‘Initiative-Decision’ Typology of New Product Launching (NPL) into Local Market: Toward Interaction Mechanism

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‘Initiative-Decision’ Typology of New Product Launching (NPL) into Local Market: Toward Interaction Mechanism

Firmanzah*

New product launching (NPL) process in subsidiaries is very complex, expensive and risky. This process is marked by the problem of role partition between headquarter and subsidiaries. This research emphasizes the quality of relation between subsidiaries and headquarter which determines the qualities of NPL process into local market. Typology of initiative-decision during NPL process has been documented. Using cluster analysis, three clusters of ‘initiative-decision’ during NPL are found in this research: ‘headquarters domination’, ‘mix-initiative’ and ‘interaction’. Using ANOVA analysis, this research found that interaction between subsidiary and headquarter managers positively increases the effectiveness of marketing-strategy during NPL process. This finding suggests that interaction mechanism between subsidiary and headquarter is the best solution to launch a new product to the local market.

Keywords: Subsidiary, Headquarter, New Product Launching (NPL), Initiative-Decision Cluster, Interaction.

Introduction

Along research tradition on the organizational factors that contribute to the success of new products has started in the beginning of 60s. Studies by Burns and Stalker (1961), followed by Lawrence and Lorsch (1967) examined the effects of organizational structure on the innovation success. This domain of research was continued between the 70s and the beginning of 80s by predominant authors including Cooper (1979) and Calantone and Cooper (1979). Hereafter, various organizational factors have been analyzed during the process of new product development to commercialization. Those factors include the interdepartmental cooperation (Zirger & Maidique, 1990), the supports of top management (Song & Montoya-Weiss, 1988), and the communication and training (Moenaert et al., 2000).

Curiously, only a small number of studies have been made on the particular setting of internationalization. Several scholars have attempted to analyze NPL activities in the MNC operations, but limited to activities of new product development in R&D departments (e.g. Alphonso & Ralph, 1991; McDonough et al., 2001; Cheng & Bolon, 1993). According to another study, NPL is believed to be the competitive advantage source (Friar, 1995) in obtaining and maintaining a favourable position in the global market. Thus, it is important to comprehensively analyze NPL process in the MNC context.

The MNC is confronted with classical problems of subsidiaries activities integration around the world (Stopford & Wells, 1972; Wilkins, 1974). From another point of view, subsidiaries need to be sufficiently differentiated to adapt to the specific local factors such as cultures, industries, government regulations, and consumers. Thus, NPL process to the local market

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is characterized by pressures of integration and localization (Jarillo & Martinez, 1990; Prahalad & Doz, 1981; Bartlett & Ghoshal, 1989; Taggart, 1998). As subsidiaries require integration and localization aspects, this research considers that headquarter must at the same time harmonize the necessity of standardization with adaptation at the same time during NPL process.

Literatures show that NPL to new and existing markets is risky and expensive (Calantone & Montoya-Weiss, 1993; Schmidt & Calantone, 2002). The NPL risk occurs when high investment is confronted with high-complexity of relations within interdependent units of an organization, which increases uncertainties of positive market responses. The subsidiary NPL is complex and expensive. The complexity resulted from the diversity of phases starting from the development to commercialization activities (Biggadike, 1979; Hultink et al., 1998; Guiltinan, 1999; Di Benedetto, 1999; Hultink et al., 2000) and the rich information provenance both from the headquarter and its local environments. The classical problem of horizontal interface (Urban & Hauser, 1980; Zirger & Maidique, 1990) highlights the challenges of vertical relation between headquarter and subsidiaries. Thus it contributes to the complexity dimension of NPL process. However, this process is known for its expensiveness. A wide array of activities - from market information gathering and treatment, laboratory activities, market testing, to commercialization campaigns - requires huge financial sources.

Launching new products to the local market deals with the problem of who will take initiative to take this decision, either headquarter or subsidiary or both of them. This research investigates the effects of this initiative to the quality of strategy marketing during NPL process. It assumes that the initiative taken by headquarters and/or subsidiary determines the degree of involvement, motivation and commitment to launch a new product.

This research has several main objectives. First, this research wants to construct different typologies of initiative-decision during NPL process. The initiative-decision is an important factor since it determines high degree of involvement of each unit to launch new products into local market. Second, this research seeks to analyze to find the best cluster of initiative-decision to increase the quality of marketing-strategy in the local market.

**Literature Review**

**Three Types of NPL Decisions**

Recently, many researchers have reported that NPL decisions cover a wide range, from strategic to tactical decisions (Biggadike, 1979; Hultink et al., 1998, 2000; Guiltinan, 1999; Di Benedetto, 1999). Strategic decisions are those which are important, difficult to change, NPD oriented, and are decided before NPD and the commercialization process. In contrast, tactical launch decisions are those made to bring a new product to the market. Strategic decisions are based on the firm’s strategy in relation to innovation, market entry and competitive stance. On the other hand, tactical decisions are related to the commercialization of a new product in the market. Therefore, tactical decisions are those having a direct linkage to the market, for example, in pricing, promotion, advertising, product distribution, and time-to-launch decisions.

However, this classification of NPL decisions into two categories seems to be inadequate to describe the complexity of subsidiary operations. Instead of the two types of decisions, the writer, Firmanzah (2005) found that in the subsidiary context, NPL decisions are of three types: innovation, branding and commercialization decisions. These three decisions range from strategic to more tactical decisions. Innovation decisions can be classified as strategic, since such decisions underlie and give an orientation to further NPD process (Biggadike, 1979). Branding decisions are considered as intermediate between innovation and commercialization decisions. This decision highly correlates with how to place the new product in the local market. Some attributes in branding decisions (e.g., logo and visual appearance) should consider the degree of product innovativeness. Another aspect of new product branding is highly related to commercialization: the packaging, colour and language used to promote the product which are highly influenced by local market characteristics.
Commercialization decisions can be classified as tactical since being made after NPD, these decisions are complete (Cooper & Kleinschmidt, 1987; Urban & Hauser, 1980).

The first decisions in NPL are related to innovation. The decision by a subsidiary to develop a new product can be technology-driven or market-driven (Nyström, 1985). Innovation decisions are also initiated by headquarters or subsidiary managers, and are highly correlated with decisions on new product innovativeness. Innovativeness is most frequently used as a measure of the degree of ‘newness’ of an innovation (Garcia & Calantone, 2002). Highly innovative products are seen as having a high degree of newness. And products with low innovativeness are at the opposite extreme of the continuum (Kleinschmidt & Cooper, 1991; Garcia & Calantone, 2002). A highly innovative product tends to be a radical innovation since it is easily identifiable by the criteria that a discontinuity must occur on either a marketing or technological basis (Song & Montoya-Weiss, 1998). However, low innovativeness correlates with incremental innovation since it involves adaptation, refinement, and enhancement of existing products. According to Danneels and Kleinschmidt (2001), the high degree of innovativeness of a new product is important for several reasons. First, innovative products present great opportunities for subsidiary companies in terms of growth and expansion into new areas. Second, significant innovations allow firms to establish a competitively dominant position, and afford newcomer firms an opportunity to gain a foothold in the market. However, they are also associated with a high degree of innovativeness which has high risks and management challenges.

The second decision is on branding decisions for the new product. Subsidiaries can launch a new product using an established MNC brand identity or build a new one. Introduction of a new product into a local market using an existing MNC brand can occur in two ways: (1) direct implementation without modification; and (2) implementation with slight adjustment. The decision to adapt and adjust one or several global brand characteristics depends on the extent to which the brand characteristics fit local environment factors, especially in terms of socio-culture. When an existing MNC brand is very sensitive to socio-cultural aspects of the host country, there is a greater necessity for adaptation. In this case, subsidiaries cannot use an existing brand without adjustment. Hong et al. (2002), for example, contend that the launching of a brand name into a local market should consider the diversity of language, nationalism, and cultural factors. In the same vein, Tse et al. (1988) concluded that local culture factors significantly influence international marketing decisions. The decision to adapt a brand name to local characteristics needs to consider these diversities.

The third NPL decision is on commercialization. Decisions are classified as commercialization decisions if they can be easily or inexpensively modified during NPL process (Hultink et al., 1998). However, a commercial decision is a decision on the implementation and execution of product launch by the subsidiary. Commercial decisions are highly correlated to the tactical aspects of NPL (Hultink et al., 1998; Guiltinan, 1999; Di Benedetto, 1999; Hultink et al., 2000). This type of decision deals with the problems involved in bringing a new product to the market, including pricing, promotion, advertising and distribution decisions. Such commercial decisions are important in initiating the initial purchasing behaviour for a new product. Using an appropriate advertising, pricing and promotion strategy, subsidiaries can influence initial purchases by local consumers. Distribution strategies also play an important role in ensuring product availability for potential and existing local consumers. Therefore, subsidiary managers need to consider how various combinations of commercialization decisions can synergistically achieve the desired impact on target market perception and behaviour for the launching of a new product.

**Methodology**

**Developing Countries as Context**

Developing countries are selected because they provide some local environment characteristics that can influence, if not determine, MNC operation (Negandhi & Reinmann, 1972).
They demonstrate high growth of GDP per capita and a decrease in the percentage of people living below the poverty (Schmitt & Pan, 1994). Furthermore, as reported by Lefi (1975) that subsidiary marketing executive in this region frequently complains about the small and narrow markets for many consumer products and about the present relatively small size of markets for non-agricultural consumer products. All national conditions of developing countries influence the significance of the subsidiary operation in the MNC network operation. Faced with national market conditions in the developing countries, it makes MNC design and fix subsidiaries’ tasks such as: (1) establishing a manufacturing unit as a result of low cost production (low labour cost or close the source of raw materials) and diffusing the output toward MNC network, or (2) trying to build and create local market needs in considering the size of population and the future buying power. It is quite difficult for a single consumer goods subsidiary in the emerging countries to have fully ‘world product mandate’ for various brands handled (Feinberg, 2000). Although subsidiaries could have a wide array of value chain activities from marketing, production and R&D, they still have limited autonomy to make strategic decision to develop and differentiate products. The consumer goods subsidiaries in the emerging countries behave mostly as implemener and supporting body of headquarter global strategy. The reason to focus on consumer goods is that NPL frequency in this area is greater than for industrial companies. Moreover, it was considered that consumer goods companies had sufficient experience to launch new products in local markets.

Identification of suitable subsidiaries was divided into two phases: (1) selection of a list of subsidiaries from existing databases (kompass and icpcredit); and (2) collection of a list of subsidiaries via the internet sites of MNCs. These steps led to the identification of a sample of 1167 subsidiaries, mostly European and American-based companies, producing consumer goods in 18 developing countries (UNCTAD, 2003) and located in two regions: Asia and Latin America. The focus between these two regions is based on several considerations such as the importance of population, purchasing power parity, and the absorption of foreign direct investment (Cyclope, 2003). Both Asia and Latin America share some similar characteristics as developing-countries compared to developed-countries (UNCTAD, 2003).

**Questionnaire and Data Conception**

The construction of questionnaires was based on the discriminate principle between success and failure for new products (Cooper, 1979). We asked respondents to differentiate two products representing success and failure cases. Therefore, each question should be answered according to these different dimensions of success and failure. Calantone and Cooper (1979) argued that this method allows analysis of responses by directly comparing factors contributing to success or failure. This mechanism also facilitates respondents in cognitively differentiating between the NPL experience contributing to success and failure in the past (NPL realised within 5 years).

To assess the initiative in three stages of NPL process (idea development, new product development and commercialization), respondents were asked to consider the determinant influence of headquarter and local environment for each questionnaire item using a series of statements on a scale ranging from 1 (‘strongly disagree’) to 5 (‘strongly agree’). The main objective of this block of questions was to analyse the primary initiation in each stage whether the determination was taken by headquarter or by the subsidiary managers. Additionally, for the marketing efforts, respondents were asked to evaluate some marketing activities during NPL process on a scale ranging from 1 (‘strongly disagree’) to 5 (‘strongly agree’).

The period of questionnaire distribution was realized from February until July 2004. A postal survey was conducted twice, directed at marketing or commercial directors of subsidiaries. Considering the diversity of subsidiary locations, as well as the nationality of managers, the questionnaires were developed in English. Harzing (2005) found that differences across countries were considerably smaller for nearly all questions when the English
language questionnaires are used in cross-national research. This should minimize the bias comprehension for different cultures and lead to a homogenization of responses across countries.

To facilitate questionnaire responses by subsidiary managers and to save time, a special web site was constructed. Finally, 69 subsidiaries agreed to participate in the study. Of these, 55 (79.7%) responded online and 14 (20.3%) responded by mail. As each subsidiary provided two cases (products), the study database comprised 138 products, 50% of which were successful. Analysis was conducted at the product level, as all the organizational processes are reflected in the success or failure of products in the market. In total, Asian region represents 81.2% (112 products) composed by 8 operating subsidiaries countries such as China (12 products), South Korea (6 products), India (12 products), Indonesia (20 products), Malaysia (10 products), Philippines (14 products), Singapore (12), Thailand (16) and Vietnam (10 products). Latin America region represents 18.8% (26 products) composed by 8 operating subsidiaries countries such as Brazil (4 products), Argentina (6 products), Chile (4 products), Columbia (2 products), Mexico (2 products), Uruguay (2 products) and Venezuela (6 products). The low participation rate of subsidiaries was due to several factors such as long questions, information confidentiality, and language barriers.

Data Analysis Procedure

Several procedures of data analysis are used in this research. The first procedure of data analysis is using Principle Component analysis (PCA). This method is mobilized to reduce data in order to identify primary concept from the variance of data. The objective of the PCA analysis is to construct factors based on the collected data. Oblimin rotation is used to expect moderated-size correlations among some factors. Pattern matrix of the ‘strategy-marketing’ concepts was mapped onto the scale as expected, therefore providing evidence of factorial validity of measures.

The second method is the method of typology development. To develop a typology of initiative, data is classified, categorized and attributed to the meaning. The classification of data is realized by the development of a classification based on the criteria that orients the carving of the real and constitutes an original reading grid. The empiric analysis of the typology permits to classify the heterogeneity of the data systematically and, quite often lead to a new construction (Myers & Nicosia, 1968).

The third procedure is realized by using the analysis of variance (ANOVA). The main objective of this analysis is to evaluate the different effect of each typology on the constructs based on PCA analysis. In other words, this analysis is used to compare the multiple different factor mean by the mean of typology of initiative of launching a new product.

Typology Construction

Three parts of questions were analyzed altogether to result initiative cluster by regrouping three stages: idea generation, development and commercialization of new product to the local market. The initiative concept refers to all decisions and actions to maximize new opportunities and the sum of resources allocated during NPL process (Birkinshaw, 1997). Grouping these questions was done since these questions have similarities in the structure of each item of the questionnaire. Furthermore, all questionnaires are used to construct typology of initiative. The formulations of questions are below:

“To what extent do you agree or disagree with the following statements”

Initiative idea to develop/launch new product/brand in this subsidiary

<table>
<thead>
<tr>
<th></th>
<th>Successful Strongly Disagree</th>
<th>Successful Strongly Agree</th>
<th>Unsuccessful Strongly Disagree</th>
<th>Unsuccessful Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>highly influenced only by headquarter (e.g., headquarter innovation activities, headquarter instruction, headquarter propositions)</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>highly influenced both by headquarter and local environments</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>highly influenced only by local environments (e.g., competitors activities, local government regulation, local consumer needs)</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>
Initiative to develop new product/brand in this subsidiary

<table>
<thead>
<tr>
<th>Successful</th>
<th>Unsuccessful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

...was highly influenced only by headquarter (e.g., headquarter innovation activities, headquarter instruction, headquarter propositions)

...was highly influenced both by headquarter and local environments

...was highly influenced only by local environments (e.g., competitors activities, local government regulation, local consumer needs)

Initiative to commercialization new product/brand in this subsidiary

<table>
<thead>
<tr>
<th>Successful</th>
<th>Unsuccessful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Agree</td>
</tr>
</tbody>
</table>

...was highly influenced only by headquarter (e.g., headquarter innovation activities, headquarter instruction, headquarter propositions)

...was highly influenced both by headquarter and local environments

...was highly influenced only by local environments (e.g., competitors activities, local government regulation, local consumer needs)

The graphic of Hierarchy Cluster Analysis is developed by using the Ward aggregation method and square Euclidean is as follow:

Figure 1. Typology Construction of Decision Initiative

The table below figures-out the different cluster of decision initiative and theirs characteristics: square Euclidean is as follow:

Table 1. Cluster of Decision-Initiative

<table>
<thead>
<tr>
<th>Group</th>
<th>Idea Generation</th>
<th>Development</th>
<th>Commercialisation</th>
<th>Frequency</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster I</td>
<td>HQ</td>
<td>HQ</td>
<td>Subsidiary</td>
<td>42 (30.4%)</td>
<td>Headquarter Domination</td>
</tr>
<tr>
<td>Cluster II</td>
<td>HQ – Subsidiary</td>
<td>HQ – Subsidiary</td>
<td>Subsidiary</td>
<td>39 (28.3%)</td>
<td>Mix Initiative</td>
</tr>
<tr>
<td>Cluster III</td>
<td>HQ – Subsidiary</td>
<td>HQ - Subsidiary</td>
<td>HQ – Subsidiary</td>
<td>57 (41.3%)</td>
<td>Interaction</td>
</tr>
</tbody>
</table>

As seen above, the first cluster is ‘headquarter-dominination’. This group of new products receives a high influence from headquarter during NPL. Two main activities such as idea generation and new product development are taken by headquarter. Headquarter gives authority to subsidiaries’ managers for commercialization activities in the local market. This kind of new product, generally, is situated in the global network and plays as an implementer of the strategy developed in headquarters. This cluster represents 42 products or 30.4% of the sample. The
second group of NPL activities is ‘mix-initiative’ with local tendency. In this case, the decision to launch a new product in the local market is taken by both headquarter and subsidiaries’ managers. However, it is the subsidiaries that have full autonomy to take decisions to commercialize the new product into local market. This cluster consists of 39 products or 28.3% of the sample. The third cluster illustrates fully mixed process by which headquarter and subsidiaries work together along the three stages of NPL activities. The joint process is found during idea generation, new product development and commercialization activities. This cluster regroups 57 products or 41.3% of the sample.

Test of typology

In order to evaluate the reliability and validity of the cluster developed in the previous phase, Myer and Nicosia (1968), and Rapkin and Luke (1993) proposed to make hierarchical cluster analysis and then compare it to Chi-Square test. To build the Chi-Square cluster, data is treated by comparing the result of hierarchical cluster analyses with Chi-Square. In order to make cluster based on Chi-Square, data is treated by using the method K-Means. This technique enables to analyze the robustness of typology to be analysed. The typology is considered robust if the items classified by a certain method are found significant as to the other method. Then the classification and categorization are vigorous.

The cross-tabulation analysis is mobilized to evaluate the clusters’ external-validity and then compared with the result of hierarchical cluster analysis and K-Means cluster analysis. The Chi-Square test shows that the result is significant between the two test (<0.05). This result illustrates that the results of hierarchical cluster analysis and K-Means cluster analysis are highly similar or identical.

Result and Discussion

The Results of Factor Analyses

To show the distinct variables in each concept, I conducted a principal components analysis (PCA) on these items (as the sample size was not sufficient for confirmatory factor analysis). I used the oblimin rotation because I expected moderated-size correlations among some factors. Pattern matrix of the five concepts was mapped onto the scale as expected, therefore providing evidence of factorial validity of measures.

Strategy Marketing Factor Analyses

The composition of strategy-marketing construct during NPL in the local market is measured based on 23 items of questionnaires. This group of questionnaires is developed by considering the literatures on new product development and its commercialization. The formulation of each item questionnaire can be seen as follows:

The construction of the marketing strategy variable is measured by questioning the quality of each item in the marketing strategy, ranging from 1 (strongly disagree) to 5 (strongly agree). The results of PCA as shown in Table 6 illustrate four factors, i.e. (1) mass marketing efforts, (2) new product superiority, (3) distribution channel engagement, and (4) organizational support. The first factor clearly indicates the mass-marketing activities during new product launching. The second factor emphasizes the advantage of new product relative (superiority) to its competitor. Some researches in the past showed that this factor is determinant for new product success in the market (Cooper, 1979, 1996; Cooper & Kleinschmidt, 1987; Utterbeck et al., 1976; Song & Parry, 1997). The third factor shows the distribution aspect during NPL process. This factor is important since it ensures that a new
“To what extent do you agree or disagree with the following statements………………”

<table>
<thead>
<tr>
<th>Unsuccessful</th>
<th>Successful</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>Strongly Agree</td>
</tr>
<tr>
<td>Large number of segments covered</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Involved a huge advertising effort</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Mass communication played a role important to communicate new product/brand</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Using a large diversified promotional activities</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>All distribution channels were used to launch the product/brand</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>This new product/brand has close characteristics with core product/brand</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Product/brand advantage was relatively higher than competitors’ product advantage</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Uniqueness of product concept was the key feature of strategy</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Product/brand innovativeness (newness) was relatively higher than competitors’ product innovativeness</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Product/brand feature quality was relatively higher than competitors’ product quality</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Sales forces were largely involved in the product launching</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Distributors had high contribution during product/brand launching</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Highly commitment and contribution from all department in subsidiary</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>Highly support from headquarter/regional office</td>
<td>1 2 3 4 5</td>
</tr>
</tbody>
</table>

The result of principle component analyses of this bloc of questionnaire is as follows:

Table 3. Factor loadings and reliabilities of Marketing Strategy

<table>
<thead>
<tr>
<th>ITEMS</th>
<th>Mean</th>
<th>s.d.</th>
<th>MSA</th>
<th>F1</th>
<th>F2</th>
<th>F3</th>
<th>F4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large segments covered</td>
<td>3.41</td>
<td>1.271</td>
<td>0.818</td>
<td>0.799</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Huge advertising efforts</td>
<td>3.29</td>
<td>1.227</td>
<td>0.887</td>
<td>0.732</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mass communications</td>
<td>3.55</td>
<td>1.190</td>
<td>0.896</td>
<td>0.619</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diversified promotional</td>
<td>3.36</td>
<td>1.066</td>
<td>0.904</td>
<td>0.614</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All distribution channels</td>
<td>3.58</td>
<td>1.231</td>
<td>0.804</td>
<td>0.710</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Close with core product</td>
<td>3.58</td>
<td>1.100</td>
<td>0.893</td>
<td>0.578</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product advantage</td>
<td>3.51</td>
<td>1.013</td>
<td>0.852</td>
<td>0.698</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uniqueness of product</td>
<td>3.57</td>
<td>1.017</td>
<td>0.901</td>
<td>0.663</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovativeness</td>
<td>3.38</td>
<td>1.012</td>
<td>0.842</td>
<td>0.849</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product quality</td>
<td>3.54</td>
<td>0.998</td>
<td>0.916</td>
<td>0.508</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales force</td>
<td>3.43</td>
<td>1.146</td>
<td>0.834</td>
<td>0.857</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distributors</td>
<td>3.53</td>
<td>1.128</td>
<td>0.870</td>
<td>0.656</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution of all dept.</td>
<td>3.79</td>
<td>1.203</td>
<td>0.781</td>
<td></td>
<td></td>
<td>-0.816</td>
<td></td>
</tr>
<tr>
<td>Support from HQ</td>
<td>3.65</td>
<td>1.145</td>
<td>0.864</td>
<td></td>
<td></td>
<td>-0.694</td>
<td></td>
</tr>
</tbody>
</table>

Interpretations | Mass Marketing | Product Superiority | Distribution | Organizational Support |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Correlations</td>
<td>F1</td>
<td>0.187</td>
<td>-0.200</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F2</td>
<td>0.287</td>
<td>-0.260</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F3</td>
<td>0.285</td>
<td>-0.260</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F4</td>
<td>-0.277</td>
<td>-0.260</td>
<td></td>
</tr>
</tbody>
</table>

CRONBACH Alpha (α) | 0.79 | 0.80 | 0.58 | 0.66 |

KMO | 0.864 |

product is physically accessible for customers. Some researches in the past have classified it as tactical aspect during commercialization process (Hultink et al., 1998; Guiltinan, 1999; Di Benedetto, 1999; Hultink et al., 2000). The fourth factor is organizational support for both internal subsidiary and headquarters. The NPL in the local market should be supported by headquarters
to guarantee the allocation of resources needed
during its process. All of the four factors are
reliable since α are respectively 0.79; 0.80; 0.58
and 0.66.

**Initiative-Decision Typology and Strategy Marketing**

The effect of initiative-decision typology on all factors found in the strategy marketing
construct is the next analyses. The main objective
of this analysis is to evaluate the different effect
of typology on each factor. ANOVA analysis is
mobilized to compare the different means of each
cluster on construct resulted from PCA analysis.
The ANOVA test is as follows:

From table 4, the result shows that the
means of different factors in strategy-marketing
are significantly different based on initiative-
decision typology during NPL process. Then, the
analysis is continued by evaluating more details
on the effect of initiative-typology to each factor
in marketing-strategy. The means-plot is used to
facilitate the different effects graphically.

**Initiative-Decision Typology and Mass-
Marketing**

There are significant effects of initiative-
decision typology on each factor of strategy-
marketing; mass marketing (F2, 135 = 21,695,
p ≤ .001), new product superiority (F2, 135 =
4,365, p ≤ .015), distribution (F2, 135 = 4,126,
p ≤ .018), and organizational support (F2, 135 =
7,150, p ≤ .001). However, the effects of each
cluster are different.

Table 4. ANOVA test of initiative-decision typology on each factor

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Source</th>
<th>Df</th>
<th>Sum of Square</th>
<th>Mean Square</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Marketing</td>
<td>Inter-group</td>
<td>2</td>
<td>33,323</td>
<td>16,661</td>
<td>21,695</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>Intra-group</td>
<td>135</td>
<td>103,677</td>
<td>0,768</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Superiority</td>
<td>Inter-group</td>
<td>2</td>
<td>8,321</td>
<td>4,160</td>
<td>4,365</td>
<td>.015</td>
</tr>
<tr>
<td></td>
<td>Intra-group</td>
<td>135</td>
<td>128,679</td>
<td>0,953</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Distribution</td>
<td>Inter-group</td>
<td>2</td>
<td>7,891</td>
<td>3,946</td>
<td>4,126</td>
<td>.018</td>
</tr>
<tr>
<td></td>
<td>Intra-group</td>
<td>135</td>
<td>129,109</td>
<td>0,956</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organizational Support</td>
<td>Inter-group</td>
<td>2</td>
<td>13,122</td>
<td>6,561</td>
<td>7,150</td>
<td>.001</td>
</tr>
<tr>
<td></td>
<td>Intra-group</td>
<td>135</td>
<td>123,878</td>
<td>0,918</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Figure 2. Means-plot Initiative-Decision Typology and Mass Marketing
The third cluster, interaction mechanism between headquarters and subsidiary in each phase of NPL process, has the highest effect compared to the other clusters. The Turkey test and Bonferroni test between ‘interaction’ and ‘mix-initiative’ is significant (Turkey test is $p \leq .001$ and Bonferroni test is $p \leq .001$) and also between ‘interaction’ and ‘headquarter domination’ (Turkey test is $p \leq .001$ and Bonferroni test is $p \leq .001$). However, the difference between cluster ‘mix-initiative’ and ‘headquarter domination’ is not significant in both tests. This result shows that interaction mechanism between headquarter and subsidiary is the best way to realize mass-marketing during NPL process. Headquarter and subsidiary are in the stage of mutually understanding and this explains the massive support of resources to launch a new product. Initiatives collectively taken by headquarter and subsidiary can solve strategic and technical problems along NPL process (Crant, 2000). This mechanism is considered to create long-term consensus (Frese et al., 1996). In the cluster ‘interaction’ every decision is taken collectively by combining standardization of global strategy and localisation adapting domestic characteristics. Briefly, interaction is the most suitable strategy to create a high support to realize mass-marketing strategy during NPL process.

The same result is shown from Figure 4. The diagram above well describes that cluster 3 (interaction mechanism) has the highest means compared to the other clusters. In the Turkey test and Bonferroni test, the difference between ‘interaction’ and ‘mix-initiative’ is significant (Turkey test is $p \leq .001$ and Bonferroni test is $p \leq .001$); so is the difference between ‘interaction’ and ‘headquarter domination’ in both tests. However, the Turkey and Bonferroni test between cluster ‘mix-initiative’ and ‘headquarter domination’ in both tests is not so significant. This result illustrates that collaboration and interaction process in taking decision between headquarter and subsidiary in each stage of NPL is the best way to produce superiority of a new product. However, new product superiority is not only superiority of the invention of new formula in the R&D facility but also new product characteristics in the market (Song & Montoya-Weiss, 1998). Furthermore, the interaction mechanism allows headquarter and subsidiary to exchange global-local knowledge, information and capability. This process is important to produce high product characteristics but still integrated to global strategy. This finding confirms the past research that interdepartmental coordination is important to create a new product of high superiority in the market (Griffin & Haesser, 1996; Olson et al., 2001). The result suggests that interaction mechanism enables subsidiary to launch a new product which is unique and of high quality compared to those of its competitors.
The diagram above emphasizes the important role of ‘initiative’ cluster contrasted to the other clusters. This result supports the idea that interaction between headquarter and subsidiary is the best solution for launching a new product into the domestic market. The Turkey test and Bonferroni between ‘interaction’ and ‘mix-initiative’ is significant (Turkey test is $p \leq .001$ and Bonferroni test is $p \leq .001$) and also between ‘interaction’ and ‘headquarter domination’ (Turkey test is $p \leq .001$ and Bonferroni test is $p \leq .001$). However, the Turkey and Bonferroni test between cluster ‘mix-initiative’ and ‘headquarter-domination’ is not significantly different.

Collective initiative well explains a high degree of involvement since subsidiaries’ managers feel that they are part of this project (Birkinshaw, 1997). It explains why by interaction initiative the means of distribution is the highest among three factors. Subsidiaries’ managers find to be sure that new products could be easily bought by customers. Distribution is an important activity since it guarantees that advertising and promotion activities will be followed by the presence of new product near the customers.

Interaction and collaboration enable all organization members to participate during NPL process (Miller, 1987). Problems analysis
and how to solve these problems occur in an interactive way in which information exchange between headquarter and subsidiary is effectively facilitated. Consequently, the third cluster (interaction) need the smallest amount of organizational support during NPL process since it is embedded throughout interaction process. In this perspective, organizational support becomes important because a unit within organization needs support from other units. In the Turkey test and Bonferroni test, the difference between ‘interaction’ and ‘mix-initiative’ is significant (Turkey test is \( p \leq 0.001 \) and Bonferroni test is \( p \leq 0.001 \)); so is the difference between ‘interaction’ and ‘headquarter domination’ in both test (Turkey test is \( p \leq 0.001 \) and Bonferroni test is \( p \leq 0.001 \)). However, the difference between cluster ‘mix-initiative’ and ‘headquarter-domination’ in the Turkey and Bonferroni tests is not significantly different. Interaction mechanism happens in the ‘collective-mutual’ context between headquarter and subsidiary in which each party proactively helps other parties.

**Conclusion**

The main aim of this research is to build initiative-decision typology during NPL process. There are three stages that have been considered as an important phase within NPL activities: idea generation, new product development and commercialization. This research argues that in each stage the role of headquarter and subsidiaries’ managers is different based on the degree of initiative in making decisions. Furthermore, the initiative is taken either by headquarters or subsidiary, or even by both of them.

Based on the typology developed from the data, three clusters have been identified: headquarter domination, mix-initiative and interaction. ANOVA test, in several aspects within strategy marketing (mass marketing, new product superiority, distribution and organizational support), reveals the results that interaction mechanism produces better results rather than other clusters. Interaction process is the result of joint collaboration between headquarter and subsidiary during idea generation, new product development and commercialization.

The interactive process between headquarter and subsidiaries’ managers during the launching of a new product into local market is determinant to ensure the success of the new product. This mechanism facilitates subsidiary managers and headquarters to collaborate and combine global and local knowledge and competencies during new product development and its commercialization. It does not matter that the process happens in headquarter or in subsidiary facilities, subsidiary is a partner of headquarter to launch the new product into local market.

In this process, the subsidiary plays an important role not only in strategy implementation of the new product, but also in being involved in developing new products. The involvement of subsidiary managers in developing new product will influence the knowledge about product characteristics. Subsidiary managers understand and know the product characteristics because they are intensively involved in product construction. Once the new product is finished, the next task of the subsidiary and headquarters is how to formulate the strategy of introducing a new product to local market.

Interactions processes happen if subsidiary and headquarter are equally, more or less, sharing the same amount of information during NPD process. When headquarter agrees to the proposition of subsidiaries, they will work together to discuss the feasibility of project in terms of financial aspect, market aspect and production aspect. In general, subsidiaries provide some key information about the characteristics of the new product that will be developed and the target market specification in local market. This information will be used by centralized R&D, under headquarter authority, to develop and to design the new product. The interaction process usually happens between marketing division in subsidiary and R&D division in headquarter. Marketing division in subsidiary provides market information whereas the R&D division supplies technical information.

NPL into local market requires a combination between standardization and adaptation. The question is not anymore on what to choose, i.e. when we must standardize and when we should adapt to local environments. This is because each host country has its own characteristics,
while headquarter needs certain aspects of standardization. Standardization and adaptation are not in the situation contradictory or ‘trade-off’, but they are more on the complementary logic. Headquarter needs local market knowledge supplied by subsidiary managers, and adversely, subsidiary managers need global knowledge and experience to launch new product into local market. Therefore, it becomes necessary to analyze the interaction mechanism that facilitates the combination between local and global knowledge during NPL process.

This research has certain amount of limitations. First, it did not take into consideration the distinction between subsidiaries. In reality, a subsidiary could establish a joint venture with local partner (Killing, 1983; Yan & Gray, 1994), and this structure can influence the decision configuration with parent companies. Subsidiary managers are not only dealing with headquarter but are also dealing for the interest of the local parent company. Not considering this situation will reduce pertinence of conclusion in the research. Secondly, it did not distinguish several types of new products. New product literatures distinguish several types of new products (Booz Allen Hamilton, 1982; Garcia & Calanton, 2002; Song & Montoya-Weiss, 1998; Kleinschmidt & Cooper, 1991). Thus, different new product types need to be analyzed separately. Therefore, the next research should address the limitations found during this research.

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