Culture and International Business: Recent Advances and Their Implications for Future Research
Author(s): Kwok Leung, Rabi S. Bhagat, Nancy R. Buchan, Miriam Erez, Cristina B. Gibson
Source: *Journal of International Business Studies*, Vol. 36, No. 4 (Jul., 2005), pp. 357-378
Published by: Palgrave Macmillan Journals
Stable URL: http://www.jstor.org/stable/3875298
Accessed: 13/08/2010 06:07

Journal of International Business Studies (2005) 36, 357–378

www.jibs.net

PERSPECTIVE

Culture and international business: recent advances and their implications for future research

Kwok Leung[1], Rabi S Bhagat[2], Nancy R Buchan[3], Miriam Erez[4] and Cristina B Gibson[5]

[1]Department of Management, City University of Hong Kong, Kowloon, Hong Kong; [2]University of Memphis, Memphis, TN, USA; [3]University of Wisconsin, Madison, WI, USA; [4]Technion-Israel Institute of Technology, Haifa, Israel; [5]University of California, Irvine, CA, USA

Correspondence:
Dr K Leung, Department of Management, City University of Hong Kong, Tat Chee Avenue, Kowloon, Hong Kong.
Tel: +852 2788 9592;
Fax: +852 2788 9085;
E-mail: mkkleung@cityu.edu.hk

Authors' note: This paper is based on a symposium organized by Kwok Leung with the co-authors as participants in the First Annual Conference on Emerging Research Frontiers in International Business at Duke University in March 2003. The co-authors have contributed equally to the development of this paper.

Received: 13 August 2003
Revised: 20 December 2004
Accepted: 25 February 2005
Online publication date: 2 June 2005

Abstract
The paper provides a state-of-the-art review of several innovative advances in culture and international business (IB) to stimulate new avenues for future research. We first review the issues surrounding cultural convergence and divergence, and the processes underlying cultural changes. We then examine novel constructs for characterizing cultures, and how to enhance the precision of cultural models by pinpointing when cultural effects are important. Finally, we examine the usefulness of experimental methods, which are rarely used by IB researchers. Implications of these path-breaking approaches for future research on culture and IB are discussed.
Journal of International Business Studies (2005) **36,** 357–378.
doi:10.1057/palgrave.jibs.8400150

Keywords: culture and international business; convergence and divergence of cultures; cultural change; cultural dimensions; cross-cultural experiments

Introduction

In this new millennium, few executives can afford to turn a blind eye to global business opportunities. Japanese auto-executives monitor carefully what their European and Korean competitors are up to in getting a bigger slice of the Chinese auto-market. Executives of Hollywood movie studios need to weigh the appeal of an expensive movie in Europe and Asia as much as in the US before a firm commitment. The globalizing wind has broadened the mindsets of executives, extended the geographical reach of firms, and nudged international business (IB) research into some new trajectories.

One such new trajectory is the concern with national culture. Whereas traditional IB research has been concerned with economic/legal issues and organizational forms and structures, the importance of national culture – broadly defined as values, beliefs, norms, and behavioral patterns of a national group – has become increasingly important in the last two decades, largely as a result of the classic work of Hofstede (1980). National culture has been shown to impact on major business activities, from capital structure (Chui *et al.*, 2002) to group performance (Gibson, 1999). For reviews, see Boyacigiller and Adler (1991) and Earley and Gibson (2002).

The purpose of this paper is to provide a state-of-the-art review of several recent advances in culture and IB research, with an eye

Table 1 A schematic summary of the paper

Section focus	*Key conceptual question*	*Key implication for IB research*
Cultural convergence and divergence	Are cultures becoming more similar under the force of globalization?	Whether standard business practices will emerge
Cultural change	What are the dynamics of cultural change?	How will business practices change over time?
Novel constructs of culture	What is new about culture?	New concepts for understanding cultural differences in business practices
Moderating effects of culture	When is culture important?	When to adopt standard business practices
Experimental approaches	How to test the effects of culture experimentally	Causal inferences about the effects of culture on standard business practices

toward productive avenues for future research. It is not our purpose to be comprehensive; our goal is to spotlight a few highly promising areas for leapfrogging the field in an increasingly boundaryless business world. We first review the issues surrounding cultural convergence and divergence, and the processes underlying cultural changes. We then examine novel constructs for characterizing cultures, and how to enhance the precision of cultural models by pinpointing when the effects of culture are important. Finally, we examine the usefulness of experimental methods, which are rarely employed in the field of culture and IB. A schematic summary of our coverage is given in Table 1, which suggests that the topics reviewed are loosely related, and that their juxtaposition in the present paper represents our attempt to highlight their importance rather than their coherence as elements of an integrative framework.

Cultural change, convergence and divergence in an era of partial globalization

An issue of considerable theoretical significance is concerned with cultural changes and transformations taking place in different parts of the world. In fact, since the landmark study of Haire *et al.* (1966) and the publication of *Industrialism and Industrial Man* by Kerr *et al.* (1960), researchers have continued to search for similarities in culture-specific beliefs and attitudes in various aspects of work-related attitudes and behaviors, consumption patterns, and the like. If cultures of the various locales of the world are indeed converging (e.g., Heuer *et al.*, 1999), IB-related practices would indeed become increasingly similar. Standard, culture-free business practices would eventually emerge, and inefficiencies and complexities associated with divergent beliefs and practices in the past era would disappear. In the following section, we review the evidence on the issue and conclude that such an outlook pertaining to the convergence of various IB practices is overly optimistic.

Evolution of partial globalization

Globalization refers to a 'growing economic interdependence among countries, as reflected in the increased cross-border flow of three types of entities: goods and services, capital, and know-how' (Govindarajan and Gupta, 2001, 4). Few spoke of 'world economy' 25 years ago, and the prevalent term was 'international trade' (Drucker, 1995). However today, international trade has culminated in the emergence of a global economy, consisting of flows of information, technology, money, and people, and is conducted via government international organizations such as the North American Free Trade Agreement (NAFTA) and the European Community; global organizations such as the International Organization for Standardization (ISO); multinational companies (MNCs); and cross-border alliances in the form of joint ventures, international mergers, and acquisitions. These inter-relationships have enhanced participation in the world economy, and have become a key to domestic economic growth and prosperity (Drucker, 1995, 153).

Yet, globalization is not without its misgivings and discontents (Sassan, 1998). A vivid image associated with the G8 summits is the fervent protests against globalization in many parts of the world, as shown in television and reported in the popular media. Strong opposition to globalization usually originates from developing countries that have been hurt by the destabilizing effects of globalization, but in recent times we have also seen heated debates in Western economies triggered by significant loss of professional jobs as a result of offshoring to low-wage countries. Indeed, workers

in manufacturing and farming in advanced economies are becoming increasingly wary of globalization, as their income continues to decline significantly. In parallel to the angry protests against globalization, the flow of goods, services, and investments across national borders has continued to fall after the rapid gains of the 1990s. Furthermore, the creation of regional trade blocs, such as NAFTA, the European Union, and the Association of Southeast Asian Nations, have stimulated discussions about creating other trade zones involving countries in South Asia, Africa, and other parts of the world. Although it is often assumed that countries belonging to the World Trade Organization (WTO) have embraced globalization, the fact is that the world is only partially globalized, at best (Schaeffer, 2003). Many parts of Central Asia and Eastern Europe, including the former republics of the Soviet Union, parts of Latin America, Africa, and parts of South Asia, have been skeptical of globalization (Greider, 1997). In fact, less than 10% of the world's population are fully globalized (i.e., being active participants in the consumption of global products and services) (Schaeffer, 2003). Therefore, it is imperative that we analyze the issues of cultural convergence and divergence in this partially globalized world.

'Universal culture' often refers to the assumptions, values, and practices of people in the West and some elites in non-Western cultures. Huntington (1996) suggested that it originates from the intellectual elites from a selected group of countries who meet annually in the World Economic Forum in Davos, Switzerland. These individuals are highly educated, work with symbols and numbers, are fluent in English, are extensively involved with international commitments, and travel frequently outside their country. They share the cultural value of individualism, and believe strongly in market economics and political democracy. Although those belonging to the Davos group control virtually all of the world's important international institutions, many of the world's governments, and a great majority of the world's economic and military capabilities, the cultural values of the Davos group are probably embraced by only a small fraction of the six billion people of the world.

Popular culture, again mostly Western European and American in origin, also contributes to a convergence of consumption patterns and leisure activities around the world. However, the convergence may be superficial, and have only a small influence on fundamental issues such as beliefs, norms, and ideas about how individuals, groups, institutions, and other important social agencies ought to function. In fact, Huntington (1996, 58) noted that 'The essence of Western civilization is the Magna Carta, not the Magna Mac. The fact that non-Westerners may bite into the latter has no implications for their accepting the former'. This argument is obvious if we reverse the typical situation and put Western Europeans and Americans in the shoes of recipients of cultural influence. For instance, while Chinese Kung Fu dominates fight scenes in Hollywood movies such as *Matrix Reloaded*, and Chinese restaurants abound in the West, it seems implausible that Americans and Europeans have espoused more Chinese values because of their fondness of Chinese Kung Fu and food.

A major argument against cultural convergence is that traditionalism and modernity may be unrelated (Smith and Bond, 1998). Strong traditional values, such as group solidarity, interpersonal harmony, paternalism, and familism, can co-exist with modern values of individual achievement and competition. A case in point is the findings that Chinese in Singapore and China indeed endorsed both traditional and modern values (Chang *et al.*, 2003; Zhang *et al.*, 2003). It is also conceivable that, just as we talk about Westernization of cultural values around the world, we may also talk about Easternization of values in response to forces of modernity and consumption values imposed by globalization (Marsella and Choi, 1993).

Although the argument that the world is becoming one culture seems untenable, there are some areas that do show signs of convergence. We explore in the following the role of several factors that simultaneously cause cultures of the world to either converge or diverge, in an attempt to identify several productive avenues for future research.

Role of international trade

Clyde V Prestowitz Jr., President of the Economic Strategy Institute, Washington, DC, observed that most international trade negotiations are in trouble (Leonhardt, 2003). These negotiations were successful in the last decade, but complex issues have emerged that have the potential to derail the growth of international trade in the future. For instance, many representatives of large agricultural countries, such as Brazil and Argentina, notice little significant progress in the area of trade in international exports. Similarly, countries in East and Southeast Asia specializing in exporting complex

technological products to the West have undergone significant declines in international trade as a result of fiscal crises. They are beginning to question whether globalization will bring benefits greater than regionalization of trade. In recent years, Japan, for example, has expanded trade activities with China and other East Asian countries rather than with the West. Our review and analysis of the literature suggests that because globalization tends to redistribute economic rewards in a non-uniform manner, a backlash against globalization may occur in countries often confronted with unpredictable and adverse consequences of globalization, causing them to revert to their own cultural-specific patterns of economic growth and development (Guillén, 2001). These trends might indicate that globalization is being impeded by tendencies towards country-specific modes of economic development, making the convergence of IB-related values and practices difficult to achieve. We do not know much about these dynamics, which definitely need to be explored in future research.

Role of computer-mediated communication

Technology, particularly computer-mediated communication, has been hailed as a major force in creating cultural convergence around the world and facilitating the spread of IB. Autonomous business units of global corporations are continuously connected, not necessarily in large physical structures, but in global electronic networks functioning interdependently. Some authors even claim that physical distance is no longer a major factor in the spread of global business (Cairncross, 2001; Govindarajan and Gupta, 2001). Computer-mediated communication enables users to access a huge amount of factual information globally; however, it does not necessarily increase their capacity to absorb the information at the same rate as the information is disseminated or diffused. In addition, information and knowledge are interpreted through cultural lenses, and the transfer or diffusion of organizational knowledge is not easy to accomplish across cultural boundaries (Bhagat *et al.*, 2002).

Hofstede (2001) observed that not only will cultural diversity among countries persist but also new technologies might even intensify the cultural differences between and within countries. As was noted earlier, the spread of information about people's lives in different parts of the world has affected some minorities who compare their fate in life with that of others with a higher standard of living. Ethnic groups around the world observe the lifestyles and cultural values of other countries, and some are interested in adopting part of the lifestyle and values, but others reject it completely. The effects of new technologies on improving efficiencies of multinational and global corporations are well known, but it is not known how these new technologies, especially computer-mediated communication and the Internet, might create significant shifts in the cultural patterns of different ethnic groups.

To summarize, computer-mediated communication has the simultaneous effects of increasing both cultural convergence and divergence. We need to explore how its spread is affecting the progress of globalization in different parts of the world by incorporating the role of cultural syndromes, organizational cultures, and other processes, which has recently been attempted by scholars such as Bhagat *et al.* (2003) and Gibson and Cohen (2003). Unfortunately, empirical work on these processes is scanty, and more research is needed before comprehensive theoretical statements can be formulated.

Role of multiculturalism and cultural identity

The broad ideological framework of a country, corporation, or situation is the most important determinant of the cultural identity that people develop in a given locale (Triandis, 1994). The 'melting pot' ideology suggests that each cultural group loses some of its dominant characteristics in order to become mainstream: this is *assimilation*, or what Triandis (1994) calls *subtractive multiculturalism*. In contrast, when people from a cultural group add appropriate skills and characteristics of other groups, it may be called *integration*, or *additive multiculturalism*.

Both of these processes are essential for cultural convergence to proceed. However, if there is a significant history of conflict between the cultural groups, it is hard to initiate these processes, as in the case of Israelis and Palestinians. In general, although there has been some research on the typology of animosity against other nations (e.g., Jung *et al.*, 2002), we do not know much about how emotional antagonism against other cultural groups affects trade patterns and intercultural cooperation in a business context. The issues of cultural identity and emotional reactions to other cultural groups in an IB context constitute a significant gap in our research effort in this area.

Implications of convergence and divergence issues

One message is clear: while convergence in some domains of IB activity is easily noticeable, especially in consumer values and lifestyles, significant divergence of cultures persists. In fact, Hofstede (2001) asserts that mental programs of people around the world do not change rapidly, but remain rather consistent over time. His findings indicate that cultural shifts are relative as opposed to absolute. Although clusters of some countries in given geographical locales (e.g., Argentina, Brazil, Chile) might indicate significant culture shifts towards embracing Anglo values, the changes do not diminish the absolute differences between such countries and those of the Anglo countries (i.e., US, Canada, UK). Huntington, in his *The Clash of Civilizations* (1996), presents the view that there is indeed a resurgence of non-Western cultures around the world, which could result in the redistribution of national power in the conduct of international affairs. The attempt by the Davos group to bring about uniform practices in various aspects of IB and work culture, thereby sustaining the forces of globalization, is certainly worthwhile. However, our analysis suggests that there is no guarantee that such convergence will come about easily, or without long periods of resistance.

IB scholars need to understand that although some countries might exhibit strong tendencies toward cultural convergence, as is found in Western countries, there are countries that will reject globalization, not only because of its adverse economic impacts (Greider, 1997) but also because globalization tends to introduce distortions (in their view) in profound cultural syndromes that characterize their national character. Furthermore, reactions to globalization may take other forms. Bhagat *et al.* (2003) have recently argued that *adaptation* is another approach that could characterize the tendencies of some cultures in the face of mounting pressures to globalize. Other approaches are *rejection*, *creative synthesis*, and *innovation* (Bhagat *et al.*, 2003). These different approaches highlight once again the complex dynamics that underlie cultural convergence and divergence in a partially globalized world. Also, in discussing issues of convergence and divergence, it is necessary to recognize that the shift in values is not always *from* Western society to others, but can result in the change of Western cultural values as well. For example, the emphasis on quality and teamwork in the West is partly a result of the popularity of Japanese management two decades ago.

Scholars of IB should recognize that the issue of convergence and divergence in this era of partial globalization will remain as a persistent and complex issue whose direction might only be assessed on a region-by-region basis. It is also wise to adopt an interdisciplinary perspective in understanding the forces that create both convergence and divergence of cultures in different parts of the world. For instance, in *Understanding Globalization*, Schaeffer (2003) has provided an insightful discussion of the social consequences of political, economic and other changes, which have significant implications for IB. The cause–effect relationships of globalization and its various outcomes, especially the cultural outcomes, are not only characterized by bi-directional arrows, but are embedded in a complex web of relationships. How these complex relationships and processes play out on the stage of IB remains to be uncovered by IB researchers.

Processes of cultural changes

In the previous section, we make the point that, through the process of globalization, cultures influence each other and change, but whether or not these changes will bring about cultural convergence is yet to be seen. In this section, we delineate a general model that describes and explains the complex processes underlying cultural changes. As explained before, IB is both an agent and a recipient of cultural change, and for international business to flourish it is important to understand its complex, reciprocal relationships with cultural change.

In line with the view of Hofstede (2001) that culture changes very slowly, culture has been treated as a relatively stable characteristic, reflecting a shared knowledge structure that attenuates variability in values, behavioral norms, and patterns of behaviors (Erez and Earley, 1993).

Cultural stability helps to reduce ambiguity, and leads to more control over expected behavioral outcomes (Weick and Quinn, 1999; Leana and Barry, 2000). For instance, most existing models of culture and work behavior assume cultural stability and emphasize the fit between a given culture and certain managerial and motivational practices (Erez and Earley, 1993). High fit means high adaptation of managerial practices to a given culture and, therefore, high effectiveness. The assumption of cultural stability is valid as long as there are no environmental changes that precipitate adaptation and cultural change. Yet, the end of the 20th century and the beginning of the new millennium

have been characterized by turbulent political and economical changes, which instigate cultural changes. In line with this argument, Lewin and Kim (2004), in their comprehensive chapter on adaptation and selection in strategy and change, distinguished between theories driven by the underlying assumption that adaptation is the mechanism to cope with change, and theories driven by the underlying assumption of selection and the survival of the fittest, suggesting that ineffective forms of organization disappear, and new forms emerge. However, although organizational changes as a reaction to environmental changes have been subjected to considerable conceptual analyses, the issue of cultural change at the national level has rarely been addressed.

There are relatively few theories of culture that pertain to the dynamic aspect of culture. One exception is the ecocultural model by Berry *et al.* (2002), which views culture as evolving adaptations to ecological and socio-political influences, and views individual psychological characteristics in a population as adaptive to their cultural context, as well as to the broader ecological and socio-political influences. Similarly, Kitayama (2002) proposes a *system view* to understanding the dynamic nature of culture, as opposed to the *entity view* that sees culture as a static entity. This *system view* suggests that each person's psychological processes are organized through the active effort to coordinate one's behaviors with the pertinent cultural systems of practices and public meanings. Yet, concurrently, many aspects of the psychological systems develop rather flexibly as they are attuned to the surrounding socio-cultural environment, and are likely to be configured in different ways across different socio-cultural groups.

These adaptive views of culture are supported by empirical evidence. For example, Van de Vliert *et al.* (1999) identified curvilinear relationships between temperature, masculinity and domestic political violence across 53 countries. Their findings showed that masculinity and domestic violence are higher in moderately warm countries than in countries with extreme temperatures. Inglehart and Baker (2000) examined cultural change as reflected by changes in basic values in three waves of the World Values Surveys, which included 65 societies and 75% of the world's population. Their analysis showed that economic development was associated with shifts away from traditional norms and values toward values that are increasingly rational, tolerant, trusting, and participatory. However, the data also showed that the broad cultural heritage of a society, whether it is Protestant, Roman Catholic, Orthodox, Confucian, or Communist, leaves an enduring imprint on traditional values despite the forces of modernization.

The process of globalization described before has introduced the most significant change in IB, with its effects filtering down to the national, organizational, group and individual levels. Reciprocally, changes at micro-levels of culture, when shared by the members of the society, culminate into macro-level phenomena and change the macro-levels of culture. In the absence of research models that can shed light on this complex process of cultural change, Erez and Gati (2004) proposed that the general model of multi-level analysis (Klein and Kozlowski, 2000) could be adopted for understanding the dynamics of culture and cultural change.

The dynamics of culture as a multi-level, multi-layer construct

The proposed model consists of two building blocks. One is a multi-level approach, viewing culture as a multi-level construct that consists of various levels nested within each other from the most macro-level of a global culture, through national cultures, organizational cultures, group cultures, and cultural values that are represented in the self at the individual level, as portrayed in Figure 1. The second is based on Schein's (1992) model viewing culture as a multi-layer construct consisting of the most external layer of observed artifacts and behaviors, the deeper level of values, which is testable by social consensus, and the deepest level of basic assumption, which is invisible and taken for granted. The present model proposes that culture as a multi-layer construct exists at all levels – from the global to the individual – and that at each level change first occurs at the most external layer of behavior, and then, when shared by individuals who belong to the same cultural context, it becomes a shared value that characterizes the aggregated unit (group, organizations, or nations).

In the model, the most macro-level is that of a global culture being created by global networks and global institutions that cross national and cultural borders. As exemplified by the effort of the Davos group discussed earlier, global organizational structures need to adopt common rules and procedures in order to have a common 'language' for communicating across cultural borders (Kostova, 1999; Kostova and Roth, 2003; Gupta and Govindarajan,

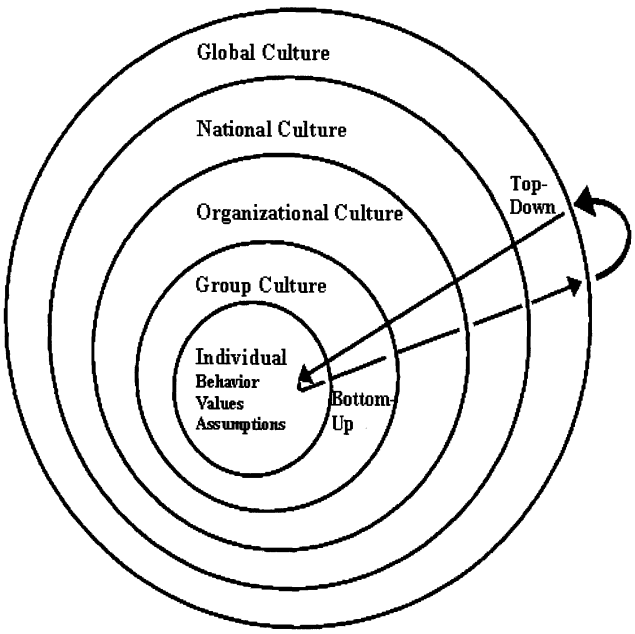

Figure 1 The dynamic of top-down–bottom-up processes across levels of culture.

2000). Given the dominance of Western MNCs, the values that dominate the global context are often based on a free market economy, democracy, acceptance and tolerance of diversity, respect of freedom of choice, individual rights, and openness to change (Gupta and Govindarajan, 2000).

Below the global level are nested organizations and networks at the national level with their local cultures varying from one nation, or network to another. Further down are local organizations, and although all of them share some common values of their national culture, they vary in their local organizational cultures, which are also shaped by the type of industry that they represent, the type of ownership, the values of the founders, etc. Within each organization are sub-units and groups that share the common national and organizational culture, but that differ from each other in their unit culture on the basis of the differences in their functions (e.g., R&D *vs* manufacturing), their leaders' values, and the professional and educational level of their members. At the bottom of this structure are individuals who through the process of socialization acquire the cultural values transmitted to them from higher levels of culture. Individuals who belong to the same group share the same values that differentiate them from other groups and create a group-level culture through a bottom-up process of aggregation of shared values. For example, employees of an R&D unit are selected into the unit because of their creative cognitive style and professional expertise. Their leader also typically facilitates the display of these personal characteristics because they are crucial for developing innovative products. Thus, all members of this unit share similar core values, which differentiate them from other organizational units. Groups that share similar values create the organizational culture through a process of aggregation, and local organizations that share similar values create the national culture that is different from other national cultures.

Both top-down and bottom-up processes reflect the dynamic nature of culture, and explain how culture at different levels is being shaped and reshaped by changes that occur at other levels, either above it through top-down processes or below it through bottom-up processes. Similarly, changes at each level affect lower levels through a top-down process, and upper levels through a bottom-up process of aggregation. The changes in national cultures observed by Inglehart and Baker (2000) could serve as an example for top-down effects of economic growth, enhanced by globalization, on a cultural shift from traditional values to modernization. However, in line with Schein (1992), the deep basic assumptions still reflect the traditional values shaped by the broad cultural heritage of a society.

Global organizations and networks are being formed by having local-level organizations join the global arena. That means that there is a continuous reciprocal process of shaping and reshaping organizations at both levels. For example, multinational companies that operate in the global market develop common rules and cultural values that enable them to create a synergy between the various regions, and different parts of the multinational company. These global rules and values filter down to the local organizations that constitute the global company, and, over time, they shape the local organizations. Reciprocally, having local organizations join a global company may introduce changes into the global company because of its need to function effectively across different cultural boarders.

A study by Erez-Rein *et al.* (2004) demonstrated how a multinational company that acquired an Israeli company that develops and produces medical instruments changed the organizational culture of the acquired company. The study identified a cultural gap between the two companies, with the Israeli company being higher on the

cultural dimension of innovation and lower on the cultural dimension of attention to detail and conformity to rules and standards as compared with the acquiring company. The latter insisted on sending the Israeli managers to intensive courses in Six-Sigma, which is an advanced method of quality improvement, and a managerial philosophy that encompasses all organizational functions. Upon returning to their company, these managers introduced quality improvement work methods and procedures to the local company, and caused behavioral changes, followed by the internalization of quality-oriented values. Thus, a top-down process of training and education led to changes in work behavior and work values. Sharing common behaviors and values by all employees of the local company then shaped the organizational culture through bottom-up processes. The case of cultural change via international acquisitions demonstrated the two building blocks of our dynamic model of culture: the multi-level structure explains how a lower-level culture is being shaped by top-down effects, and that the cultural layer that changes first is the most external layer of behavior. In the long run, bottom-up processes of shared behaviors and norms shape the local organizational culture.

Globalization and self-identity

Top-down processes from the global culture to the individual level may lead to changes in the self as cultural values are represented in the self. The self is a multi-facet construct that consists of self- and social identities. Self-identity differentiates one person from another, whereas social identity is based on the groups in which one participates (Tajfel and Turner, 1979). Social identity theory has commonly been examined in relation to membership in social groups and national cultures. However, the global environment creates a new collective and impersonal entity that affects people's identity. Global identity means that people develop a sense of belongingness to a worldwide culture, by adopting practices, styles, and information that are part of the global culture (Arnett, 2002). However, in parallel, people continue to hold their local identity as well, based on their socialization to their local culture. Arnett (2002) defines these two facets of self-identity as a bi-cultural identity, in which part of the self-identity is rooted in the local culture, while another part develops in relation to the global culture. Thus, people all over the world wear jeans, enjoy fried rice, eat at McDonald's, listen to Discmans, and surf on the Internet; yet, at the same time, they keep their own cultural values, their social group, and their national identity, drawing on each identity according to what they deem necessary in a given context. Through a top-down process, the global environment – a macro-level construct – affects the development of a bi-cultural identity at the individual level, by shaping the individual's global identity, and thus facilitating adaptation to the global world. As discussed before, however, the extent to which a bi-cultural identity develops depends on whether subtractive or additive multiculturalism is encouraged. This dual nature of identity presents a challenge to the operation of multinational firms, as we know little about how complex self-identity processes are related to behavior and performance in an IB setting.

Factors that facilitate cultural change

Culture itself influences the level of resistance or acceptance of change. Harzing and Hofstede (1996) proposed that certain cultural values facilitate change, whereas others hinder it. The values of low power distance, low uncertainty avoidance, and individualism facilitate change. Change threatens stability, and introduces uncertainty, and resistance to change will therefore be higher in cultures of high rather than low uncertainty avoidance (Steensma *et al.*, 2000). Change also threatens the power structure, and therefore will be avoided in high power distance cultures. Finally, change breaks the existing harmony, which is highly valued in collectivistic cultures, and therefore will not be easily accepted by collectivists (Levine and Norenzayan, 1999).

A recent study by Erez and Gati (2004) examined the effects of three factors on the change process and its outcomes:

(1) the cultural value of individualism–collectivism;
(2) the reward structure and its congruence with the underlying cultural values; and
(3) the degree of ambiguity in the reward structure.

The change process examined was a shift from choosing to work *alone* to a behavioral choice of working as part of a *team,* and *vice versa.* Working alone is more prevalent in individualistic cultures, whereas working in teams dominates the collectivistic ones. Two sub-cultures from Israel participated in the study: Arab Israeli citizens, who scored high on collectivism; and Jewish citizens, who grew up in big cities and scored

significantly lower on collectivism than did the Arab participants. Results showed that the behavioral choices of the Arab participants remained more or less unchanged despite different manipulations of reward congruence and ambiguity, suggesting that collectivism was related to resistance to change. In addition, resistance to change was higher when the rewarded alternative was incongruent with their underlying cultural values, and when the level of ambiguity was high rather than low.

This study demonstrated that the top-down effects on cultural change are moderated by culture itself, and by the reward system. Changes are more likely to occur in individualistic cultures when the reward structure is clear, and when the rewarded behavior does not conflict with the dominant value system. Change is first observed in people's behavior, as shown in Erez and Gati's (2004) study. In the long run, when the new behavioral norms are being shared by all group members, they filter down to the deeper level of cultural values as they are represented in the self. The representation of new values in the self may subsequently shape a more collectivistic (or individualistic) society. To sum up, this study tested the dynamic nature of culture by integrating two constructs, multi-level and multi-layer views of culture, into one dynamic model. The multi-level construct helps us understand how culture is being shaped and reshaped by the dynamic top-down, bottom-up processes, which transmit the effect of one cultural level to another. The multi-layer construct provides a framework to describe the nature of the cultural changes.

In summary, the proposed multi-level, multi-layer model is useful to IB researchers who are interested in modeling and studying the process of cultural change along two continua: from the global to the individual level, and from the external layer of behavior to the internal layer of basic assumptions and axioms. Understanding these processes is obviously crucial to the effective operation of multinational business operations.

Novel cultural constructs

In addition to rethinking our general conceptualization of culture and cultural processes, we encourage researchers to re-examine the specific cultural constructs utilized in theory and research. A major approach in the literature has been to relate IB phenomena to special cultural characteristics, and to improve upon this approach it is important to expand our conceptualization of culture. In this section, we focus on novel conceptualizations of culture that are emerging in the literature.

There are two interesting directions for identifying novel cultural constructs in the literature, which are almost diametric in their orientation. The first development follows in the footsteps of Hofstede in the search of novel trait-like, static cultural dimensions, whereas the second development is inspired by breakthroughs in cognitive psychology, which increasingly portray the human mind as dynamic, elastic, and situated.

Novel cultural dimensions

The classic work of Hofstede (1980) has revolutionized the research on culture and IB. Subsequent to his original work, Hofstede (2001) has added one more dimension to his framework: Confucian Work Dynamism or short- *vs* long-term orientation, based on the work of the Chinese Culture Connection (1987). The validity of the cultural dimensions identified by Hofstede has been controversial (for a recent debate surrounding individualism–collectivism, see Oyserman *et al.*, 2002a), but they have provided a broad framework that has inspired much IB research.

Subsequent to the work of Hofstede, a few global projects have attempted to search for new cultural dimensions. Schwartz (1994) has identified seven culture-level dimensions of values: Conservatism, Intellectual Autonomy, Affective Autonomy, Hierarchy, Egalitarian Commitment, Mastery, and Harmony. These dimensions have been used to predict cultural differences, including locus of control (Smith *et al.*, 1995) and work-related issues, such as the sources of guidance that managers relied on (Smith *et al.*, 2002), and capital structure (Chui *et al.*, 2002). Smith *et al.* (1996) have identified two culture-level dimensions from an analysis of managerial values: Egalitarian Commitment *vs* Conservatism, and Utilitarian Involvement *vs* Loyal Involvement. Smith and Bond (1998, Chapter 3) have concluded that these different value surveys have produced convergent results, lending support to the validity of the cultural dimensions originally identified by Hofstede (1980).

Recently, in an attempt to understand leadership behavior around the world, House and his associates have identified nine culture-level dimensions: Performance Orientation, Assertiveness Orientation, Future Orientation, Humane Orientation, Institutional Collectivism, Family Collectivism, Gender Egalitarianism, Power Distance, and Uncertainty Avoidance (Gupta and House, 2004;

House *et al.*, 2004). The GLOBE project adopted a theory-based approach, and *a priori* dimensions were formulated based primarily on Hofstede's dimensions, values described by Kluckhohn and Strodtbeck (1961) and McClelland (1961), and the interpersonal communication literature (Sarros and Woodman, 1993). Thus, despite the use of different items to identify cultural dimensions, the results are consistent with previous results, and most of the cultural dimensions identified are related conceptually and correlated empirically with Hofstede's dimensions. Assertiveness Orientation and Gender Egalitarianism are related to Hofstede's construct of Masculinity–Femininity, Institutional Collectivism and Family Collectivism to Individualism–Collectivism, Power Distance and Uncertainty Avoidance to the two Hofstede dimensions with the same labels, and Future Orientation to Long-term Orientation. The usefulness of a more refined typology of the Hofstede dimensions remains to be demonstrated. Two dimensions are independent of the Hofstede dimensions. Performance Orientation seems conceptually related to McClelland's (1961) concept of need for achievement, and Humane Orientation seems conceptually related to the Human Nature is Good *vs* Bad dimension of Kluckhohn and Strodtbeck (1961). Although these dimensions are not new, they may prove useful for understanding some IB phenomena. Take leadership as an example: we know that leaders vary in their task orientation, and Performance Orientation may be related to a general emphasis on task orientation. Leaders also vary in their supervisory style, and Humane Orientation may be negatively related to close supervision. Obviously, relationships with other variables are also possible, and hopefully future research will yield theoretically interesting correlates of these two dimensions.

The most recent large-scale attempt to expand the dimensional map of culture is the global study on social axioms orchestrated by Leung and Bond. Social axioms are general beliefs that may be conceptualized as *generalized expectancies*, a concept introduced by Rotter (1966) to characterize locus of control. Leung *et al.* (2002) have created a social axiom survey based on items culled from the psychological literature as well as from qualitative research conducted in Hong Kong and Venezuela. Factor analysis of these items has unearthed a five-factor structure within each of five cultures: Hong Kong, Venezuela, the USA, Japan, and Germany. A subsequent round-the-world study has confirmed the robustness of this structure in over 40 cultural groups (Leung and Bond, 2004), and this five-dimensional structure at the individual level has already been applied to the investigation of influence tactics in an IB context (Fu *et al.*, 2004). A culture-level factor analysis based on 41 cultural groups has yielded only two factors (Bond *et al.*, 2004). *Dynamic Externality* refers to beliefs in fate, the existence of a supreme being, positive functions of religion practice, which give rise to the label 'externality'. However, the content also suggests beliefs in effort and knowledge, as well complexity in the social world, which gives a dynamic slant to this construct. *Societal Cynicism* reflects a negative view of human nature and a mistrust in social institutions. Correlations with a wide range of country-level indexes support the interpretation of these two dimensions given before. Furthermore, dynamic externality is related to collectivism and high power distance, but Societal Cynicism is relatively distinct from previous cultural dimensions. These two dimensions may have significant implications for IB research. For instance, across a wide variety of cultures, dynamic externality is related to the reliance on superiors as a source of guidance, and Societal Cynicism to job dissatisfaction. Future research may reveal interesting relationships between these two cultural dimensions and other IB phenomena.

The global projects reviewed above suggest that the Hofstede dimensions are robust, although subsequent work has led to some important refinement and clarification. More importantly, at least three novel dimensions have been identified: Performance Orientation, Humane Orientation, and Societal Cynicism. We do not know much about these cultural dimensions, and their importance for IB research is obviously an important area for future exploration.

A dynamic view of culture

Current research in cognitive psychology shows that the human mind is fluid and adaptive, and is engaged in active, dynamic interaction with the environment. This conception of the human mind gives rises to a dynamic view of culture, which contrasts sharply with traditional views that regard culture as more or less stable and static. This dynamic view of culture argues that culture is represented by cognitive structures and processes that are sensitive to environmental influences. For instance, Tinsley and Brodt (2004) have provided a cognitive analysis of cultural differences in conflict

behaviors. *Frames* direct attention to certain aspects of the environment; *schemas* are knowledge structures that give meaning to encoded information; and *scripts* are a special type of schema that involve a temporal sequence and are most relevant for events and actions. These constructs are dynamic in the sense that their content and salience are sensitive to environmental influences. Tinsley and Brodt suggest that these cognitive constructs are useful in understanding cross-cultural differences in conflict behaviors. As an example, whereas conflict frames that emphasize self-interest and mutual interest are appropriate for Americans, a different conflict frame that emphasizes a collective or community orientation is more useful in describing the conflict behaviors of Asians. Another example comes from a connectionist approach to leadership and culture proposed by Hanges *et al.* (2000). In this framework, leadership behaviors are interpreted with schemas, which involve components such as scripts and beliefs. These components are under the influence of higher-order components such as values, affect, and self-image. Hanges *et al.* proposed that this complex, distributed view of schemas captures the essence of cultural meaning systems. Given that the components of a schema and their associations can change over time as a function of experience and situational influence, this model does not assume static effects of culture, and is well suited for the analysis of its dynamic effects.

An important implication of this dynamic view of culture is that cultural changes are more frequent than previously assumed. A good example is provided by the research of Hong *et al.* (2000). It is well known that, compared with people from individualist cultures, people from collectivist cultures are more likely to attribute the cause of other people's behaviors to external causes such as situational demands (as opposed to internal causes such as personality traits) (e.g., Morris and Peng, 1994). Hong *et al.* (2000) argued that a dynamic view of culture is indeed valid: a priming technique should be able to alter the mindset of people and as a result change their attributional style. To test this notion, Hong Kong Chinese, who were collectivists and inclined to make external attributions for others' behavior, were randomly exposed to one of two sets of experimental stimuli: one set included American icons such as Superman, and the other set contained Chinese icons such as the Monkey King (Hong *et al.*, 1997). Consistent with the dynamic view of culture, compared with the Chinese primes, the American primes were able to shift the attribution of the Chinese participants in the internal direction. In other words, the American primes caused the Chinese participants to act more like Americans in their attributional style. Peng and Knowles (2003) replicated these findings with Asian Americans. When they were asked to recall an experience that highlighted their American identity, their attributional style was more in the internal direction than when they were asked to recall an experience that made their Asian identity more salient. In fact, Oyserman *et al.* (2002a) concluded after their meta-analysis of the individualism–collectivism literature that priming experiments such as those described above provide a promising tool to examine the dynamics of cultural influence. However, future research needs to explore whether priming results are too transient to be robust in the real world, and what the processes are that underlie these priming effects.

The implications of a dynamic view of culture for IB have not been explored. One intriguing possibility is that cultural differences may be easier to overcome than previously assumed, if mental processes associated with national culture are relatively fluid, and can be changed and sustained by appropriate situational influences. For instance, Leung and his associates (Leung *et al.*, 1996, 2001b) have found that local employees in international joint ventures in China reported more positive job attitudes working with Western expatriate managers than with overseas Chinese and Japanese expatriate managers. These findings contradict the cultural distance argument, which suggests that people from very different cultures have more problems working together than people from similar cultures. Undoubtedly, this new perspective will provide the basis for some exciting work on culture and IB in the future.

Understanding when culture matters: increasing the precision of cultural models

Beyond exploring new cultural constructs and the dynamic nature of culture, we also argue for the importance of examining contingency factors that enhance or mitigate the effect of national culture. Consider the following scenario. A senior human resource manager in a multinational firm is charged with implementing an integrative training program in several of the firm's subsidiaries around the globe. Over the term of her career, the manager has been educated about differences in national culture and is sensitive to intercultural opportunities and

challenges. At the same time, she understands the strategic need to create a unified global program that serves to further integrate the firm's basic processes, creating efficiencies and synergies across the remote sites. She approaches the implementation with trepidation. A key challenge is to determine whether the program should be implemented in the same manner in each subsidiary or modified according to the local culture at each site. Put another way, in this complex circumstance, does culture matter?

The dilemma

A review of the IB literature, as well as our experience in working with managers in multinational organizations, suggests that there are very few instances where culture does not matter at all. Likewise, few people would argue to ignore national culture. Research has demonstrated that national culture impacts on many different individual-level outcomes such as perceptions, beliefs, and behavior (Harrison and Huntington, 2000; Hofstede, 2001; Kirkman *et al.*, in press). For example, in their comprehensive review of 181 articles published in top-tier journals between 1980 and 2002 that empirically assessed the five dimensions of cultural values identified by Hofstede (1980), Kirkman *et al.* (in press) documented 61 studies that demonstrated a direct effect of culture on individual outcomes. The authors reviewed relationships between cultural values and 10 categories of individual outcomes: change management behavior, conflict management, negotiation behavior, reward allocation, decision-making, human resource management, leadership, individual behavior in groups, personality, and work attitudes/emotion.

Yet, research and practice provide numerous examples of instances in which the impact of culture was overshadowed by unique personalities, strong leadership, or uniformity of practices (e.g., Wetlaufer, 1999; Maznevski and Chudoba, 2000; Earley and Gibson, 2002). Furthermore, in many studies culture demonstrates a statistically significant relationship with individual outcomes, but the strength of the relationship (i.e., the size of the coefficient) is relatively weak in practical terms, indicating that culture does not explain a large amount of variance in those outcomes, and that, in fact, other variables must be considered as important predictors alongside culture (e.g., Peterson *et al.*, 1995; Brett and Okumura, 1998; Gibson, 1999; Clugston *et al.*, 2000; Mitchell *et al.*, 2000; Kirkman and Shapiro, 2001). While researchers are able to draw implications for managers, they cannot reach a high level of precision regarding the specific impacts and the circumstances in which culture should be a central focus, or when it might be less critical (Gibson *et al.*, forthcoming). For example, several studies have found relationships between collectivism and individual attitudes toward teamwork (e.g., Bochner and Hesketh, 1994; Casimir and Keats, 1996; Eby and Dobbins, 1997; Earley *et al.*, 1999; Kirkman and Shapiro, 2000; Gibson and Zellmer-Bruhn, 2001). However, do these cultural proclivities come into play in every circumstance? Might there be situations, such as in times of crisis, when members of organizations have fairly universally positive attitudes toward teamwork?

The field of international management, therefore, is faced with a dilemma. On the one hand, researchers and managers need to understand patterns of individual-level outcomes associated with different national cultures in the world. On the other hand, research examining relationships between culture and individual outcomes has not captured enough variance to make the specific recommendations that managers need with confidence (Gibson *et al.*, forthcoming). Thus, recently, scholars have argued that, instead of addressing whether or not national culture makes a difference, it is more useful to address the issue of *how* and *when* it makes a difference (Leung *et al.*, 2001a; Earley and Gibson, 2002; Oyserman *et al.*, 2002b; Gibson *et al.*, forthcoming; Kirkman *et al.*, in press).

Determining when cultural effects occur

Suppose for the moment that our focus is on assisting the multinational human resource manager (mentioned earlier) in terms of understanding how certain individual-level outcomes change as a function of cultures. An important question then becomes, 'What are the conditions that increase an individual's propensity to think, feel, or behave in accordance with cultural prescriptions?' Answering this question requires identifying possible moderating conditions. This in itself is a critical task for future theory and research, because the stronger the impact of the moderating conditions, the less predictive culture will be of individual outcomes. Gibson *et al.* (forthcoming) identified a set of moderating conditions operating across three different categories – individual, group, and situational characteristics – that serve to moderate the impact of national culture on individual perceptions, beliefs, and behavior. Understanding the extent to

which the factors are present in any given circumstance thus provides clues as to whether (or not) national culture will matter in those circumstances. So, although by no means exhaustive, their framework is a useful foundation in the quest for greater precision in cultural theoretical models.

For example, an important individual amplifier of the impact of national culture on beliefs is the degree to which an individual identifies with the culture (Gibson *et al.*, forthcoming). Based on social identity theory (Turner, 1987) and theories of the self-concept (Markus and Kitayama, 1991), it seems likely that, when a person views him or herself as a member of the national culture, and the culture is a large component of his or her self-concept, culture will have a strong and pervasive impact on his or her beliefs. In every culture, there are people who hold beliefs different from those typical. Instead, other sources of self-identity such as educational or professional affiliation may play a much stronger role in defining who they are, what motivates them personally, and which values they hold. So, culture matters more when a person identifies with the culture; for those who do not, culture is a less potent predictor of their values. Along these same lines, researchers such as Van Dyne *et al.* (2000) have uncovered evidence that collectivism is positively related to organizational citizenship behavior, but certain individual-level factors such as self-esteem moderate this relationship. Thus, self-esteem is an element that moderates the impact of culture on an important set of individual behaviors.

Beyond individual-level factors, an example of a group-level moderator is the stage of group development that a group is at, powerfully amplifying or mitigating the impact of national culture on group member behavior (Gibson *et al.*, forthcoming). National culture is often a more readily detectable attribute, and therefore is a potent influence early on when the group is just beginning to take shape (Watson *et al.*, 1993; Chatman and Flynn, 2001). Once group members understand the contribution of other attributes, culture may play less of a role. For example, national culture is likely a stronger predictor of group member communication behavior during the early stages of a group's tenure, before members come to understand how deep attributes such as expertise will impact on the group. Indeed, research conducted by Zellmer-Bruhn *et al.* (2002) provides some evidence of this phenomenon. Information exchange between group members was more strongly related to national cultural heterogeneity in young, rather than old, teams in their large sample across five multinational firms. Likewise, Eby and Dobbins (1997) found that, although collectivism relates to performance in teams, the level of team cooperation – an important group-level factor – moderates this relationship. Thus, culture matters for team performance, but certain group-level characteristics can increase or decrease the impact of culture.

Finally, in addition to individual and group characteristics, Gibson *et al.* (forthcoming) identified several situational characteristics that moderate the impact of culture. An example in the situational category is the impact of the technological environment – specifically, technological uncertainty. Research has demonstrated that people tend to respond in accordance with cultural prescriptions under conditions of uncertainty and ambiguity (Meglino *et al.*, 1989; Ravlin *et al.*, 2000), and, more generally, that uncertainty provokes rigidity (Staw *et al.*, 1981). Thus, technological uncertainty likely amplifies the impact of culture on individual perceptions. When there are very specific rules, procedures or equipment for completing a task (such as tools for manufacturing and assembly or rules for quality assessment), national culture will have less impact. When the task technology is ambiguous, culture is more likely to be the default. This occurred in an aerospace product development team that Gibson and Cohen (2003) worked with. The team was multicultural, and the most substantial cultural clashes occurred when the team confronted implementation of new technology. Members retreated to culturally prescribed scripts and preferences, and these were at odds. Once the technology had been adopted, and through trial and error the clashes were resolved, cultural proclivities were less of a factor in provoking conflict.

Implications

Admittedly, individuals' perceptions, beliefs, and behavior are influenced by more than one aspect of culture at any given time, and the moderators (or amplifiers) likely work in concert rather than isolation. For example, three of the moderators of cultural impacts described above – social identification, stage of group development, and technological uncertainty – can all simultaneously characterize a given cause–effect relationship between culture and individual outcomes. Consider again the scenario that opened this section – the senior human resource manager challenged with implementing the global training program. If aware of potential

conditions that amplify the impact of culture, she might then be able to conduct a more precise diagnosis of the circumstances in each subsidiary. For example, in the North American subsidiary, teams may comprise many expatriates who do not identify as much with the local national culture, the team may have been in existence for several years and thus be very well developed, and the team may have familiarity with the program. Based on the prior research reviewed here, these factors would imply that culture will have less impact in this subsidiary. In the Indian subsidiary, the human resource manager may find a very different set of circumstances, in which all team members identify with the Indian national cultural characteristics, the team is early in its stage of development, and the technology is ambiguous (i.e., they have no familiarity with the program). In these circumstances, culture will likely matter a great deal, and the manager would do well to implement the program in a manner sensitive to the local culture. In our experience, most managers are entirely unaware of the impact of culture. The general models developed by Adler (1997) and Earley and Erez (1997) are extremely helpful in alerting us to the important role that culture plays. However, examination of the contingencies mentioned here can add much more precision to those recommendations.

Along these same lines, Leung *et al.* (2001a, b), for example, caution against two types of attribution error that managers can make: universal attributions and cultural attributions. The universal attribution error assumes that all workers share the same orientations, and will respond similarly to managerial practices. The cultural attribution error involves establishment of stereotypes based on nationality, and the assumption that all members of a particular nation will behave in accordance with that stereotype. Leung *et al.* argue that neither extreme is productive, and instead suggest that mangers need to be aware of the dangers associated with each type of error. Although it is important to be aware that a misunderstanding may be explicated by bicultural experience, at the same time it is always advisable to obtain input from others who share the same culture as each party, in order to untangle cultural effects from other factors such as personality, group-level phenomena or situational elements.

To help increase the precision of our cultural models, then, future research must identify the most critical set of moderators, together with cultural orientations and outcomes, for particular focus in managerial diagnosis, implementation, and change programs. The scenario above implies that future research must, whenever possible, include multiple potential moderators at various levels of analysis. We are aware of very few past research efforts that have done so, although it seems clear that moderators may interact in interesting ways. For example, a situational moderator – technological uncertainty – may interact with personality characteristics, such that it drives only certain individuals to behave in ways more consistent with cultural proclivities; other individuals (with a different configuration of personality characteristics) may behave in ways less consistent with culture under conditions of technological uncertainty. Future research should address this issue to provide more precise guidance for theory development and practice. Equally important, a single cultural characteristic does not influence individuals in isolation from other characteristics (e.g., both universalism and collectivism likely work simultaneously to influence a given behavior or reaction). Thus, it is also critical that future research include configurations of cultural characteristics, rather than a single predictor. Practically speaking, these suggestions must of course be balanced with constraints around sample size, survey length, and analytical techniques for complex models.

Still, the point remains that we are in dire need of more comprehensive specification in our models of cultural impacts. Yes, culture does matter. However, there will be certain circumstances when it matters more, and others when it matters less. Including moderators of the impact, such as those highlighted here, helps us become much more precise in our theories. Investigation of these models, some of which is already under way, will help us understand and advise when culture must be considered in managerial initiatives.

Experimental approaches to the study of culture

The previous sections are concerned with conceptual and substantive issues of culture and IB, but the focus of this final section is methodological. Specifically, we discuss experimental methodology, which is sorely underrepresented in IB research, but which has a unique capacity to provide the comprehensive specification in models of culture called for above. As evidence of the scarcity of experimental research in our field, an analysis of the research methodologies used in manuscripts published in the *Journal of International Business Studies* shows that the ratio of survey- or case-study-

based research to experimentally based research is greater than 10 to 1.[1] Certainly every research methodology has its weaknesses and strengths, but the narrow focus on survey, ethnography or case studies to understand cultural phenomena to the exclusion of experiments is denying our field the balance inherent in a multi-method approach, one in which the strengths and weaknesses of one method are compensated for by another (Leung and Su, 2004). The unique contribution that experimentation provides comes from its superior ability to demonstrate causality: that is, whereas other methodologies may infer covariation or even spurious correlation between variables, experimentation provides for the controlled manipulation of a hypothesized variable, protecting results from such interpretations (Leung and Su, 2004).[2] The goal of this section is to discuss the contribution that experimental research can make to more clearly define the individual, group, and situational factors that moderate the influence of culture on thoughts, feelings, and behaviors, and to more precisely pinpoint the boundary conditions where culture (or culture alone) is not likely to have an effect.

Investigating the moderating influence of individual, group, and situational characteristics

The essence of experimentation is the ability to control and manipulate variables in a systematic manner. Furthermore, the analysis and manipulation may be of a single variable, or of multiple variables in conjunction: that is, the experiments may be univariate or multivariate in either the dependent or independent variables (Winer, 1991). This quality makes experimentation particularly suited to deepen understanding of the individual, group, and situational characteristics (singly or in conjunction) that moderate culture's influence.

The moderating influence of individual characteristics

Cross-cultural experimental literature examining the influence of individual characteristics has evolved, yielding greater sophistication and specification to our understanding of culture's influence. Much early cross-cultural work tested only for the main effects of culture – often using national culture as a proxy variable for a given cultural orientation. That work, exploring the influence of the *presence* (a main effect) of a given cultural orientation, laid the groundwork for more complex experiments to follow, which test how differences in the *levels* (a moderating influence) of a cultural orientation (even a primed, temporary one) influence behaviors or perceptions.

The research of Gelfand *et al.* (2002) examined both the main effects and the moderating effects of individual characteristics on the presence of egocentric perceptions of fairness in negotiations within Japan and the US. Using national culture as proxy for cultural orientation, their results support robust findings of self-serving biases in individualist cultures (Thompson and Loewenstein, 1992), where 'the self is served by enhancing one's positive attributes to stand out and be better than others', but find relatively less bias in a collectivistic culture, in which 'the self is served by focusing on one's weaknesses to blend in and maintain interdependence with others' (p 847). However, they also measured individual self-construals (Markus and Kitayama, 1991), and demonstrate that independent self-construals are higher in the United States and are positively related to self-serving biases. Thus, not only is a main effect of national culture on egocentric biases demonstrated, but the examination of individual self-construals helps to explain why such an effect exists.

Research of this type is especially valuable given that much of the theory underlying business research has been developed and tested exclusively in Western contexts. Experimental research focusing on the moderating influence of individual characteristics contributes to this literature because it directly tests whether these processes, biases, and behaviors are indeed universal phenomena, or whether they are specific to Western populations.

As Oyserman *et al.* (2002b) point out in their meta-analysis of research on collectivism/individualism, cultural priming is one of the most promising areas of cross-cultural research. The theoretical underpinnings of priming stem from social cognition research, which shows that accessible knowledge influences behavior, and that temporarily accessible and chronically salient knowledge produce equivalent effects in the laboratory. Thus, priming techniques 'create an experimental analogue of chronic differences between cultural groups by temporarily focusing participants' attention on different cultural content or values' (p 7). Examples of this research would be the Hong *et al.* (2000) study mentioned in an earlier section, as well as Kuhnen and Oyserman (2002) and Aaker (2000), which primed participants with cues that were or were not congruent with their cultural orientation (e.g., using pronouns such as 'I'

and 'me' for an independence priming or 'we' and 'our' for an interdependent priming) and examined the influence on factors such as cognitive speed and accuracy, memory, and attitudes. Results across all the experiments indicate the existence of a chronic cultural orientation, and one that is more malleable in the face of a primed orientation.

The moderating influence of group characteristics

Previously in this paper the importance of understanding group characteristics, such as the level of group development, was discussed. Furthermore, it was suggested that, to the extent possible, research that can simultaneously examine the moderating influence of both individual and group characteristics should be encouraged. The following is an example of such research.

Buchan *et al.* (2002) demonstrated that differences in the definition and method of group formation prompt variance across cultural orientations in terms of response to ingroup/outgroup manipulations. In support of research using the minimal group paradigm (Tajfel and Turner, 1979), participants with an individualist orientation were expectedly biased toward the experimentally manipulated ingroup in terms of trust and reciprocity; however, collectively oriented participants were not (thus a statistically significant interaction between cultural orientation and group manipulation emerged). For individualists, groups are seen as temporary and flexible to allow entry and exit in the pursuit of self-interest; for collectivists, groups are permanent, based on personal characteristics, and preservation of the group takes priority over individual goals (Triandis, 1995). These results deepen understanding of the complex relationship between culture and group relationships, and indicate when culturally influenced group biases are likely to be present.

The moderating influence of situational characteristics

Experimental research examining the influence of situational characteristics proves especially valuable in clarifying the influence of the 'other' on one's thoughts, feelings, and behavior, thus promoting understanding of the interaction between individual and situational characteristics. For example, Adair *et al.* (2001) examined intra- and intercultural negotiations among Japanese and American managers. They demonstrate behavioral differences across cultures in negotiation (main effects), and, perhaps more significantly, support the conjecture that intercultural negotiations are more difficult and less successful than intracultural negotiations (Graham, 1985; Brett and Okumura, 1998) owing to the interaction of individual cultural characteristics and the bi-cultural context of the negotiation.

An interesting twist on priming research is presented by Chatman and Barsade (1995). They measured participants' levels of cooperativeness and agreeableness, and manipulated a business environment to reflect goals typically associated with collectivism or individualism. Results demonstrate that highly cooperative individuals were more responsive to the norms characterizing their organization's culture, such that they exhibited greater differences in behavior across the two cultural environments. Like research priming individual characteristics, this research demonstrates that people may behave or think differently when faced with situations exhibiting differing cultural values – and indeed, may modify their own values – thus rendering a whole new set of complex, but theoretically rich, issues to be studied through intercultural experiments.

Experimentation as a tool to understand the limits of culture's influence

Experimentation provides a powerful tool for identifying the limits of the influence of culture – that is, understanding when cultural values will have an influence, and when they will not, a topic that we have already discussed in a previous section. Currently, much of the experimental research in this direction is couched in the context of economic games in which the pull of self-interest is pitted against the interest of the collective. For instance, Roth *et al.* (1991) conducted two different economic games in four countries, and highlighted the importance of situational characteristics in making salient the influence of cultural values. They demonstrate that behavior in all countries converged to the equilibrium in a four-person market game (a situation similar to an auction), while behavior in a two-person ultimatum game (a resource allocation problem) deviated from equilibrium and, furthermore, differed across the countries. This pattern of results suggests the influence of differing culturally influenced values regarding what is fair in allocation: because of the structure of the economic interactions, fairness concerns were not salient in the four-person market game, but were quite salient when bargaining with a partner in the ultimatum game.

Similarly, Buchan *et al.* (2004) actually demonstrate divergent perceptions of fairness in a repeated ultimatum game in Japan and the US and differing behavior across the two countries, but show that culturally influenced perceptions of fairness (such as those that may dictate more generosity to the partner) do not influence behavior once the pull of self-interest in the game becomes too strong.

Kachelmeier and Shehata (1997) investigated the influence of individual cultural orientation on the effectiveness and demand for auditing. Their results show that collective cultural values are most likely to challenge self-interest in conditions of low anonymity. That is, only when a reporting system could identify the actions of group members were participants from Hong Kong and China more willing than participants from Canada to forgo self-interest. When anonymity was high, participants from all countries pursued self-interest with equal intensity.

In sum, these experimental studies echo our earlier conclusion that there are times when cultural orientation does not matter. The question of the limits of cultural influence represents a challenge to cross-cultural research, and experimentation can play a major role in resolving many of the complex issues involved.

Broadening our understanding of culture

Recent research highlights the need to broaden our analysis of culture – to perhaps take a closer look at manifestations of culture such as folklore, the manner in which we are educated, political systems, and methods of economic exchange – in order to fully assess the influence of culture on an individual. Examples of experimental studies that play a role in this broadening are given below.

Weber and Hsee (1998) demonstrated that respondents from China are significantly less risk averse than those in the US in financial decisions but more risk averse in social decisions. To determine whether these differences were truly cultural, or instead resulted from current economic or political circumstances, Weber *et al.* (1998) undertook a study in which participants from China, Germany and the US rated the risk-taking advice imparted in Chinese and American proverbs. Their results support earlier findings, and suggest that the interpretation of proverbs revealed 'long-standing cultural differences in social cohesion and cooperation' that contributed to the explanation of these differences in risky behavior (p 183).

Yates *et al.* (Yates *et al.*, 1989, 1998) have shown that Chinese respondents exhibit extreme overconfidence in probability judgments as well as in general knowledge, as compared with those in the US and Japan. They suggest that there may be important differences in culturally influenced 'cognitive customs' that account for the cross-cultural variations such as 'rules' (such as memorization) that Chinese children are taught for approaching cognitive tasks (Liu, 1986), the rareness with which Chinese culture demands that people generate multiple arguments on both sides of an issue, and the typical characterization of decision problems based on the logic of historical precedence rather than on the logic of the decision tree. These cognitive customs, born out of cultural values and reinforced throughout education, may be at the core of cross-national variations in overconfidence.

An anthropologist-led study in economics examined bargaining behavior in 12 small-scale cultures (e.g., Peru's Machiguenga farmers and Paraguay's Ache headhunters). This study reveals stark differences in behavior across cultures, and addresses the influence of market development on cooperative behavior (Henrich *et al.*, 2001). Two variables account for 68% of the variance in offers across cultures; cultures with more cooperative activity (e.g., collective hunting of whales) and market integration (an index combining the existence of a national language, of a labor market for cash wages, and farming of crops for cash) have sharing norms closer to equal splits. These results are startling to some theorists in that they suggest that real-world, 'enculturated' market experience tempers rather than amplifies the pursuit of self-interest. As researchers are interested in understanding the full influence of culture, this work indicates that we need to take into account the interplay of more traditional measures of culture such as collectivism–individualism with those that measure market development and level of integration.

As shown by this research, broadening our analysis of culture has enormous potential for increasing understanding of the manner, and the multiplicity of ways, in which individuals are influenced by their environment. An appropriate summary of this section may be to discuss the public goods research of Yamagishi and colleagues (see, Yamagishi, 2003, for a summary), which presents a perfect and pressing example of the need to gain a broader understanding of the influences and implications of culture and the potential that

experimental research has to do so. Yamagishi's research consistently demonstrates that Americans are more cooperative than Japanese in public good situations, and that Japanese are only more cooperative when a system of sanctions and monitoring is in place to assure the cooperation of the other members of the group. On the one hand, Yamagishi (2003, 367) suggests that 'the commonly held notion of cross-cultural differences between Japanese and Americans – the former being collectivists and the latter individualists – cease to exist once all theoretically relevant factors are experimentally controlled'. On the other hand, he also suggests that the system of social sanction and monitoring may be a particularly collectivist solution to the problem of fostering cooperation among a group (Yamagishi *et al.*, 1998). Thus this issue is multi-faceted. Not only are there likely influences of individual, group, and situational characteristics that moderate cultures' impact on thoughts and behavior in this context. There likely are factors such as economic and legal constraints, and embedded social networks in each society, that themselves are influenced by cultural norms and in turn are directly or indirectly influencing the individual.

Through careful construction of experiments, through precise manipulation of each of the suspected influences, and by drawing on fields such as economics, sociology, and anthropology to broaden our understanding of culture, we can begin to tease out the multiplicity of effects in this problem, and others. Essentially, we shall be refining our knowledge of the dynamics of the top-down–bottom-up processes involved in culture shown in Figure 1. In doing so, we shall be gaining a deeper and richer understanding of the nature of cultural differences, why and when they occur.

Conclusion

Research on culture and IB is definitely a 'growth' area, because the business world is in many ways becoming one. At least four themes are apparent in our state-of-the-art review of current research trends in this area. First, much of previous research on culture and IB has adopted what we view as a simplistic view of culture, which tends to examine the static influence of a few cultural elements in isolation from other cultural elements and contextual variables. For instance, much of the research inspired by the Hofstede dimensions falls into this category, which, in our view, was instrumental in kickstarting the field. However, the advances reviewed here are able to provide the conceptual and empirical basis for moving into more complex conceptualizations of culture. The several new perspectives on culture reviewed in this paper all point to multi-layer, multi-facet, contextual, and systems views of culture. These views converge to suggest that culture entails much more than cultural dimensions, and culture manifests itself in many levels and domains. Some cultural elements are stable, whereas others are dynamic and changing. Sweeping statements about cultures are useful to the extent that they provide an abstract framework for organizing more situated description of the effects of cultures. A major challenge for the field is to develop mid-range, dynamic frameworks of culture that are sensitive to their nuances in different contexts.

Second, a more complex conceptualization of culture will necessarily give rise to a more complex view of its effects. Culture can be an antecedent, a moderator or a mediator, and a consequence, and its effects may be domain-specific and are subjected to boundary conditions. Much of the research on culture and IB tends to focus on main effects of culture. The immediate challenge for the field is to map out other more complex effects of culture systematically and integrate these effects routinely into substantive theories, so that cultural elements constitute a major type of building block for theoretical models in IB. A recent, highly visible attempt in this direction is the GLOBE project discussed before, which attempts to build a model of leadership with cultural elements as integral elements of the model.

Third, the plea for studying the effects of culture in conjunction with socio-economic-political variables is not new, but our review has provided specific theoretical rationale and concrete directions for such research efforts. We have shown that cultural change is intertwined with socio-economic-political variables, and that these contextual variables may also add to, moderate, and/or mediate the effects of culture. Fortunately, there is a long tradition in IB research to take the effects of such variables into account, and future research needs to evaluate the effects of culture in conjunction with the impact of socio-economic-political conditions. Culture may relate to socio-economic-political variables in complex ways, and a simple consideration of their joint effects is inadequate. A more complete picture of the forces impinging upon IB calls for a precise description of these complex relationships.

Finally, a multi-method approach to research has been advocated for decades, and for research on culture and IB, its importance cannot be exaggerated. Most research in IB research is correlational in nature, and we are more or less ignorant when it comes to the causal processes involved. Experimentation provides a powerful tool for probing causal relationships, and we need both correlational and experimental approaches to enrich our understanding of IB phenomena, and to develop effective practical advice for international managers. Culture is such a fuzzy concept that we need to probe it with all the tools we have at our disposal, and we look forward to the bloom of multi-method approaches for moving the field of international business research forward by leaps and bounds.

Notes

[1]Evidence from three databases supports this argument. A search of the methodologies as they are described in the full citation of *JIBS* articles (1987–present) as listed in ABI/INFORM results in the ratio of 13.62:1. A search of *JIBS* abstracts (1970–2000) appearing in JSTORE provides the ratio of 11.5:1. Finally, a search within the *JIBS* website gives the ratio of 12.66:1.

[2]See Leung and Su (2004) and Buchan (2003) for comprehensive discussions comparing cross-cultural experimentation with other research methodologies, and concerning the specific controls employed in experimental research to strengthen causal inferences.

References

Aaker, J.L. (2000) 'Accessibility or diagnosticity? Disentangling the influence of culture on persuasion processes and attitudes', *Journal of Consumer Research* **26**(3): 340–357.

Adair, W.L., Okumura, T. and Brett, J.M. (2001) 'Negotiation behavior when cultures collide: The United States and Japan', *Journal of Applied Psychology* **86**(3): 371–385.

Adler, N.J. (1997) *International Dimensions of Organizational Behavior* (3rd edn), South-Western College Publishing: Cincinnati, OH.

Arnett, J.J. (2002) 'The psychology of globalization', *American Psychologist* **57**(10): 774–783.

Berry, J.W., Poortinga, Y.H., Segall, M.H. and Dasen, P.R. (2002) *Cross-Cultural Psychology: Research and Application* (2nd edn), Cambridge University Press: New York.

Bhagat, R.S., Baliga, B.R., Moustafa, K.S. and Krishnan, B. (2003) 'Knowledge in Cross-Cultural Management in Era of Globalization: Where Do we Go from Here?', in D. Tjosvold and K. Leung (eds.) *Cross-Cultural Management: Foundations and Future*, Ashgate: England, pp: 155–176.

Bhagat, R.S., Kedia, B.L., Harveston, P. and Triandis, H.C. (2002) 'Cultural variations in the cross-border transfer of organizational knowledge: an integrative framework', *Academy of Management Review* **27**(2): 204–221.

Bochner, S. and Hesketh, B. (1994) 'Power distance, individualism/collectivism, and job-related attitudes in a culturally diverse work group', *Journal of Cross-Cultural Psychology* **25**: 233–257.

Bond, M.H., Leung, K., Au, A., Tong, K.K., Reimel de Carrasquel, S., Murakami, F., Yamaguchi, S., Bierbrauer, G., Singelis, T.M., Broer, M., Boen, F., Lambert, S.M., Ferreira, M.C., Noels, K.A., van Bavel, J., Safdar, S., Zhang, J., Chen, L., Solcova, I., Stetovska, I., Niit, T., Niit, K.K., Hurme, H., Böling, M., Franchi, V., Magradze, G., Javakhishvili, N., Boehnke, K., Klinger, E., Huang, X., Fulop, M., Berkics, M., Panagiotopoulou, P., Sriram, S., Chaudhary, N., Ghosh, A., Vohra, N., Iqbal, D.F., Kurman, J., Thein, R.D., Comunian, A.L., Son, K.A., Austers, I., Harb, C., Odusanya, J.O.T., Ahmed, Z.A., Ismail, R., van de Vijver, F., Ward, C., Mogaji, A., Sam, D.L., Khan, M.J.Z., Cabanillas, W.E., Sycip, L., Neto, F., Cabecinhas, R., Xavier, P., Dinca, M., Lebedeva, N., Viskochil, A., Ponomareva, O., Burgess, S.M., Oceja, L., Campo, S., Hwang, K.K., D'souza, J.B., Ataca, B., Furnham, A. and Lewis, J.R. (2004) 'Culture-level dimensions of social axioms and their correlates across 41 cultures', *Journal of Cross-Cultural Psychology* **35**(5): 548–570.

Boyacigiller, N.A. and Adler, N.J. (1991) 'The parochial dinosaur: organizational science in a global context', *Academy of Management Review* **16**(2): 262–290.

Brett, J.M. and Okumura, T. (1998) 'Inter- and intracultural negotiation: US and Japanese negotiators', *Academy of Management Journal* **41**: 495–510.

Buchan, N.R. (2003) 'Experimental Economic Approaches to International Marketing Research', in S. Jain (ed.) *Handbook of Research in International Education*, Kluwer Publishing: Boston, MA, pp: 190–208.

Buchan, N.R., Croson, R.T.A. and Dawes, R. (2002) 'Swift neighbors and persistent strangers: a cross-cultural investigation of trust and reciprocity in social exchange', *American Journal of Sociology* **108**: 168–206.

Buchan, N.R., Croson, R.T.A. and Johnson, E.J. (2004) 'When do fair beliefs influence bargaining behavior? Experimental bargaining In Japan and The United States', *Journal of Consumer Research* **31**: 181–191.

Cairncross, F. (2001) *The Death of Distance*, Harvard Business School Press: Boston, MA.

Casimir, G. and Keats, D. (1996) 'The effects of work environment and in-group membership on the leadership preferences of Anglo-Australians and Chinese Australians', *Journal of Cross-Cultural Psychology* **27**: 357–436.

Chang, W.C., Wong, W.K. and Koh, J.B.K. (2003) 'Chinese values in Singapore: traditional and modern', *Asian Journal of Social Psychology* **6**: 5–29.

Chatman, J.A. and Barsade, S.G. (1995) 'Personality, organizational culture, and cooperation: evidence from a business simulation', *Administrative Science Quarterly* **40**(3): 423–443.

Chatman, J.A. and Flynn, F.J. (2001) 'The influence of demographic heterogeneity on the emergence and consequences of cooperative norms in work teams', *Academy of Management Journal* **44**(5): 956–974.

Chinese Culture Connection (1987) 'Chinese values and the search for culture-free dimensions of culture', *Journal of Cross-Cultural Psychology* **18**: 143–164.

Chui, A.C.W., Lloyd, A.E. and Kwok, C.C.Y. (2002) 'The determination of capital structure: is national culture a missing piece to the puzzle?' *Journal of International Business Studies* **33**(1): 99–127.

Clugston, M., Howell, J.P. and Dorfman, P.W. (2000) 'Does cultural socialization predict multiple bases and foci of commitment?' *Journal of Management* **26**: 5–30.

Drucker, P.F. (1995) *Managing in a Time of Great Change*, Truman Talley Books/Dutton: New York.
Earley, P.C. and Erez, M. (1997) *The Transplanted Executive: Why You Need to Understand How Workers in Other Countries See the World Differently*, Oxford University Press: New York.
Earley, P.C. and Gibson, C.B. (2002) *Multinational Teams: A New Perspective*, Lawrence Earlbaum and Associates: Mahwah, NJ.
Earley, P.C., Gibson, C.B. and Chen, C.C. (1999) '"How did I do?" versus "How did we do?" cultural contrasts of performance feedback use and self-efficacy', *Journal of Cross-Cultural Psychology* **30**(5): 594–619.
Eby, L.T. and Dobbins, G.H. (1997) 'Collectivistic orientation in teams: an individual and group-level analysis', *Journal of Organizational Behavior* **18**: 275–295.
Erez, M. and Earley, P.C. (1993) *Culture, Self-Identity, and Work*, Oxford University Press: Oxford.
Erez, M. and 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: An International Review* **53**(4): 583–598.
Erez-Rein, N., Erez, M. and Maital, S. (2004) 'Mind the Gap: Key Success Factors in Cross-Border Acquisitions', in A.L. Pablo and M. Javidan (eds.) *Mergers and Acquisitions: Creating Integrative Knowledge*, Blackwell Publishing: Malden, MA, pp: 20–44.
Fu, P.P., Kennedy, J., Tata, J., Yukl, G., Bond, M.H., Peng, T.K., Srinivas, E.S., Howell, J.P., Prieto, L., Koopman, P., Boonstra, J.J., Pasa, S., Lacassagne, M.F., Higashide, H. and Cheosakul, A. (2004) 'The impact of societal cultural values and individual social beliefs on the perceived effectiveness of managerial influence strategies: a meso approach', *Journal of International Business Studies* **35**(4): 284–305.
Gelfand, M.J., Higgins, M., Nishii, L.H., Raver, J.L., Dominguez, A., Murakami, F., Yamaguchi, S. and Toyama, M. (2002) 'Culture and egocentric perceptions of fairness in conflict and negotiation', *Journal of Applied Psychology* **87**(5): 833–845.
Gibson, C.B. (1999) 'Do they do what they believe they can? Group-efficacy beliefs and group performance across tasks and cultures', *Academy of Management Journal* **42**(2): 138–152.
Gibson, C.B. and Cohen, S.G. (2003) *Virtual Teams that Work: Creating Conditions for Virtual Team Effectiveness*, Jossey-Bass: San Francisco.
Gibson, C.B. and Zellmer-Bruhn, M. (2001) 'Metaphor and meaning: an intercultural analysis of the concept of teamwork', *Administrative Science Quarterly* **46**: 274–303.
Gibson, C.B., Maznevski, M. and Kirkman, B.L. (forthcoming),' When Does Culture Matter?', in A.Y. Lewin (ed.) *Emerging Research in International Business*, MacMillan Press: New York.
Govindarajan, V. and Gupta, A.K. (2001) *The Quest for Global Dominance: Transforming Global Presence into Global Competitive Advantage*, Jossey-Bass: San Francisco.
Graham, J.L. (1985) 'Cross-cultural marketing negotiations: a laboratory experiment', *Marketing Science* **4**(2): 130–146.
Greider, W. (1997) *One World: Ready or Not*, Crown Business: New York.
Guillén, M. (2001) 'Is globalization civilizing, destructive, or feeble? A critique of five key debates in the social science literature', *Annual Review of Sociology* **27**: 235–260.
Gupta, A.K. and Govindarajan, V. (2000) 'Knowledge flows within multinational corporations', *Strategic Management Journal* **21**(4): 473–496.
Gupta, V. and House, R. (2004) 'Understanding Leadership in Diverse Cultures: Implications of Project GLOBE for Leading International Ventures', in D. Tjosvold and K. Leung (eds.) *Leading in High Growth Asia: Managing Relationship for Teamwork and Change*, World Scientific Publishing: Singapore, pp: 13–54.
Haire, M., Ghiselli, E.E. and Porter, L.W. (1966) *Managerial Thinking: An International Study*, Wiley: New York.
Hanges, P.J., Lord, R.G. and Dickson, M.W. (2000) 'An information processing perspective on leadership and culture: a case for connectionist architecture', *Applied Psychology: An International Review* **49**(1): 133–161.
Harrison, L.E. and Huntington, S.P. (2000) *Culture Matters: How Values Shaped Human Progress*, Basic Books: New York.
Harzing, A.W. and Hofstede, G. (1996) 'Planned change in organizations: the influence of national culture', *Research in the Sociology of Organizations* **14**: 297–340.
Henrich, J., Boyd, R., Bowles, S., Camerer, C., Fehr, E., Gintis, H. and McElreath, R. (2001) 'In search of homo economicus: behavioral experiments in 15 small-scale societies', *The American Economic Review* **91**(2): 73–78.
Heuer, M., Cummings, J.L. and Hutabarat, W. (1999) 'Cultural stability or change among managers in Indonesia', *Journal of International Business Studies* **30**(3): 599–610.
Hofstede, G. (1980) *Culture's Consequences: International Differences in Work-Related Values*, Sage: Newbury Park, CA.
Hofstede, G. (2001) *Culture's Consequences* (2nd edn), Sage: Thousand Oaks, CA.
Hong, Y.Y., Chiu, C.Y. and Kung, T.M. (1997) 'Bringing Culture Out in Front: Effects of Cultural Meaning System Activation on Social Cognition', in K. Leung, Y. Kashima, U. Kim and S. Yamaguchi (eds.) *Progress in Asian Social Psychology*, Vol. 1. Wiley: Singapore, pp: 135–146.
Hong, Y.Y., Morris, M.W., Chiu, C.Y. and Benet-Martínez, V. (2000) 'Multicultural minds: a dynamic constructivist approach to culture and cognition', *American Psychologist* **55**: 709–720.
House, R.J., Hanges, P.J., Javidan, M., Dorfman, P. and Gupta, V. (eds.) (2004) *GLOBE, Cultures, Leadership, and Organizations: GLOBE Study of 62 Societies*, Sage Publications: Newbury Park, CA.
Huntington, S.P. (1996) *The Clash of Civilizations and the Remaking of World Order*, New York: Simon & Schuster.
Inglehart, R. and Baker, W.E. (2000) 'Modernization, cultural change, and the persistence of traditional values', *American Sociological Review* **61**(1): 19–51.
Jung, K., Ang, S.H., Leong, S.M., Tan, S.J., Pompitakpan, C. and Kau, A.K. (2002) 'A typology of animosity and its cross-national validation', *Journal of Cross-Cultural Psychology* **33**(6): 525–539.
Kachelmeier, S.J. and Shehata, M. (1997) 'Internal auditing and voluntary cooperation in firms: a cross-cultural experiment', *The Accounting Review* **72**(3): 407–431.
Kerr, C., Dunlop, J.T., Harbison, F.H. and Myers, C.A. (1960) *Industrialism and Industrial Man*, Harvard University Press: Cambridge, MA.
Kirkman, B.L. and Shapiro, D.L. (2000) 'Understanding why team members won't share: an examination of factors related to employee receptivity to team-based rewards', *Small Group Research* **31**(2): 175–209.
Kirkman, B.L. and Shapiro, D.L. (2001) 'The impact of team members' cultural values on productivity, cooperation, and empowerment in self-managing work teams', *Journal of Cross-Cultural Psychology* **32**: 597–617.
Kirkman, B.L., Lowe, K. and Gibson, C.B. (in press) Two decades of culture's consequences: a review of empirical research incorporating Hofstede's cultural values framework', *Journal of International Business Studies*.
Kitayama, S. (2002) 'Cultural Psychology of the Self: A Renewed Look at Independence and Interdependence', in C. von Hofsten and L. Bäckman (eds.) *Psychology at the Turn of the Millennium, Vol. 2: Social, Developmental, and Clinical Perspectives*, Taylor & Francis/Routledge: Florence, KY, pp: 305–322.
Klein, K. and Kozlowski, S.W. (2000) *Multilevel Theory, Research and Methods in Organizations*, Jossey-Bass: San Francisco.
Kluckhohn, F.R. and Strodtbeck, F.L. (1961) *Variations in Value Orientations*, Row, Peterson: Evanston, IL.
Kostova, T. (1999) 'Transnational transfer of strategic organizational practices: a contextual perspective', *Academy of Management Review* **24**(2): 308–324.
Kostova, T. and Roth, K. (2003) 'Social capital in multinational corporations and a micro-macro model of its formation', *Academy of Management Review* **28**(2): 297–317.

Kuhnen, U. and Oyserman, D. (2002) 'Thinking about the self influences thinking in general: cognitive consequences of salient self-concept', *Journal of Experimental Social Psychology* **38**: 492–499.
Leana, C.R. and Barry, B. (2000) 'Stability and change as simultaneous experiences in organizational life', *Academy of Management Review* **25**(4): 753–759.
Leonhardt, D. (2003) 'Globalization hits a political speed bump', *New York Times*, 1 June 2003.
Leung, K. and Bond, M.H. (2004) 'Social Axioms: A Model for Social Beliefs in Multicultural Perspective ', in M.P. Zanna (ed.) *Advances in Experimental Social Psychology, Vol. 36*, Elsevier Academic Press: San Diego, CA, pp: 119–197.
Leung, K., Bond, M.H., Reimel de Carrasquel, S., Muñoz, C., Hernández, M., Murakami, F., Yamaguchi, S., Bierbrauer, G. and Singelis, T.M. (2002) 'Social axioms: the search for universal dimensions of general beliefs about how the world functions', *Journal of Cross-Cultural Psychology* **33**(3): 286–302.
Leung, K., Smith, P.B., Wang, Z.M. and Sun, H.F. (1996) 'Job satisfaction in joint venture hotels in China: an organizational justice analysis', *Journal of International Business Studies* **27**: 947–962.
Leung, K. and Su, S.K. (2004) 'Experimental Methods for Research on Culture and Management', in B.J. Punnett and O. Shenkar (eds.) *Handbook for International Management Research* (2nd edn.), Blackwell: Cambridge, MA, pp: 68–97.
Leung, K., Su, S.K. and Morris, M. (2001a) 'Justice in the Culturally Diverse Workplace: The Problems of Over and Under Emphasis of Culture', in S. Gilliland, D. Steiner and D. Skarlicki (eds.) *Theoretical and Cultural Perspectives on Organizational Justice*, Information Age Publishing: Greenwich, CT, pp: 161–186.
Leung, K., Wang, Z.M. and Smith, P.B. (2001b) 'Job attitudes and organizational justice in joint venture hotels in China: the role of expatriate managers', *International Journal of Human Resource Management* **12**: 926–945.
Levine, R.V. and Norenzayan, A. (1999) 'The pace of life in 31 countries', *Journal of Cross Cultural Psychology* **30**(2): 178–205.
Lewin, A.Y. and Kim, J. (2004) 'The National-State and Culture as Influences on Organizational Change and Innovation', in M.S. Poole and A.H. van de Ven (eds.) *Handbook of Organizational Change and Innovation*, Oxford University Press: New York, pp: 324–353.
Liu, I.M. (1986) 'Chinese Cognition', in M.H. Bond (ed.) *The Psychology of the Chinese People*, Oxford University Press: Hong Kong, pp: 73–105.
Markus, H. and Kitayama, S. (1991) 'Culture and self: implications for cognition, emotion, and motivation', *Psychological Review* **98**: 224–253.
Marsella, A.J. and Choi, S.C. (1993) 'Psychological aspects of modernization and economic development in East Asian nations', *Psychologia* **36**: 201–213.
Maznevski, M.L. and Chudoba, K. (2000) 'Bridging space over time: global virtual team dynamics and effectiveness', *Organization Science* **11**(5): 473–492.
McClelland, D.C. (1961) *The Achieving Society*, Van Nostrand Reinhold: Princeton, NJ.
Meglino, B.M., Ravlin, E.C. and Adkins, C.L. (1989) 'A work values approach to corporate culture: a field test of the value congruence process and its relationship to individual outcomes', *Journal of Applied Psychology* **74**: 424–432.
Mitchell, R.K., Smith, B., Seawright, K.W. and Morse, E.A. (2000) 'Cross-cultural cognitions and the venture creation decision', *Academy of Management Journal* **43**: 974–993.
Morris, M.W. and Peng, K.P. (1994) 'Culture and cause: American and Chinese attributions for social and physical events', *Journal of Personality and Social Psychology* **67**: 949–971.
Oyserman, D., Coon, H.M. and Kemmelmeier, M. (2002a) 'Rethinking individualism and collectivism: evaluation of theoretical assumptions and meta-analyses', *Psychological Bulletin* **128**(1): 3–72.
Oyserman, D., Kemmelmeier, M. and Coon, H.M. (2002b) 'Cultural psychology, a new look: reply to Bond (2002), Fiske (2002), Kitayama (2002), and Miller (2002)', *Psychological Bulletin* **128**(1): 110–117.
Peng, K.P. and Knowles, E.D. (2003) 'Culture, education, and the attribution of physical causality', *Personality and Social Psychology Bulletin* **29**(10): 1272–1284.
Peterson, M.F., Smith, P.B., Akande, A., Ayestaran, S., Bochner, S., Callan, V., Cho, N.G., Jesuino, J.C., D'Amorim, M., Francois, P.H., Hofmann, K., Koopman, P.L., Leung, K., Lim, T.K., Mortazavi, S., Munene, J., Radford, M., Ropo, A., Savage, G., Setiadi, B., Sinha, T.N., Sorenson, R. and Viedge, C. (1995) 'Role conflict, ambiguity, and overload: a 21-nation study', *Academy of Management Journal* **38**(2): 429–452.
Ravlin, E.C., Thomas, D.C. and Ilsev, A. (2000) 'Beliefs about Values, Status, and Legitimacy in Multicultural Groups', in P.C. Earley and H. Singh (eds.) *Innovations in International and Cross-Cultural Management*, Sage: Thousands Oaks, CA, pp: 17–51.
Roth, A.E., Prasnikar, V., Okuno-Fujiwara, M. and Zamir, S. (1991) 'Bargaining and market behavior in Jerusalem, Ljubljana, Pittsburgh, and Tokyo: an experimental study', *The American Economic Review* **81**(5): 1068–1096.
Rotter, J.B. (1966) 'Generalized expectancies for internal versus external control of reinforcement', *Psychological Monographs* **80**: 1–28.
Sarros, J.C. and Woodman, D.S. (1993) 'Leadership in Australia and its organizational outcomes', *Leadership and Organization Development Journal* **14**: 3–9.
Sassan, S. (1998) *Globalization and its Discontent*, Free Press: New York.
Schaeffer, R.K. (2003) *Understanding Globalization: The Social Consequences of Political, Economic, and Environmental Change*, Rowman & Littlefield: Lanham, MD.
Schein, E.H. (1992) *Organizational Culture and Leadership*, Jossey-Bass: San Francisco.
Schwartz, S.H. (1994) 'Beyond Individualism/Collectivism: New Dimensions of Values', in U. Kim, H.C. Triandis, C. Kagitcibasi, S.C. Choi and G. Yoon (eds.) *Individualism and Collectivism: Theory, Method, and Applications*, Sage: Newbury Park, CA, pp: 85–119.
Smith, P.B. and Bond, M.H. (1998) *Social Psychology across Cultures* (2nd edn), Allyn & Bacon: Boston, MA.
Smith, P.B., Dugan, S. and Trompenaars, F. (1996) 'National culture and managerial values: a dimensional analysis across 43 nations', *Journal of Cross-Cultural Psychology* **27**: 231–264.
Smith, P.B., Peterson, M.F. and Schwartz, S.H. (2002) 'Cultural values, source of guidance, and their relevance to managerial behavior: a 47-nation study', *Journal of Cross-Cultural Psychology* **33**(2): 188–208.
Smith, P.B., Trompenaars, F. and Dungan, S. (1995) 'The Rotter locus of control scale in 43 countries: a test of cultural relativity', *International Journal of Psychology* **30**(3): 377–400.
Staw, B.M., Sandelands, L.E. and Dutton, J.E. (1981) 'Threat-rigidity effects in organizational behavior: a multi-level analysis', *Administrative Science Quarterly* **26**: 501–524.
Steensma, H.K., Marino, L. and Dickson, P.H. (2000) 'The influence of national culture on the formation of technology alliances by entrepreneurial firms', *Academy of Management Journal* **43**(5): 951–973.
Tajfel, H. and Turner, J.C. (1979) 'An Integrative Theory of Intergroup Conflict', in W.G. Austin and S. Worchel (eds.) *The Social Psychology of Group Relations*, Brooks-Cole: Monterey, CA, pp: 33–47.
Thompson, L. and Loewenstein, G. (1992) 'Egocentric interpretations of fairness and interpersonal conflict', *Organizational Behavior and Human Decision Processes* **51**(2): 176–198.
Tinsley, C.H. and Brodt, S.E. (2004) 'Conflict Management in Asia: A Dynamic Framework and Future Directions', in K. Leung and S. White (eds.) *Handbook of Asian Management*, Kluwer: New York, pp: 439–458.

Triandis, H.C. (1994) *Culture and Social Behavior*, McGraw-Hill: New York.
Triandis, H.C. (1995) *Individualism and Collectivism*, Westview Press: Boulder, CO.
Turner, J.C. (1987) *Rediscovering the Social Group*, Basil Blackwell: Oxford.
Van de Vliert, E., Schwartz, S.H., Huismans, S.E., Hofstede, G. and Daan, S. (1999) 'Temperature, cultural masculinity, and domestic political violence: a cross-national study', *Journal of Cross-Cultural Psychology* **30**(3): 291–314.
Van Dyne, L., Vandewalle, D., Kostova, T., Latham, M.E. and Cummings, L.L. (2000) 'Collectivism, propensity to trust and self-esteem as predictors of organizational citizenship in a non-work setting', *Journal of Organizational Behavior* **21**: 3–23.
Watson, E.W., Kumar, K. and Michaelson, L.K. (1993) 'Cultural diversity impact on interaction process and performance: comparing homogeneous and diverse task groups', *Academy of Management Journal* **36**: 590–606.
Weber, E.U. and Hsee, C.K. (1998) 'Cross-cultural differences in risk perception, but cross-cultural similarities in attitudes towards perceived risk', *Management Science* **44**(9): 1205–1217.
Weber, E.U., Hsee, C.K. and Sokolowska, J. (1998) 'What folklore tells us about risk and risk taking: cross-cultural comparisons of American, German, and Chinese proverbs', *Organizational Behavior and Human Decision Processes* **75**(2): 170–186.
Weick, K.E. and Quinn, R.E. (1999) 'Organizational change and development', *Annual Review of Psychology* **50**: 361–386.
Wetlaufer, S. (1999) 'Organizing for empowerment: an interview with AES's Roger Sant and Dennis Bakke', *Harvard Business Review* **77**(1): 110–123.
Winer, B.J. (1991) *Statistical Principles in Experimental Design* (3rd edn), McGraw-Hill: New York.
Yamagishi, T. (2003) 'Cross-Societal Experimentation on Trust: A Comparison of the United States and Japan', in E. Ostrom and J. Walker (eds.) *Trust and Reciprocity*, Russell Sage Foundation: New York, pp: 352–370.
Yamagishi, T., Cook, K.S. and Watabe, M. (1998) 'Uncertainty, trust, and commitment formation in the United States and Japan', *American Journal of Sociology* **104**: 165–194.
Yates, J.F., Lee, J.W., Shinotsuka, H., Patalano, A.L. and Sieck, W.R. (1998) 'Crosscultural variations in probability judgment accuracy: beyond general knowledge overconfidence?,', *Organizational Behavior and Human Decision Processes* **74**(2): 89–118.
Yates, J.F., Zhu, Y., Ronis, D.L., Wang, D.F., Shinotsuka, H. and Toda, M. (1989) 'Probability judgment accuracy: China, Japan, and the United States', *Organizational Behavior and Human Decision Processes* **43**: 145–171.
Zellmer-Bruhn, M., Gibson, C.B. and Earley, P.C. (2002) 'Some of these things are not like the others: an exploration of heterogeneity in work', Paper Presented at the National Academy of Management Meetings, Denver, CO.
Zhang, X., Zheng, X. and Wang, L. (2003) 'Comparative research on individual modernity of adolescents between town and countryside in China', *Asian Journal of Social Psychology* **6**: 61–73.

About the authors

Kwok Leung is Professor of Management at City University of Hong Kong. His research areas include justice and conflict, international business, and cross-cultural psychology. He is a departmental editor of *Journal of International Business Studies*, and a consulting editor for several journals, including *Journal of Applied Psychology, Organizational Research Methods*, and *Journal of Management*. He is the Chair-Elect of the Research Methods Division of the Academy of Management.

Rabi S Bhagat (Ph.D. University of Illinois at Urbana-Champaign) is Professor of Organizational Behavior and International Management at the Fogelman College of Business at the University of Memphis. His research interests include international and cross-cultural variations in the creation, diffusion, and transmission of organizational knowledge, human stress and cognition in organizations, and developing global mindset.

Nancy Buchan is an Assistant Professor of Marketing at the University of Wisconsin, Madison. Her research focuses on the influence of national, cultural, and gender differences on trust and reciprocity, and has appeared in the *American Journal of Sociology*, the *American Economic Review*, the *Journal of Consumer Research*, and the *Journal of Economic Behavior and Organization*.

Miriam Erez is the Mendes France Professor of Management and Economics, the Faculty of Industrial Engineering and Management, Technion, Israel. Her research focuses on cross-cultural management, work motivation, and innovation. She studies the moderating effect of culture on the relationship between managerial practices and performance, and the interplay between the global and local cultures in global companies.

Cristina B Gibson, Ph.D., is currently Associate Professor at the Graduate School of Management, University of California, Irvine. Her research interests include collective cognition, interaction, and effectiveness in teams; the impact of culture on work behavior; and international management. Her research has appeared in journals such as *Administrative Science Quarterly, Academy of Management Journal, Academy of Management Review, Journal of Management, Journal of International Business Studies*, and *Journal of Cross-Cultural Psychology*. She is co-author with P Christopher Earley of *New Perspectives on Multinational Teams* (Lawrence Erlbaum Associates, 2002) and co-editor with Susan G Cohen of *Virtual Teams That Work: Creating Conditions For Virtual Team Effectiveness* (Jossey-Bass, 2002).

Accepted by Arie Y Lewin, Editor-in-Chief, 25 February 2005. This paper has been with the author for one revision.