

**SERVICE QUALITY AUDIT MECHANISM
FOR MULTINATIONALS' EMERGING MARKET PENETRATION:
EVIDENCES AND EXAMPLES FROM INTERNATIONAL EXPRESS
DELIVERY AND ACADEMIC PUBLISHING BUSINESSES**

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ABSTRACT

We find that there is a weakly guarded trade-off between the growth speed and uniform service quality of the penetration by multinational companies into emerging markets. Evidenced by the relationships between outdated and inadequate regulations (and hence ineffective supervision) and wrongdoings by Enron, WorldCom, Tyco, and Global Crossing in the financial markets (and the resulting remedy regulation called Sarbanes-Oxley Act passed by Congress), we believe that preventive auditing on service quality is indispensable for the service industry, especially in the fast-expanding, red-hot emerging markets. The last thing a multinational company will ever want is to see its rapid growth come at the cost of deteriorating service quality, which undermines its customer loyalty and future growth momentum.

We then propose a model for auditing service quality when multinational companies penetrate into emerging markets, and show how that generic model can be applied to two fast-growing service industries – international express delivery and academic publishing. To a certain degree, our model is scalable and readily extendable to other service industries, such as international service contract providers (for notebooks etc.) and value-adding content adaptors (e.g. translation or adaptation to a different economic or cultural context). For international express delivery, fast and reliable service is the key to success. We thus propose an enforceable mechanism to maintain service quality in a non-English-speaking emerging market. For academic publishing, exclusive regional rights and translation rights, as well as other derived sources of revenues, are the key issues. We thus propose the needed quality auditing procedures to maintain a healthy growth in an emerging market without sending the wrong signals/incentives to local authorized points-of-contact. We believe that our model is of increasing importance in the Internet era for major academic publishers in the U.S.

Our models are all original and our mechanisms are all enforceable. Our mechanisms deploy a wide variety of concepts ranging from data mining and balanced scorecard to matching theory.

Keywords: auditing, incentives, service industry, multinationals, data mining, balanced scorecard, perceived quality, benchmark comparison, intangible assets, intellectual property rights, Sarbanes-Oxley Act, international express delivery, academic publishing