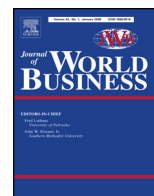




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Going beyond national cultures – Dynamic interaction between intra-national, regional, and organizational realities



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ABSTRACT

Cultural studies in international business have focused intensively on country-level analyses and have been criticized for their limited efforts to conceptualize and measure much richer, more dynamic and multi-level cultures. Drawing on literature from economic geography, we propose a new perspective that takes intra-national regional culture as the unit of analysis. Combining this perspective with acculturation theory and the concepts of cultural strength and embeddedness, we develop a conceptual model to analyze dynamic interaction between intra-national regional cultures and organizational cultures and propositions on how such interactions affect firm performance. Implications for future research and business practice are presented.

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1. Introduction

The impact of culture on international business has attracted increasing amounts of attention in recent decades. Various issues such as foreign direct investment, choice of entry mode, and the performance of foreign affiliates, have been studied in the light of culture and its influence (Shenkar, 2001), and the cultural gap between the home and host countries (e.g., Hymer, 1976; Johanson & Vahlne, 1977; Kogut & Singh, 1988).

Such studies have focused strongly on the dimensions of cultural value developed by a few scholars – such as Hofstede (1980), members of the GLOBE project (in the 1990s), and Schwartz (2006) – to illustrate cultural differences among various countries (Kirkman, Lowe, & Gibson, 2006; Osland & Bird, 2000). However, this stream of research has been criticized for what is essentially one flaw: it has not succeeded in conceptualizing and measuring richer, more dynamic and multi-level cultures. Current studies tend to focus on comparing cultures on the national level under the assumption that it is a monolithic phenomenon that exists within boundaries. The aim of this study is to introduce intra-national regional culture as a unit of analysis, and to present a theoretical framework within which to analyze dynamic interaction between

intra-national regional cultures and the organizational culture of firms entering these regions.

The importance of an intra-national region for a firm's competitive advantage is widely recognized in economic geography, but has not been applied to the domain of IB (Beugelsdijk, McCann, & Mudambi, 2010; Menghinello, Propris, & Driffield, 2010; Mudambi, 2008; Verspagen & Schoenmakers, 2004). Our intention, therefore, is to provide an alternative theoretical lens, and in drawing from other disciplines to further deepen understanding of international business. We believe that knowledge development in this context requires the establishment of a solid and rich theoretical framework, and that the methodology needs to be reconsidered accordingly.

We begin our analysis with a review of current approaches to culture in the IB context. Following on from this, we propose a new perspective that takes intra-national regional culture as the unit of analysis. Next we summarize and synthesize exciting new conceptualizations of intra-national regional culture in the field of economic geography. Building on this perspective in the third section we present a theoretical framework for examining dynamic interaction between an organizational-level and an intra-national, regional-level culture. This model leads to new propositions concerning the performance outcomes of such interactions and the moderating factors. The implications in terms of MNE location choice and entry strategy on the regional level are examined in the final section in conjunction with a discussion about the theoretical and managerial contributions of this study, its limitations and implications for future research.

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2. Current approaches to culture in IB

Cultural studies in the field of IB have tended to concentrate on comparing national cultural values on measures comprising few dimensions. Hofstede's (1980) work, *Culture's consequences: International differences in work related values* positioned cross-cultural analysis as one of the main streams of research (Tung & Verbeke, 2010). The nine dimensions identified in the GLOBE study (Javidan, House, Dorfman, Hanges, & De Luque, 2006) and Schwartz's seven dimensions (Schwartz, 2006) are also frequently cited and widely used. Additionally, a cultural index that purports to operationalize the cultural gap between MNEs' host and home countries and is based upon Hofstede's dimensions (Kogut & Singh, 1988) has been extensively applied in studies on entry modes and location choice, for example.

Despite the fact that these additional dimensions and the concept of cultural distance resulted in a number of studies and various new insights, they have also attracted criticism. Hofstede's (1980) work, for example, despite being among the most frequently cited in the field (Kirkman et al., 2006), has been widely criticized for not capturing the dynamic and changing nature of culture (e.g., Ailon, 2008; Berry, Guillén, & Zhou, 2010; Brannen & Doz, 2010; Kirkman et al., 2006; Kitayaman, 2002). The GLOBE study represents an attempt to address the weaknesses in Hofstede's study, but is also criticized for its negative correlations between "values" and "practices" (cf. Hofstede, 2006; Javidan et al., 2006). A further problem is that researchers are increasingly using the GLOBE scores and Hofstede's scores in similar ways, thereby confusing the country and the individual levels (Brewer & Venaik, 2011; Venaik & Brewer, 2010). Finally, many studies based on the cultural distance index present contradictory results (Berry et al., 2010; Drogendijk & Zander, 2010; Kirkman et al., 2006; Osland & Bird, 2000; Shenkar, 2001; Wang & Schaan, 2008).

Recently, despite the development of various dimensions and cultural-distance indexes based on them, researchers such as Brannen and Doz (2010), Drogendijk and Zander (2010), Kirkman et al. (2006), Osland and Bird (2000), Shenkar (2001) and Tung and Verbeke (2010) have emphasized the fundamental limitations in the current approach. The criticism they attract falls into four categories. Table 1 summarizes these major criticisms, highlighting the need to analyze culture in a dynamic, comprehensive and multi-level manner (cf. Zaheer, Shomaker, & Nachum, 2012).

First, most studies do not take intra-national spatial variations into account, assuming cultural homogeneity within a country's borders. In other words, the fact that national cultures consist of various sub-cultures has been ignored (Brannen & Doz, 2010; McSweeney, 2009; Shenkar, 2001; Tung & Verbeke, 2010). It is said that intra-national diversity can be wider than diversity between countries (Tung & Verbeke, 2010). Li, Tan, Cai, Zhuc, and Wang (2013), for example, recently identified significant differences in leadership effectiveness between two Chinese cities that are geographically very close: Hong Kong and Shenzhen. In turn, Kaasa, Vadi, and Varblane (2013) found significant differences in

cultural values on an intra-national regional level in their European Social Survey. Hence, the significant gap in the capacity of national-level data to describe or explain organizational-level behavior – which is the primary interest in organization studies (McSweeney, 2009) – could be narrowed if it were recognized that there is an intra-national regional culture in addition to the national culture.

Second, the interaction effects among different cultural levels have very rarely been considered. There is inconsistency in the empirical findings across levels because of the lack of research on multiple levels (Kirkman et al., 2006). On the assumption that culture is dynamic, it is clear that people encounter a host of national, intra-national, and organizational cultures and not merely the national culture (McSweeney, 2009). Therefore, in order to fully comprehend the influence of culture on a firm's decisions and performance it is essential to examine the multiple layers of the respective cultures and their inter-relationships (cf. Kirkman et al., 2006).

Third, although cultural dimensions allow for the operationalization of cultural values, researchers have been too fixated on values (Earley, 2006). Thus, there is the need to identify the behaviors, attitudes and practices of certain groups of people. In addition, theoretically relevant contextual moderators and mediators such as the level of economic development, political stability, the educational levels of the local employees, and differences in legal systems have not been included in assessing the impact of culture on a firm's performance (Kirkman et al., 2006), although several of Hofstede's dimensions have their roots in religion, language, economic wealth and legal factors (Tang & Koveos, 2008). Many cross-cultural works explain cultural influences in a post hoc, exploratory manner, without incorporating them into any theoretical framework (Aycan, 2000; Schaffer & Riordan, 2003; Yeganeh & Su, 2006).

Fourth, it has been assumed that cultural dimensions remain stable over time (Shenkar, 2001; Taras, Steel, & Kirkman, 2012; Tung & Verbeke, 2010). Hence, there is the need to acknowledge the changing aspects of culture in terms of people's behaviors and attitudes, for example (cf. Hatch, 1993; Schwartz, 2006). Ralston, Holt, Terpstra, and Kai-Cheng (2008) and Ralston (2008) found evidence that suggests some aspects of cultural values – such as those relating to economic activities rather than families and relationships – change more quickly.

Our aim in this paper is to address the first and second criticisms through the introduction of intra-national regions as a unit of analysis, thereby drawing upon economic geography (next section). We also present a framework mapping the interaction between organizational and regional cultures (fourth section).

Despite the wide variation in definitions of culture, it is acknowledged by many scholars (Gould & Grein, 2008; House, Javidan, Hanges, & Dorfman, 2002; Leung, Bhagat, Buchan, Erez, & Gibson, 2011; McSweeney, 2009) to comprise values, beliefs, norms, and practices that are shared within a certain group of people. This paper builds on this view, and in order to overcome the limitations discussed above, it further considers the shared

Table 1
Criticism of current approaches in cultural studies.

Type of criticism	Major problems in current approach	Related works
(1) Strong focus on values	Focus attention on values although culture includes other aspects such as practices and artifacts.	Earley (2006)
(2) Assumption of stability	Considering culture as stable over time although it can change, especially on the surface level such as in behavior and attitudes.	Ralston (2008), Shenkar (2001), Taras et al. (2012), Tung and Verbeke (2010)
(3) Assumption of the monolithic nature of national culture	Considering national culture as monolithic, overlooking intra-national diversity	Brannen and Doz (2010), Li et al. (2013), McSweeney (2009), Shenkar (2001), Tung and Verbeke (2010)
(4) Single-level analysis	Lacking insight into dynamic interaction among different levels of culture	Kirkman et al. (2006), McSweeney (2009)

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