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Cultural Variations and Business Performance

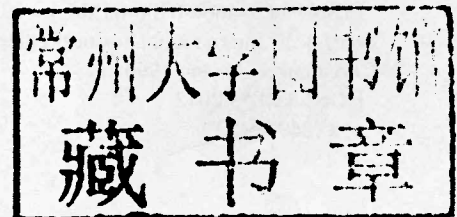
Contemporary Globalism



Bryan Christiansen

Cultural Variations and Business Performance: Contemporary Globalism

Bryan Christiansen
PryMarke, LLC; USA



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Pamela Lirio, *EDHEC Business School, France*
Suzanne Gagnon, *McGill University, Canada*
Maud Oortwijn, *Warwick Business School, UK*

Foreword

This publication covers much material on various cultural issues impacting Foreign Direct Investments (FDIs) in contemporary globalism. Some of the issues that have become subjects of debates include: How can multinational organizations survive the multi-cultural differences brought about by the different cultures of the mother and the host country? How should practices of regionalization be adopted amidst the quest for globalization? How much of the national culture (host-country) could impact an organization's culture? Should Multinational Corporations (MNC) or Multinational Enterprises (MNEs) stick to the universal application of management principles, thus continuing to perform on its mother-country bred organizational culture—or continuously try to fine tune themselves towards localization? What cultural competencies should managers and other MNC actors possess to ensure the MNC brings the necessary revenues?

The authors do not pretend to have all the answers to the above questions. However, they have presented case studies and sufficient literature for the reader to reach his or her own conclusions and courses of action.

The commonality of the studies presented in this scholarly endeavour rests on FDIs represented in the various studies as MNCs or MNEs. These large amounts of investments are the major sources of revenues not only for big businesses, but also for the mother- and host- nations. The success of the MNCs or MNEs could have great impact on national economies; thus, it is imperative that FDI's be supported or managed well. The compilation engages the reader into an international business mindset, and it weaves throughout the various chapters of the book implicating organizational culture as directly affecting business performance of the biggest MNCs, as well as the cross-border small and medium enterprises (SME's) which also must consider the cultural differences with their neighbouring nation(s).

The results of studies from various business niches in Latin America, Asia, Middle East, Canada, and other areas mostly geared towards the regionalization or localization of the MNCs. This is contrary to the more popular belief that MNCs bring their organizational culture to their host country. The recipes for success of any FDI are to be global, to remain competitive, and eventually to succeed is not the universal application of management principles; rather, they are to continuously consider emphasizing organizational culture and social relationships.

There are some attempts to offer some approaches in handling the cultural issues. Studies on the impact of biculturalism and localization are revealed, and the book comes close to recommending biculturals (those individuals who practically have been exposed to two cultures) as the MNCs *savior*. Two studies highlight expert trade bridges, cross-cultural experts and advisers, and conflict mediators, all of which positively make a difference for the team, thereby ensuring team effectiveness. In contrast, another study recognizes that certain combination of cultural traits with, "...*high levels of collectivism*,

uncertainty avoidance, power distance and Confucian dynamism tend to breed people who are more participative, creative, and spontaneous....”

The findings and conclusions of these cases act as a guide to business venturers in maintaining MNC/MNE operations to secure their businesses' success. Most of these case studies highlight the impact of culture—especially organizational culture to the effectiveness of organizational performance. As could be gleaned from most of their findings, the proper approach to organizational effectiveness is through the management of cultural differences. Thus, this concerted effort shall serve as a very important reference guide to the management of multinational firms how national or regional values and the cultural competencies of managers and other human resources shall influence corporate values and affect business success.

Wherever they are located, MNCs and MNEs must survive; therefore, these entities will do whatever necessary to achieve their goals. Even if sacrificing their globalization gains by adopting more and more local values and incorporating them to their own organizational culture, it is their way to globalization.

Dr. Ghassan Al-Qaimari

Fujairah College, United Arab Emirates

Ghassan Al-Qaimari is a Professor of Computer Science and Information Technology and the founding President of Fujairah College which was established in 2006 in the United Arab Emirates (UAE). From 2004 to 2006, he served as the Head of the Faculty of Information Technology, and Head of the Faculty of Postgraduate Studies at the University of Wollongong in Dubai. Dr. Al-Qaimari taught at RMIT University in Melbourne, Australia for a total of eight years between 1995-2003. He was also a visiting Professor at a number of universities including the Australian National University, Birzeit University, and Jerusalem (Al-Quds) University. Dr. Al-Qaimari is an active researcher who established and led the Human-Computer Communication research group at RMIT University for several years. He received a number of research grants and supervised approximately 50 Master- and PhD-level theses. His research publications and accomplishments in the area of Human-Computer Interaction, Usability Engineering, Object-Oriented Analysis and Design, Software Project Management and Globalization of E-Commerce Applications are widely recognized. He has published extensively in refereed journals and international conferences, and served as member of different program committees in various capacities for a number of international forums and conferences. Dr. Al-Qaimari has over 20 years of experience in public and private sector organizations in the Middle East, Europe and Australia, and he is been actively involved, with major industry players, such as IBM, Telstra and Mercedes-Benz. Born in Jerusalem, he holds a Bachelor Degree in Electrical Engineering and a Master's Degree in Computer Engineering from University of Detroit Mercy, and received his PhD in Computer Science from Heriot-Watt University in Scotland.

Preface

The primary purpose of this book is that of a reference publication for business scholars that addresses the need for more culturally responsive decision-making within a global context in the executive boardrooms and managerial offices around the world. There is no doubt the globalization of the 21st century has changed economic realities far beyond anyone's expectations; the global financial meltdown of 2008 serves as a particularly poignant example. To address the most critical issues involved, this book covers a multitude of issues ranging from bilingual and Third Culture Kid (TCK) managers to strategic entrepreneurship from both cultural and global business perspectives.

This book was conceived during the mixed qualitative grounded theory and quantitative method study of the author's PhD field research in Costa Rica, Nicaragua, and Panama during the period 2004-06. The book is also based on the extensive and practical international business experience of the author in 35 countries since 1985 with Global 500 firms and smaller organizations. The content includes the very extensive work of the Dutch anthropologist, Geert Hofstede, and others in the same field. It also incorporates the work of major business theorists and practitioners such as Drucker, Ohmae, and Porter for further authoritative foundation.

The desired result of this book is to provide a foundation for business and other scholars from which to pursue further applied research in the fields discussed in the book, such as intercultural competence or workplace conflict. It is also desired the same material shall provide thought-provoking material from which business executives can work to develop responsible and sustainable corporate profitability in contemporary globalism, while simultaneously decreasing waste during an age of global warming and increasingly scarce resources available to a growing world population.

Although there are some circles of scholars and lay persons who believe we are now experiencing the demise of capitalism some 20 years after the passing of Communism when the Soviet Union collapsed in late 1991, the reality is that we are actually witnessing the modern restructuring of capitalism, with its "command center" in a different part of the world than in the past. Therefore, it is important to emphasize the concept of responsible sustainability in the economic system that has proven over the ages to be much more aligned with the true realities of long-term human behavior than any other economic foundation. Even the "Communist" regimes of China and Cuba have embraced at least some aspects of free market enterprise as a way in which to enhance the livelihoods of their citizenry, despite the financial turmoil since 2008. However, perhaps their "hybrid economic approach" is one that is worthy of more extensive research and potential application for long-term sustainability today.

The reader should bear in mind the tumultuous world events of 2008 are still being evaluated by experts to restructure global and national systems from education, finance, government, and beyond to work truly effectively today. It is hoped this book will contribute something positive as a part of that

massive effort. As mentioned earlier, today the world is witnessing a fundamental, long-term change of economic (and political) power from Europe and North America to Asia, particularly to China and India where it is forecast that up to 45% of the World Gross Domestic Product will originate by 2050. These factors will require a major paradigm shift in expectations and thinking on multiple levels in both developed and developing nations around the world. This publication provides a number of examples towards realizing this necessity.

Before his passing in 2005, Peter Drucker, who was considered the world's first authority on the field of business management, viewed contemporary globalism as one of profound transition—potentially even more influential than the structural changes triggered by the Great Depression or the Second World War (Drucker, 2002). Drucker contended there are “Five Certainties” that would shape 21st century business strategy: 1) the collapsing birthrate in the developed world; 2) major shifts in the distribution of disposable income; 3) global competitiveness; 4) the growing incongruence between economic and political reality; and, 5) a redefinition of corporate performance (Drucker, 2002). These issues are transforming the global economic and workplace landscapes very quickly in ways very few people today yet completely understand (Greenspan, 2008; Tyson, 2009).

It is important to note that although globalization has actually existed since the beginning of humankind, what makes contemporary globalism so different from the globalization of the past is the *speed of change* due primarily to the development and use of technology (Gates & Hemingway, 1999; Nye, 2003). The current global recession is one unfortunate manifestation of that reality, and the primary lesson to be learned from the situation is that systems of all types—not only financial ones—must be updated to reflect the demands of today's globalization (Tyson, 2009). The future implications for workers around the globe are serious ones, particularly since today's economic realities require even more education, skills, and training than ever before due to the growing complexity of our world.

Many of those individuals around the world who do not grasp this reality shall most likely be subjugated to a more humble, long-term existence than desired or expected in the 21st century.

Chapter 1 concerns the foundations of cultural theory that sets much of the tone for the remainder of the book. The theory of cultural dimensions constitutes the foundation of a significant portion of comparative cross-cultural business research. From Kluckhohn and Strodtbeck (1961) to the GLOBE study (2004), researchers have refined its conceptualization and empirical methods. Even though the theory of cultural dimensions can be criticized from several points of view, it has shown its usefulness for both research and as a teaching tool. Opportunities exist both in a more rigorous application and in the further development of cultural dimensions.

Chapter 2 explores individual intercultural competence as an enacted capability developed through social interaction and experience with dominant local cultures and minority cultures. The authors employ a “knowing-as-practice” perspective to suggest that the study of intercultural experts has potential to inform this area of knowledge. From this perspective, examining practice repertoires used by expert actors can provide a useful complement to cultural intelligence (CQ) frameworks for understanding individual intercultural competence.

Chapter 3 provides another example of intercultural competence by examining the role of bicultural managers in multinational corporations in Japan. The authors provide results from a research study conducted in Japan among managers who had one Japanese and one non-Japanese parent, and who worked in a multinational corporation in the country. This arrangement was chosen because the issue at-hand is more controversial in Japan than in other industrialized countries. The main questions investigated include:

- How can or should bicultural skills be defined?
- Which aspects of bicultural skills are most important for multinational organizations?
- How can bicultural skills be identified and leveraged not only in people with a bicultural upbringing, but also in other staff?
- Are bicultural managers able to change their roles in the corporation, or are they limited to the role of cultural experts and mediators?

Chapter 4 focuses on applications of Denison's model of organizational culture and effectiveness in a variety of countries. The model and the survey conducted by the chapter's author can be applied in individual cases to illustrate the strengths and weaknesses of organizations. They can be a useful tool for managers worldwide in the continuous quest for performance.

Chapter 5 contributes to the emerging literature on cross-border inter-firm networks by providing both theoretical insights on the causal mechanisms of network-related effects on firm performance, and empirical analysis of existing cross-border partnerships in the domain of European integration and their effects on firm performance. The chapter also examines the differences in the structure of European cross-border networks and explores factors that determine network structure such as regional integration and cultural variations.

Chapter 6 concerns research in international strategy and marketing which has mainly gone from a multidomestic focus to a global focus. Reality seems to indicate that more and more multinational enterprises (MNEs) have been implementing regional strategies as opposed to either global or multi-domestic ones. Debate has been active over the last two decades on the reality of globalization and regionalization. This chapter reviews the debate, distills major themes, and offers a structured understanding of the phenomenon of regionalization vs. globalization as seen in contemporary internationalization.

Chapter 7 focuses on the resource-based internationalization of small developing countries. In contrast to their developed counterparts, small developing countries are characterized by a narrow resource base, relatively weak institutions, and a high degree of openness. Therefore, the objective of this chapter is to build a framework to explain internationalization of Small and Medium Enterprises (SMEs) from small states.

Chapter 8 provides a framework for understanding the business challenges facing Brazilian companies. Based on the symbolic school of interpretive anthropology, two lines of ethnographic research were conducted on a Brazilian banking institution to identify, connect, and analyze the characteristic traits of Brazilian culture and their impact on organizational culture and administrative practices. This view rejects the hypothesis of universal management principles. In other words, management should be coherent with the country's cultural expression, and international businesses should pay attention to the institutional and cultural realities of the countries in which they are located.

Chapter 9 discusses the entry mode choice as a means to manage home and host country differences. The entry mode defines what activities are internalized within the firm and how the firm interacts with the external environment in different host countries.

Chapter 10 highlights a dual vision of profitability and social responsibility using China and Japan as an example. Only a few studies have addressed the effects of Chinese harmonious society on the performance of Japanese corporations operating in China. This study is an attempt to fill that gap.

Chapters 11 and 12 are a joint effort to showcase the perspectives of globalism, culture, and business environment in Latin America and the Middle East. These chapters include issues such as organizational culture, leadership style, communication, motivation, and people's expectations of work design and reward.

Chapter 13 concerns performance management systems specifically in Mexico. The purpose of the chapter is to understand the strategic role performance management systems play in organizations, and to identify the evolution process and the organizational factors involved in the implementation of those systems in Mexico. The authors identify the best-known appraisal tools in Mexico, the issues related to organizational performance, and those linked to the superior-subordinate relationship.

Chapter 14 discusses Business Performance Management (BPM) from the systemic communicative and linguistic side of BPM. The chapter's author concentrates on the systemic approaches to highlight the role of communication and language in BPM. To discuss this issue in greater detail, two concepts have been created; namely, the corporate linguistic allostasis and the calibrated corporate linguistic identity. The goal is to show their implications for creating and sustaining competitive advantage today.

Chapter 15 synthesizes prior research on strategic entrepreneurship and elaborates on the subject by proposing a generalized model of the entrepreneurial strategy-making process for today's competitive landscape.

Chapter 16 provides a social capital approach to intercultural differences using the empirical evidence from the global tour operator, Globus. The authors propose a conceptual framework where the different dimensions of social capital improve the exchange and combination of resources and knowledge in different subsidiaries localized in dissimilar cultural contexts, by mitigating the inter- and intra-organizational cultural differences. The findings have important implications for research in multinational literature.

Chapter 17 provides models regarding variations of culture and their impact on manufacturing systems which stems from traditional factory-based models to inter-firm networks for effective collaboration in globalization.

Chapter 18 examines the impact of culture-specific attitudes concerning workplace conflict on business performance in the Caribbean, using examples specifically from Grenada. The author contends global managers need to better understand trans-cultural decision-making to maximize the benefits of alliances and business relationships abroad.

Chapter 19 examines the role immigrants fulfill in foreign entry plans, and how their involvement relates to the outcome of the foreign entry go/no-go decision.

Chapter 20 concentrates on Global Human Resource Management by demonstrating how the functional areas of Human Resource Management need to be fused with a higher level of strategic endeavor through cultural intelligence, systems thinking, and applications of related system archetypes. Specific areas covered include: talent acquisition, leadership capacity, training/development, and compensation/benefits.

The reader should remember the following material is meant to be a foundation for further exploration of the areas covered by scholars and business executives alike. Despite the diversity of the topics discussed, we must realize the true focus of this book is the individual contributor and consumer—the human being. It is her or him on which all business or social activity is ultimately dependent, regardless of the economic system employed or the size of the organization involved. Therefore, careful attention should be paid to the human factor in all circumstances, be they economic, organizational, political, or social. The recent “Arab Awakening” is a stark reminder to all of those who fail to recognize this reality.

Bryan Christiansen
PryMarke, LLC, Turkey

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Table of Contents

Foreword	xv
Preface	xvii
Chapter 1	
The Theory of Cultural Dimensions	1
<i>Andreas Michael Hartmann, TEC Monterrey, Mexico</i>	
Chapter 2	
Follow the Experts: Intercultural Competence as Knowing-in-Practice	23
<i>Suzanne Gagnon, McGill University, Canada</i>	
<i>Pamela Lirio, EDHEC Business School, France</i>	
Chapter 3	
Bicultural Managers and their Role in Multinational Corporations: An Exploratory Study in Japan	43
<i>Kathrin Kiesel, University Eichstätt-Ingolstadt, Germany</i>	
<i>Parissa Haghirian, Sophia University, Japan</i>	
Chapter 4	
Organizational Culture and Organizational Effectiveness in a Global Context	56
<i>Andrea Banto, Argosy University, USA</i>	
Chapter 5	
Cross-Border Inter-Firm Networks in Contemporary Europe: The Effects of Structural and Cultural Embeddedness on Firm Performance	72
<i>Ekaterina Turkina, HEC Montreal, Canada</i>	
Chapter 6	
Understanding the Realities of Contemporary Internationalization of the MNE: Regionalization vs. Globalization.....	90
<i>Omar J. Khan, Morgan State University, USA</i>	

Chapter 7

Resource Based Internationalization from Small Developing Countries: Towards a Phase Model of Internationalization 102

Nigel L Williams, University of Bedfordshire, UK

Tom Ridgman, Institute for Manufacturing, University of Cambridge, UK

Y S Shi, Institute for Manufacturing, University of Cambridge, UK

Chapter 8

Internationalization of Business in Emerging Countries and National Culture:

The Brazilian Case 117

Fabício Fernando Fogaehole dos Santos, Universidade Corporativa do Banco do Brasil, Brazil

Irene Kazumi Miura, Universidade de São Paulo, Brazil

Chapter 9

Foreign Business Environments and Entry Mode Choice: Organize Activities Internal within or

External to the Firm? 165

Maud Oortwijn, Warwick Business School, UK

Chapter 10

China's "Harmonious Society" Challenges Corporate Japan: Towards a Dual Vision of Profitability

and Social Responsibility 182

Keikoh Ryu, Waseda University, Japan

Chapter 11

Globalism, Culture, and Business Environment: A Middle Eastern Perspective 197

Diana Bank, Universidad de las Américas Puebla (UDLAP), Mexico

Mohammad Ayub Khan, Tecnológico de Monterrey, Mexico

Chapter 12

Globalism, Culture and Business Environment: A Latin American Perspective 206

Mohammad Ayub Khan, Tecnológico de Monterrey, Mexico

Diana Bank, Universidad de las Américas Puebla (UDLAP), Mexico

Chapter 13

Performance Management Systems in Mexico 219

Anabella Davila, Tecnológico de Monterrey, Mexico

Marta M. Elvira, IESE Business School, Spain

Chapter 14

Business Performance Management from the Systemic Communicative and Linguistic Side 230

Magdalena Bielenia-Grajewska, University of Gdansk, Poland

Chapter 15

Strategic Entrepreneurship: Competitive Advantages Amidst Globalization and Technological Change	245
--	-----

Gang Yang, Tongji University Shanghai, China

Hans-Christian Pfohl, Technische Universität Darmstadt, Germany

Sasa Saric, Technische Universität Darmstadt, Germany & Tongji University Shanghai, China

Chapter 16

A Social Capital Approach to Inter-Cultural Differences: Empirical Evidence from a Global Tour Operator	262
---	-----

Manuela Presutti, University of Bologna, Italy

Lucrezia Zambelli, University of Bologna, Italy

Chapter 17

Cultural Models and Variations.....	278
-------------------------------------	-----

Yongjiang Shi, Institute for Manufacturing, University of Cambridge, UK

Zheng Liu, University of Cambridge, UK

Chapter 18

The Impact of Culture on Workplace Conflict in the Caribbean	292
--	-----

Susan Scott, St. George's University, Grenada

Chapter 19

Immigrant Effect in International Expansion.....	307
--	-----

Maud Oortwijn, Warwick Business School, UK

Chapter 20

Human Resource Management for the 21st Century Global Economy.....	322
--	-----

Julianne Seely, Grantham University, USA

Compilation of References	336
---------------------------------	-----

About the Contributors	385
------------------------------	-----

Index.....	393
------------	-----

Detailed Table of Contents

Foreword	xv
-----------------------	----

Preface	xvii
----------------------	------

Chapter 1

The Theory of Cultural Dimensions	1
<i>Andreas Michael Hartmann, TEC Monterrey, Mexico</i>	

The theory of cultural dimensions constitutes the foundation of a significant portion of comparative cross-cultural business research. Even though the theory of cultural dimensions can be criticized from several points of view, it has shown its usefulness for both research and as a teaching tool. Opportunities exist both in a more rigorous application and in the further development of cultural dimensions.

Chapter 2

Follow the Experts: Intercultural Competence as Knowing-in-Practice	23
<i>Suzanne Gagnon, McGill University, Canada</i>	
<i>Pamela Lirio, EDHEC Business School, France</i>	

Drawing on emerging literature on biculturalism, this chapter introduces an approach to researching intercultural knowing-in-practice through a focus on one type of experts, in this case, a group of young, bicultural Canadians. The authors found emotion- and behavioral-based themes that informed these experts' responses to intercultural scenarios, their responses to proposed in-situ practice. From the findings, the chapter suggests that management can learn about intercultural competence from such experts' approaches to navigating intercultural conflicts.

Chapter 3

Bicultural Managers and their Role in Multinational Corporations: An Exploratory Study in Japan	43
<i>Kathrin Kiesel, University Eichstätt-Ingolstadt, Germany</i>	
<i>Parissa Haghirian, Sophia University, Japan</i>	

In this chapter, the authors investigate individuals with a bicultural family background and investigate how this biculturality reflects on their role in business. The survey presented in this paper investigates the relevance of bicultural skills and consequently the roles that bicultural managers play in multinational corporations. To investigate this issue the survey was conducted among managers who had one Japanese and a Non-Japanese parent and worked in a multinational corporation in Japan. Japan was chosen, because it is a more controversial issue in Japan than in other industrialized countries.

Chapter 4

Organizational Culture and Organizational Effectiveness in a Global Context	56
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Andrea Banto, Argosy University, USA

Globalization increased the expansion of multinational corporations to countries on all continents leading to growth. Companies like Wal-Mart, Southwest, and Apple survived and prospered when other similar companies failed. What made them so successful? It might be a combination of many things, but the most important piece in this mix is their organizational culture. From the global perspective, the organizational culture of a subsidiary is influenced by the home and host-country's national culture. This is reflected in all its operations and influences the leadership style, decision-making process, team interaction, and the communication style. The inability to master the cultural factors may have a negative influence on the subsidiary's effectiveness. The organizational culture can be measured through four cultural traits: mission, involvement, adaptability, and consistency. The organizational effectiveness can be measured through the sales growth, market share growth, return on assets, quality improvements, new product development capability, employee satisfaction, and the overall firm performance. This chapter is a review of the applications of Denison's model of organizational culture and effectiveness in a variety of countries.

Chapter 5

Cross-Border Inter-Firm Networks in Contemporary Europe: The Effects of Structural and Cultural Embeddedness on Firm Performance	72
--	----

Ekaterina Turkina, HEC Montreal, Canada

Globalization and regionalization in the contemporary world transform inter-state relationships and intensify economic, social, and political exchanges across borders, thereby creating favorable conditions for cross-border inter-firm networking. The purpose of this chapter is to contribute to the emerging literature on cross-border inter-firm networks by providing both theoretical insights on the causal mechanisms of network-related effects on firm performance and empirical analysis of existing cross-border partnerships in the domain of European integration, as well as their effects on firm performance. The chapter also examines the differences in the structure of European cross-border networks and explores factors that determine network structure such as regional integration and cultural variations.

Chapter 6

Understanding the Realities of Contemporary Internationalization of the MNE: Regionalization vs. Globalization	90
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Omar J. Khan, Morgan State University, USA

While the idea of regio-centric firm behavior had been expounded, research in international strategy and marketing since has mainly gone from a multidomestic focus to a global focus. Reality seems to indicate that more and more multinational enterprises (MNEs) have been implementing regional strategies as opposed to either global or multi-domestic ones. Debate has been active over the last two decades on the reality of globalization and regionalization. This chapter reviews the debate, distills major themes, and offers a structured understanding of the phenomenon of regionalization vs. globalization as seen in contemporary internationalization.