Implementing Global Brand on Consumer Good Subsidiary in Developing Countries

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Abstract

Bagaimana membangun merek global adalah hal penting bagi perusahaan multinasional. Merek global membutuhkan konsistensi di level global dan adaptasi dengan lingkungan lokal secara bersamaan. Sehingga bagaimana headquarter mengintegrasikan aktivitas yang dilakukan subsidiary di pasar domestik penting dalam proses pembangunan merek global. Membiarkan subsidiary untuk beradaptasi dengan lingkungan domestik akan beresiko munculnya ketidaksesuaian dengan konstruksi merek global. Sementara kontrol yang terlalu ketat akan juga mengurangi kemempuan untuk beradaptasi. Sehingga integrasi yang dilakukan headquarter perlu menggunakan proses kontrol dan koordinasi secara simultan dalam proses pembangunan merek global.

Keywords: **Global Brand, Subsidiary**

Introduction

Subsidiaries in the consumer goods multinational handle sizable number of brands (Boyd & Massy, 1972). The sizable number of brands in the consumer goods companies could be a result of the interaction between company and consumers spread around the world (Lancaster, 1998). Consumer goods companies offer the product for various kinds of consumer characteristics. Therefore segmentation and positioning brand strategy are important activities to identify and to simplify how this kind of company interacts with wide array of consumer characteristics.

Managing brand strategy is a complex task for subsidiaries managers. Subsidiaries in the consumer goods industry often play as an implementer of global brand designed by headquarter. Therefore, global brands image must be managed by subsidiaries managers. Having various type of brand is not easy task for subsidiaries managers. Global brand is believed as a medium to achieve global competitive advantage (Roellig, 2001; Schmitt & Pan, 1994). Mltinational Company (MNC) uses global brand to facilitate foreign market entry and exploit scale economies in the development of products, packaging, advertising and promotion. With strong global brand, MNC could differentiate core product to various type of products. The strong image of global brand facilitates the identification process of new product launched by consumer. Thus, the objective of consumer goods MNC to build strong global brand is the critical strategy and contribute to MNC success.

Subsidiaries which operate in the emerging countries tend to follow the global strategic applied by headquarter (Bartlett & Ghosal, 1986). In this article, I consider that global brand is one of the instruments to apply global strategy. The global strategy of MNC based on assumption that the parent corporations or headquarters integrate the subsidiaries' activities crossing countries national boundaries while the subsidiary's role is limited to the local operating setting (Bartlett & Ghosal, 1989). Further, global brand is based on two form of advantage, location-specific advantage and competitive advantage (Kogut, 1985). Location-specific advantage is secured through exploiting differences factors, capital, and product markets, or governmental policies among countries. Global competitive advantage is developed through international scale economies, international scope economies, and organizational learning across national markets (Ghosal, 1987). Global brand doesn't mean that MNC ignore the presence of diversity host-country environments. Inversely, these factors should be exploited by MNC to develop its global competitive advantage.

The central role of branding in MNC's is to establish the brand identity and to build its position in global marketplace among customers, retailers and other market participants (Douglas *et al.*, 2001). A key element of success of branding strategy is the combination of harmonious and consistent brand architecture across countries and product lines with the flexibility with local environment factors where subsidiaries operated. When a brand is expanded into foreign market, a careless choice of brand strategic can have negative effects on the product as well as on the company in terms of loss in sales, damage to credibility, and damage to reputation.

By this article I want to contribute in developing general framework for this

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discussion. The problem central in this domain is how managers in subsidiaries can implement global brand construction regarding different local environment conditions. More specifically, what kinds of organizational instruments that can be used by headquarter in order to harmonize and integrate the subsidiaries' activities around the world? This question is fundamental for at leas three considerations: (1) integration mechanism should facilitate harmonisation and flexibility in the same time for managers in subsidiaries, (2) harmonisation and flexibility cannot happened automatically and it needs organizational mechanism, and (3) the design of control and coordination used by headquarter influence, if not determine, the subsidiaries' performances to implement and to build strong global brand.

Global brand quality construction process

Building global brand is not an easy work for both managers in headquarters and in subsidiaries. Worldwide operation makes this task becomes so complex and difficult. Each country has its own characteristics and it makes program developed in headquarter cannot be implemented in the local environment. As shown in the figure I, MNC's global brand construction has two pressures: (1) global consistency and (2) adaptation to the local environments. However, in implementing global brand, MNC needs to consider two things simultaneously: (1) global consistency and (2) local environment adaptation. In this article, global consistency refers to the extent the brand's attributes will be standardized and homogenized around the globe. However, adaptation refers to the extent brand's attributed will be adapted following local environment characteristics. Global brand construction needs to consider global consistency and adaptation to local environments. These two factors are not only important during the implementation of global brand design, but also they give the information must be considered during the development of implementation of global brand. (Figure I)

Global consistency lays on the premise that MNC needs to establish an explicit international brand strategy and improve

Figure I
Global Brand Process

efficiency as well as harmonize brand strategy across product lines and country-markets. Effective management of international brand and establishment of procedures to manage and monitor key strategic brands are, however, crucial to maintaining the MNC's position and strengthening key strategic brands in international markets (Douglas *et al.*, 2001). Headquarter needs to design an efficient, harmonious brand strategy that spans subsidiaries' operations in different countries. It is critical for headquarter to set up procedures to monitor brands to ensure that they retain their integrity, visibility and value.

Consistency of brand positioning across different countries is important to maintain the desired degree of harmonization around the world. Widely different approaches can be adopted for assigning custody and managing strategic brands consistency in international markets, ranging from negotiated solutions to centralized custody at corporate or product division headquarters. Negotiation custody is to negotiate the harmonization of specific brand positioning between corporate headquarters and subsidiaries managers. This is mostly likely to be appropriate for MNC with strong subsidiary country management that operate in product-markets where brands are not important purchase cues or where brands historically have a different positioning tailored to local market characteristic. However, this approach may be somewhat cumbersome when there are multiple brands to manage. A more proactive and increasingly popular solution is to appoint a brand champion. The 'brand champion' should be given responsibility for building and managing the brand worldwide (Aaker & Joachimstahler, 1999). This includes monitoring the consistency of the brand positioning in international markets, as well as authorizing use of the brand on other product. The brand champion can be a senior manager at corporate headquarters, a country manager, or a product development group.

Another model is to centralized control of brands within the global product division. This approach is likely to most effective with new products or brands when there is greater consistency in market characteristics across countries. Under centralized custody, brands manual are often used as mechanisms for ensuring consistency of brand positioning and identification across countries. The brand manual typically is developed at corporate headquarter and details the specific positioning and visual appearance of an international brand packaging, logo and so forth. Subsidiaries managers' daily activities to manage brands are normally required to stay within these guidelines.

Several scholars argue that strong global brand needs standardization and harmonization of subsidiaries especially in the marketing programs (Quester & Conduit, 1996). Identical strategy guidance must be developed by headquarters in production, packaging, new product development and marketing activities. These headquarters' guidance will be distributed to all subsidiaries in order to build strong world brand image. Thus, the headquarter task are managing dispersed strategic process, ensuring that subsidiary strategies continue to fit the overall corporate goals, and providing the resources to support the mandates given to subsidiary. The subsidiaries activities are harmonized with the rest of the corporation network. Deciding the marketing strategy for local market should consider the configuration strategy of headquarters' global brand strategy.

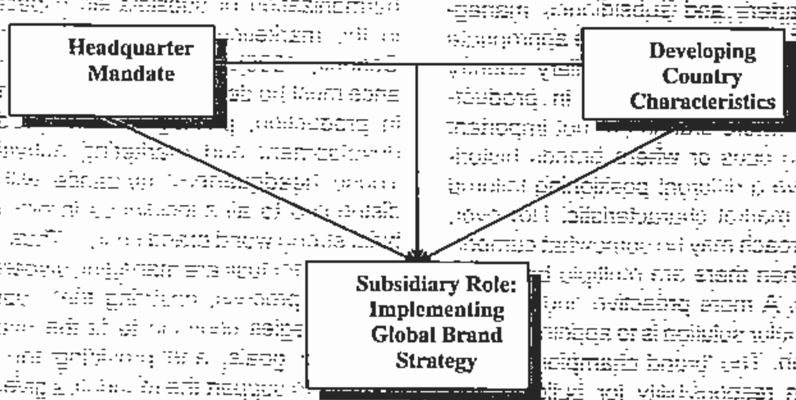
However, the subsidiaries' managers receive pressure from local environment characteristics and it requires to be responded strategically. Local environment often stems from the complexity and dynamism of market condition as well as of the socio-political and macro economy environment in host country (Morisson & Roth, 1992). Subsidiaries must respond to diverse local consumer taste, distribution constraints, different business culture, and change in local government regulation (Roth & Morisson, 1991). Introduction a global brand into local market should consider the various and dynamicity local environment. To achieve competitive advantage in the local market, it is not sufficient only to leverage the advantage become subsidiaries of MNC. As the institutional theories argue, that subsidiaries should likely to respond to host-country environments with strategic behaviour that become isomorphic to that of firms which in such situation (Scott, 1987). In other words, the local environment provides constraint and opportunities for subsidiaries to build competitive advantage. Implementing brand-guideline from headquarter, subsidiaries should consider the factors such as competitor acts, socio-culture aspect, demographic aspect, economy aspect of local environment.

The national environment factors within a host-country can be perceived along two dimensions: (1) the source of impact (e.g., macroeconomic, regulatory and socio-political) and (2) the nature of impact (e.g., volatility and complexity) (Luo, 2001). Miller (1992) distinguished into two categories: (1) general environment and (2) industry environment. Host-country general environments include political, local government policy and regulation, local macro-economics, social, demography and natural conditions. Host-country industry environments involve three major conditions: input market, product market and competitive environments.

In the same vein, Porter's (1990) model of national competitive advantage argues that firms should seek advanced environments, and turn possible disadvantage into advantages, as they put pressure on companies to innovate and find creative solution to overcome disadvantage. For the MNC, the model implies to treat national subsidiaries of the multinational companies as the vehicle for creating firm-specific competitive advantage. In other words, MNC has a potential to build competitive advantage through the international integration of innovative activities in several competitive environments.

Environment complexity involves the diversity (e.g., scope of economies policy, breadth of governmental authorities, segments of consumer) and heterogeneity (e.g., distinctions among economies policies, incongruence of policies by local governments, deviations of consumer behaviors among each segments of consumer) of various factors or issue in each environmental segment (e.g., macroeconomic, political, and socio-cultural) that impacts subsidiaries' operation. This complexity is not homogenous across locations because different regions have varying levels of economic development, governmental authority and socio-cultural. These conditions make global brand construction needs to be adapted with local environments characteristics.

Figure II
Determinant Factors of Subsidiaries' Role



Subsidiaries' roles on global branding

To understand and comprehend the strategic decision in subsidiary organization, we should discuss the configuration of subsidiaries role in MNC network. However, subsidiary's position in the MNC network influence and determine the specific resources having by subsidiaries. Such resource is an important factor for subsidiaries to realize its role in MNC network. Resources given by headquarter also give the limitation of subsidiaries managers in doing their task and responsibility.

Strategy to build strong global brand needs coordination and integration among headquarter and subsidiaries. Building global brand needs coherency and consistency of strategy and tactical planning between headquarter and subsidiaries in various countries. Headquarter imposes global coordination over subsidiaries operations (Kogut, 1985). The consequence of this strategy is subsidiary primarily implementer of headquarter-developed strategy (Roth & Morisson, 1992; Bartlett & Ghosal, 1986). Subsidiary must integrate and follow its operation to headquarters' instruction and mandate. The mandate to support the development of global brand make subsidiaries adapts the global strategy into local strategy.

To build strong global brand, MNC needs to use organizational structure, processes, and culture to allocate brand-building resources globally, to create global synergies, and to develop a global brand strategy that coordinates and leverages country brand strategies (Aaker & Joachimsthaler, 1999). Subsidiaries tend to follow the best practices developed in headquarter about how to build brand personality (how the brand would be described if it were a person), construct user imagery (how the brand's typical user is perceived), intangibles that are associated with the company (its perceived innovativeness or reputation for quality) and symbols associated with the brand. The process of integration of subsidiaries activities into headquarter global brand strategy includes a mechanism that ties global brand to country brand strategies. In other words, subsidiaries managers in developing country brand strategy should consider of country-brand strategy contribution to support global brand. (Figure II)

The second factor that influences subsidiaries operations in the emerging countries is the fact that, often, subsidiaries as an implementer body of headquarter strategy is emerging country. Bartlett and Ghosal (1986) argue that the strategic importance of subsidiary in a specific country is strongly influenced by the significance of its national environment to the company's global strategy. It could be analyzed from the importance of the local market size and technological level of local market in the emerging countries. The developing countries in the Asia-Pacific Regions provide high growth of GDP per capita and decreasing the percentage of people living below the poverty (Schmitt & Pan, 1994). Even though, as reported by Lefi (1975) that subsidiary marketing executive in this region frequently complain of the small and narrow markets for many consumer products. The relatively small size of markets for non-agricultural consumer products is not surprisingly in light of the economic and demographic conditions. Even in the emerging country with relatively large populations (Indonesia), internal markets are usually limited by the small size of national income and the low levels of per-capita income. High (demographic) dependency[1] constrains a large portion of total consumer expenditure to the essential of food and shelter products. Finally, transportation and distribution costs to the rural areas where much of the population resides also limit to the size of market.

All national conditions of developing countries influence the significance of the subsidiary operation in the MNC network operation. Face with national market conditions in the emerging countries make MNC design and fix subsidiaries' task as: (1) manufacturing unit as a result of low cost production (low labor cost or close the source of raw materials) and diffuse the products resulted in the host-country market or to corporation network, or (2) trying to build and create local market needs in considering the size of population and the future buying power. It's quite difficult for a single consumer goods subsidiary in the emerging countries to have fully 'world product mandate' for various brands handled[2]. Although subsidiaries have wide array of value chain activities from marketing, production and R&D, still they have limit autonomy to make strategic decision to develop and differentiate products. The consumer goods subsidiaries in the emerging countries behave mostly as implementer and supporting body of headquarter global strategy.

Subsidiaries can expand their role beyond traditional downstream activities such as sales, service and assembly, to encompass upstream activities such as research and development (R&D) and strategic management. Such subsidiaries need to expand and to develop their competencies and capabilities over various value chain activities (Moore, 2001). However the subsidiaries competency development is influenced by local environment (Birkinshaw & Hood, 1998). The evolution of Subsidiary capability and competency is driven by the dynamism of the local business as well as the subsidiary's ability to access resources from headquarters. The dynamism of the local business in the emerging countries is fully concentrates to development of market penetration following the high rate of income growth. All the subsidiary activities and efforts are to make the existing brands (global brands) are well accepted by the local consumer. The market is not yet in the maturity. Inversely the market in the level of growth and subsidiaries in the emerging country will focus more on how to exploit the growing market. The capability and competency of subsidiaries will be more concentrate on marketing and production area. Meanwhile, the process of new product development is often centralized in headquarter or regional office level. The result of new product development will be diffused to subsidiaries operations.

Headquarter Brand Mandate

Headquarter brand mandate refers to the task and the assignment given by headquarter to subsidiaries managers to introduce new or established brand/product into local market. Headquarter brand mandate is head-office assignment (Birkinshaw & Hood, 1998). Introducing a brand into local market is an important strategy for the multinationals companies who have market raison or motive developing their activities outside home-based country (Behrman, 1972)[3]. Guidelines for the use of corporate brand identifiers, such as logo, packaging, and so forth, should also be mandated and monitored by headquarter. However, brand strategy is not a static framework but one that need to be monitored and modified continually. The mechanism established for brand cus-

1 The dependency ratio gives the ratio of working to non-working citizens. Its describes how many retired citizens, children, and non-working adults there are for each one hundred workers

2 World product mandates (WPM) are defined as the full development, production and marketing of a product line in an MNC subsidiary. The implication of WMPs are the location of function such as R&D, production, marketing and strategic management in MNC subsidiary. Furthermore, because WMP subsidiaries may have unique control within the MNC of particular product, WMP subsidiaries may have unique control within such product. WMP subsidiaries tend to be both integrated within MNC in that they export finished goods to other MNC subsidiaries, and autonomous in that they have a high degree independence over strategic product-related decision. As such, subsidiaries acts like an equal partner of the headquarters than a subordinate entity.

3 he market motive of internationalisation stem from four basic raisons: (1) the size of market abroad is very big and important, it is more cheap and efficient when MNC exist not too far from market base and also the size of the market is justifies local production, (2) to avoid the tariff or other cost-raising barriers imposed by host countries received by the exportation activities, and (3) the organizational reason, because with the present in the real market facilitate to respond quickly with adaptation of local taste and needs, and to indigenous resources and capabilities. Without familiarizing themselves with local language, business customs, legal requirements and marketing procedures, foreign producer might find themselves at a disadvantage position than local firms, and (4) the competition reason, the competitor of the MNE now is not only local firms but also another MNE who doing the same business

tody help to ensure that an individual brand is managed in a consistent fashion cross multiple countries. However, MNC brand strategy also must adapt to given the dynamic nature of international markets and the changing competitive realties. The various kind and dynamicity of host-country should be respected by MNC in launching its brand into host-country market. Finally, brand guidelines should reflect the consistency dimension and flexibility dimension. Consistency dimension could harmonize brand strategy over various country environment, in contrast, flexibility dimension give the adaptation aspect of brand implementation in host-country market.

Headquarter brand mandate associates to the task and the roles of subsidiaries given by headquarter officer to bring or to introduce an established MNC brand or new brand into host-country market. Mostly subsidiaries consumer goods which operate in the emerging country have the role to bring and to make success MNC brand into local market (Hultink *et al.*, 2000). Headquarter officer usually gives the direction of subsidiaries managers to bring and to introduce one or several existing or new brands into host-country. The array activities of subsidiaries to bring brands into local market are differs based on subsidiaries role in the local market (D'Cruz, 1986)[4]. Normally, headquarter brand mandate is followed by the brand-guidelines. Brand-guideline consist of brand personality, user imagery intangible factors that are associated with the company and symbols associated with the brand (Aaker & Joachimstahler, 1999). A brand-guideline is a manual that give an orientation and a direction for subsidiaries managers how to introduce these brands into local market. It describes how to build brand equity and how to make programs fit to brand/product identity. It is supposed

Figure III
Headquarter Brand Mandate

that subsidiaries in deciding programs to introduce new brands must consider the instruction and guidelines decided by headquarter officer.

There are two dimension of managing international brand: (1) brand structure and brand architecture (Douglas *et al.*, 2001). Brand structure is used to refer to the firm's current set of brand across countries, business, and product-markets. At any given point, brand structure is in large measure a legacy of past management decisions as well as the competitive realties the brand faces in the marketplace. Brand architecture, in contrast, refers to a formal process and outcome by which management rationalizes the firm's brand and makes explicit how brand names at each level in the organization will be applied. Brand architecture also indicates how new brands, whether acquired or developed internally, will be treated. (Figure III)

In implementing headquarter brand mandate into local market, subsidiaries could take two different strategy: (1) launch MNC established brand, and (2) launch MNC brand extension. Launching something new into local market it does not mean really new to the MNC brands. It is possible that subsidiaries launch an established global brand in the new or old local market (host-country market). Subsidiaries pick one or some brands from headquarters brand collection and introducing them into local market. The second scenario could be happened when subsidiaries launch global brand extension into new or old local market. Global brand extension here refers to the variance of global brand developed by subsidiaries' managers for a specific domestic market.

Existing Global Brand

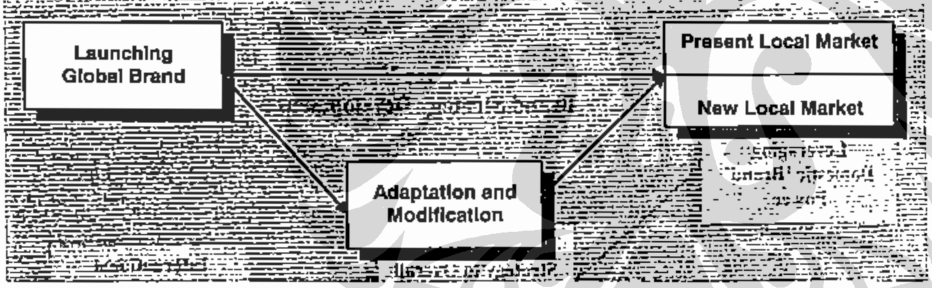
Subsidiaries can launch an established MNC brand into local market. The existing global brand is the well known brand developed and belonging to MNC. Certain brands contribute to build the corporate identity of MNC. Usually, in this case subsidiaries will introduce pan regional or global brand into local market. Pan-regional brands are the brands that are sold in two or more countries (Craig & Douglas, 2000). However, global brands are ones that have the following characteristics: (1) extensive geographic reach, available in all major markets and most minor ones, (2) perceived by consumer as global, awareness among consumer that the brand is sold throughout the world, (3) uniform positioning and image worldwide (Craig & Douglas, 2000). In the same vein, Aaker and Joachimstahler (1999) describe that global brand is the brand whose positioning, advertising strategy, personality, look, and feel are in most respects the same from one country to another.

It seems that pan-regional brand is under control and coordinate head of regional office. Regional office coordinates and manages the operation of MNC network under the same regional area. The grouping subsidiaries under the same

4 According to D'Cruz (1986) the subsidiaries' roles in the local market could be as importer or local service. It depends on the degree of subsidiaries authority to make decisions. When subsidiaries have little authority to make decision, they play the importer role and when subsidiaries have a large enough of authority to make decisions, they play the local service role. Local service role allow subsidiaries to provide some content of value chain activity such as manufacturing, R&D, distribution, marketing etc.

region and manage it based on homogenization of local characteristics will enhance coordination mechanisms. Countries in the same region tend to have close characteristics such as consumer taste, gross domestic product (GDP), socio-culture, demographic, politic and government policy (Proff, 2002). Therefore, it will become easier for regional office to standardize the brand in the regional area in favour of homogenization of local environment. Thus, pan-regional brand is the brand developed in the regional office[5]. In contrast, global brand could be under coordination directly into headquarter or indirectly into regional office. Centralizing brand coordination in headquarter could achieve global specialization and economy of scale in R&D, manufacturing and even in marketing. (Figure IV)

Figure IV
Global Brand Into Local Market



However, introducing pan-regional or global brand into local market could be happened into two ways: (1) those that implement directly without modification, and (2) those that implement with little adjustment. The decision to adapt and to adjust one or several global brand characteristics depends on the extent product characteristics suit to local environments factors. When global products are appropriate completely with the local needs, thus subsidiaries could introduce it without any modification. If global products don't suit with local need completely, thus subsidiaries need to make adjustment and modification of global product characteristics following local tastes and needs. Another factor is to what extent brand/product sensitivity with local socio-culture. There are certain brand/product characteristics that are very sensitive with socio-culture aspect of host country. Therefore, subsidiaries need to make adaptation to these kinds of brand. Hong *et al.*, (2002), for example, describe that entering brand name into local market should consider the diversity of language, nationalism, and cultural factors. The decision to adapt brand names to the language of local market need asses these diversity. Tse *et al.*, (1988) also concluded that local culture factor is significantly influence international marketing decision.

Introducing an established brand into local market could be destined for present and new local market (Ansoff, 1965). Subsidiaries managers need a bigger effort to introduce global brand/product into new local market than into present market. The bigger effort is based on several considerations: (1) the new market is the new competition field for subsidiaries managers, thus they need to learn the new market characteristics and something learning by doing process is happened in this process, and (2) the new market consist of new competitors, it is not an easy task to attract new consumer to new products since this new market consist competitors defend their market from new entry (Gatignon *et al.*, 1989). Hence, introducing global brand into new local market has a risk higher than into present market.

Brand Extension

New product will be launched by subsidiaries in the host-country can use and modified the existing brand name or use a new brand name (Kotler, 1967). The cost of introducing a new name in consumer goods is very expensive. And even such spending does not guarantee success. In contrast, using an established brand name can substantially reduce the introduction investment and increase the probability of success. The most real and marketable asset of many MNC corporations are the brand name they have developed. Strong brand helps the subsidiaries establish an identity in the marketplace and develop a solid customer franchise (Aaker, 1996; Kapferer, 1997; Keller, 1998).

Even though new brand is an expensive and difficult activity, several big MNC consumer goods often introduce new brand for their new product (O'Shaughnessy, 1995). Big consumer goods MNC is believed has a big amount of resources such as capital, time and intangible resources to support the new brand introduction into market. The new brand is useful when subsidiaries will introduce new product totally different with the existing product and they need to build new image following the new product characteristics.

A new brand-name can be selected to reflect the product's unique advantage or to promote the product as completely new, without worrying about any inappropriate connotation associate with it a family or corporate name. But the cost of establishing new brand-name may be prohibitive. Hence a firm might use an established brand-name for the new product (Aaker, 1996; O'Shaughnessy, 1995). When it occurs, it is known as brand extension. The established brand should not be in decline or its name might be disadvantage rather than an advantage for the new product. A brand extension tactic is adopted to reduce the cost of building a new brand as it facilitates buying by reducing perceived risk. Given the large number of products, there is more than the consumer can digest so using a trusted family brand-name can help a firm get through the clutter.

However, this strategy has its drawbacks (Aaker, 1990). A brand name can

5 Breakdown MNC organization based on geography is believed will be effective when MNC activities are spread around the world. The geographic base of International organization enables management to coordinate its activities, product lines and staff service in a given area and country to adjust to environment parameters.

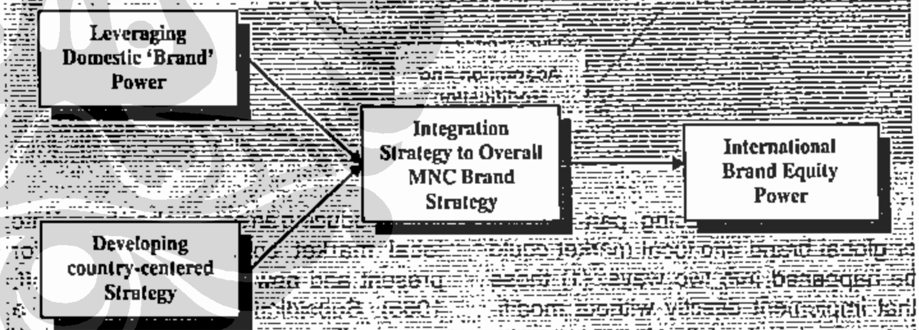
fail to help an extension or, worse, can create subtle (or sometimes not so subtle) association that hurt the extension. Worse still, the extension can succeed, or at least survive, and damaged the original brand by weakening existing associations or adding new, undesirable ones. Because the extension can dramatically affect a key strategic asset, both in its original setting and in the new context, the wrong extension decision can be strategically damaging. The constant danger in brand extension is the risk of diluting the image of the original brand (family or mother brand) by spreading it over too many products, too loosely connected with the association of the mother brand (O'Shaughnessy, 1995).

Managing Brand Integration

Managing two type of coordination during NPL is a complex task for subsidiaries managers. Both of them need to be taken into account. Vertical coordination facilitate the information strategic and task interchange between the unit in subsidiaries and the unit in headquarter/regional office. Global brand management needs identical planning and programs among subsidiaries and headquarters (Aaker & Joachimstahler, 1999). The control and coordination of headquarter must be considered by subsidiaries managers to integrate their activities in building global brand. In the meanwhile, cross-functional coordination within subsidiaries organization is needed to make execution or implementation of global brand planning running well in the host country. Coordination cross-functional among marketing, R&D, finance, HRD, distribution and inventory, and sales department is very important to keep local strategic brand done following global strategic brand.

Consumer goods MNCs have a variety of local and international brands at different levels in the organization, spanning a broad range of diverse country markets (Douglas *et al.*, 2001). Typically, these brands differ in their strength, target market, and association and the range of products covered both within and across market. The questions faced by the consumer goods MNC in developing an international branding strategy depend on: (1) how it has expanded internationally, and (2) how its international operations are organized (Douglas *et al.*, 2001). Some firms have expanded through leveraging their domestic brand power in international market. Consequently, they must consider whether to develop brand geared to specific or national preference and how to integrate these into their brand strategy. Other firms have traditionally adopted country-centred strategies, building or acquiring a mix of national and international brands. Such companies must decide how far to move toward greater harmonization of brands across countries and how to do so. (Figure V).

Figure V
Brand Strategy Development



The integration of subsidiaries strategic branding to overall MNC brand strategy needs control and coordination activity (Cray, 1984). Control is seen as a process which brings about adherence to a goal or target through the exercise of power or authority (Etzioni, 1965). The purpose of control is to minimize idiosyncratic behaviour and to hold individuals or groups to enunciated policy, thus making performance predictable (Tannenbaum, 1968). Accordingly, parents companies often find that by investing in companies that are operating in different environments they increase the level of uncertainty or risk of return on their investment (Chang & Taylor, 1999). Thus, corporate headquarters' control of subsidiaries' activities and performance becomes a central integrating function in MNC. Indeed, headquarters must attempt to impose control over foreign subsidiaries in order to reduce the uncertainty of their investment, since such control ensures that the behaviours originating in separate parts of the organization are compatible and support common goals.

Agency theory researchers have traditionally proposed that principals tend to use three primary types of control: (1) cultural, (2) behavioural, and (3) output (Ouchi & Maguire, 1975; Ouchi, 1978; 1979). Behavioural control means control obtained by monitoring the behaviours of others or transformation process. Output control involves measuring the desired quality and/or quantity of output. Cultural control, on the other hand, involves the indoctrination of agent into principal's values and interest. Subsequently research on the antecedents of different types of control suggest that they may used by principal in different raisons[6].

Another perspective considers that control in the firm is varied into three types: (1) administrative control, (2) so-

6 For example, Ouchi and Maguire (1975) study found that behavioural control was used when principals whished to direct and guide individual managers (agents) who were believed to require assistance in overseeing their units. Output control was used to obtain verifiable evidence that agent's performance was meeting strategic objective. Finally, cultural control tended to be applied when a principal had limited ability to measure outputs and imperfect knowledge of the behaviour required in the transformation process (Ouchi, 1979).

cial control, and (3) self-control (Hopwood, 1974). Administrative control refers to those mechanisms, techniques and processes that have been consciously and purposefully designer in order to try to control the organizational behaviour. This type of control could be achieve using rules and procedure, output control, internalized objective and information disclosure[7]. Social control definition has close relation with cultural control. Organization consists of subculture as a distinctive set of meaning that underpins the behaviours. This set of meaning will give an orientation to organization member to behave as organization value, norm and interest. For administrative and social control to be effective influences on members' organizational behaviour, they must be expressed through the action and attitudes of individual managers and employees. They must operate as self-control that the controls people exert over their own behaviour.

In spite of control, coordination also contributes to integration process. Coordination mechanism has been associated with organizational design in organization theory (Mintzberg, 1983). Organization assign roles, design procedures, and provide feedback for their members, thus facilitating the coordination of efforts, and enabling the accomplishment of collective outcomes. Coordination is fundamental to capturing cross-national scale, scope and learning economies throughout the multinational network (Roth, 1992). Coordination has been treated as an enabling process that provides the appropriate linkages units within organization (Van de Ven *et al.*, 1976; Tuggle, 1978). Administrative tools help to achieve integration among different units within organization (Martinez & Jarillo, 1989). Coordination refers to the process of integrating activities that are dispersed across the subsidiaries in different countries (Porter, 1986).

Aligning subsidiaries activities to headquarter (MNC network) needs MNC organization consideration. Coordination activities occur in the organization structure mechanisms. Organization structure serves as an important form of organization coordination. Organization structure is both formal and informal structure (Martinez & Jarillo, 1989). Organization systems, if they are to be viewed systematically and holistically, should include formal and informal structure. According to Martinez and Jarillo (1989), behavioural and bureaucratic control is one of the more formal and structural mechanism of coordination while control through social or organizational control is a more informal coordination mechanism.

Conclusion and Future Considerations

In this article I argue that global brand needs two contributions simultaneously: (1) global consistency and (2) local adaptation. Global brand doesn't mean all marketing programs and activities must be fully standardized around the world. The fact that each country has its own characteristics, it could hinder the effectiveness of standardized marketing programs. Thus, global brand needs a support and must implement into appropriate marketing programs in each country. Thus, subsidiaries' managers deal with two things in the same time: (1) brand mandate decided and given by headquarters and (2) local environments characteristics that, sometimes, completely different with home country. Facing with this condition, in order to develop global brand in the local market, subsidiaries' managers should adapt brand guidelines decided in headquarter to the local environments.

However, MNC need to integrate the subsidiaries' activities building global brand around the world. The integration mechanism is not only limited to the providing and instructing global brand guidelines for managers in each subsidiaries. More than that, headquarter need an organizational instrument to integrate the divers subsidiaries activities. Integration mechanism is an important since each sub-sidiary can develop its own proper marketing program and it can be different from one subsidiary to the other. Meanwhile, global brand should maintain a certain level of consistency worldwide. Harmonization and synchronization of subsidiaries' marketing program around the world should be done to build global brand.

Control and coordination mechanism are two instruments that can be used by headquarter to maintain consistency around global brand implementation the world. Both processes are central to integrate the subsidiaries' activities to implement global brand. Control is seen as a process which brings about adherence to a goal or target through the exercise power of authority (Etzioni, 1965). In contrast, coordination is seen more as an enabling process which provides the appropriate linkage between different tasks unit within organization (Van de Ven *et al.*, 1976). Bad design of control and coordination contribute to unfavourable performance of global brand implementation.

This article has several limits: (1) this article is a conceptual article and it needs to be operationalized into practical variable, (2) I don't provide conceptual framework for the brands obtained by subsidiaries through acquisition process, and (3) I don't develop more precisely how control and coordination mechanism link brand mandate given by headquarter and its implementation done in each subsidiaries. Therefore, the next research is to continue to answer these three limits. Also, develo-ping hypothesis and testing using large num-ber of questionnaires need to be carried out. ■

7 Rules and procedures serves to pre-specify what members should and should not do in particular situations. In this way the rules constrain the range of members' behaviour and increase the predictability of their actions. However, such overt of administrative control cannot be achieved completely without 'goal congruence' over various divisions in organization. Therefore, internalized objective becomes important. Behavioural forming could be achieved also using information disclosure. Disclosing some information could result conflict resolution, enhance trust and confidence, and to form common interest.

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