DYADIC AND DEMOGRAPHIC STRATEGIES IN CROSS-CULTURAL MANAGEMENT:
A TEST OF THE EFFECT OF COMPLEMENTARY PRACTICES ON MNC PERFORMANCE

Preliminary Draft

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Abstract

Firms in industrialized countries are increasingly globalizing to create unified production and marketing organizations which more effectively utilize the comparative advantages of various nations. However, to capitalize on off-shore sites, whether it be lower production costs or rapidly expanding markets, global firms need to manage cultural diversity in a manner that will enhance firm performance. In many cases the inability to manage cultural differences has seriously impeded the success of off-shore ventures.

Managing an environment of cultural diversity is, in fact, a prerequisite to taking full advantage of firm and host country strengths. As the nature of off-shore activities undertaken by multinational corporations (MNCs) shifts away from routine activities which can be adequately coordinated from a central office and as markets become increasingly specialized and competitive, such challenges will magnify in importance. Comparing two general approaches to international human resource management building on a two-person communication model ("cultural distance") and on Blau’s theory of social integration ("social contact"), respectively, we assess how off-shore staffing practices can improve firm performance by increasing interpersonal contact across nationalities at various organizational levels. Thailand has been selected as the research site because that country has been among the world’s leading nations attracting foreign direct investment in the recent past.

This paper reports on the determinants of firm performance among approximately 110 U.S. and Japan-based manufacturing firms in three sectors, chemicals, electronics and metals, operating in Thailand. Using two related measures, we find significant differences in profitability between U.S. and Japanese firms but little difference in rate of sales growth. Our preliminary analyses find mixed evidence for both the "cultural distance" and "social contact" hypotheses. Firm age appears to have the greatest influence on all measures of firm performance considered.
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The bridging function of multinational corporations

Developed country economies are able to offer a wide range of technologies and management "know-how", as well as capital, to the growing lower-cost labor forces and expanding markets of developing countries. Simple comparative advantage indicates that foreign direct investment (FDI) in developing countries should be solidly profitable. FDI, however, often leads to disappointment, poor performance and occasionally the abandonment of projects. (See Grunberg [1981] for a review of the evidence.) In an attempt to address this issue, the research focus has shifted from issues of static cost and comparative advantage to strategies for dealing with, and managing, a dynamic, culturally different environment. One, but certainly not the only, key aspect of this task is managing the relationship between home country managers and the host country workforce.

In order to successfully exploit far-flung operations, global firms need some special advantage not available to single country firms. This advantage often originates in the melding of technical prowess and managerial know-how from one country with the labor or market of another. By bridging the gap between developed and developing country strengths, multinational corporations (MNCs) perform a - potentially rewarding - social role and gain added competitiveness. Although the technical advantage might be partially incorporated in patents and protected by legal rights, the secret of firm competitiveness is usually embodied in intangible know-how and carried in the minds and daily practices of managerial and technical employees. Firms investing in developing countries are faced with the problem of transferring this technical and managerial know-how to a, by and large, less highly skilled and culturally different workforce. The transfer of this know-how must usually be accomplished by interpersonal interaction between experienced home country managers and novice host country employees through on-the-job training as the organization develops.

The transfer of intangible know-how increases in importance as the types of activities undertaken by multinational corporations in developing countries shifts away from primary product extraction and "screwdriver" assembly, which may be effectively controlled centrally and bureaucratically, towards more sophisticated manufacturing and producer services where a
decentralized decision-making structure\(^1\) may be necessary for quick reaction to rapidly changing market conditions. Decentralization, within a unified global firm, requires local decision-making but strong integration into the goals and capabilities of the whole firm. Under these conditions the importance of interpersonal relations and organizational integration in responding to market demands increases. Accordingly, by investigating the experiences of 110 U.S. and Japanese multinational firms operating in Thailand, this paper focusses on understanding how MNCs can accomplish their bridging function - linking advanced technologies and management techniques to lower-cost labor and expanding markets - especially when decentralization is seen as necessary to respond to market impulses.

We investigate the evidence for three hypotheses about how firm decisions and human resource management practices affect firm performance in multinational firms. The first hypothesis maintains that national differences in culture can be an important stumbling block in multinational management and that firms should choose foreign sites for operation carefully. The second hypothesis suggests that creating a strong corporate culture can ameliorate the effects of national differences. The third hypothesis contends that the patterns of social contact within the firm can reduce the salience of national cultural differences.

**Culture, conflict, and communication**

A body of organizational theory has developed which either empirically or normatively links organizational form - the loci of decision-making, the degree of hierarchy and the relative size of coordinative units - to the environment in which the organization operates. Indeed, cooperation in a collective division of labor is the primary mechanism integrating individuals into a coherent organizational whole. (See Bidwell and Kasarda [1985] for a review.) Yet functional interdependence may not be a sufficient basis for integrating a set of individuals and coordinating their actions (Blau 1977, p. 5). A complex control structure is needed to enforce the performance of individual duties. In bureaucratic organizations a staff structure often parallels the line hierarchy (Evans 1975). Under some circumstances, however, a shared culture, building on common

\(^1\) We differentiate between unitary firms with a relatively flat decentralized decision-making structure and those conglomerate forms of organization which consist of essentially decoupled business units.
experience, may act as a substitute for a staff structure and as a supplement to interdependence. A strong corporate culture is posited as desirable, if not absolutely necessary (Deal and Kennedy 1982; Peters and Waterman 1982). The value of substituting cultural control for bureaucratic control can be substantial. A number of observers have claimed that a superior "management system," the capacity of an organization to coordinate itself with lower administrative expense, accounted for 20-30 percent of the differential in automobile production costs between Japanese and U.S. manufacturers during the early 1980s. (See Denison 1990; p. 16 for a review.)

The transfer of technology and know-how necessarily implies changing the capabilities of host country personnel by imposing imported behavioral patterns. Inkeles (Inkeles and Smith 1974), for example, cites the key role of modern work organizations - during the 1960's, factories but increasingly offices today - in cultural change in the developing world. This change, by devaluing traditional host country behavioral patterns, almost necessarily entails conflict.

The incidence of inter-cultural conflict, and the resulting diminution in performance, experienced within multinational firms may be determined by differential cultural content and value-orientation (Hofstede 1980; Lodge and Vogel 1987). According to this type of explanation, which we term the "cultural distance" hypothesis, similarities of background and contextual information - religion, orientation toward groups and individuality - facilitate interpersonal communication and, therefore, the successful conduct of business. The conflict inherent in the transfer of behavior patterns is, therefore, softened by the presence of multi-stranded avenues of communication afforded by overall cultural similarity.

The degree of inter-cultural conflict within an organization may, however, be reduced by a strong "corporate culture" created by a leader taking decisive actions, thereby developing an arena of shared understandings within the employment relation. The effects of a shared corporate culture can be realized in several ways. First, a stronger inculcation of values may reduce the need for supervisory and line personnel, thereby reducing the size of the labor force needed to accomplish particular tasks. Second, reduced cultural distance may make employment less onerous and constitute a non-pecuniary benefit so that individuals may demand less compensation for performing the

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2 Culture is frequently defined as being all of the customs, beliefs, values, knowledge and skills that guide a people’s behavior along shared paths. See Smircich (1983) for a review of a variety of views of culture and how they have been used in organizational analysis.
required tasks. National cultures, however, represent a more comprehensive arena of common experience and, therefore, the diversity of national cultures poses a potential threat to a corporate culture which could help integrate the far-flung operations of a global firm (Adler 1991; Adler and Jelinek 1986; Schneider 1988). In particular, top management may adopt attitudes towards host country nationals that are interpreted as demeaning.

The effects of both national culture and corporate culture have been hypothesized as working in one of two ways. According to the consistency hypothesis (Denison 1990; p. 8) a shared belief system facilitates consensus and common orientation. Accordingly, cultural theories of organizational performance often build on a simple two-person communication model. Even if national cultures provide differing background contexts for behavior, corporate culture can be manipulated so as to ameliorate the effects of the differences by providing a environment of common experience creating strong anticipations of expected managerial practices (Hofstede et al. 1990). Further, internalized values are seen as a better means of social control than bureaucratic regulations. According to the involvement hypothesis (Denison 1990; p. 6) involvement and participation create a sense of ownership of the firm and responsibility for its performance or, at least, creates a heightened sense of loyalty and commitment (Lincoln and Kalleberg 1990).

_Criticisms of culture theories of integration_

The national and corporate variations on the "cultural distance" hypothesis share several features. First, they each view culture, however, defined, as a "glue" creating internal integration and consensus and, therefore, superior firm performance. Homogeneity is seen as a source of strength and organizations as approximations of individuals, therefore a monolithic culture is believed to be beneficial. Many versions of the "cultural distance" approach are not "content" oriented; the similarity across individuals is crucial. Second, individuals are seen as, essentially, "cultural dopes" who have difficulty learning and dealing with often minor differences. Third, issues of national and corporate culture are viewed as particular cases of the more general "intersubjectivity" problem (Habermas 1985).

These features are unattractive to many observers of organizations, including some students of corporate culture (Schein 1990). Many believe that diversity is a strength; modern corporations bring very different individuals together in a common purpose. A theory of organizational performance
which ignores that is likely to be flawed. Further, experience shows that inter-cultural communication is successfully accomplished daily. Moreover, because organizations generally contain more than two employees, corporate integration may not be a particular case of the two-person problem.

**Social contact within the firm**

An alternative, and less frequently advanced explanation for inter-cultural conflict in organizations, puts cultural distance in the context of organizational human resource management practices. The basic thesis is that patterns of staffing and internal promotion affect organizational integration and conflict. According to this type of explanation which we term the "social contact" hypothesis, the placement of host country nationals in management and technical positions, in addition to the real and perceived promotion possibilities into those positions, will facilitate the conduct of business by increasing overall interaction and aid in the emergence of overlapping circumscribed organizational subcultures. According to this line of thinking, organizational human resource strategy can overcome the real or perceived gaps between national cultures of investing country and host country nationals by creating opportunities for communication and, therefore, commonalities. This approach views the cultural distance between nationalities as fluid; either side can chose to accentuate or minimize the salience of differences - and will - depending upon circumstances.³

We attempt to refine the thinking behind the cultural distance hypothesis by extending the social theory of Peter Blau (1977) to apply to global firms and investigating how organizational staffing practices, by manipulating the degree of social contact between individuals with different characteristics, can, without necessarily creating a dominant corporate culture, strengthen organizational integration and performance. Beginning from the findings that social contact facilitates organizational integration and that individuals will associate more readily with those who are in some way like themselves than those who are not, we can examine the effects of incorporating host-country nationals in technical and managerial positions. The basic contention is that the more the occupational

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³ Many are familiar with the "eye-color" experiment performed on school children. (Peters 1987) After a teacher began subtly, but systematically, rewarding children with a particular eye color, children both with and without that eye color began to believe there were significant group differences and behave accordingly. Conversely, many are also familiar with how outside threats often result in cooperation between previously feuding parties.
and ethnic divisions coincide, the more difficult organizational integration will be. Conversely, because individuals are more likely to share either occupation or nationality, the lower the correlation between these divisions, the higher the social interaction between manager and managed and between home-country and host-country nationals. Consolidated divisions should lead to heightened subgroup solidarity and lead to inter-group conflict.

Figure One provides a simple example. In Situation One we could expect strong subgroup solidarity because all members of Level One share the common experiences born of the same job and of the same national background. The same is true for those in Level Two. However, since no one in Level One has the same job as anyone in Level Two (by definition of organizational design) and no one in Level One has the same nationality as anyone in Level Two (by reason of staffing practices), persons in Level One will have little in common with persons in Level Two and vice versa. We could, therefore, expect the solidarity between Levels One and Two, and organizational integration, to be low.

In Situation Two, on the other hand, no one in Level One has the same job as anyone in Level Two (again by definition of organizational design) but 75 percent of those in Level One share the common experiences born of national background with everyone in Level Two. Moreover, while not everyone in Level Two shares the same nationality, they do share the views, interests and concerns of the same job so that the greater the mix of nationalities in Level One, the higher the overall integration will be.4

According to Blau, "The intersection of nominal by graduated parameters [in this case nationality and occupational status] integrates groups and strata by raising the rates of social associations among them. The more consolidated are group differences, the less frequent are integrative social relations among groups and strata. Group differences and status differences that exert some independent influences counteract each other’s inhibiting effect on social associations when their correlations are low but reinforce them when the correlations are high" (1977, p. 108). Moreover, while mobility between groups increases integration, the rate of inter-group mobility will be slowed by consolidated parameters but accelerated by intersecting parameters.

4 While we develop our argument in terms of organizational levels, a similar argument would apply to departments and the relations between, say, the production and marketing groups.
While much attention is often given to the integration of production and other "factory floor" personnel, we will focus on management and staff personnel. These, often more educated, personnel are less likely to strike or physically disrupt operations; they are, however, if not satisfied with the firm, more likely to complain or, worse, to leave to join or set up competing firms. Because of their greater overall knowledge about operations, professional and managerial employees of MNCs will also be especially valuable to host country domestic firms and, therefore, their loyalty is especially important to MNCs. In order to gain and retain their competitive edge, global firms need to transfer technology and know-how to their overseas operations - but also must ensure that the know-how goes no farther. We hypothesize that high turnover among managerial and technical personnel will be a response to the inability to integrate host country professionals into the multinational corporate hierarchies.

We believe that the social contact approach may be able to address an important paradox in the cultural distance approach to multinational management. Specifically, this approach yields a plausible explanation for the divergent evaluation of Japanese multinational firms by blue-collar and white-collar non-Japanese employees (Ishida 1986). The former are, by and large, approving of Japanese management procedures while the latter very frequently assess Japanese management practices negatively. The thrust of Japanese management on the factory floor has been to increase direct and indirect contact between worker and management. In contrast, those in offices feel excluded (as recent lawsuits in the U.S. attest) from decision-making and promotion, quickly hitting glass ceilings.

Summary of predictions

The "cultural distance" approach to international human resource management posits that similarities in employee background and contextual information - religion, orientation toward groups and individuality - facilitate understanding between managers and managed. Therefore, if the cultural distance approach were valid, we would expect to see firms from countries with similar cultures enjoy

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5 We believe many decisions to halt Asian production are, in fact, the result of this very mechanism. See Williamson (1975) for the difficulties of retaining and securing the full cooperation of employees with special skills. See Zald and Berger (1978) for a consideration of the forms of white collar organizational rebellion.
a distinct competitive edge over MNCs based in countries with a culture different from that of the host country. Accordingly, Japanese firms operating in Thailand should be more successful than American firms there because of their closer coincidence of values making understanding easier.

The "corporate culture" approach agrees that shared experience is an important basis for a common culture and that a common culture is necessary for common action but maintains that organizational history or the enduring imprint of a strong-willed founder could be a sufficient basis for a robust internal organizational culture which ameliorates the effects of differences in national culture. Therefore, if the corporate culture approach were correct, we could expect firms which could claim a unifying ethos to perform better than those which could not.

The "social contact" approach contends that the advantage of the modern international firm is that is brings together diverse individuals to perform a common task and any attempt to make those individuals uniform will harm firm performance. The key to improved firm performance, accordingly, is the degree of mixing (social contact) between organizational departments and grades creating the bases for understanding between those who need to communicate while preserving differences. Therefore, if the social contact approach were correct, we could expect the firms which had been more successful at integrating home- and host-country employees, especially managers, to be more successful than those firms which did not.

Each approach has its strong proponents and all have been utilized by multinational corporations in efforts to improve off-shore performance. Each approach makes crucially different assumptions about the pre-conditions for productive communications at off-shore sites between home country managers and host country employees. None has been rigorously tested.

Human resource management practices, however, whether related to national culture, corporate culture or organizational staffing patterns may have no measurable independent effect on firm performance. Hofstede et al. (1990) find organizational culture to be related to other organizational and market characteristics. Cultural anthropologists have found beliefs and other aspects of culture to be artifacts of material conditions (Harris 1973; Lenski and Lenski 1982) and to authority relations (Bourdieu 1977). Consequently, any apparent effects of culture or human resource management practices could be spurious. Therefore, we also examine the effect of the industrial sector of operation, the concentration of decision-making at the firm's parent headquarters, the
relative power of foreign and domestic venture partners,\textsuperscript{6} and the organizational stage of development (since organizational selection or learning could affect observable behavior).

Data

Thailand has one of the fastest growing economies of the dynamic ASEAN region and is poised to become the fifth "Tiger" of the Pacific. The country is experiencing dramatic increases in the level of foreign direct investment ensuring an ample number of ventures at various, particularly early and difficult to observe, stages of the organizational life-cycle. A large proportion of ASEAN's foreign direct investment comes from Asia; however, U.S. investment totals in the region exceed $10 billion.

The managing directors of 110 Japanese and U.S. multinational firms operating in Thailand were interviewed in person about the performance of their firm, human resource management practices, and about key aspects of corporate culture during 1992 and 1993. (See Figure Two.) In addition, detailed questionnaires about the distribution of Thai and expatriate employees across occupational grades was administered to each firm's personnel manager. The questions to the managing directors were administered in English for the American firms and in Japanese for the Japanese firms. Since most personnel managers are Thai, that part of the questionnaire was administered in Thai. The sample was stratified by the nationality of the home country firm and sector. American, Japanese, Taiwanese, and Thai firms in three sectors playing central roles in Thai economic development, chemicals, electronics, and metal, were sampled. The overall response rate among the U.S. and Japanese firms examined here was approximately 71 percent.

Since no complete enumeration of firms with foreign backing exists, we utilized a multi-list procedure to develop a sampling frame (Bishop et al. 1975; Ch. 6). Information on all the firms in each of the three selected sectors was gathered from a commercial directory. Once that information was exhausted, the following source was searched for additional information and firms - taking care to avoid duplication - and so on until all possible sources were searched. The resulting list is as close to a population enumeration as possible. The firms from this multi-list were then sampled according

\textsuperscript{6} Almost all MNEs operating in Thailand are actually joint-ventures between a foreign firm and a large domestic enterprise.
to the desired criteria.

Do U.S. and Japanese firms differ?

There are nationality-level differences in firm performance. Japanese firms earn lower returns on assets and equity than do American firms. We find, however, no differences in the rate of growth of sales. Using categorized responses, the managing directors of Japanese firms operating in Thailand reported a mean of 5.6 percent return on assets in the year prior to interview while the managing directors in U.S. firms reported a mean of 10.7 percent. The managing directors of Japanese firms reported a mean of 9.2 percent return on equity in the year prior to interview while the managing directors in U.S. firms reported a mean of 15.0 percent. At 15.2 compared to 14.6, the growth in sales over the year prior to the interview was only slightly (and not significantly) higher for Japanese firms than for American firms.

We measure national culture simply by the nationality of the investing foreign firm. Geert Hofstede's (1980) mapping of national cultures, based on attitude surveys administered to several thousand managers and technicians, along four dimensions - power distance, uncertainty avoidance, individualism and masculinity - provides a basis for the interpretation of nationality effects.

Japanese and U.S. firms differ on aspects of corporate culture with respect to the role and performance of Thai professionals compared to their respective home country managers. Because of the large role attributed to leadership in determining organizational culture (Schein 1990), we've measured the salient aspects of each organization's culture by interviewing the managing director about his views. We are interested in the firm-specific approach to the nature of human relationships and are especially interested in knowing whether corporate leadership sees Thais and home country nationals differently. Those perceptions could lead to feelings of isolation among Thai professional employees. These managing director responses will later be verified by triangulating them with questions that have been administered to a small sample of professional employees in each firm and with questions about specific practices concerning the training of new employees, the history of the

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We are wary of the problems of measuring the content of cultures. There appears to be a large degree of "Ideology and Utopia" (Mannheim 1990) in the description of national cultures with the merits of one culture used as a foil to point up the failings of another. De Tocqueville's (1990) "Democracy in America" and Vogel's (1979) "Japan as Number One" are two prominent examples.
subsidiary, and the biographies of top management, which have been administered to the personnel managers of each firm. Our questions were derived from a topology suggested by Schein (1990).

Japanese managing directors believe their Thai subordinates should be allowed more autonomy than American managing directors do. Japanese managing directors, however, are more likely to feel that their Thai employees are less committed to the firm than are the Japanese employees while American managers are less likely to feel there is a difference in commitment. Americans, on the other hand, feel that Thais are less likely to criticize their superiors than are American subordinates while Japanese managers are less likely to perceive a difference in that regard. (See Table One).

We also find differences in firm management practices, particularly where human resources are concerned. Japanese firms have a higher proportion of expatriates (Japanese) in the highest management positions than do American firms. This proportion was measured from an analytic grid arraying employees by function and nationality administered to the personnel manager. Our finding is consistent with available evidence. Data for the early 1980's demonstrate substantial variation in the propensity of U.S. and Japanese multinationals to utilize home country nationals at various levels of management (Tung 1982; Sibunruang and Brimble 1988; see also March 1980.)

Japanese also differ from Americans on the role of expatriates and their proper deployment. Japanese, for instance, are more likely to feel an expatriate MD is needed for the proper operation of the firm. They are more likely to see a continuing role for expatriates as resident managers. Japanese firms are less likely to use expatriates only as a last resort and, not surprisingly, they are less likely to plan to phase out expatriates in the near future. Japanese firms also report greater difficulty recruiting and holding personnel at several levels than do American firms. (See Table Two.)

Japanese firms are slightly more export-oriented than U.S. firms operating in Thailand are. Previous research suggests that where decision-making is necessary within a global framework, home country nationals are more likely to be utilized for key positions\(^8\) (Edstrom and Lorange 1984).

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\(^8\) While the exclusive use of host country managers might reduce cultural conflict, the comparatively low use of Americans by U.S. firms could result in a weakened bond with the home office and larger firm (Kobrin 1988). Accordingly, Edstrom and Galbraith (1983) have recognized the role of rotating home country managers through foreign subsidiaries both to build bonds between
Management control is more centralized in firm parent headquarters among Japanese firms than it is for American firms. (See Table Three.) At this point, we operationalize the differences in centralization in our multi-variable analyses by selecting one of our indicators of centralization - control over marketing.

Industrial sector is a primary determinant of the nature of the markets in which firms operate and, therefore, the type of control structures needed and tasks performed. We stratified our sample along sectoral lines so there are only minor differences between the two nationalities. There are only minor differences in the percent of Thai capital invested in the Japanese and American firms indicating little difference in home country power between the two nationalities. We also found little difference in average age of the firm in Thailand. There is no significant difference in firm size between the two countries. (Table Four summarizes these findings.)

Do managerial differences explain the differences in performance?

We, at this point, can give only tentative answers to this question. We first summarize the results of bivariate relationships and then mention some preliminary multiple regressions. Table Five reports the regression results.

The size of Thai operations, as measured by the log of employment, correlates \( r = .27; p < .05 \) with return on equity but shows no effect on return on assets or on annual sales growth.

The electronics sector shows higher sales growth \( r = .20; p < .10 \) than the other two sectors.

Firm age in Thailand correlates with all performance measures. Older firms earn higher returns on assets \( r = .32; p < .01 \) and on equity \( r = .45; p < .0001 \) but show lower growth in sales \( r = -.33; p < .01 \). This is consistent with a model of firm maturation within a market niche.

The proportion of capital from Thai sources correlates positively with return on equity \( r = .19; p < .10 \).

Centralization of organizational control in parent headquarters results in higher returns on assets \( r = -.23; p < .05 \) and on equity \( r = -.34; p < .01 \) but in lower sales growth \( r = .21; p \)

the subsidiary and the central office and to train an elite cadre of senior managers. Our concern is with the adequate integration of the host country workforce with the management of host country operations.
< .10). Moreover, centralization of control varies by nationality.

Those firms where the managing director believed expatriates to be more capable than Thais show higher sales growth (r = .21; p < .05) but lower returns on assets (r = -.21; p < .10).

Those firms where the managing director believed expatriates to have a responsibility to mentor Thais show higher sales growth (r = .23; p < .05). Those firms where the managing director believed Thais were less likely to criticize management decisions showed higher returns on equity (r = .25; p < .05). Only on this last dimension were there significant differences in views between U.S. and Japanese firms. The "delegation" and "differential commitment" dimensions of organizational culture, both of which showed significant differences between Japanese and U.S. managing directors, did not correlate with any of our performance measures.

Firms which planned a continuing role for expatriate managers earned lower returns on assets (r = -.20; p < .10) while those which used expatriates only when qualified Thais were not available earned higher returns on equity (r = .18; p < .10).

Firms with a higher proportion of Thais at the highest internal managerial level earned a higher return on assets (r = .23; p < .10) and equity (r = .30; p < .05).

Regressing multiple variables on the return on assets results in Japanese nationality retaining its negative effect on firm performance, managers belief in a performance differential between Thais and expatriates its negative effect and firm age in Thailand its positive effect (R² = .21; N = 85). Almost all of the variance explained, however, is due to age.

Doing the same for returns on equity results in age retaining the same effect, centralization of authority in headquarters retaining its dampening effect, and one organizational culture variable (differential criticism) retaining its positive effect (R² = .27; N = 82).

With sales, age retains its negative effect while perceptions of differential ability keeps its positive effect, the percentage of capital coming from Thai sources a negative effect and the proportion of the top management that is Thai a positive effect (R² = .42; N = 52). (See Table Five.)

**Summary**

Our working thesis was that, efforts at creating a deep-rooted corporate culture which supersedes the diverse national cultures present within multinational corporations may be misdirected
and counter-productive. The adjustment of beliefs, taken-for-granted assumptions and rules for being in the world which may vary by national background, that is the creation of a common overriding corporate culture, is neither necessary nor sufficient for the organizational integration needed for competitive firm performance. We argue that employees need to know and communicate the aims and capabilities of the firm’s subunits. This communication is enhanced when members of one organizational subunit or stratum (supervisor, production worker) share one or more traits with the members of another subunit or stratum. We evaluate this hypothesis using three measures of firm performance on a sample of Japanese and U.S. multinationals operating in Thailand.

The evidence at this early stage is mixed. A national difference in returns on assets persists when other, intervening variables are considered. The difference, however, is not in the direction expected; Japanese firms earn lower returns than U.S. firms. The variable’s behavior in other analyses suggests that these results are not an artifact of national accounting practices. Measures of corporate culture enter the equations for all three performance measures. We found, however, no consistent effects. Therefore, we do not know whether an organization’s beliefs concerning the nature of human relationships help or hinder the smooth execution of tasks. We found some effect of staffing patterns on performance. The greater the proportion of top management that is Thai, the more quickly sales grew. The effect, however, was not repeated in the profit measures. Future work will include more refined measures of staffing patterns. Moreover, although there are significant differences in human resource management practices and in corporate culture between Japanese and U.S. multinational firms, most of these appear not to have a significant effect on performance. Measures of a firm’s operating environment, such as its product sector, its degree of export orientation, and its degree of orientation toward other firm units, had surprisingly little effect on performance. Age has a consistent effect on firm performance. The effect of age on performance, moreover, is much stronger, in terms of variance explained, than any of the other measures, leading to the provisional conclusion that the natural history of MNCs has the most important impact on their performance. Although the pattern of results observed is consistent with maturation within a market niche, at this point, we can not rule out the workings of selection effects or of learning effects.
Bibliography


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FIGURE ONE: Basic situational contrast

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<th></th>
<th>Situation One</th>
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<th>Situation Two</th>
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Situation One:

a) Little communication between Level One and Level Two.
b) Little experience of interpersonal conflict between individuals with different cultures.
c) Strong subgroup solidarity and integration.
d) Weak overall integration and ability to respond.
e) High risk of intergroup conflict.

Situation Two:

a) Increased communication between Level One and Level Two.
b) Increased experience of interpersonal conflict between individuals with different cultures.
c) Weaker subgroup solidarity.
d) Higher overall integration and ability to respond as a single unit.
e) Lowered risk of intergroup conflict.

FIGURE TWO
SAMPLE COMPOSITION

<table>
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<th>Chemicals</th>
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<tr>
<td>U.S.</td>
<td>21</td>
<td>13</td>
<td>8</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>46</td>
<td>36</td>
<td>28</td>
<td>110</td>
</tr>
</tbody>
</table>
TABLE ONE
Questions to the MD and the concepts intended to capture

<table>
<thead>
<tr>
<th></th>
<th>Japan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Among those with approximately two years of experience, expatriate personnel show more management capability than Thai personnel. (differential capability [3.11])</td>
<td>4.68</td>
<td>4.59 ns</td>
</tr>
<tr>
<td>Expatriate personnel have a responsibility to guide and mentor Thai managers. (paternalism [5.2.b])</td>
<td>5.33</td>
<td>5.22 ns</td>
</tr>
<tr>
<td>Thai managers often point out problems and opportunities which escape the notice of expatriate managers. (consultation [5.2.c]; pro-activism [4.1])</td>
<td>+/- agree 4.21</td>
<td>+/- disagree 3.65 ns</td>
</tr>
<tr>
<td>Thai personnel frequently affect the decisions of senior expatriate managers. (participation [5.2.d]; consultation [5.2.c])</td>
<td>4.70</td>
<td>4.50 ns</td>
</tr>
<tr>
<td>If results meet expectations, the actions of Thai junior managers are not discussed. (delegation [5.2.e])</td>
<td>+/- agree 4.47</td>
<td>+/- disagree 3.00***</td>
</tr>
<tr>
<td>Expatriate and Thai managers have equal responsibility for the success of the firm. (collegiality [5.2.f])</td>
<td>+/- strong agreement 5.93</td>
<td>6.03 ns</td>
</tr>
<tr>
<td>Thai managers are more likely to be of long-term benefit to the firm than expatriate managers. (differential benefit)</td>
<td>5.55</td>
<td>5.19 ns</td>
</tr>
<tr>
<td>Expatriate managers are more dedicated to the firm than Thai managers. (differential commitment)</td>
<td>5.59</td>
<td>3.28***</td>
</tr>
<tr>
<td>Thai personnel are less likely than expatriates to criticize management decisions. (hierarchy [5.1.a])</td>
<td>3.96</td>
<td>4.94**</td>
</tr>
<tr>
<td>Expatriate managers are more likely to be promoted than Thai managers. (differential reward)</td>
<td>3.67</td>
<td>3.11 ns</td>
</tr>
</tbody>
</table>

lo = disagree
hi = agree
4 = neutral
### TABLE TWO
**HRM**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Japan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>The home office feels that an expatriate managing director is essential to proper management control of the firm.</td>
<td>5.90</td>
<td>4.69**</td>
</tr>
<tr>
<td>We envision a continuing role for expatriates in this firm as resident managers.</td>
<td>4.75</td>
<td>4.00*</td>
</tr>
<tr>
<td>We envision a continuing role for expatriates in this firm as resident advisors to Thai managers.</td>
<td>4.39</td>
<td>3.64*</td>
</tr>
<tr>
<td>Expatriate management is used only when qualified Thais can not be found.</td>
<td>4.38</td>
<td>5.89***</td>
</tr>
<tr>
<td>The Thai operations provide valuable experience for expatriates bound for upper management.</td>
<td>5.18</td>
<td>4.97 ns</td>
</tr>
<tr>
<td>All resident expatriates will be phased out within the next three years.</td>
<td>2.66</td>
<td>3.42*</td>
</tr>
<tr>
<td>We use visiting expatriates on a continual basis.</td>
<td>4.22</td>
<td>4.14 ns</td>
</tr>
<tr>
<td>We use visiting expatriates as technical advisors to special projects.</td>
<td>5.14</td>
<td>5.64 ns</td>
</tr>
</tbody>
</table>

### TABLE THREE
**Centralization of Authority**

<table>
<thead>
<tr>
<th>Category</th>
<th>Japan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>3.02</td>
<td>2.63 ns</td>
</tr>
<tr>
<td>Marketing</td>
<td>3.43</td>
<td>2.63*</td>
</tr>
<tr>
<td>Service procurement</td>
<td>2.62</td>
<td>2.06*</td>
</tr>
<tr>
<td>Cap Equip purchase</td>
<td>4.00</td>
<td>3.09***</td>
</tr>
<tr>
<td>Hiring etc</td>
<td>1.97</td>
<td>1.91 ns</td>
</tr>
<tr>
<td>Salary</td>
<td>2.00</td>
<td>2.29 ns</td>
</tr>
</tbody>
</table>

lower #s indicate more local control.
TABLE FOUR  Comparison of Japanese and U.S. Firms Operating in Thailand

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Japan</th>
<th>U.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>628.4</td>
<td>920.7</td>
</tr>
<tr>
<td>Age</td>
<td>10.1</td>
<td>12.5</td>
</tr>
<tr>
<td>Percent Capital from Thai Sources</td>
<td>31.6</td>
<td>29.0</td>
</tr>
<tr>
<td>Percent Product Shipped to Affiliates</td>
<td>39.3</td>
<td>31.6</td>
</tr>
<tr>
<td>Percent Product Exported</td>
<td>56.8</td>
<td>44.3</td>
</tr>
<tr>
<td>Percent Thais at Top Managerial Level</td>
<td>50.0</td>
<td>77.2</td>
</tr>
</tbody>
</table>

TABLE FIVE  
MULTIPLE REGRESSIONS

<table>
<thead>
<tr>
<th></th>
<th>Return on:</th>
<th>Growth in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets</td>
<td>Equity</td>
</tr>
<tr>
<td>Intercept</td>
<td>7.10a</td>
<td>-10.78*</td>
</tr>
<tr>
<td>Japanese firm</td>
<td>-4.41*</td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td>3.94**</td>
<td>6.86***</td>
</tr>
<tr>
<td>Thai equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Differential ability</td>
<td>-1.16*</td>
<td></td>
</tr>
<tr>
<td>Differential criticism</td>
<td></td>
<td>1.60*</td>
</tr>
<tr>
<td>Proportion Thai directors</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

N          | 85          | 82        | 52        |
R-squared   | 0.21        | 0.26      | 0.42      |