “skin in the game”, whereby a win–win scenario is achieved. It was apparent that the capacity and capability of human resources within the marketing department of the subsidiary has a vital role to play in determining to what extent the devolution process takes place. Furthermore, MNCs with subsidiaries situated outside of Africa seemed to apply the same marketing devolution strategy, which shows that they appreciate that each market
is different and therefore, where possible, a decentralised approach was favoured in order to cater to these differences. Finally, what was evident was one should think globally and act locally in order to have a successful marketing strategy.

4.6 Conclusion

The research confirmed all 3 propositions outlined in the literature when tested against the responses of South African MNC CMOs and other executive practitioners in the field of marketing. Although proposition 1 proved that MNCs centralise a portion of their marketing function to gain economies of scale, it was largely seen as a “by-product” of implementing a global and/or corporate brand strategy, or from efficiencies derived from economies of scope through regional geographic clusters of countries within Africa. Proposition 2 confirmed that MNCs choose a centralised approach to attain brand uniformity across all of their subsidiaries. This reinforced and complimented proposition 1 from a standardisation point of view, as the look and feel of global brands must be consistent worldwide, and in doing so, indirectly provides efficiencies through economies of scale. Proposition 3 confirmed that MNCs decentralise the marketing function when the relative psychic distance between the host country of the HQ and the subsidiary is relatively large. The interviewees stressed the importance of the devolution process in order to be relevant within the markets in which their subsidiaries operate. Finally, with regard to the ultimate marketing mix between a centralised and decentralised approach, the interviewees emphasized the importance of setting marketing strategies from an HQ point of view, and then developing and executing the local strategy in country in a decentralised capacity. An important discovery was that the capacity and capability of human resources found within the subsidiary has a fundamental role to play as to the extent that devolution can take place, i.e. the more capacity and capability found within the subsidiary, the greater the possibility of decentralisation.

What was also interesting to note was that: firstly, although the research looked at senior executives across seven different sectors of business, their responses were more or less aligned in terms of their thought processes towards this area of research; and
secondly, the subsidiaries’ views of their marketing strategy devolution process was predominantly consistent with that of the interviewees views from the HQs, with the only addition being their desire for more autonomy.

CHAPTER 5: RESEARCH CONCLUSIONS

5.1 Introduction

This chapter sums up the conclusions of the study by drawing comparisons and contrasts between the literature and the research regarding the 3 propositions that were posed with regard to the devolution of the marketing function within South African MNCs. It then goes on to pose a number of recommendations based on the research findings, and outlines possible areas for future research.

5.2 Conclusions of the Study

Proposition 1 argued that MNCs tend to centralise their marketing function when the attaining of economies of scale and scope are of importance to the organisation. The research found that where MNCs can achieve these economies, they would pursue this opportunity. However, due to heterogenic market factors across the continent, the opportunities for this are few and far between, and it is therefore not seen as being a primary driving factor of the marketing function for the MNC. The majority of interviewees suggested that economies of scale and scope are an outcome of pursuing the implementation of a global, regional, or corporate brand across multiple markets, whereby it is imperative that there is a consistency in application. This supports a considerable amount of the literature that argues that brand uniformity and economies of scale go hand-in-hand (Dimitrova & Rosenbloom, 2010; Khanna & Palepu, 2010; Solberg, 2000; Sousa & Lengler, 2009; Viswanathan & Dickson, 2007; Vrontis et al., 2009; Vrontis, 2003). To a lesser extent, economies of scope are also derived from a logistical point of view, for example one of the interviewees mentioned that they could
achieve considerable cost savings by printing point of sale material in South Africa and sending it to nearby neighbouring countries in the Southern African region. Harvey et al. (2003) support this notion as they mention that cost advantages can be attained through shared marketing, production, and logistical systems.

Proposition 2 argued that the centralisation of marketing strategy is apparent when brand uniformity is imperative to an MNC. The research found that where the MNC has global, Pan African, or regional brand/s in their portfolio, and/or when communicating their corporate brand across a multitude of markets, they will centralise the marketing strategy in order to ensure uniformity in brand communication. This supports Matanda and Ewing (2012), as they stress that a centralised strategy is key to portraying and managing the implementation of corporate and brand images across diverse customer markets. In addition, it was confirmed that a degree of autonomy in the execution of strategy is vital in order to ensure that the brand resonates within the bespoke market conditions of subsidiaries. This is supported by Strizhakova and Coulter (2013), who suggest adopting a “glocal” approach so that core brand positioning is within global brand parameters, while also allowing for local refinement.

Proposition 3 referred to the relatively large psychic distance between the host country of the HQ and the subsidiary as being a key reason why MNCs would decentralise their marketing function. The research confirmed that no two markets are alike and that it is therefore essential that a considerable portion of the strategic process is decentralised to ensure that there is localised strategy in place to execute the overall group marketing strategy in a manner that is relevant to their market conditions, and the resources at their disposal. This supports the work of Vrontis et al. (2009), who argue that no one strategy can be used to compete in multiple countries, due to diverse market conditions. The interviewees, when referring to cultural nuances, confirmed that the fluid and volatile nature of the political, economic, social, and technological landscapes, infer that a decentralised structure has to be in place in order for subsidiaries to respond to ever-changing market conditions in a timely and relevant manner. This argument is supported by Ghemawat (2001), as he addresses the distance between countries with
specific regard to the cultural, administrative, geographic, and economic conditions, and the need to decentralise decision-making to subsidiaries as a result.

Figures 1, 2, and 3 illustrate how the marketing function of South African MNCs is devolved to their subsidiaries.

![Diagram](https://example.com/diagram.png)

**Figure 1: Determinants of the centralisation of the marketing function in South African MNCs**

Figure 1 encapsulates the research findings with regards to what causes MNCs to centralise their marketing strategy. The research suggested that there are three main driving factors that contribute towards a centralised approach: pursuing economies of scale and scope; achieving brand uniformity across multiple regions; and a lack of marketing resources available in country in terms of capacity and capability, both within the subsidiary, as well as externally, in the form of third party agencies.

Economies of scale and scope are achieved by clustering a number of markets to derive efficiencies through various marketing activities, for example by assigning one media...
agency to an East African cluster. Economies of scale are often achieved indirectly as an outcome of brand uniformity, which is the second reason why MNCs choose to centralise their marketing function. This is necessary when one needs to communicate global, regional, or corporate branding across many countries on the continent, or globe. In this case, singular brand messaging needs to be achieved through a centralised and standardised approach. In light of the nature of today’s “global” customer, it is essential that MNCs have consistency in the application of their messaging. The centralised approach derives cost savings through the process of achieving uniformity. It was also found that the marketing function is centralised in cases where there is a lack of marketing resources from a capacity and capability point of view.

**Figure 2: Determinants of the decentralisation of the marketing function in South African MNCs**

Figure 2 depicts the three main factors that cause MNCs to decentralise their marketing function: the relatively large psychic distance between the HQ and a subsidiary; the availability and competency of marketing resources within the subsidiary; and the existence of institutional voids within African countries.
With regard to psychic distance, it emerged that each market has heterogenic conditions in which they operate. The unique set of circumstances that each country faces with regard to political, economic, social, and technological factors, and the volatility of African markets, means that autonomy is needed within subsidiaries in order to function appropriately.

The availability of sufficient and capable marketing resources within subsidiary environments was another key factor in justifying a decentralised approach. The availability and competency of resources includes having a marketing team that can operate within subsidiaries, as well as having third party marketing agencies and suppliers that can provide support that is in line with the MNC’s standards. Intervention from HQ was found as not being necessary within these circumstances.

Institutional voids within subsidiary market environments was a clear underlying factor as to why MNCs pursue a more decentralised approach. The interviewees implied that Africa is particularly complex, as local environments face capacity, infrastructure, and institutional issues. This is addressed by Khanna and Palepu (2010) and Luiz & Ruplal (2013), where they warn that when doing business in Africa, one should be mindful of the institutional voids that are existent, such as weak institutions, poor infrastructure, and inconsistent government policies. As a result, one should be prepared to improvise accordingly.
Figure 3: Marketing devolution framework

Figure 3 draws conclusions as to what the “ultimate” marketing devolution framework should look like. It shows how marketing strategy should ideally be devolved from both the HQ, as well as from subsidiary level. This is done in order to create a win-win scenario, whereby both parties have the opportunity to give input as to the strategic direction of the marketing plan. What is important to note is that the extent to which the marketing function is devolved is dependent on the factors mentioned and depicted above in figures 1 and 2. Once an agreement has been reached from a strategic planning perspective in terms of the level of involvement of each party, the subsidiary can carry out the execution of strategy within their market.

5.3 Recommendations and Implications

The significance of this study is that it can help companies with regard to how they should adjust their marketing strategies to lower income countries where there are high levels of institutional voids and where there is a rapidly changing consumer income profile. By highlighting and outlining the factors that determine when a centralised or
decentralised approach to marketing strategy should be considered, companies are able to assess the situation that their subsidiaries find themselves in, and can therefore choose an appropriate course of action.

Where factors favour a more decentralised approach, group marketing strategy should be developed from the HQ and then handed over to the subsidiary, while maintaining certain parameters, for example through the use of frameworks and/or templates. This is in line with Mintzberg and Waters (1985) “process strategy”. This allows for a considerable amount of autonomy for the subsidiary to develop a local execution strategy that is relevant to their market conditions, in order to deliver on the group’s goals. By having a significant amount of autonomy within the subsidiary, Freedman's (2013) “fluid and flexible” approach to strategy can be adopted, and subsidiaries will be able to react to sudden changes in market conditions, as well as to competitor threats.

A centralised approach should be considered when an MNC wishes to attain economies of scale and scope as well as brand uniformity across multiple markets. A lack of in country marketing resources, as far as capacity and capability is considered, will also have a major influence over the degree to which the centralisation of decision-making can occur. In these cases, the subsidiary would focus on the execution of strategy that has been handed down to them from HQ. What is important to note here, is that even though the strategy is developed from a central point, it is crucial that a large element of this strategy is tailored to the market conditions in which the subsidiary finds itself. In essence, thinking globally and acting locally is the key to success.

5.4 Suggestions for Further Research

The research was predominantly based on the devolution of marketing strategy within the African context. It would be useful to extend this body of research to understand how MNCs approach this in other emerging markets across the globe.

The research looked at devolution from a South African MNC perspective. Future research could look at whether a different approach should be applied in Africa by that of an industrial-originated organisation, and whether a South African MNC could have
a competitive edge over these non-African competitors, on the grounds that they may have “home ground advantage.”

One could investigate how the budget for the marketing function is allocated and distributed between the HQ and its subsidiaries, and determine what effect this may have on the devolution process.

Finally, one could quantitatively measure what effect the subsidiary’s local market capability, in terms of external third party and internal human resources, has on the extent to which the devolution process takes place.
REFERENCES


# APPENDIX A

## Table 1: Profile of respondents and companies

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Position of Respondent</th>
<th>Company</th>
<th>Company Sector</th>
<th>Subsidiaries in Africa</th>
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<tr>
<td>1</td>
<td>Global Marketing Director (HQ)</td>
<td>Major Banker #1</td>
<td>Banking and Financial Services</td>
<td>Mauritius, Namibia &amp; Botswana</td>
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<tr>
<td>2</td>
<td>Group Marketing - Projects &amp; Capabilities, Marketing for Rest of Africa (HQ)</td>
<td>Major Banker #2</td>
<td>Banking and Financial Services</td>
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<td>Head of Marketing &amp; Corporate Affairs (Subsidiary)</td>
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<td>4</td>
<td>Global Marketing Director (HQ)</td>
<td>Major Distiller</td>
<td>Food and Beverage</td>
<td>Kenya, Tanzania, Zimbabwe, Mauritius, Namibia, Botswana, Swaziland, Angola &amp; Ghana</td>
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<tr>
<td>5</td>
<td>Marketing Director (Subsidiary)</td>
<td>Major Commodity Producer</td>
<td>Food and Beverage</td>
<td>Malawi, Zambia, Swaziland, Tanzania &amp; Mozambique</td>
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<td>Group Commercial Director (HQ)</td>
<td>Major Brewer</td>
<td>Food and Beverage</td>
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<tr>
<td>7</td>
<td>Marketing Director Africa (HQ)</td>
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<td>8</td>
<td>Marketing Director (Subsidiary)</td>
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<td></td>
<td>Business Executive: Group Marketing &amp; Corporate Strategy (HQ)</td>
<td>Major FMCG Producer</td>
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<tr>
<td>9</td>
<td>Head of Communications and Marketing Services - Offshore (HQ)</td>
<td>Major Hotelier</td>
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<td>Tanzania, Kenya, Mozambique, Nigeria, Seychelles &amp; Zambia</td>
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<td>10</td>
<td>Managing Director (Subsidiary)</td>
<td>Major Media Broadcaster</td>
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<td>Keny, Ghana, Uganda, Nigeria, Tanzania, Zambia, Namibia, Mozambique &amp; Botswana</td>
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<td>11</td>
<td>Regional Marketing Manager (HQ)</td>
<td>Major Outdoor Media Provider</td>
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<td>Managing Director (Subsidiary)</td>
<td>Marketing Manager Africa (HQ)</td>
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<th>17</th>
<th>Executive Head of Brand &amp; Marketing (HQ)</th>
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<td>22</td>
<td>Head of Group Marketing &amp; Market Intelligence (HQ)</td>
<td>Major Retailer #4</td>
<td>Retail</td>
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<td>23</td>
<td>Managing Director (anchor bottler - Tanzania)</td>
<td>The Coca-Cola Company</td>
<td>Food and Beverage</td>
<td>Namibia, Mozambique, Zambia, Botswana, Nigeria, Kenya, Tanzania, Uganda &amp; Egypt</td>
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APPENDIX B

Interview Schedule

HQ

1) Briefly describe your current role at your organisation.

2) What components of the company’s marketing strategy are devolved from HQ to your subsidiaries and what informs this decision?

3) What would you consider to be the strategic versus functional aspects of marketing? Which of these lend themselves more to decentralisation versus a centralisation approach?

4) How are marketing strategies communicated between HQ and your subsidiaries?

5) Who is involved in the development and implementation of marketing strategies?

6) How, if at all, does your organisation attempt to balance centralised coordination of marketing strategies with in country implementation? Are marketing strategies standardised (globally) or adapted (locally) to suit each market? If so, how well is this working?

7) Can you give me examples of where the centralised marketing approach has worked better for you? Can you give me examples of where the decentralised marketing approach has worked better for you? How is this incorporated into the overall marketing strategy?

8) Would you adopt the same marketing devolution strategy with a subsidiary outside of Africa versus in Africa? Why or why not?

9) What emphasis does your business place on attaining economies of scale and scope within the marketing function?

10) In your opinion, are the benefits derived from pursuing this approach more favourable than that of a more decentralised approach, allowing for more subsidiary autonomy?

11) Does this approach give an organisation a competitive edge given the size of the business?

12) What is your/your organisation’s understanding of the term “global brand”? How important is global branding to your organisation?
13) Do you believe that there is “consistency in application”, as far as global brand management processes/implementation goes across your subsidiaries?

14) How do you monitor and control the effectiveness of global brand marketing strategy within each country? Is this procedure different in any way to that of evaluating performance of other brand marketing strategies within your subsidiaries?

15) What role, if any, does regional culture and other local market dynamics (political, economic, social, religious, technological) have on the development of the marketing function?

16) Do you think autonomous decision-making relating to marketing strategy would benefit your subsidiaries? Would you say your answer would also apply to your subsidiaries outside of Africa?

17) Do you feel that those subsidiaries, which operate under similar market conditions to the South African context, are more easily able to adopt a more centralised approach?

18) Do you see any homogeneity in clusters/regions of markets within Africa in which you operate? If so, to what extent does this influence marketing strategy?

19) Finally, how would you delineate the ultimate mix between centralised marketing strategy versus decentralisation when operating in an MNC such as yours, in order to derive maximum benefit for the business and its key stakeholders in the long-term?

Subsidiary

1) Briefly describe your current role at your organisation.

2) What components of the company’s marketing strategy are devolved from the group HQ to your subsidiary and what informs this decision?

3) What would you consider to be the strategic versus functional aspects of marketing? Which of these lend themselves more to decentralisation versus a centralisation approach?

4) How are marketing strategies communicated between the group HQ and yourself within your subsidiary?

5) Who is involved in the development and implementation of marketing strategies?
6) How, if at all, does your organisation attempt to balance centralised coordination of marketing strategies with in-country implementation? Are marketing strategies standardised (globally) or adapted (locally) to suit each market? If so, how well is this working?

7) Can you give me examples of where the centralised marketing approach has worked better for your organisation? Can you give me examples of where the decentralised marketing approach has worked better for your organisation? How is this incorporated into the overall marketing strategy for the group?

8) Does your group HQ adopt the same marketing devolution strategy with a subsidiary outside of Africa versus in Africa? Why or why not?

9) What emphasis does your business place on attaining economies of scale and scope within the marketing function?

10) In your opinion, are the benefits derived from pursuing this approach more favourable than that of a more decentralised approach, allowing for more subsidiary autonomy?

11) Does this approach give an organisation a competitive edge given the size of the business?

12) What is your/your organisation’s understanding of the term “global brand”? How important is global branding to your organisation?

13) Do you believe that there is “consistency in application”, as far as global brand management processes/implementation goes across your subsidiaries?

14) How do you monitor and control the effectiveness of global brand marketing strategy within your country? Is this procedure different in any way to that of evaluating performance of other brand marketing strategies within your subsidiary?

15) What role, if any, does regional culture and other local market dynamics (political, economic, social, religious, technological) have on the development of the marketing function?

16) Do you think autonomous decision-making relating to marketing strategy would benefit you? Would you say your answer would also apply to other subsidiaries within your organisation outside of Africa?

17) Do you feel that those subsidiaries, which operate under similar market conditions to the South African context, are more easily able to adopt a more centralised approach?

18) Do you see any homogeneity in clusters/regions of markets within Africa in which
your organisation operates? If so, to what extent does this influence the group marketing strategy?

19) Finally, how would you delineate the ultimate mix between centralised marketing strategy versus decentralisation when operating in an MNC such as yours, in order to derive maximum benefit for the business and its key stakeholders in the long term?
### APPENDIX C

#### Table 2: Thematic coding summary

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