

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

Version May 2013

A revised version is published in Journal of World Business, 2014, 49 (3), 455-464.

Copyright © Innan Sasaki and Katsuhiko Yoshikawa.

All rights reserved. Do not cite or quote without permission from the author.

Innan Sasaki

Turku School of Economics
University of Turku
Rehtorinpellonkatu 3, Turku 20500, Finland
innsas@utu.fi

Katsuhiko Yoshikawa

Department of Management
London School of Economics and Political Science
Houghton Street, London WC2A 2AE
k.yoshikawa@lse.ac.uk

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.

Key words

Acculturation; Culture change; Embeddedness; Intra-national regional culture;
Organizational culture; Strength of culture

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 & Vahle, 1997; Kogut & Singh, 1998).

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 (Osland & Bird, 2000; Kirkman, Lowe & Gibson, 2006). 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.

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. Geert 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, 1998) 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; Kitayama, 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, House, Dorfman, Hanges, & De Luque, 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).

“Table 1 about here”

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 and his colleagues (1997, and 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 & Grain, 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 values, beliefs, norms and practices that dynamically interact among such groups, and especially across different levels including that of the organization and its immediate environment.

3. Intra-national regional culture as the unit of analysis

The significance of the location factor in IB is widely recognized. Differences in the economic properties of their various locations influence the competitive advantage of even the most globally oriented firms or sectors, at least to some extent (cf. Maskell & Malmberg, 1999). Dunning's (1988) eclectic paradigm, for example, lends support to this notion. MNEs select locations in order to benefit from opportunities in fast growing markets and to gain access to local-specific knowledge and resources (cf. Majocchi & Presutti, 2009). However, researchers thus far have tended to analyze locational factors on the national level and to overlook other units of analysis: in reality, competitive advantage associated with locational factors may carry even more weight in intra-national regional contexts than in national contexts. The significance of this insight is already widely recognized in the field of economic geography, contrary to the situation in IB. From an IB perspective, location tends to be synonymous with country (apart from the work of Rugman and Verbeke (2004) and their recognition of super-national regionalization), whereas in the field of economic geography the

economic and social characteristics of the locality are examined in detail (Beugelsdijk et al., 2010; Menghinello et al., 2010; Mudambi, 2008). The specific self-selection advantage to productivity of being located in an urban environment has been demonstrated, for example (Venables, 2011). It is also suggested that although an MNE's inward FDI generates increased productivity in its home countries, locations that benefit most from inward investment are those with high levels of agglomeration and significant degrees of local industry specialization (Menghinello et al., 2010). Thus, industrial clusters—characterized by geographic, cultural, and institutional proximity—seem to facilitate spatial access, spatial relationships, better information and powerful incentives in deeply localized contexts (cf. Maskell & Malmberg, 1999; Porter, 1990; Wang & Zhou, 2012). In the context of innovation systems and institutional approaches, terms such as “local industrial systems” (Menghinello et al., 2010), “regional innovation networks” (Cooke & Morgan, 1994), and “local milieus” (Saxenian, 1994) have emerged in the research on innovative behavior among local firms on a sub-national level.

However, it would be misleading to state that the role of intra-national regional culture has been totally neglected in IB studies. Although still of minor interest, the intra-national region does feature to some extent in the literature on asset-seeking FDI, subsidiary views of MNEs, and the internationalization of R&D activities (e.g. Andersson, Björkman & Forsgren, 2005; Davis & Mayer, 2004; Gupta & Subramanian, 2008; Ivarsson & Jonsson, 2003; McCann, Arita & Gordon, 2002; Majocchi & Presutti, 2009; Santangelo, 2012; Wang & Zhou, 2012). As such, it has been argued that a strong local site is conducive to improving an MNE's local operations and fostering innovation in both local and global markets, thus creating unique competitive advantages (Becattini, 1990; Ivarsson & Jonson, 2003; Wang & Zhou, 2012). Investments made by MNEs also appear mostly to concentrate on the effects of industrial concentration, or clusters (cf. Majocchi & Presutti, 2009, p. 79). The literature on subsidiary embeddedness emphasizes relational embeddedness in local networks, referring to local customers, suppliers and other partners where subsidiaries are located (Andersson

et al., 2005; Santangelo, 2012). Recent analyses of cities and their evolution imply that they offer firms numerous locational advantages (Li et al., 2013; Viladecans-Marsal, 2004).

Despite the fact that these contributions signify the important role of local regions, research on the effect of the intra-national regional *culture* on MNE performance has not been straightforward in the IB context. For instance, previous studies on subsidiary embeddedness focus mainly on formal institutions or the formation of individual social relationships, and intra-national regional culture is not incorporated into the conceptual framework (cf. Andersson et al., 2005; Aycan, 2000; Santangelo, 2012).

There is thus a recognized need to include intra-national regional levels of culture in the theoretical framework of IB, even if these ideas have yet to bear fruit. Indeed, according to Gould and Grein (2008, p. 238-244), location should be regarded as a “site of meaning,” and there are cultural ‘sites’ other than national cultures, such as institutions and communities. A multi-level-culture view has also been proposed, such that if culture is assumed to be active, then actors are not solely constituted of a national culture but of *a host of cultures* (McSweeney, 2009 p. 934-938). For example, actions in an organization would be influenced not only by the national culture but also by intra-national regional and organizational cultures. Similarly, Tung (2008, p. 43-44) points out that it is imperative to explore beyond broad labels or categories in order to discover the underlying, yet salient, differences that exist within a nation, and that we need to *view culture as a multi-level, multi-layer construct*.

These studies all suggest the existence of a unique set of local resources, practices and values shared among people and businesses in a certain region, which are distinguishable from those of other areas. However, this unique local culture is ignored in the relevant IB literature, which has so far failed to integrate it into a theoretical framework. Taking this fact into account, we introduce a new unit of analysis in order to deepen understanding of the influence of culture. A focus on intra-national regional cultures will allow studies to focus more on unfolding unique social systems based on a single, simplistic, uni-causal method, and less on the notion of a national culture with its many sub-

cultures and complex interactional models (McSweeney, 2009). Table 2 summarizes the few existing definitions of intra-national regional culture.

“Table 2 about here”

From among these existing definitions we adopt and combine those put forward by Oinas (1998) and Saxenian (1994) as follows: *“shared values and social practices that are continually reconstructed through social interaction in a sub-national spatial entity”*. This is in line with our definition of culture in general, incorporating its dynamic and multiple aspects. Intra-national regional culture can refer to cultures that prevail in industrial clusters, and also those that exist in non-industrial cities or regions on the sub-national level and are built around local natural and historical resources, local capabilities, and specific informal institutional endowment.

However, this perspective still has its limitations. First, even if a region is smaller than a nation it still comprises various subgroups, thus there is still a risk of overlooking the diversity of values and practices. In other words, the problem of spatial reductionism remains. Second, it is more difficult to define the boundary of “a region” than it is to define that of “a nation”. National boundaries are, in most cases, clearly delineated, but our definition of intra-national regional culture includes ambiguity in what is considered a region. However, the perspective is still beneficial in that it represents a new stream of research into the behavior of cultures and firms. We therefore propose a new theoretical framework that describes possible interactions between intra-national regional and organizational cultures. It also sheds light on the firm’s choice of locations on an intra-national regional level, and on the ways in which such decisions may affect performance.

4. Dynamic interaction between organizational and intra-national regional cultures

On the basis of the above discussion, this section develops a framework for analyzing interaction between the organizational cultures of firms entering a certain intra-national region. As Oinas (1998) argues, competitiveness is not simply a product of the firm's characteristics, but also derives from its embeddedness in an industrial system characterized by its regional culture. Even large firms, including MNEs, need to incorporate themselves into the local system of firms to some extent in order to attain competitive advantage (cf. Menghinello et al., 2010). Therefore, dynamic cultural interaction is likely to result in competitive advantage or weakness in multinational firms.

We draw from Berry's (2008) acculturation theory concerning interaction between ethno-cultural minority groups and society at large in order to examine the effect of *cultural change in cross-level* contexts (cf. Erez & Gati, 2004), using intra-national regions as the unit of analysis. Berry (2008, p. 330) acknowledges acculturation as one aspect of the broader concept of cultural change that generates change in either or both groups on different levels. Two factors categorize such interactions: maintenance of the traditional identity and culture of the minority group, and the extent of interaction between the two groups.

In the context of our study, the MNE subsidiaries entering the region are considered the minority, and the surrounding region the larger society. As writers contributing to the literature on cultural strength (Barney, 1986; Collin & Porras, 1996; Lau & Ngo, 1996) argue, some MNEs develop a coherent and stable culture throughout their global organization whereas others have cultures that are vulnerable to change and lack this kind of coherence. Thus, the strength-of-culture concept is useful with regard to examining the first dimension in Berry's framework. Table 3 synthesizes the existing definitions and ways of assessing the strength of a culture, and specifies the conceptualizations adopted in the present study.

“Table 3 about here”

At the same time, MNE subsidiaries are likely to engage in different levels of interaction with local actors (see the literature on embeddedness, including Andersson, Forsgren & Holm, 2002; Andersson et al., 2007; and Birkinshaw & Hood, 1998). From the cultural perspective this may involve encounters among different values, assumptions, behaviors, and practices. Hence, the extent to which the MNE interacts with local actors is likely to influence the pattern of cultural interaction.

Therefore, we integrate the literature on embeddedness and strength of culture into the acculturation framework. The framework also constitutes the basis of our propositions concerning how these cultural interactions affect the subsidiaries' performance and MNE behavior in choosing and entering certain intra-national regions.

4.1. Maintaining an MNE's identity and culture

According to the literature, an organizational culture that is valuable, rare and difficult to imitate may be the firm's most effective competitive advantage. In addition, organizations that have a coherent culture are believed to perform better than those that do not (Barney, 1986; Colin & Porras, 1996; Lau & Ngo, 1996). With regard to MNEs, maintaining a strong culture throughout the organization is considered a prerequisite in terms of smooth collaboration, effective human resource management, and successful knowledge transfer across locations (Birkinshaw & Hood, 1998; Gupta & Govindarajan, 2000). However, MNEs do not necessarily have a strong culture, and those that do not are likely to find it difficult to implement the culture they have in foreign subsidiaries. In addition, even if an MNE has a strong culture at home, it might limit its implementation in foreign subsidiaries in order to allow them a high level of autonomy for some reason, such as encouraging innovation, which might not happen at home (Welch & Welch, 2006).

Figure 1 illustrates the relationship between the headquarters of MNEs, their subsidiaries, and the host region. A strong home culture is likely to help subsidiaries to develop their own strong culture (Barney, 1986; Collin & Porras, 1996; Lau & Ngo, 1996). Strong ties and interactions between

headquarters and subsidiaries also promote such development (Birkinshaw & Hood, 1998). In other words, a strong culture at home and a high level of internal embeddedness (Yamina and Andersson, 2011) are predecessors of a strong culture and identity at the subsidiary.

On the other hand, a relatively strong regional culture, meaning that a set of unique values, assumptions, behavior, and practices is embedded in the local community, is likely to hinder the development and maintenance of the MNE's unique culture and identity in the subsidiary (Coe et al., 2007; Maskell & Malmberg, 1999). The experiences of Japanese MNEs such as SONY and NEC in Silicon Valley (Nikkei Business, 1996) show that such things are possible. Local employees and venture firms with which they aimed to collaborate had adopted the risk-taking, fast-moving culture of Silicon Valley, which conflicted with the consensual, risk-controlling culture of those particular MNEs.

“Figure 1 about here”

4.2. Interaction with the environment

As Figure 1 indicates, MNE subsidiaries operate in the host region, and thus forge relationships with local actors. However, the level of interaction they seek with local actors such as suppliers, who embody regional cultural values, differs according to the firm. Both *business* (relational embeddedness with the firm's customers and suppliers) and *technical* (interdependence between firms in terms of their product and production-development processes) *embeddedness* (Andersson et al., 2002) are likely to result in a high level of interaction between the subsidiary and the region, and consequently to stronger interactions between the two cultures.

On the other hand, MNEs may choose to limit their exposure. Kouroggi (2011), for example, found that Japanese auto manufacturers such as Toyota, Honda, and Nissan brought their suppliers to their North American manufacturing sites, especially those that produced key parts requiring close

collaboration in design and production. In fact, many of them internalized the production of key parts in these plants. Such practices allowed them to reduce both business and technical embeddedness in the region, and thus limited the need to interact with local actors who were embedded in regional values and practices.

4.3. The results of interaction

Figure 2 presents a new theoretical framework as a basis for analyzing cultural interaction between organizations and intra-national regions. There are five possible types of interaction between the organizational culture of the MNE's subsidiary and the regional culture. We name the four combinations in accordance with Berry's original taxonomy.

“Figure 2 about here”

First, we label the top-left cell “integration”, meaning that the MNE subsidiary maintains its culture and identity while developing high level of external embeddedness. As a result, the subsidiary is likely to develop a unique combination of values, assumptions, and behaviors derived from both cultures. Second, the bottom-left cell is labeled “separation”, meaning that the MNE subsidiary maintains its culture and identity and limits external embeddedness, as illustrated in the Toyota case mentioned above. Third, the top-right cell, labeled “assimilation”, implies a high level of external embeddedness and a lack of maintenance of the MNE's own identity and culture. The subsidiary limits the implementation of its original culture and identity, and voluntarily assimilates into the region. An MNE aiming to facilitate innovation, which its home culture is likely to hinder, might choose such an option and utilize local resources (Welch & Welch, 2006). Moreover, firms pursuing a multinational strategy (Bartlett & Goshal, 2002) might also prefer to give its subsidiaries the freedom to assimilate into the local culture. However, as stated above, the assimilation might happen

even if the firm does not intend to assimilate. If the host region has a strong culture and the MNE does not, the regional culture might dominate the organizational culture. This might well have happened, for example, if SONY and NEC had failed to implement their own cultures in Silicon Valley. We differentiate these two phenomena, referring to the former as “voluntary assimilation” and the latter as “forced assimilation”. Finally, we label the bottom-right cell “marginalization”, meaning that the MNE subsidiary does not maintain its culture and identity, and also limits external embeddedness.

We applied this framework in drawing up several propositions concerning the performance outcome of the four types of interaction and firm behaviors, with a view to avoiding a negative impact and promoting a positive outcome.

First, as suggested in the literature on strong cultures, if the MNE maintains its own culture and identity within its subsidiary the subsidiary’s performance is likely to benefit (Barney, 1986; Collin & Porras, 1996; Lau & Ngo, 1996). In addition, working closely with local firms and accepting integration into the regional culture might mitigate the “liabilities of foreignness” problem in the subsidiaries.

At first glance, integration might seem attractive. However, integrating two cultures is not an easy task. On the individual level, there is extensive discussion in the literature concerning the difficulties of cultural adaptation among expatriates (e.g., Adler, 2008; Black, Gregersen, Mendelhall & Stroh, 1998). On the organizational level, in turn, it takes time and effort to integrate cultures, and to develop new norms, behavior, and practices. It is because the organizational culture tends to be embedded in various norms, behavior, and practices that its members are not explicitly aware of the underlying assumptions (Johnson, 1992; Sarasti, 1995; Schein, 1985, 2004; Sinclar, 1993). Therefore, subsidiaries need to invest resources in such exploration and to experience some confusion within the organization, despite the negative impact on performance.

Proposition 1.1 Integration has positive implications with regard to the subsidiary's performance. MNEs benefit from a strong culture and suffer less from the liability of foreignness.

Proposition 1.2 The age of the subsidiary positively moderates the relationship. Efforts to achieve integration would offset its positive effects to some extent in the early stages.

Proposition 2.1 Separation has mixed implications with regard to the subsidiary's performance. Subsidiaries benefit from a strong MNE culture, but suffer from the liability of foreignness.

Proposition 3.1 Voluntary Assimilation has positive implications. Subsidiaries can mitigate the liability of foreignness, and a lack of coherence is not in their interest

Proposition 3.2 Forced Assimilation has negative implications. Firms mitigate the liability of foreignness, but fail to maintain their own culture and identity even if they aim to do so. Thus, the firm fails in its integration efforts and is likely to experience cultural confusion in terms of values and practices

Proposition 4.1 Marginalization has negative implications with regard to subsidiary performance in that it leads to a lack of coherence in the MNE culture and the liability of foreignness.

Let us now turn to other factors that are likely to affect the performance implications of the quadrant. First, cultural distance (Kogut & Singh, 1998) between the MNE and the intra-national region seems relevant in that interaction between the two cultures may be difficult when they differ substantially. Empirical studies based on this concept show conflicting results, and there is still debate on how to interpret them (Kirkman et al., 2006). In addition, given the suggestion in the literature on economic geography (see section 2) and among critics of the dimension approach (section 1) to take account of the institutional aspect as well as values in investigations of culture, current operationalizations of cultural distance appear to be inadequate. Nevertheless, the cultural gap between the organization and the host region is likely to result in challenges for MNEs hoping to maintain their own culture while interacting actively with local actors.

Proposition 5.1 The gap between the MNE's organizational culture and its host region's culture negatively moderates the impact of an integration strategy whereby the company maintains its own culture and actively interacts with regional actors.

Proposition 5.2 A similarly negative moderation effect also applies to the influence of forced assimilation, meaning that the subsidiary has no intention of assimilating into the regional culture or to interact actively with regional actors.

Proposition 5.3 Any moderation effect is unlikely to be significant if the subsidiaries pursue separation, voluntary-assimilation, and marginalization strategies that place little importance on maintaining their own culture.

These propositions imply that firms might be better off choosing separation rather than integration as a strategy when the cultural gap is wide. They further imply that a firm might be better off choosing a certain region in which the culture is closer to its own if it aims to pursue integration strategy.

Second, the MNE's choice of strategy could also affect the impact of cultural interaction. Here we incorporate two driving forces of subsidiary performance: the maintenance of a strong culture and mitigation of the liability of foreignness. The MNEs' strategy is likely to affect the relative importance of these two factors. If it emphasizes global integration over and above local responsiveness (Bartlett & Ghoshal, 2002), implementing its strong culture in its subsidiaries would significantly influence their performance. On the other hand, if the MNE pursues local responsiveness rather than global integration, the mitigating liability of foreignness would have a significant impact.

Proposition 6.1 Emphasis in the MNE on global integration rather than local responsiveness positively moderates the performance impact of separation and marginalization.

Proposition 6.2 Emphasis in the MNE on local responsiveness rather than global integration positively moderates the performance impact of integration and assimilation (either voluntary or forced).

All this implies that MNEs pursuing a global strategy, in Bartlett and Ghoshal's (2002) terms, would be likely to benefit from separation, especially when the cultural gap between the organizational culture and the culture in the host region is wide and requires determined integration effort. We discuss these management implications in the next section.

5. Discussion

The purpose of this study was to respond to current criticism of cultural studies in IB, focusing especially on the assumption of a "monolithic national culture". We provide a perspective and a theoretical framework of dynamic interaction between the firm's and the intra-national regional culture that is theoretically rooted in both economic geography and cultural studies. We also put forward propositions concerning the performance implications of such interaction.

5.1 Theoretical relevance

The key theoretical contributions of this study are threefold. First, the intra-national regional culture is proposed as a unit of analysis in IB. As Kaasa et al. (2013) found in his European Social Survey, there seem to be significant intra-national cultural differences. Therefore, investigating the influence of culture on business on the regional level would be a significant next step in IB research (Gould & Grein, 2008; McSweeney, 2009; Tung, 2008).

Second and building on the first point, this study conceptualizes dynamic and cross-level cultural interactions between the intra-national regional culture and the organizational culture of the MNE's subsidiaries in terms of cultural strength and embeddedness. As a result, five types of cultural

interaction that might occur in the empirical world are proposed, and the performance implications of such interactions are pointed out.

Finally, the potential performance implications of such cultural interactions, and their possible antecedents and moderators, are discussed, highlighting the need for further empirical studies on the influence of regional cultures on MNE behavior and performance. For example, we suggest that the impact of cultural difference varies depending on which of five types of interaction firms engage in: adopting our concepts in evaluations of the performance implications of cultural distance would shed new light on the myriad of mixed results in previous studies.

5.2. Managerial relevance

This study also carries several practical management implications. Multinational firms need to consider not only the country they are entering, but also which region to choose in that country. As Ghemawat (2007) suggests, they should take account of cultural, administrative, geographic, and economic diversity when they develop their global strategies. This also applies on the intra-national, regional level. The framework and propositions we put forward offer practical insights into location choice in MNEs, and their coping tactics with regard to regional cultures.

First, MNEs would benefit from assessing the nature of the local culture and its strength in the target regions before they decide on their choice of location. As SONY and NEC experienced in Silicon Valley, a distant and strong culture would result in serious adaptation challenges for firms and prevent them from achieving their entry aims quickly. This kind of assessment would be especially important for MNEs pursuing both active interaction with regional actors and close collaboration between home and the subsidiary in that such a strategy requires the integration of two cultures. In addition, a lack of globalization experience would make such an assessment even more necessary. A recent work published by Kaasa et al. (2013) identifies regional cultural differences in Europe from the European Social Survey database. It shows, for example, that cultural values are

profoundly different in London and other parts of the UK. It would be beneficial for firms to take account of these and other recent developments in cultural studies on the intra-national, regional level.

Second and related to the first point, the framework offers options for firms in terms of mitigating the possible negative influence of the intra-national regional culture. For example, as Kouroggi (2011) found in Japanese auto firms, MNEs might limit interaction with local firms by internalizing key processes and bringing in its familiar suppliers from home. Integration requires initial investment in adapting to the local environment, and such investment would be significant if the cultural gap between the MNE and the region is very wide. Therefore, separation may be a good option for firms even if it limits their opportunities to utilize local suppliers.

On the other hand, MNEs do not necessarily choose to limit interaction with local actors: for example, Nissan is reported to have announced its intention to increase its local procurement in emerging markets to 100 percent in order to enhance cost competitiveness and to comply with local regulations (Response, 2013). Our model suggests that the MNE has three options in such a situation. First, it could invest in implementing its own culture at its subsidiaries and achieve integration with the local culture. Alternatively, it could look for regions in which the cultural gap is relatively small and the local culture is not so strong. Finally, it could choose assimilation, encouraging the subsidiary to proactively introduce the values and practices that are prevalent in the host region.

5.3. Limitations and directions for future research

One limitation of this paper is that our suggested concept of cross-level cultural change is purely conceptual, based on the literature and logical theory construction but with few real-life examples. In addition, our analysis focuses largely on intra-national regional culture, and does not address in any depth theories related to organizational culture. Our aim was to conceptualize, through argument and examples, cross-level cultural analysis, thereby extending and enriching cultural studies in IB, and in particular emphasizing intra-national regional culture as a new unit of analysis. Yet, certain

limitations such as spatial reductionism and defining the boundary of an intra-national region cannot be denied (see section 2 for details). Furthermore, the framework and propositions we present ignore the influence of the national cultures to which the intra-national regional cultures belong. Although the literature on economic geography acknowledges the existence of unique, strong, intra-national regional cultures that stand out from national cultures, it does not imply that national cultures have no effect on organizations operating in their regions.

There is thus a need for more studies to overcome these limitations. We therefore propose several directions in both qualitative and quantitative research, as well as further theoretical development.

First, qualitative research would enhance understanding of the process of cultural interaction given that quantitative approaches might overlook the subtle details in the cross-level notion of abstract culture (Yeganeh & Su, 2006). For example, explorative, longitudinal ethnographic studies would allow examination of the *process* of cultural interaction, in other words of *how* these cultural changes really happen. They would also offer richer perspectives on the kinds of performance differences that arise as a result of such cultural interaction (cf. Brannen & Doz, 2010; Ogbor, 2000; Ralston, 2008; Sarala & Vaara, 2010). Another benefit would be to give further insight into how MNE managers perceive regional cultural differences and take them into account in their decision-making on matters such as the choice of location. As one experienced business leader stated by way of an example, China is culturally diverse and managers should take this into consideration (Kolesnikov-Jessop, 2012). However, it is unclear to what extent MNEs take account of such insights in their decisions.

It would also be beneficial to conduct quantitative studies in order to test the propositions. This would require the development of methodology to capture the interactions that take place at MNE subsidiaries. Existing measures of external embeddedness are applicable to the level of interaction between subsidiaries and regional actors (the vertical axis in Figure 2), but it would be necessary to find a way to measure the maintenance of the MNE's own culture in the subsidiaries (the horizontal

axis in Figure 1) based on the strength-of-culture literature. This would facilitate the data collection and the empirical evaluation of the propositions.

As Kaasa et al. (2013) demonstrate, the European Social Survey provides a dataset of cultural values with the regional classification of respondents, and thus allows the calculation of cultural values on the intra-national, regional level. The World Values Survey would also allow similar analyses on a much larger scale given that it incorporates regional codes (World Values Survey, 2005). Despite the limitations, a regional-level cultural-distance index based on this kind of data on regional cultural values could be used to proxy the gap between the organizational culture of MNEs and the regional culture they encounter. A further step forward would be to develop ways of operationalizing the cultural gap between MNEs and their host regions, taking into account not only values but also other aspects of culture.

In addition, as discussed in the previous section, the framework could foster the development of hypotheses concerning the behavior of firms in terms of location choice on the regional level, as well as the coping tactics that might mitigate the negative influence of the regional culture on the subsidiary's performance. Although it is beyond the scope of this paper, developing and testing hypotheses about the behavior of firms on the regional level would contribute new knowledge to the IB literature.

Finally, we suggest the need in future studies for more theoretical development concerning the nature of and interactions among different levels of cultures. In particular, as mentioned above, there is a need for further discussion on the interaction between national and intra-national regional cultures, and its impact on organizations.

6. Conclusions

In the present study, we extended the current state of cultural investigation in the domain of international business, and highlighted some ways in which future theoretical and empirical research

on culture could be developed through conceptual discussion. First, in identifying the main criticism of current knowledge we focused mainly on overcoming assumptions concerning the monolithic nature of national culture. While recognizing the limitations associated with the problem of spatial reductionism in intra-national regional cultures, we introduced intra-national regional culture as a unit of analysis, borrowing the concept from the field of economic geography. Subsequently, we presented a theoretical framework within which to analyze the dynamic interactions between intra-regional cultures and the organizational cultures of firms that enter those regions: in this we used acculturation theory and the concepts of strength of culture and embeddedness. We put forward several propositions that could contribute to the future development of cultural studies in IB in a much more realistic and holistic direction: first, in opening new paths for reconsidering the nature of culture and the units of investigation, and second in facilitating reassessment of the varying interaction between organizational cultures and intra-national regional cultures that affects organizational performance.

Acknowledgements

We gratefully acknowledge the helpful comments and support of Professor Niina Nummela and Professor Fragkiskos Filippaios. We would also like to thank the two anonymous referees for their insightful comments on an earlier version of this paper, presented at the European International Business Academy.

References

- Adler, N. J., (2008). *International dimensions of organizational behavior*. Mason, OH: Thomson Higher Education.
- Ailon, G. (2008). Mirror, mirror on the wall: Culture's consequences in a value test of its own design. *Academy of Management Review*, 33(4): 885-904.
- Andersson, U., Björkman, I. & Forsgren, M. (2005). Managing subsidiary knowledge creation: The effect of control mechanisms on subsidiary local embeddedness. *International Business Review*, 14(5): 521-538.
- Andersson, U., Foregren, M. & Holm, U. (2002). The Strategic impact of external networks: Subsidiary performance and competence development in the multinational corporation. *Strategic Management Journal*, 23(11): 979-996.
- Andersson, U., Forsgren, M. & Holm, U. (2007). Balancing subsidiary influence in the federative MNC: a business network view. *Journal of International Business Studies*, 38(5): 802-818.
- Aycan, Z. (2000). Cross-cultural industrial and organizational psychology: Contributions, past developments, and future directions. *Journal of Cross-cultural Psychology*, 31(1): 110-128.
- Barnes, J.W., Jackson, D.W., Hutt, M.D. & Kumar, A. (2006). The role of culture strength in shaping sales force outcomes. *Journal of Personal Selling and Sales Management*, 26(3): 225-270.
- Barney, J. B. (1986). Organizational culture: Can it be a source of sustained competitive advantage? *Academy of management review*, 11 (3): 656-665.
- Bartlett, C. A. & Ghoshal, S. (2002). *Managing across borders: The transnational solution*. USA: Harvard Business School Press.
- Becattini, G. (1990). The Marshallian industrial district as a creative milieu. In Benko, G. & Dunford, M. (Eds.), *Industrial change and regional development* (pp. 102-114). London: Belhaven Press.
- Berry, J.W. (2008). Globalization and acculturation. *International Journal of Intercultural Relations*, 32(4): 328-336.

- Berry, H., Guillén, M. F. & Zhou, N. (2010). An institutional approach to cross-national distance. *Journal of International Business Studies*, 41(9): 14.
- Beugelsdijk, S., McCann, P. & Mudambi, R. (2010). Introduction: Place, space and organization – economic geography and the multinational enterprise. *Journal of Economic Geography*, 10(4): 485-493.
- Black, S.J., Gregersen, H.B., Mendelhall, M.E., & Stroh, L. (1998). *Globalizing people through international assignments*. Reading, MA: Addison-Wesley.
- Bogaert, S., Boone, C. & van Witteloostuijn, A. (2012). Social value orientation and climate strength as moderators of the impact of work group cooperative climate on affective commitment. *Journal of Management Studies*, 49(5): 918-944.
- Bowen, D. E. & Ostroff, C. (2004). Understanding HRM-firm performance linkages: The role of the "strength" of the HRM system. *The Academy of Management Review*, 29(2): 203-221.
- Brannen, M. Y. & Doz, Y. L. (2010). From a distance and detached to up close and personal: Bringing strategic and cross-cultural perspectives in international management research and practice. *Scandinavian Journal of Management*, 26(3): 236-247.
- Brewer, P. & Venaik, S. (2011). Individualism – Collectivism in Hofstede and GLOBE. *Journal of International Business Studies*, 42(3): 436-445.
- Birkinshaw, J. & Hood, N. (1998). Multinational subsidiary evolution: Capability and charter change in foreign-owned subsidiary companies. *Academy of Management review*, 23(4): 773-795.
- Coe, N. M., Kelly, P. F. & Yeung, H. W. C. (2007). *Economic geography A contemporary introduction*. USA: Blackwell Publishing.
- Collin, J. C. & Porras, J. I. (1996). *Built to last: successful habits of visionary companies*. London: Century Ltd.
- Cook, P. & Morgan, K. (1994). The regional innovation system in Baden-Wurttemberg. *International Journal of Technology Management*, 9(3-4): 394-429.

- Davis, L. N. & Meyer, K. E. (2004). Subsidiary research and development, and the local environment. *International Business Review*, 13(3): 359-382.
- DelCampo, Robert G. (2006). The influence of culture strength on person-organization fit and turnover. *International Journal of Management*, 23(3): 465-469.
- Denison, D. R. & Mishra, A. K. (1995). Toward a theory of organizational culture and effectiveness. *Organization Science*, 6(2): 204-223.
- Drogendijk, R. & Zander, L. (2010). Walking the cultural distance: In search of direction beyond friction. *Advances in International Management*, 23(2): 189-212.
- Duh, M., Belak, J. & Milfelner, B. (2010). Core values, culture and ethical climate as constitutional elements of ethical behaviour: Exploring differences between family and non-family enterprises. *Journal of Business Ethics*, 97(3), 473-489.
- Dunning, J. H. (1988). The eclectic paradigm of international production: A restatement and some possible extensions. *Journal of International Business Studies*, 19(1): 1-31.
- Earley, P.C. (2006). Leading cultural research in the future: A matter of paradigms and taste. *Journal of International Business Studies*, 37(6): 922-931.
- Erez, M. & Gati, E. (2004). A dynamic, multi-level model of culture: From the micro level of the individual to the macro level of a global culture. *Applied Psychology*, 53(4): 583-598.
- Ghemawat, P. (2007). *Redefining global strategy: Crossing borders in a world where differences still matter*. Boston, MA: Harvard Business School Press.
- Gould, S.J. & Grein, A.F. (2008). Think glocally, Act glocally: A culture-centric comment on Leung, Bhagat, Buchan, Erez and Gibson (2005). *Journal of International Business Studies*, 40(2): 237-254.
- Gupta, V. & Subramanian, R. (2008). Seven perspectives on regional clusters and the case of Grand Rapids office furniture city. *International Business Review*, 17(4): 371-384.

- Gupta, A.K. & Govindarajan, V. (2000). Knowledge Flows within Multinational Corporations. *Strategic Management Journal*, 21(4): 473-496.
- Hatch, M. J. (1993). The dynamics of organizational culture. *The Academy of Management Review*, 18 (4): 657-693.
- Hofstede, G. (1980). *Culture's consequences international differences in work-related values*. Beverly Hills, London: Sage Publications.
- Hofstede, G. (2006). What did GLOBE really measure? Researchers' minds versus respondents' minds. *Journal of International Business Studies*, 37 (6): 882-896.
- House, R., Javidan, M., Hanges, P., & Dorfman, P. (2002). Understanding cultures and implicit leadership theories across the globe: an introduction to project GLOBE. *Journal of World Business*, 37(1): 3-10.
- Hymer, S. H. (1976). *The international operations of national firms: A study of direct investment*. Cambridge: MIT Press.
- Ivarsson, I. & Jonson, T. (2003). Local technological competence and asset seeking FDI: an empirical study of manufacturing and wholesale affiliates in Sweden. *International Business Review*, 12(3): 369-386.
- Javidan, M., House, R. J., Dorfman, P. W., Hanges, P. J. & De Luque, M. S. (2006). Conceptualizing and measuring cultures and their consequences: a comparative review of GLOBE's and Hofstede's approaches. *Journal of International Business Studies*, 37 (6): 897-914.
- Johanson, J. & Vahlne, J.E. (1977). The Internationalization process of the firm – A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1): 23-32.
- Johnson, G. (1992). Managing strategic change – Strategy, culture and action. *Long Range Planning*, 25 (1): 28-36.

- Jones, T. M., Felps, W. & Gregory, B. (2007). Ethical theory and stakeholder-related decisions: The role of stakeholder culture. *Academy of Management Review*, 32(1): 137-155.
- Kaasa, A., Vadi, M. & Varblane U. (2013). European Social Survey as a source of new cultural dimensions estimates for regions. *International Journal of Cross Cultural Management*, 13(2):137-157.
- Kimberly, B. A., Amundson, S. D., Schroeder, R. G. & Morris, W. T. (1995). The crucial interrelationship between manufacturing strategy and organizational culture. *Management Science*, 41(10): 1565-1580.
- Kirkman, B. L., Lowe K. B. & Gibson C. B. (2006). A quarter century of culture's consequences: a review of empirical research incorporating Hofstede's cultural values framework. *Journal of International Business Studies*, 36(3): 285-320.
- Kitayaman, S. (2002). Culture and basic psychological processes – Toward a system view of culture: Comment on oyserman et al. (2002). *Psychological Bulletin*, 128(1): 89-96.
- Kogut, B. & Singh, H. (1988). The effect of national culture on the choice of entry mode. *Journal of International Business Studies*, 19(3): 411-432.
- Kolesnikov-Jessop, S. (2012). Respecting cultural differences. *The New York Times web edition*, June 19, 2012. <online> [accessed on 18th Sep, 2013. http://www.nytimes.com/2012/06/18/business/global/francois-lancon-on-respecting-cultural-differences.html?_r=1&]
- Kotrba, L. M., Gillespie, M. A., Schmidt, A. M., Smerek, R. E., Ritchie., S. A. & Denison, D. R. (2012). Do consistent corporate cultures have better business performance? Exploring the interaction effects, *Human Relations*, 65(2), 241-262.
- Kouroggi, Y. (2011). Supplier overseas advance along with Japanese car maker: consideration from the case study of North America. *Hiroshima Daigaku Management Kenkyu*. 11: 85-97.

- Lau, C. & Ngo, H. (1996). One country many cultures: Organizational cultures of firms of different country origins. *International Business Review*, 5(5): 469-486.
- Leung, K., Bhagat, R., Buchan, N. R., Erez, M., & Gibson, C. B. (2011). Beyond national culture and culture-centralism: A reply to Gould and Grein (2002). *Journal of International Business Studies*, 42(1): 177-181.
- Li, J., Tan, Y., Cai, Z., Zhu, H., & Wang, X. (2013). Regional differences in a national culture and their effects on leadership effectiveness: A tale of two neighboring Chinese cities. *Journal of World Business*, 48(1), 13-19.
- Majocchi, A. & Presutti, M. (2009). Industrial clusters, entrepreneurial culture and the social environment: The effects on FDI distribution. *International Business Review*, 18(1): 76-88.
- Maskell, P. & Malmberg, A. (1999). Localised learning and industrial competitiveness. *Cambridge Journal of Economics*, 23(2): 167-185.
- McCann, P., Arita, T. & Gordon, I. R. (2002). Industrial clusters, transactions costs and the institutional determinants of MNE location behavior. *International Business Review*, 11(6): 647-663.
- McSweeney, B. (2009). Dynamic diversity: Variety and variation within countries. *Organization Studies*, 30 (9): 933-957.
- Menghinello, S., Propris, L.D. & Driffield, N. (2010). Industrial districts, inward foreign investment and regional development. *Journal of Economic Geography*, 10(4): 539-558.
- Mizzau, L. & Montanari, F. (2008). Cultural districts and the challenge of authenticity: the case of Piedmont, Italy. *Journal of Economic Geography*, 8(5): 651-673.
- Mudambi, R. (2008). Location, control and innovation in knowledge intensive industries. *Journal of Economic Geography*, 8(5): 699-725.

- Nikkei Business. (1996). Hot Silicon Valley - Japanese firms bewildered by the different rules of the game – Key for success is reforming the awareness of headquarters (シリコンバレーが熱い、ルールに戸惑う日本勢 本社の意識改革がカギ). Nikkei Business, January 15.
- Ogbor, J.O. (2000). Organizational leadership and authority relations across cultures: Beyond divergence and convergence. *International Journal of Commerce & Management*, 10(1): 48-73.
- Oinas, P. (1998). *The embedded firm? Prelude for a revived geography of enterprise*. Doctoral dissertation at Helsinki School of Economics and Business Administration. A-143.
- Osland, J. S. & Bird, A. (2000). Beyond sophisticated stereotyping: Cultural sensemaking in context. *Academy of Management Executive*, 14 (1): 65-77.
- Pilon, S. & DeBresson, C. (2003). Local culture and regional innovation networks: Some propositions. In Fornahl, D. & Brenner, T. (Eds.), *Cooperation, networks and institutions in regional innovation systems* (pp. 15-37). Cheltenham: Edward Elgar.
- Porter, M. (1990). *The competitive advantage of nations*. London: The Macmillan Press Ltd.
- Ralston, D.A. (2008). The crossvergence perspective: reflections and projections. *Journal of International Business Studies*, 39(1): 27-40.
- Ralston, D. A., Holt, D. H., Terpstra, R. H., & Kai-Cheng, Y. (1997). The impact of national culture and economic ideology on managerial work values: A study of the United States, Russia, Japan, and China. *Journal of International Business Studies*, 28(1): 177-207.
- Ralston, D. A., Holt, D. H., Terpstra, R. H., & Kai-Cheng, Y. (2008). The impact of national culture and economic ideology on managerial work values: A study of the United States, Russia, Japan, and China. *Journal of International Business Studies*, 39(1), 8-26.
- Response. (2012). Nissan aims to achieve 100% local procurement including raw materials in emerging markets. (日産、新興国で材料含む 100%現地調達化を目指す). Response – emerging media, 16th Oct, 2012. <online> [accessed 18th Sep, 2013. <http://response.jp/article/2012/10/16/183190.html>]

- Rugman, A.M. & Verbeke, A. (2004). A perspective on regional and global strategies of multinational enterprises. *Journal of International Business Studies*, 35(1): 3-18.
- Saffold, G. S. III. (1988). Traits, strength, and organizational performance: Moving beyond “strong” culture. *The Academy of Management Review*, 13 (4): 546-558.
- Santangelo, G. D. (2012). The tension of information sharing: Effects on subsidiary embeddedness. *International Business Review*, 21(2): 180-195.
- Sarala, R.M. & Vaara, E. (2010). Cultural differences, convergence, and crossvergence as explanations of knowledge transfer in international acquisitions. *Journal of International Business Studies*, 41(8): 1365-1390.
- Sarasti, J. (1995). About corporate culture and management and management of culture. CIBR Working Papers. Helsinki: Helsinki School of Economics and Business Administration Center for International Business Research.
- Saxenian, A. (1994). *Regional advantage: Culture and competition in Silicon Valley and Route 128*. Harvard University Press: Cambridge, MA.
- Schaffer, B.S. & Riordan, C.M. (2003). A review of cross-cultural methodologies for organizational research: A best- practices approach. *Organizational Research Methods*, 6(2): 169-215.
- Schein, E. H. (1985). *Organizational culture and leadership*. San Francisco: Jossey-Bass.
- Schein, E. H. (2004). *Organizational culture and leadership*, Third Edition. San Francisco: Jossey-Bass A Wiley Imprint.
- Schwartz, S.H. (1994). *Beyond individualism-collectivism: New cultural dimensions of values*. Thousand Oaks, CA: Sage Publications.
- Schwartz, S. H. (2006). A theory of cultural value orientations: explication and applications. *Comparative Sociology*, 5 (2-3): 137-182.
- Shenkar, O. (2001). Cultural distance revised: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of International Business Studies*, 32 (3): 519-535.

- Sinclair, A. (1993). Approaches to organizational culture and ethics. *Journal of Business Ethics*, 12 (1): 63-73.
- Sørensen, Jesper B. (2002). The strength of corporate culture and the reliability of firm performance. *Administrative Science Quarterly*, 47(1): 70-91.
- Tang, L. & Koveos, P. E. (2008). A framework to update Hofstede's cultural value indices: Economic dynamics and institutional stability. *Journal of International Business Studies*, 39(6): 1045-1063.
- Taras, V., Steel, P. & Kirkman, B.L. (2012). Improving national cultural indices using a longitudinal meta-analysis of Hofstede's dimensions. *Journal of World Business*, 47(3), 329-341.
- Tung, R.L. (2008) The cross-cultural research imperative: the need to balance cross-national and intra-national diversity. *Journal of International Business Studies*, 39(1), 41-46.
- Tung, R. L. & Verbeke, A. (2010). Beyond Hofstede and GLOBE: Improving the quality of cross-cultural research. *Journal of International Business Studies*, 41(8): 1259-1274.
- VanVianen, Annelies, E.M., De Pater, I. E., Bechtoldt, M. N. & Evers, A. (2011). The strength and quality of climate perceptions. *Journal of Managerial Psychology*, 26(1): 77-92.
- Venables, A. J. (2011). Productivity in cities: self-selection and sorting. *Journal of Economic geography*, 11(2): 241-251.
- Venaik, S. & Brewer, P. (2010). Avoiding uncertainty in Hofstede and GLOBE. *Journal of International Business Studies*, 41(8): 1294-1315.
- Verspagen, B. & Schoenmakers, W. (2004). The spatial dimension of patenting by multinational firms in Europe. *Journal of Economic Geography*, 4(1): 23-42.
- Viladecans-Marsal, E. (2004). Agglomeration economics and industrial location: city-level evidence. *Journal of Economic geography*, 4(5): 565-582.
- Wang, H. & Schaan, J. (2008). How much distance so we need? Revising the "national cultural distance paradox". *Management International Review*, 48(3): 263-278.

- Wang, Y. & Zhou, Z. (2012). The dual role of local sites in assisting firms with developing technological capabilities: Evidence from China. *International Business Review*, 22(1): 63-76.
- Welch, D. E. & Welch, L. S. (2006). Commitment for hire? The viability of corporate culture as a MNC control mechanism. *International Business Review*, 15(1): 14-28.
- World Values Survey. (2005). *Root version of the WVS 2005 questionnaire 2005*. <online> [accessed 18th Sep, 2013. http://www.worldvaluessurvey.org/wvs/articles/folder_published/survey_2005]
- Yamin, M. & Andersson, U. (2011). Subsidiary importance in the MNC: What role does internal embeddedness play? *International Business Review*, 20(2): 151-162.
- Yeganeh, H. & Su, Z. (2006). Conceptual foundations of cultural management research. *International Journal of Cross Cultural Management*, 6(3): 361-371.
- Zaheer, S., Schomaker, M.S. & Nachum, L. (2012). Distance without direction: Restoring credibility to a much-loved construct. *Journal of International Business Studies*, 43(1): 18-27.

Table 1 Criticism of current approaches in cultural studies

<i>Type of criticism</i>	<i>Major problems in current approach</i>	<i>Related works</i>
(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 & Verbeke (2010)
(3) Assumption of the monolithic nature of national culture	Considering national culture as monolithic, overlooking intra-national diversity	Brannen & Doz (2010); Li et al. (2013); McSweeney (2009); Shenkar (2001); Tung & Verbeke (2010)
(4) Single-level analysis	Lacking insight into dynamic interaction among different levels of culture	Kirkman et al. (2006); McSweeney (2009)

Table 2 A conceptualization of intra-national regional culture

<i>Definitions of intra-national regional culture</i>	
Becattini (1990)	“A socio-territorial entity which is characterized by the active presence of both a community of people and populations of firms in one naturally and historically bounded area.” (p. 38)
Jones, Felps and Gregory (2007)	“Stakeholder culture represents a firm’s collective reconciliation of these contradictory motives in the past and, as such, consists of its shared beliefs, values, and evolved practices regarding the solution of recurring stakeholder related problems.” (p. 142)
Mizzu and Montanari (2008)	“Cultural districts can be defined as non-random concentrations or agglomerations in space of differently sized autonomous cultural firms or institutions, with a prevalence of small and medium ones.” (p. 652)
Oinas (1998)	“Regional culture refers to shared ideas and social practices that remain relatively persistent over time in a (typically sub-national) spatial entity. It is bound to carry wider national and transnational cultural characteristics but it is in some significant respects distinct from them and combines aspects of them in a way that is particular to each specific region.” (p. 81)
Pilon and DeBresson (2003)	“Social interaction among localized individuals and firms give rise to a confined repertoire of heuristics locally embedded in a milieu.” (p. 24)
Saxenian (1994)	“The shared understandings and practices that unify a community and define everything from labor market behavior to attitudes toward risk-taking. A region’s culture [...] is continually reconstructed through social interaction.” (p. 7)

Table 3 A conceptualization of the strength of culture

<i>Author(s)</i>	<i>Definition of a strong culture</i>	<i>Assessment criteria of the strength</i>
Barnes, Jackson, Hutt and Kumar (2006)	“Strong cultures are conceptualized as those in which the values of the organization are intensely held, widely shared, and provide an influential guide to the action and behavior of salespeople.” (p. 256)	(1) The ability to influence and motivate organizational members to behave in a manner endorsed by the organization (2) A crystallization, or pervasive level of agreement on the part of members, regarding the importance of the system of organizational values (p. 257)
Bogaert, Boone and van Witteloostuijn (2012)	“Climate strength refers to the extent to which employees share and agree upon group values and norms” (p. 925)	The extent of consensus among responses from the full sample (p. 930)
Bowen and Ostroff (2004)	“[...] an organizational climate can act as a strong situation when employees develop a shared interpretation of the organization's policies, practices, procedures, and goals and develop shared perceptions about what behaviors are expected and rewarded in the organization.” (p. 207)	(1) The appropriate unit of measurement for assessing individual strength because employee attributions and perceptions reside in the individual (2) To assess consistency, employees could be asked to what extent they have actually participated in or experienced each of these practices (3) As an alternative, employees could be asked to indicate the extent to which they believe the practice applies to all employees (p. 216-217)
Danison and Mishra (1995)	N.a.	(1) Involvement (2) Consistency (or the degree of normative integration) (3) Adaptability (or the capacity for internal change) (4) Sense of mission (or long-term vision) (p. 214-216)
DelCampo (2006)	“First, [...] the intensity displayed by members of the organization in approval or disapproval of those who act in certain ways, and second the presence of widespread agreement on values among members.” (p. 465)	(1) Preferences that individuals have for organizational cultures (2) Relationship between individual preferences and the organizational culture (3) Measures of the person-organization fit based on profile comparison (p. 466)

Duh, Belak and Milfelner, (2010)	“An enterprise with a strong culture is one with a high level of values and high norms anchoring, a high level of agreement, as well as significant system and environment compatibility.” (p. 476)	(1) Level of anchoring (2) Level of agreement (3) System compatibility (4) Compatibility with the environment
Kimberly, Amundson, Schroeder and Morris (1995)	“Cultural congruency refers to homogeneity among various members and subgroups in the organization regarding central organizational assumptions (Saffold 1988).” (p. 1569)	(1) Loyalty measures the extent to which people perceive their values to be similar to the organization’s, appreciate working for the organization, and feel pride in the organization. (2) Philosophy measures the degree to which individuals believe that there is a recognizable set of beliefs embodying the organizational wisdom present in the plant (p. 1569-1570)
Kotrba, Gillespie, Schmidt, Smerek, Ritchie and Denison (2012)	“Organizations with high levels of consistency have a shared set of core values, and a high level of agreement and normative integration.” (p. 242)	(1) Coordination/Integration (2) Agreement (3) Core values
Saffold (1988)	“A fair evaluation of these definitions would reveal points in common-especially the notion of widespread sharing and the paradigmatic character of culture-and it also would uncover substantial conceptual diversity.” (p. 548)	(1) Sociological penetration (2) Psychological penetration (3) Historical penetration (4) Artifactual penetration
Sørensen (2002)	“[...] strong cultures, defined as ‘a set of norms and values that are widely shared and strongly held throughout the organization’ [...]” (p. 70)	(1) How managers in the firm commonly speak of their company’s style or way of doing things (2) Whether the firm has made its values known through a creed or credo and has made a serious attempt to get managers to follow them (3) Whether the firm has been managed according to long-standing policies and practices other than those just of the current chief executive officer (p. 77)

VanVianen, Annelies, De Pater, Bechtoldt and Evers (2011)	“The extent to which group members differ in their climate perceptions has been referred to as climate strength. (p. 77-78)”	The average deviation index (p. 82)
Approach taken in our study	A culture is strong when the members (1) intensively and (2) widely share common perceptions of the <i>values</i> that guide <i>behaviors</i> in the group.	(1) Level of agreement about the values in the group among the individual members (average deviation index from implicit questions) (2) The degree to which individuals believe that the shared values are <i>held</i> and <i>practiced</i> by other members in the group (explicit questions)

Figure 1 The relationship between MNE headquarters, the subsidiaries, and the host region

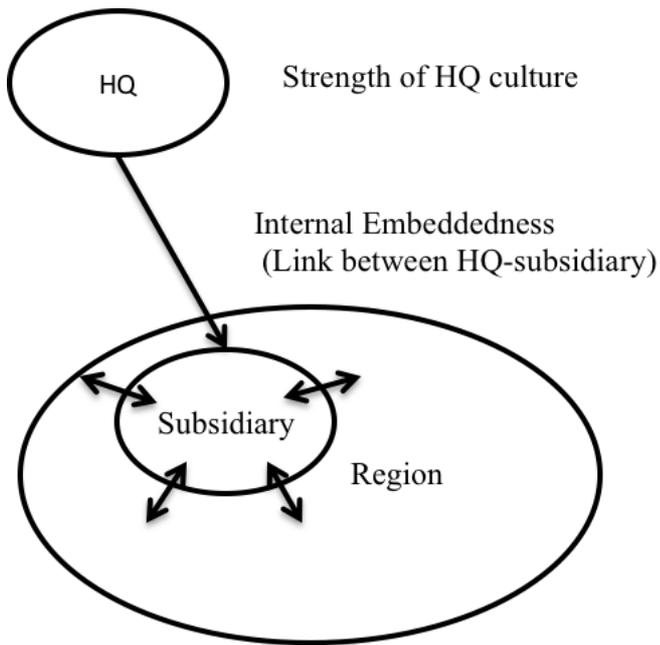


Figure 2 A theoretical framework to analyze cultural interaction between organizations and intra-national regions

