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Addressing the complexities of managing domestic and multinational corporate brands

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Abstract

Purpose – The purpose of this paper is to focus on the differences between managing domestic corporate brands (DCBs) and multinational corporate brands (MCBs), and presents a framework highlighting six types of complexity associated with managing both forms of corporate brands in an international business context.

Design/methodology/approach – This paper proposes a framework addressing six types of complexity involved in managing DCBs and MCBs drawing on the literature related to corporate branding, corporate brands, and domestic and multinational corporations. The six types of complexity examined include: strategic role, organisational structure, culture, knowledge, positioning and extended responsibility.

Findings – The research identifies that DCBs have a lower degree of complexity in regard to strategic role, knowledge and positioning, but have a higher level in regard to organisational structure, cultural and extended responsibility complexity. MCBs face more complexity than DCBs across all dimensions because they operate across business environments and need to coordinate activities while adapting to environmental differences.

Practical implications – The findings highlight the importance of environmental complexity for firms managing brands globally. The issues of complexity identified in this paper need to be understood if firms are to effectively build and manage their corporate brands within and across markets.

Originality/value – The paper highlights the concepts of DCBs and MCBs, and identifies the factors that contribute to the complexity of managing these two types of corporate brands domestically and internationally.

Keywords Corporate branding, Corporate brands, Domestic and multi-national corporations, Multinational corporate brands

Paper type Conceptual paper
Introduction

Brands are actively managed at either the organisational level (i.e. corporate branding), or at the individual product level (i.e. product branding) (Xie and Boggs, 2006). Examples of corporate brands include Unilever, Procter & Gamble, HSBC, Virgin Group and Nissan, whereas product brands include Lipton tea, Head & Shoulders shampoo and Pringles chips. Several studies have highlighted that as a result of globalisation there is a shift in emphasis from product to corporate branding (Douglas et al., 2001; Xie and Boggs, 2006; Hirsch and Shaukat, 2008). This is because corporate brands give marketers the ability to leverage organisational vision and corporate culture as part of the point of difference when targeting customers and other stakeholders (e.g. investors, internal employees, the public) (Hatch and Schultz, 2003).

It is well-accepted in the literature that corporate branding plays a critical role for both domestic (i.e. local) and multinational corporations (MNCs) in establishing their competitive position and reputation in the marketplace (Foreman and Argenti, 2005; Hirsch and Shaukat, 2008).

There are, however, issues or types of complexity that may arise when managing diverse organisations across markets (Polonsky and Jevons, 2009). These complexities make growing and managing corporate brands difficult, where the varying levels of complexity affect domestic and MNCs differently (Hirsch and Shaukat, 2008). A domestic corporation (DC) operates in a single country and faces one set of macro-environmental conditions, whereas MNCs operate in a number of countries and involve subsidiaries, facing different macro-environmental conditions in each country in which they operate (Bae and Noh, 2001; Luo and Tan, 1998). Thus, creating a coherent picture of the corporate brand among stakeholders in each national market maybe more difficult for multinational brands as compared to domestic brands operating in one market (Einwiller and Will, 2002). For example, compare two giant cosmetic manufacturers – Shanghai Jahwa United Corporation (a Chinese DC) and L'oreal Paris (a French based MNC). Shanghai Jahwa focuses primarily within the Chinese domestic market and some its cosmetic product brands such as Liushen and Herborist are major competitors of established western brands in China (Petzinger, 2014). Whereas, L'Oreal Paris the world’s largest cosmetic and beauty product manufacturer operates globally and faces competition from domestic as well as international product brands across markets and thus faces greater complexities compared to DCs (Chailan, 2010). Global competition may mean DCB’s are less important in some markets as compared to MCBs. For example, the integration of the European Union has meant some DCB’s have had to become MCB’s or otherwise potentially disappear (Khojastehpour and Johns, 2015). However, DCBs still exist and have been found have significant power in some larger markets, such as China (Ewing et al., 2003). The changes in the global competition means, it is not unexpected that most literature and examples of corporate brands have tended to discuss MNCs rather than DCBs (Khojastehpour and Johns, 2015).

Surprisingly, the current literature on corporate branding has not paid extensive attention to addressing alternative types of complexity associated with managing domestic and multinational corporate brands (MCBs). This is addressed in this paper. We first provide an overview of domestic corporate brands (DCBs) and MCBs. The paper then proposes a framework highlighting six different types of complexity in managing DCBs and MCBs based on the syntheses of previous literature. Finally, we discuss the theoretical and managerial implications of the research, before concluding with avenues for future research.
Theoretical background

Corporate brands and corporate branding. Corporate brands are related to the concepts of corporate reputation and corporate image (Balmer, 2001), reflecting the corporate identity. The corporate brand is designed to be the “reality” of the corporation in stakeholders’ minds (Nandan, 2005), i.e. what comes to stakeholders’ minds when they see or hear the corporate name or logo (Gray and Balmer, 1998). Corporate branding reflects the company as a whole and reunifies its image to all stakeholders (Kapferer, 2008).

Unlike product brands, the focus of corporate brands is: directed at all internal and external stakeholders, and networks; broader than the traditional marketing mix; and experienced and communicated through all corporate communication and behaviour (Balmer, 2001). By establishing a corporate brand, a company can differentiate itself in the minds of all its stakeholders through their interactions with the company (Balmer and Gray, 2003). Powerful corporate brands are defined by representative activities and associations that make their organisations visible and notable (Kay, 2006). While corporate branding and product branding are different much of the branding theory and branding practices often overlap (Balmer and Gray, 2003).

Domestic and MCBs

It is well-accepted in the literature that corporate branding plays a critical role for both domestic and MNCs. Luo and Tan (1998) identify that DCs operate within a single regulatory/industrial system, whereas MNCs operate in several markets across national boundaries (Bae and Noh, 2001). The successful management of corporate brands by domestic companies, referred to in this paper as DCBs, involves integrated efforts of all organisational departments to build a consistent corporate image and reputation in a single environment and market (Hatch and Schultz, 2003). While in many countries there are fewer DCBs, several authors have suggested that in other countries such as in India and China domestic brands are still significant (e.g. Bajaj Auto in India and ZTE corporation in China) (Chan, Cui and Zhou, 2009; Cayla and Eckhardt, 2007; Ewing et al., 2003; Gao, 2011).

MNCs use their brands as a symbol of internationalised corporation. This maximises the efficiencies of global operations, products and brands through economies of scale and scope in order to respond to the needs of local markets in an international context (Miozzo and Yamin, 2012). The attempts of MNCs to internationalise have resulted in the development and promotion of MCBs, reflecting a consistent global identity. As these firms expanded their international activities, standardised branding practice led to the notion of international and, subsequently, MCBs. Building MCBs in the twenty-first century is perhaps the greatest challenge MNCs face and one that if addressed successfully will help insure its continued success. The reason that this presents the MNC with such a challenge is that it is not just about building a brand that meets the needs of consumers in a single market, but developing brands that transcend national boundaries (Craig and Douglas, 2000). As such, managing MCBs involves greater complexity because of the complexity in the environment, including interactions between head office and the subsidiaries in different countries; the stakeholders in these countries; and the variety of national business environments in which the firm operates. Additionally, MNCs’ branding, image and reputation are dependent on the underlying core values of MCBs, thus managing MCBs is an important issue for MNCs to address (Souiden et al., 2006).

Complexity issues in managing DCBs and MCBs

For MNCs, a subsidiary is any operational unit located outside the home country (Birkinshaw et al., 1998) and is differentiated from the organisation’s headquarters and other offshore subsidiaries in
terms of the activities they carry out, including strategic focus and operational responsibilities (Dorrenbacher and Gammelgaard, 2006). Subsidiaries that are located in the same market or trading block as the organisation’s headquarters may behave differently from subsidiaries whose headquarters are located further from the parent company’s headquarters (Taggart, 1996). The management of subsidiaries operating in foreign countries raises issues associated with brand complexity, as there are increased difficulties coordinating subsidiary activities with the parent company maintaining an overall focus. Geographical distance, cultural diversity, linguistic differences and conflicting demands/regulations of host governments can also contribute to the challenges of managing subsidiaries and thus how subsidiaries manage corporate brands (Gupta and Govindarajan, 1991; Hsu et al., 2013). Thus, speaking with one consistent voice in managing MCBs is a challenge, because MNCs comprise of multiple subsidiaries resulting in the same corporate brand potentially being viewed differently in alternative markets.

There are other problems inherent in running a company that operates in many different countries (Owen and Yawson, 2006), as the performance of subsidiaries is not only influenced by the subsidiaries’ activities, but is also influenced by the relationship between the subsidiaries and head office, as well as the specific macro-environment of the country in which each subsidiary operates (Christmann et al., 1999). In fact many MNCs have shifted their orientation from the traditional multi-domestic approach, in which local subsidiaries market locally-developed and branded products to the local population in a highly autonomous manner, to a global approach, in which firms market their products on a global basis with only limited adaptation to local markets (Ozsomer et al., 2012). This means MNCs face greater uncertainty in managing their MCBs than DCs do in managing their DCBs. This increased uncertainty arises because of the external uncertainties caused by the unpredictability of multiple foreign environments and the internal uncertainties of managing employees at a distance from head office, which may also include different cultural orientations across markets (Moeller et al., 2013). Additionally, MNCs’ ability to diversify resources and knowledge across countries (Un and Cuervo-Cazurra, 2008) is likely to depend on the strategic role of subsidiaries within MNCs’ global operations (Luo and Tan, 1998; Wang and Mathur, 2011). DCs are restricted in their operations and may not be able to achieve the same outcomes as would occur if they were unconstrained (Luo and Tan, 1998).

Drawing on a synthesis of the literature on MNCs and DCs corporate brands, the paper proposes a framework highlighting six types of complexity faced by firms in managing DCBs and MCBs (depicted in Table I). The types of complexities include: strategic role, organisational structure, organisational culture, knowledge, positioning, and extended responsibilities. The following sections discuss these types of complexities drawing on support within the extant literature. This is then followed by discussion on how the different types of complexities impact on both theory and practice.

<table>
<thead>
<tr>
<th>Types of complexity proposed</th>
<th>Degree of complexity (Low to high continuum)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Domestic corporate brands (DCBs)</td>
</tr>
<tr>
<td>Strategic role</td>
<td>Low</td>
</tr>
<tr>
<td>Organisational structure</td>
<td>Moderate</td>
</tr>
<tr>
<td>Organisational culture</td>
<td>Moderate</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Low</td>
</tr>
<tr>
<td>Positioning</td>
<td>Low</td>
</tr>
<tr>
<td>Extended responsibilities</td>
<td>Moderate</td>
</tr>
</tbody>
</table>

Table I. Complexities faced in DCBs and MCBs
The complexity framework: DCB and MCB

Strategic role complexity. The multiplicity of roles involved in defining and delegating the activities is referred to as ‘strategic role complexity’ in this paper. DCs operate in a single market and with a single focus, therefore concentrate on building nationally based corporate brands (i.e. DCBs) that are perceived consistently within their market. This gives DCs the opportunity to formulate and implement a single ‘over-arching’ corporate strategy targeting this one single market. On the other hand, implementing effective international strategies requires MNCs to pursue competitive advantage across markets. To compete effectively, MNCs’ headquarters formulate different international strategies as “strategic roles” (Gupta and Govindarajan, 1991) for subsidiaries. These strategic roles may be characterised in several ways including: a subsidiary’s dependence on linkages within the internal network of the corporation; the sharing of technology development with other subsidiaries; and the extent to which the subsidiary serves the parent corporation’s customers (Taggart, 1999; Tsai et al., 2006). In order to effectively execute the corporate branding strategy across markets, MNCs may need to assign different strategic roles to each subsidiary and further diffusing to product level brands within each country (see, for example, Arnold and Quelch, 1998; Gupta and Govindarajan, 1991; Lin and Hsieh, 2010). For example, The Coca-Cola Company has consolidated its positioning in the United States where it faces one major competitor, yet in other countries it is positioned differently and is seeking to penetrate crowded markets as a premium product, in addition to developing specific country-targeted brands in some markets (Arnold and Quelch, 1998).

For MNCs, factors such as the role of the subsidiary are usually defined by corporate head offices, as is the role to be undertaken by each subsidiary within the local business environment (Birkinshaw et al., 1998). Dorrenbacher and Gammelgaard (2006) argue that depending on the role, subsidiaries can potentially also influence MNCs’ broader branding activities, although MNCs will be likely determine the extent to which global expansion of MCBs are allowed. For example, Mecca Cola World Company developed its ranges of cola beverages initially to target consumers in Islamic countries, competing against the product offerings of Coca Cola and PepsiCo in these markets, but its operations might have difficulty competing in some western countries (Justo and Cruz, 2008).

The strategic roles undertaken may also be influenced by the focus adapted by individual subsidiaries operating under a given market condition and this, in turn, adds to the complexities of managing MCBs across different environments (Birkinshaw and Ridderstrale, 1999; Chini et al., 2005; Manolopoulos et al., 2005; Luo and Zhao, 2004). For example, Tata Group’s focus on developing cost-effective products shapes their activities both within and outside of India, although when expanding outside India, branding approaches will need to be tailored to activities that fit new environments (Crainer, 2010).

Organisational structure complexity. We view the complexity issues related to the roles played by employees at different levels of the corporate hierarchy as “organisational structure complexity”. All staff members are responsible for ensuring that their firms deliver on the brand’s promises, thus, as the structures for managing activities become more complex (as occurs in MNCs) so does the complexity of managing the corporate brand (Balmer, 2001). In the case of MNCs, communicating a consistent global corporate brand message is more complex because of the variations in organisational structures, personnel and market offerings across subsidiaries (i.e. country offices managing the same brand or other sub-brands) where the brand values may resonate differently with consumers in each market (Justo and Cruz, 2008). For example, after the acquisition of IBM’s Personal Computing Division, the management of Lenovo Corporation had to implement strategies to deal with the transition of the brand to the new firm, such as maintaining the IBM logo for the first five years in some of the product ranges, and using a dedicated sales force to communicate to customers that the new company would provide the same quality products and level of service. In addition, Lenovo also
had to market internally to the existing management and employees of the Personal Computing Division that the new company would be more open-minded and provide progression opportunity to employees (Liu, 2007).

Organisational culture complexity. We describe the term “organisational culture complexity” in this paper as encompassing issues related to cultural multiplicity at both organisational and national levels (Diaz et al., 2009). Corporate brands tend to have strong organisational “cultural roots” (Balmer, 2002), the maintenance of which is essential for corporate brand building (Balmer and Gray, 2003). Ouchi (1981, p. 41) depicts organisational culture as “set of symbols, ceremonies, and myths that communicate the underlying values and beliefs of an organization and its employees”. Each subsidiary for the same brand will also have its own culture and history that need to be integrated into MCBs’ activities (Hynes, 2009). However, the culture of each subsidiary will also be shaped by the host country political and legal environment, as well as the values (i.e. national culture) of the host country (Ang and Massingham, 2007; Diaz et al., 2009; Ralston et al., 2008; Quester and Simpson, 1998). For example, it has been found that managers of MNCs have difficulties in managing offshore subsidiaries when there are differences in home and host country national cultural orientations (Brock et al., 2008). Thus brand managers at both corporate and local subsidiary level need to be adaptive to the local environment to ensure that the brand fits each local context (Chini et al., 2005). We propose that while DCs face some level of inherent organisational complexity, MNCs face greater degrees of organisational culture complexity because subsidiaries operate across countries, with different national cultures and business environments.

Knowledge complexity. The complexity involved in generating and disseminating information within and across an organisation is viewed as ‘knowledge complexity’. While DCs have the opportunity to allocate resources and time to develop expertise for operating in their market, MNCs need to integrate information from all markets in which they operate (Wang et al., 2009), which is especially important if corporate brands are to be consistent across markets. The development of localised knowledge is also dependent on the skills and intelligence received from employees in offshore subsidiaries (Hong and Nguyen, 2009), which can then be combined across markets to achieve competitive advantages (Holm and Sharma, 2006). Subsidiaries need to ensure that local knowledge is shared with head office (Ang and Massingham, 2007; Dellestrand and Kappen, 2011; Wang et al., 2009). For example, Qin et al. (2008) identified that knowledge transfer was considerably difficult between the China-based subsidiary and the US-based headquarters of a Fortune 500 listed multinational because of the dissimilar cultural contexts and market environments within the two countries. Therefore, the way that market-specific information (i.e. the transfer of knowledge) is leveraged across foreign subsidiaries should help to determine branding activities and MNCs’ overall performance (Michailova and Minbaeva, 2012).

The accumulation and transfer of knowledge across subsidiaries located in different countries is important for the survival and success of MNCs (Holm and Sharma, 2006) and their corporate brands (i.e. MCBs). Subsidiaries should acquire and generate knowledge to be used by MNCs to manage MCBs (Gupta and Govindarajan, 2000). As a result, a corporate brands’ success will be differentiated across MNCs and their subsidiaries based on the organisation’s capability to transfer and manage knowledge (Chen and Lovvorn, 2011; Gupta and Govindarajan, 2000), thus enhancing the reputation and image of the MCBs (Wang et al., 2009). However, subsidiary knowledge may also assist in shaping MCBs, as they evolve to integrate new international factors as well. The Tata Group example highlights that when the brand moved outside of India, it did not simply reflect the home country views, but rather adapted to include host country cultural factors and understanding of the MCB.
Positioning complexity. We conceptualise ‘positioning complexity’ as issues that arise in regard to corporate brands being positioned consistently in the minds of stakeholders across markets. Three generic corporate brand positioning strategies are discussed in the literature reviewed. They include: uniformity (i.e. corporate profile is similar to business and product level unit, e.g. BMW, Airbus); branded (i.e. two or three different levels of branding occur, e.g. Kellogg’s and its various types of cereals); and endorsed (i.e. a mixture of uniformity and branded, e.g. GM) (Cornelissen and Elving, 2003). Regardless of DCs’ positioning strategy there will be a moderate level of complexity associated with positioning DCBs in the minds of targeted stakeholders. This is because DCs employ strategic visions within their one market, requiring an integrated marketing mix suitable for the target audience in that specific market (Justo and Cruz, 2008). This approach when applied by MNC’s, leverages the local competitive advantage of these MNCs’ subsidiaries (Christmann et al., 1999). In the global market, having a consistent positioning across markets is then a challenging task (Hirsch and Shaukat, 2008), especially when market economic conditions differ across countries in which subsidiaries operate. For example, brands such as McDonald’s and KFC can be perceived as luxury brands in developing countries (Belk, 1999) and convenience service brands in developed countries As was identified earlier, the Tata Group may be seen to have quality products in India, but may be viewed negatively in western countries because of western consumers’ negative perceptions of India as a manufacturing country (Gürhan-Canli and Maheswaran, 2000).

In addition, there might be added complexity in the case of managing MCBs where MNCs simultaneously have two or more brands with different positions (in the same or different segments) in one market. For example, Altria at one time owned Phillip Morris and Kraft, both of which were positioned very differently (Hirsch and Shaukat, 2008). In that situation, Altria may have specifically designed its international brand to be anonymous so that there were no links between these two brands, ensuring there was no consumer confusion. As such, while MNCs attempt to build a consistent corporate position across markets, they face a range of complexity issues associated with varying strategic positioning of each subsidiary brand within markets.

Extended responsibility complexity. The ‘extended responsibility’ (i.e. social responsibility) of organisations is identified in the context of complexity as the responsibilities the firms have beyond the traditional organisational boundaries on both sides of the value-chain (e.g. suppliers, distributors and subsidiaries), such as corporate social responsibility related activities (Polonsky and Jevons, 2009). Werther and Chandler (2005) argue that a corporation’s extended responsibility activities (e.g. corporate social responsibility) contribute to the development of strong corporate brands and are essential for modern firms. While the emphasis given to building corporate brands in DCs is based on the values (often seen as a promise) that are associated with the image of the local corporation and its brand offer (Balmer and Gray, 2003), multinationals can broaden the values of their corporate brands by undertaking social responsibility activities which target a broader range of stakeholders across markets through their various subsidiaries (Dorrenbacher and Gammelgaard, 2006). While extended responsibility is considered an important and complex dimension for both DCBs and MCBs (Porter and Kramer, 2006; Hillestad et al., 2010), management of MCBs involves facing different types of environments, regulations and stakeholders. As such, the issues related to managing extended responsibility of corporate brands across markets are far more complex than when managing DCBs (Polonsky and Jevons, 2009), especially if stakeholders within each market have different issues of concern. For example, environmentally-oriented consumers in Australia may be concerned with salinity of farmland whereas in Indonesia stakeholders may be more concerned with deforestation of
rainforests. This raises questions as to whether MNCs should target social issues that have global appeal or those that target the needs of the consumers in one market (Polonsky and Jevons, 2009). This choice can be problematic if actions seen in one market are seen to be exploitative in another. For example, are schemes to create jobs in developing countries exploiting low-wage communities or creating opportunities for development that might not otherwise exist (Farrell, 2005)? The way such social issues are viewed globally may direct subsidiary action within markets, but may make coordination of brand image by MNCs more complex.

**Theoretical implications**

This paper draws on the literature related to corporate branding, corporate brands, and domestic and MNCs to propose a framework of six types of complexities associated with managing DCBs and MCBs (see Table I). The framework presented within this paper identifies that regardless of the scope and breadth of operation (i.e. DCs or MNCs) there are varying degrees of complexity involved in building and managing brands. The paper posits that managing MCBs involves greater degrees of complexity for all six issues identified: strategic role, organisational, organisational cultural, knowledge, positioning and extended responsibility. MNCs, therefore, need to understand these complexities if they are to build and manage a consistent and strong corporate brand reputation and image across markets.

MNCs work as networks by drawing on resources across subsidiaries operating in culturally, economically and geographically diverse regions (Yu et al., 2006). This makes foreign subsidiaries a critical source of competitive advantage for MNCs, both within each market as well as across markets (Schmid and Schuring, 2003). It also allows subsidiaries to implement the strategies of the parent company by leveraging their expertise within markets (Wang and Suh, 2009), but subsidiary strategies also need to be consistent with MNCs’ brand strategy. As a result, subsidiaries’ strategic roles also contribute to the increased levels of complexity associated with building and managing a consistent corporate brand across international markets.

Translating corporate brand strategies into practice requires MNCs’ corporate branding to integrate and adapt to this complexity, thus ensuring that the local subsidiaries are equally “living the brand” (Thesleff et al., 2011). MNCs also need to be aware of the positioning complexity involved while globalising their corporate brand across markets, because stakeholders from other markets might view the brand’s positioning differently, leading to an inconsistent corporate image (Light, 2013). While corporate branding in both DCs and MNCs is a powerful tool in the development of strategic competitive advantage and corporate reputation, MNCs may require a different set of strategies in building and managing their corporate brands compared to that of DCs because of the range of complexities involved.

**Managerial implications**

At a product level, development of a new brand is possibly easier for MNCs, as firms can design a brand that is positioned and marketed similarly across countries or more easily adapt product brands for market conditions, although they still deal with issues of complexity. At the same time it needs to be acknowledged that there are differences in different regions and markets. For example, some Chinese brands operate as national within China (e.g. ZTE, Huawei) and due to the pressures of globalisation these corporate brands are moving towards internationalisation and thus may become
MCB’s. Thus, globalisation may reduce the impact and importance of DCBs. There are even examples of this shift occurring in the USA many years ago. For instance, at one point Coors beer was only a regional US brand rather than a national brand, whereas now it is an international brand (Keller, 1999). Unfortunately, the shift between domestic and international brand is not as easy for all brands as they expand from local or subsidiary brands into MCBs. In those instances, there will be a greater need to consider whether or not a global approach is applicable or even achievable. If the answer is yes, corporations may still need to be adaptive in regard to how they leverage their corporate brand globally (Fletcher and Crawford, 2011). For example, if they are using corporate spokespersons, these should possibly vary by country yet maintain similar positions, thus allowing for a consistent global corporate brand image. Regulatory environments could also result in changes when, for example, the promotional activities linked to corporate brands have different restrictions globally (Kashani and Quelch, 1990).

On the other hand, if managers believe that corporate brands should have variations in branding approach, this will need to be carefully managed, especially if there is any chance of cross-contamination or leakages across markets of alternatively positioned brands, as this would confuse stakeholders. For DCB seeking to go global, there are also complexities. If the brands are designed to be strongly linked into the local macro-environments, the global appeal could potentially be impeded if these local environments are viewed less positively internationally (i.e. negative country of origin effects). In such instances, brands would need to target markets that are similar in cultural or macro-environmental focus, for example, as occurred in the expansion of Mecca Cola World Company. Therefore, the global appeal may be restricted, requiring a repositioning of the corporate brand across all markets.

**Future research**

The paper draws together issues across the literature to identify six types of complexity. The research did not have explicit research questions, other than identifying how alternative types of complexity might impact MCB and DCBs. Future research needs to examine the degree to which the complexity factors affect brands’ global performance. Such work is difficult as each market will have varying degrees of complexity; thus, a firm may face multiple issues in different markets simultaneously. Case study research might, therefore, be more appropriate to examine how alternative types of corporate brands manage complexity issues (Lindgreen et al., 2012), and whether they, in fact, seek to manage the issues across all markets or take a multi-domestic or regional approach. Future research may also look into developing a scale that measures the extent to which a corporate brand is internationalised and whether this is perceived differently by various stakeholders (e.g. international clients, employees, shareholders). This research could also examine which factors enable brands to be more global, thus enabling managers to better determine whether global brand strategies are appropriate.

**References**


Further reading


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