

1997

A Value Networks Approach to Implementing Integrated Cross-National Business Operations

John D. Daniels
University of Indiana

Cathy A. Enz
Cornell University School of Hotel Administration, cae4@cornell.edu

Follow this and additional works at: <http://scholarship.sha.cornell.edu/articles>

 Part of the [Hospitality Administration and Management Commons](#)

Recommended Citation

Daniels, J. D., & Enz, C. A. (1997). *A value networks approach to implementing integrated cross-national business operations* [Electronic version]. Retrieved [insert date], from Cornell University, School of Hotel Administration site: <http://scholarship.sha.cornell.edu/articles/901>

This Article or Chapter is brought to you for free and open access by the School of Hotel Administration Collection at The Scholarly Commons. It has been accepted for inclusion in Articles and Chapters by an authorized administrator of The Scholarly Commons. For more information, please contact hlmdigital@cornell.edu.

A Value Networks Approach to Implementing Integrated Cross-National Business Operations

Abstract

The removal of trade impediments is expected to cause companies to integrate more of their operations among countries; however, experience shows that behavioral factors often impede the requisite cooperation and commitment among managers from different countries. This paper discusses these behavioral problems from a national perspective and examines an approach to integration, value networks, which is not bounded by nation-states and their differences or similarities.

Keywords

trade liberalization, cross-cultural studies, value networks, industrial management

Disciplines

Hospitality Administration and Management

Comments

Required Publisher Statement

© [Japan Times](#). Final version published as: Daniels, J. D., & Enz, C. A. (1997). A value networks approach to implementing integrated cross-national business operations. In N. Kobayashi (Ed.), *Management: A global perspective* (pp. 381-400). Tokyo: Japan Times. Reprinted with permission. All rights reserved.

A Value Networks Approach to Implementing
Integrated Cross-National Business Operations

John D. Daniels

University of Indiana

Cathy A. Enz

Cornell University

Chapter prepared for *Management: A Global*
Perspective, edited by Noritake Kobayashi

Abstract

The removal of trade impediments is expected to cause companies to integrate more of their operations among countries; however, experience shows that behavioral factors often impede the requisite cooperation and commitment among managers from different countries. This paper discusses these behavioral problems from a national perspective and examines an approach to integration, value networks, which is not bounded by nation-states and their differences or similarities.

A Value Networks Approach to Implementing Integrated Cross-National Business

Operations

Introduction

There has been a recent impetus of trade liberalization measures, both globally and regionally. These include the completion of GATT's Uruguay Round, establishment of the World Trade Organization, enactment of NAFTA, and expansion of the European Union. The foreseeable gains from liberalization are largely dynamic; i.e., they are based on expectations that companies will respond in certain ways to the larger potential market. For instance, companies are expected to attempt to make more sales in other countries, thus leading to more competition and the efficiencies that competition brings about. They are expected to standardize and centralize more of their activities, so that scale economies will reduce costs. They are expected to shift to lower or least-cost production locations, so that output and sales reflect the efficiencies of comparative advantage.

However, companies may not fully respond as envisioned, nor as quickly. The incongruence is partially due to many firms' belief that their own operating efficiencies will not improve markedly if they are to respond as envisioned by policymakers. For instance, companies' expectations vary on the extent that de facto barriers will be and stay removed. This is due to continued reports of

nontariff barriers that undermine liberalization agreements, as well as pressure groups that want their governments to secede from regional trading associations. Furthermore, products are not affected uniformly as trade barriers are removed. This is because of variances in potential benefits of scale economies, transportation costs in relation to manufactured costs, the types of competitors and suppliers, and whether consumer preferences differ substantially among areas. In fact, companies may move more toward a global or regional strategy for some of their products than for others. They may also centralize control of some functions more than for others, e.g., centralize manufacturing of standardized products while delegating diverse distribution strategies and decisions to local managers.

There are also behavioral factors that help to explain the apparent slow response by many companies. In many cases, corporate level managers have seen advantages in embracing some new type of cross-national strategy; but they have encountered formidable problems in implementing changes. As strategies change, so do operations. In turn, managers' titles, responsibilities, reporting relationships, work locations, rewards, and security may also change. Because of the personal stakes that these managers have in strategic changes, it is difficult to evaluate the reasons they give to support their viewpoints or the actions they take which affect policy execution. For example, stakeholders usually evoke company operational arguments (e.g., lost sales, production downtime), even though their real motives may be personal or value driven. Yet, the existing case studies on companies' attempts to move to a global or regional

strategy are rife with examples of behavioral obstacles (Daniels 1987; Wolf 1986; Business International 1989), raising the intriguing question of how to bring about the dynamic advantages of freer trade more successfully.

This paper deals specifically with behavioral factors affecting implementation, rather than discussing whether and under what circumstances companies will/should shift operating location or integrate their operations. We shall first examine the nation-state as a focal point for explaining and dealing with the behavioral problems of implementation. Second, we shall introduce an approach, value networks, which is not bounded by nation-states and their differences or similarities. Finally, we shall discuss the application of value networks to three types of operations that companies may have in place when they attempt to move to a more integrated cross-national strategy.

The Nation-State as a Point of Reference

Companies, as well as academic researchers, have largely focused on country differences when dealing with behavioral problems of European business integration. This has seemed logical inasmuch as operations by the same parent-company have generally been separate legal entities from one country to another. This legal separation has sometimes limited decision making by the parent company. It has also enhanced the insulation of employees from their counterparts in other countries, who may already be separated by economic and linguistic barriers. Furthermore the focus on the nation-state parallels the

attention by policymakers in their attempts to eliminate political barriers to business.

We shall discuss three behavioral problems which seem appropriate to approach on a country-by-country basis. These are national autonomy issues, xenophobia, and shared values.

Autonomy issues

There is difficulty in pulling control from operations once their managers have become accustomed to a great deal of autonomy (Daniels 1987; Flanigan 1985). Although this situation exists within domestic operations, it is exacerbated in a cross-national setting. Factors to which we have already alluded, such as the legal separation of operations by country and language differences, favor decentralization from corporate headquarters. These same factors, along with cross-national mobility problems, also work toward isolating managers from their counterparts in other countries. A result is that organizational values or cultures are probably developed more separately for companies' operations in different countries than for their multiple operations within a single country.

Given the importance of autonomy, we might expect that multidomestic operations would have the most difficulty in gaining local managerial commitment to a regionwide strategy. Moreover, we might also expect differences by the nationality and size of firms. Japanese firms, for example, have generally expanded into Europe more recently than U.S. multinationals, and after the European Union came to be a more assured reality; thus, they could organize

their production, product development, and sales on a Europeanwide basis from the start. Likewise, small firms have tended to become international later than large firms; thus they may not have to wrest control from fairly independent country units in order to carry out a global or regional strategy. If a company has a history of headquarters control over such functions as product development, pricing, and working capital management, a move to a global or regional strategy may not encounter as many behavioral problems because country-level managers do not have to cede as much control.

Size of country operations is another factor. Because of limited resources, companies typically enter some countries before others and develop significantly larger investments in some than others (Hisey and Caves 1985; Kravis and Lipsey 1982). The largest national operations are more likely to have a great deal of independence because they can justify the fixed costs of local staff support (Drake and Caudill 1981). There is a greater likelihood that rival semiautonomous manufacturing and sales units will develop in the countries with the largest markets. Thus, on the basis of the relationship of autonomy to size, we might expect that a subsidiary in Germany will be more difficult to integrate than one in Ireland.

There may also be a nationality difference in managers' willingness to cede authority. For example, on the basis of Hofstede's findings on power distance (1983), one might expect that Belgian managers would more easily accept decisions of higher authorities than would Danish managers.

Some companies have approached the autonomy problem of regional integration by establishing regional headquarters groups and locating them within “neutral territory,” especially where rival and fairly autonomous country operating units are involved. It is generally acknowledged that this increases certain operating costs, such as for facilities and for managerial travel and relocation. Whether this brings additional cooperation that more than compensates for the known cost increases must be argued qualitatively. There are different viewpoints on how these “neutral” headquarters should be staffed. One of the basic choices is whether to take people from within or outside the organization. Another is whether they move “permanently” into positions of regional responsibility or rotate temporarily through them. One train of thought is to promote internally; by mixing people from different operating units, they will combine their country experiences and begin to think of the region as a whole. A second train of thought is that loyalties to former operating units are too difficult to break down; thus regional managers are hired completely from outside the company. Closely related to this are examples of companies that staff largely with home-country nationals.

Some other companies are “temporarily” excluding some large historically autonomous country units from their regionwide strategies involving other countries. Although this defers some of the behavioral problems of implementation, it neither achieves the short-term benefits of fully integrated regional operations nor does it eliminate the long-term autonomy problems. Still another approach has been to split functional responsibilities, e.g., the finance in

the United Kingdom and the marketing in France, or the use of work teams made up of representatives from different countries (Daniels 1986). While the split creates interdependent autonomy, we simply don't know whether this approach increases the cost of coordination or develops better regional cohesion.

Xenophobia

Peter Drucker stated that a truly multinational firm "demands of its management people that they think and act as international businessmen in a world in which national passions are as strong as ever" (Lehner 1983). Managers face potential conflicts between the interests of their home countries and those of the company for which they work. They may also equate foreignness with higher risk.

Firms typically move slowly into foreign operations and in incremental steps of greater commitment. The time order is related to the psychic distance between the home and hosts countries in terms of language, education, business practices, culture, and industrial development (Johanson and Vahlne 1977). However, U.S. and Japanese companies tended to move to Europeanwide operations earlier than European companies did (Quelch, Buzzell, and Salama 1990). Trade barriers may, thus, explain only part of the problem of breaking out of fragmented national markets. Although U.S. and Japanese firms may have seen a large psychic distance between themselves and Europe, apparently they perceived fewer psychic distances among European countries and thought of Europe more as a single entity than Europeans, who have seen themselves first

as a specific European nationality. Dominant country operations, particularly European-owned ones, may therefore not easily move to a fully integrated European strategy, in spite of the removal of trade barriers.

As operations become more integrated among countries, managers from different countries must interact more with each other. Although managers may face some acceptance problems because of being foreign (Izraeli, Banai, and Zeira 1980), we simply do not know whether the problems are more acute for some nationalities or business functions than others, nor whether they are affected by particular mixes of nationalities.

Although there is also some evidence that employees prefer to work for national rather than for foreign companies and for superiors of their own nationality rather than for foreigners (Izraeli, Banai, and Zeira 1980), we do not know if there are differences by nationality. If so, what causes them? Are they caused by historical animosities, e.g., between Greece and Turkey; by cultural distance, e.g., a Mexican versus U.S. firm in Canada; or by home country power, e.g., a Philippine versus Japanese firm in Singapore? What effect might differences make to diverse companies and nationalities in their integration of their operations?

Another intriguing question is whether certain nationalities may be more cooperative than others in working with foreigners. There are reasons to expect that they are. For example, Hofstede (1983) found differences among countries in his uncertainty avoidance dimension, of which nationalism is one of the characteristics. One also finds differences among countries in the extent to which

employees are experienced in working with heterogeneous groups and in the historic openness to international dealings. The differences may be due to the number of national languages and ethnic groups, the extent to which guest workers are employed, the dependence on foreign trade, and whether the national language is shared with other countries. Further, some small countries have had to depend more on trade and have had to put more emphasis on language training and learning about other nations.

Most companies have approached xenophobic problems in the same way that they have approached autonomy problems, e.g., rotation of personnel among countries and the mixture of nationalities to direct the regional operations. However, another approach has been to locate regional headquarters alongside or as a part of one of a large (usually dominant) operating unit (Van Den Bulcke and Van Pachterbeke 1984). This approach has been primarily to gain cost-saving efficiencies. Moreover, it allows one operation or nationality to make most decisions without having to gain full cooperation or consensus from managers in other countries. However, firms acknowledge that this path retards their ability to develop and market products for a cross-national niche. Because dominant country interests are put ahead of regional ones, companies even have problems in using small subsidiaries for feedback in market testing as suggested by Bartlett and Ghoshal (1986). Typically, personnel from the dominant country operation have taken over cross-national duties. They are afraid that concessions to smaller countries will come at the expense of their home-country markets. They also continue to communicate much more with managers from

their own rather than from other countries. The situation perpetuates itself, since managers from smaller country operations do not develop enough experience to move into regional or global responsibilities. In a sense, we might say that value sharing is so strong that the cross-national wide strategy suffers from inadequate requisite diversity.

A proxy of shared values

The role of shared values has been fundamental within the emerging organizational and cross-cultural literatures (Enz 1986). Values are learned and shared among individuals and provide the basis for defining and making sense of social relationships (Kluckhohn 1967; Parsons 1964). Organization-based values, such as quality, efficiency, cost minimization, or employee development, provide meaning and direction for the mobilization of human action within a firm.

Regardless of firms' uniqueness, there is a near-consensus within the literature on organizational strategy, structure, and performance that shared values are a necessary precursor to effective strategy formulation, organization design, and strategy implementation (Child 1972; Ranson, Hinings, and Greenwood 1980; Hambrick and Brandon 1988). As a precursor to decision making, shared values are embedded in an organizational structure. As one author noted, "It can be said without fear of contradiction that good organizations and shared values have to be found together" (Wakhlu 1986: 265). Individuals process information differently based on how they enact or come to know their environment (Weick 1979); and their values are the foundation of the processing

and enactment (Scott 1959). Therefore, value dissimilarities can translate into decision-making confusion as competing conceptions of a multinational's integration strategy are acted upon. This role of shared values has also been fundamental in the cross-cultural literature (Bhagat and McQuaid 1982).

Cross-cultural studies have concluded that where there are significant value differences among groups of managers, there are impediments to cooperation among the groups. At the same time, academic researchers have largely used the nation-state as a proxy of culture when studying value differences. Because they have found significant dissimilarity in managerial values among countries (although mixed) in terms of the importance of work goals, job satisfaction, managerial and organizational variables, and interpersonal orientation (Cummings, Harnett, and Stevens 1971; Haire, Ghiselli, and Porter 1966; England and Lee 1971; Hofstede 1983), the implication is that the integration of operations within one country is easier than between countries.

Some national differences are greater than others. Ronen and Shenkar [1985] synthesized numerous comparative management studies and concluded that nearly all countries cluster closely into one of eight groups. They also suggest the potential of using these clusters as a basis of predicting the success of international managerial transfers. For instance, if a multinational firm were to need to transfer a manager to Italy, a French person might be more successful than a German or Swede because Italy clusters with France on work values, but not with Germany or Sweden. If the clustering of countries may ease the implementation of a cross-national strategy, it may be appropriate for firms to

define their regionwide strategy differently than the geographic area constituting a regional trading group. In effect, they might delay inclusion of difficult areas into their regionwide strategies. In fact, we have found examples within the European Union of subregional structures which include seemingly similar countries in terms of shared organizational values. We have also found the inclusion of some former European colonies where management maintains close linkages with an EU country and an example of Spain's exclusion from a European regionwide strategy because of its perceived closer cultural distance to the company's Latin American division.

A problem in attempting to cluster countries by shared managerial values is that a company does not gain the economic advantages of a fully integrated operation. A second problem is that countries within a region may be very dissimilar. For example, although some EU countries cluster together, e.g., the United Kingdom with Ireland, EU countries fall into five of the eight global groups that Ronen and Shenkar identified. A further problem is that by concentrating on norms in values, one overlooks the substantial differences among individuals within countries; i.e., the French person transferred to Italy may lack organizational values that are typically French and/or the Italian personnel may not be typically Italian.

Some firms have attempted to overcome national value differences by imposing a strong and homogeneous organization culture on all their operations, regardless of country. The popular literature on corporate culture offers a host of suggestions to create a strong dominant value profile and to make this value

profile pervasive and intense. One technique has been planned rotation of managers among countries and into headquarters' offices to contribute different viewpoints and to build line or staff experience with a cross-national perspective in the process of promoting these managers within their own country operations (Edstrom and Galbraith 1977; Edstrom and Lorange 1984). Intuitively, one would expect these rotations to build regionwide cooperation and an effective culture to help fulfill total corporate objectives. However, studies suggest that national differences in organizational values have persisted over time, even within organizations with so-called strong and homogeneous cultures (Hofstede 1983; Child 1981; Laurent 1983). Moreover, there is much that we don't know about the power of corporate culture when dealing across national boundaries. For instance, will a strong corporate culture help to achieve more cooperation for some objectives than others, e.g., strategy development versus strategy implementation?

Value Networks

In the preceding section we illustrated that cross-border clashes arise and complicate integration. But perhaps too much emphasis has been placed on the nation-state to explain the cause of the clashes. In other words, by concentrating on national differences, one may overlook the variances within countries and subgroup similarities among countries. Furthermore, England and Negandhi (1979) reported few national differences in a study of work values and suggested

that the literature attempting to show national and cultural differences in employee values, attitudes, and behavior is exaggerated. This view is supported by Ronen and Shenkar's (1985) review of cross-cultural studies of employee attitudes. They observed that many studies did not consider organizational and individual variables that might really account for the differences that have been attributed to nationality.

A network perspective

Our objective in this section is to introduce another approach, networks, to stratify and differentiate among individuals or subgroups in corporations. This network perspective looks at the structures that emerge from social rather than formal ties or relationships among different groups or individuals. As Tichy (1981) notes, organizations are composed of many networks arising out of various types of linkages, each with its own structure. Structure is defined broadly as "regularities in the patterns of relations among concrete entities" (White, Boorman, and Breiger 1976). Social structures emerge when people are closely tied to some and not to others. The resultant groupings or networks provide a structure that can be analyzed visually and quantitatively.

By using a set of mathematical operations, one may determine the existence of systematic patterns in informal networks of relationships. Social networks reveal the informal relationships among people and the systematic networks or clusters that are formed as a result of these relationships. The examination of various networks within a company may help to identify the real

differences and similarities among individuals and subgroups that lead to subsequent behaviors and actions, rather than presuming that differences are based on nationality.

Before discussing value networks and their integrative potential, we shall briefly note some of the constructs that can be obtained from network analysis. Network models can be developed for any type of social actor, such as the individual, organizational subunit, or the organization as a whole. Network analysis permits examination of a variety of structural features, including the degree of integration or centrality of individuals or units within the network, criticality or reachability of the positions occupied by units within the organization, and the intensity or connectedness of relationships among actors in the network. Indicators of centrality, reachability, and connectedness for each person or subgroup can be obtained via network analysis and then used in traditional data analytic procedures as measured variables. Space limitations prevent a detailed discussion of the possible measurements and mathematical linkages, but the interested reader is referred to Burt (1980) and Knoke and Kuklinski (1979).

Value networks and integration

Value networks link social actors on the basis of shared values. By examining a variety of similarities and differences in networks based on organizational, personal, or work values, one may discuss similarities and differences across national boundaries and within specific countries. The discovery of value-based similarities and differences through network analysis

may evoke alternative strategies for integrating operations. For example, network analysis may reveal that an organization's operating units within France are different from each other, with one unit being central in numerous value networks and connected to a large number of other units, while the other unit is an outlier with few ties to other units. These network features would indicate that these two units have varying degrees of influence over other operations and may be harder to integrate than other units.

Value network analysis allows for the identification of clusters of members whose similarities among themselves and dissimilarities with others are significant and can be categorized into different networks. These networks can then be compared with each other to reveal overall organizational patterns of value integration and differentiation.

Network Integration

Figure 1 builds on the distinction between an emergent (informal ties) and formal prescribed network (instrumental/work-related ties) (Lincoln and Miller 1979; Tichy 1981) to offer a possible framework for analysis of the question of operating unit integration.

While the bulk of the literature in organization theory has traditionally viewed structure as the result of formally prescribed positions, it is also possible to conceive of structure as the emergent patterns of values, beliefs, and behaviors. As these relationships and interactions become recurring patterns of belief and action, a type of structure is added to the organization, specifically an

emergent value structure. Unlike earlier theorists who a priori argued that emergent networks had weak impacts on prescribed networks (Tichy 1981), we concur with later scholars who argued for the strong effects of emergent networks (Brass 1982).

As figure 1 suggests, environmental constraints will influence strategy decisions. The strategic direction will in turn influence and be influenced by the formal or prescribed networks of operating factors and by the emergent value networks. To understand fully the structural position of any organizational member requires one to view the combination of both formal and emergent network interdependencies (Brass 1984). By juxtapositioning value and operational networks, one may explore the dynamics between the two, thus allowing the values component of culture to be treated in a structural way. By examining the emergent structure of values one may identify clusters of individuals and units which will provide some insights into the question of design integration.

An example of how the framework in figure 1 works is as follows: Environmental factors initially influence the strategic orientation of the firm. When a particular firm is dependent on a set of diverse national customer needs and competes with diverse competitors in different countries, it is likely to adopt a multidomestic strategy in order to address the differences in pricing, products, distribution channels, and local governmental demands. With the adoption of this strategy, a host of prescribed networks are established to implement the multidomestic strategy effectively. It is probable that the firm decentralizes its

operations and designs different national structures. Policies and procedures are designed with specific customers and countries in mind; and cross-national coordination or integration is likely low. The informal network of values reflects and influences the prescribed network, probably highlighting the elements of consensus within each country separately. The emergent network of values more dramatically reflects the societal values of host than home country in order that organizational values fit the specific functional activities of the operating units. The informal network of values reinforces the autonomy and individualism built into the prescribed networks. The emergent network strengthens the formal network and provides a coherent network of various personal, managerial, societal, and organizational values over time. Formal practices regarding such issues as selection, removal, and promotion reflect the prescribed and emergent networks.

Eventually, this set of networks influences the ability to formulate and implement strategy because it introduces a rigidity of design, so that adaptation and change are difficult. Because the prescribed networks are firmly entrenched, structural changes are difficult. Additionally, the emergent values networks, although possessing more fluidity by definition than the formal structures, will also become entrenched and supportive of the formal structure because of their recurring patterns of preference. Hence, they further restrain strategic redirection. They reinforce the prescribed networks and create rigidity of informal interactions; therefore, the interplay of prescribed and emergent networks may work in concert.

Adapting to Change

When the environment changes, for example when the EU adds a new member, a firm may wish to encompass the new member within its regional strategy. To implement a new strategy, the firm will most likely modify its prescribed networks of resource allocation and formal structures. While the task of strategic redirection and subsequent structural alignment will not be easy, these tasks are manageable with existing value networks unless the management of the firm also attempts to modify subsequent emergent values networks.

Let us assume for the moment that the firm recognizes the important role of the emergent value networks. How can it begin the process of understanding and subsequently changing the emergent values networks? The first step is to identify the nature of values. A social network analysis of values provides a tool for isolating influence patterns embedded in the emergent and prescribed structure of organizations; therefore, it provides a useful diagnostic tool for planning change to meet the needs which market forces may impose. To carry out this first step in the diagnosis, an organization might obtain a total network of configurations based on value-sharing linkages.

The second step is to compare and contrast the emergent value networks with the prescribed networks to see if they follow each other closely. Third, and perhaps most important, the emergent value networks might provide the foundation for a planning group made up of key players within value clusters to

facilitate integration. By working together these players might assist a firm in creating a unified value network or set of networks to be used in shaping subsequent formal networks or by advising on human resource plans. Finally, after moving to a regional or global strategy, a firm might use a value network analysis to determine the impact of the change effort in the establishment or reestablishment of value structures.

What our framework highlights is the existence of an informal network of values that will interact with strategy formulation and the formal prescribed networks. By using a social network methodology, networks can be generated on a few salient values, after which one may identify how networks are similarly configured and how they complement each other. The location of individual members or groups (e.g., based on country of operation location) can also be studied across networks. Finally, a network approach allows a firm to examine the degree that values coalesce around ethnicity by relating the differences between value network centrality, connectedness, and criticality to such factors as ethnic origins, nationality, and occupational category. In sum, by considering the prescribed operational networks and the emergent value networks, a firm may approach integration of cross-national operations on a variety of dimensions.

Operational problems

There are a baffling variety of competing perspectives on which specific values are important when exploring the question of cross-cultural value

orientations. Some carefully developed and extensive literatures have emerged around the work of England (1975), who reported differences in personal values among managers of five countries, and Hofstede (1983), who examined work-related values within one multinational across 40 different nations. While a vast amount of research has compared Country A with Country B on a host of additional “cultural” and “value” factors, these empirical studies raise the difficult question of the utility of a value approach that stands outside of a particular culture to see similarities and differences across countries versus an approach that attempts to discover and to describe the pattern of values for that particular society; in essence, the mix between an emic (unique cultural) versus etic (generalizable) approach to classification. Somewhere between the two extremes lies a viable middle ground for values research.

Even if there were agreement as to which values are most important, there would remain an acknowledged problem of measuring variances among societies. Culture cannot be isolated easily from such factors as economic and political conditions and institutions. A survey, for example, may reflect a short-term response to temporary economic conditions rather than the basic values and beliefs that will have longer-term effects on how business can be managed. Furthermore, there are apparently differences in the way groups approach and respond to survey instruments, thus confusing the value differences that the survey instruments are supposed to measure.

The ranking of values also creates a problem. For example, production workers share many values with their counterparts in other countries, and these

values are different from those of their managers (Segall 1979; Gomez-Mejia 1984). One might expect, therefore, that the production workers from different countries would be highly cooperative in dealing with management in multinational firms. But there are more examples of refusals to cooperate than in successful collaboration; consequently, other values apparently override those that link production workers.

Our perspective is to attempt to understand the values of a people based on their value configurations, not ours, and also to allow for comparison of the values of subgroups within and across countries and organizations. This perspective leads directly to a specific orientation to investigation and research methodology. First, since we are interested in the sharing of values, we should compare across societies and organizations without prematurely limiting the content of values. What is generalizable is the degree of value fits. What is unique is the configuration of specific values within a particular group. Hence, we argue that any attempt to understand values should seek to establish a classification system based on degrees of similarity and difference, while simultaneously allowing for value configurations that are established uniquely for each group within different societies and organizations. Eventually it might be possible to explore the differences in value configurations across groups and within the same group over time.

Application of Value Networks

A framework of strategic direction

A move toward some type of global or regional strategy implies the movement away from some other position; thus the type of operations when a company attempts to embark on a regional or global strategy influences the types of behavioral problems a company may face. In spite of diversity, our paper categorizes firms into three basic types of prior operations. We shall refer to the first as a multidomestic, for companies whose countries' operations (especially product development) were highly independent of each other; the second as a dominant country operation, for companies which developed products aimed at achieving a large share of the market in only one foreign country, yet which may have found market segments or niches in other countries as well; and the third as a new entrant, for firms which had an insignificant foreign presence before enactment of the trade liberalization measures that caused them to think about a regional or global strategy. During the 1980s within the automobile industry in Europe, for example, GM could be classified as a multidomestic, Fiat as a dominant country firm, and Toyota as a new entrant.

Multidomestic operations face the problems of fragmented consensus and, perhaps, a difference in overriding vision between country-operational and headquarters managers. Dominant country operations may lack sufficient inclusion of viewpoints from other countries to develop requisite variety. The situation for new entrants depends on how operations are undertaken. In some situations, it may be possible to move directly to a regional or global strategy, thus foregoing some of the problems prevalent for dominant country and

multidomestic firms. But, resource issues may necessitate that new entrants pass through a dominant country and/or multidomestic phase. Furthermore, the new entrant has to depend heavily on newly hired personnel who are not initiated into the company's culture.

Networks related to prior operations

Multidomestic operations, because of already having managers in multiple locations, can probably make better use of network analysis than other types of operations can. Network analysis serves primarily as a diagnostic function; but when multiple operations are already in place, the analysis can map operating unit similarities and differences that are obscured when looking only at the formal structures. Those operating units sharing the headquarters' value network may pose fewer problems than operations occupying different ones. Top management can use the value maps to determine what values are central to outlier and clusters of operations; and it can then consider ways of integrating these values into the broader base of desired preferences.

Dominant country operations may use network analysis primarily as a diagnostic tool to help discover the existing value orientations. Firms can begin the slow process of identifying value gaps and developing alternative value orientations by comparing their existing preferences with environmental realities. This process of self-exploration allows the firm to identify what values are essential to sustain, what values to discard, and what shared values to nurture that are inhibited by the existing formal networks.

The situation for new entrants depends on how operations are undertaken, i.e., whether they pass through a dominant country and/or multidomestic phase. Value networks may be used for this type of firm for diagnostic purposes as well and may help to determine such decisions as the desired profile for recruitment of local and expatriate personnel.

Conclusions

The decision of whether to follow some type of regional or global strategy is complex and is usually based on competitive factors. Once a decision is made, the implementation is often just as complex. But this complexity is largely due to behavioral factors, since managers try to protect or improve upon their personal stakes in the organization. We have proposed a value-sharing network approach to ease the implementation process. We have indicated some of the values that affect managers' willingness to carry out an integration process; and we have discussed some company approaches to cross-national operations, which are implicitly compatible with the constructs we have presented.

But the situation is even more complex than we have indicated. Firms have multiple functions, not all of which may be suitable for regional or global integration. For instance, a company could conceivably move toward regional product policies while maintaining multidomestic distribution. Not only must the firm be concerned with different groupings within each function, it must also be concerned with the interactions of personnel among the functions. Firms also

have multiple products, not all of which may be suitable for regional or global integration. In fact, it may be conceivable for a firm to follow dominant country, multidomestic, regional, and global strategies simultaneously for different products. Furthermore, some managers may have multiproduct and multifunctional responsibilities. In value terms, this complexity may require companies to pursue either more value sharing or more value diversity, depending on the context or relevant strategic circumstances.

The growing importance of strategic alliances adds a further dimension since managerial interaction may involve personnel from more than one organization, either in dual or complementary roles. The value fits of alliance partners may be crucial to successful collaboration, particularly for the boundary spanning subgroups within the cooperating firms. Special attention may be needed to assure that competing or conflicting value orientations do not impede exchanges. Hence, boundary spanning subgroups engaged in strategic alliances may be most effective when they possess or are encouraged to develop values that fit with those of their partners.

Regardless of whether firms move toward a regional or global strategy as new entrants or from multidomestic or dominant country positions, some countries are apt to be easier than others to integrate. We have discussed some of the influences separately. We caution, however, that these must be examined together because the different conditions may or may not support each other. For example, a highly autonomous operation is an indicator of integration problems; however, these problems may be partially offset if the dominant country values

include weak autonomy needs that would promote decision making abroad. We also advocate moving beyond the nation-state as a means of comparing values in order to uncover value heterogeneity within countries and value homogeneity that transcends borders.

Throughout this paper we have focused exclusively on the role of shared values, realizing that it is only one component of culture and one aspect of emergent networks. Since the use of the term “culture” evokes a host of unrelated and occasionally conflicting approaches to cross-national research we argue that this field of study will be greatly assisted by attention to culture’s component factors, as we have done with shared values. We have raised numerous questions throughout this paper that we will not attempt to summarize here, but acknowledge that even when narrowing the exploration of culture to shared values alone, a host of complex relationships and contingencies emerge.

We also acknowledge that there are factors other than values which may affect the willingness of managers to cooperate in developing and implementing a cross-national strategy. Not the least of these factors is competition. As long as companies enjoy a stable competitive relationship, managers may be reluctant to risk upsetting a satisfactory stability. However, once a competitor upsets this relationship, other companies may more willingly embrace similar practices themselves. This same diffusion process may apply as well to the use of network analysis. This approach has the potential for moving work on cross-border integration into a new realm of exploration and understanding.

Future research within the area of shared values should evolve in several different ways. We suggest that attention be directed toward exploring viable schemes of values to include individual, organizational, and societal values. We believe that the interplay between formal and emergent networks deserves more attention. Empirical work using a social network analysis approach seems particularly promising for exploring the linkages of these networks to each other and to strategic decisions. Research which explores the linkages between emergent value networks and networks of social relations based on race, age, profession, social class, and language would also be useful.

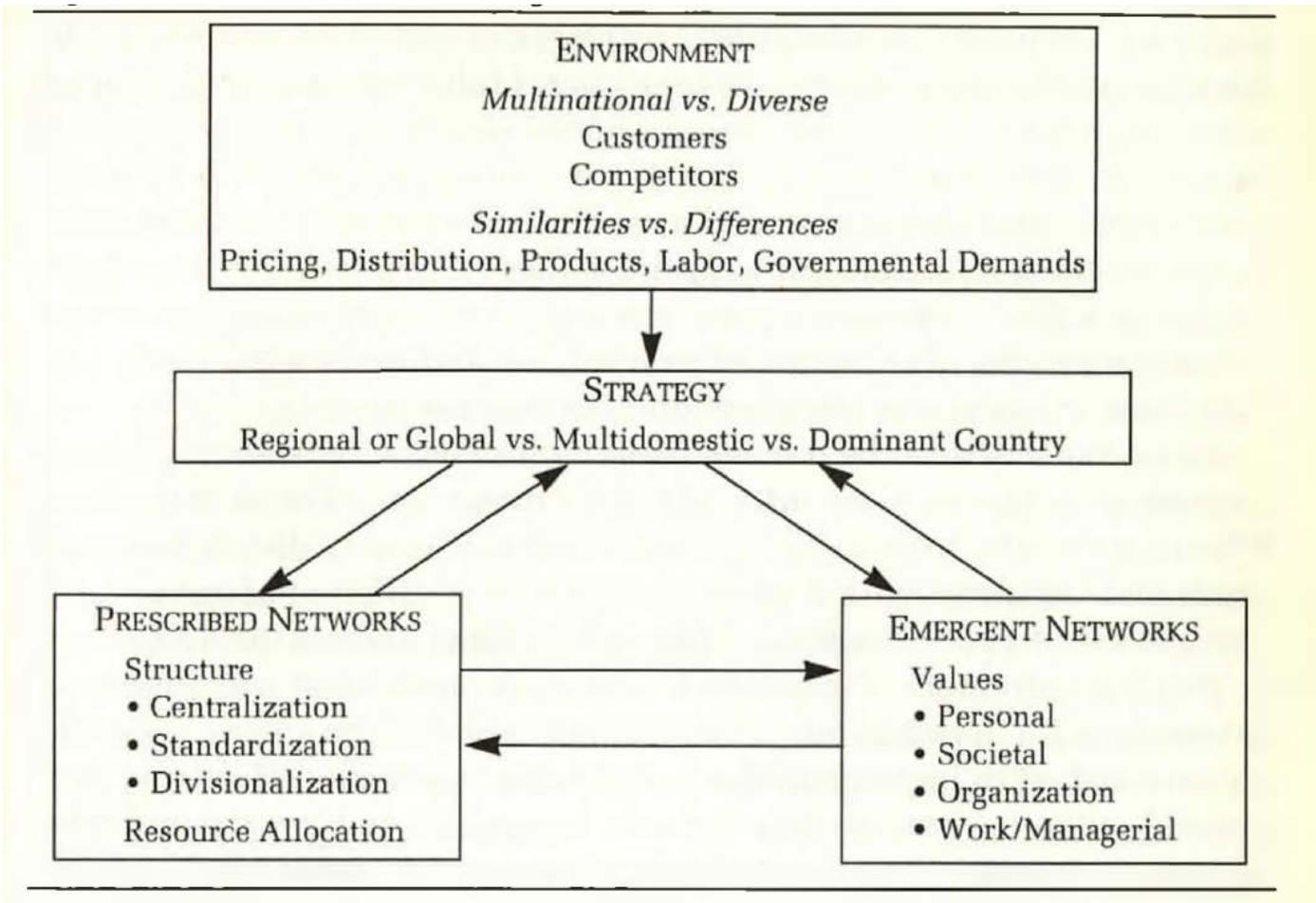


Figure 1. A framework for integration.

References

- Bartlett, Christopher A., and Sumantra Ghoshal. November-December 1986. Tap your subsidiaries for global reach. *Harvard Business Review* 64(6): 87-94.
- Bhagat, Rabi S., and Sara J. McQuaid. 1982. Role of subjective culture in organizations: A review and directions for future research. *Journal of Applied Psychology Monograph* 67: 653-685.
- Brass, Daniel J. December 1984. Being in the right place: A structural analysis of individual influence in an organization. *Administrative Science Quarterly* 29(4): 518-539.
- Burt, Ronald S. 1980. Models of network structure. *Annual Review of Sociology* 6: 79-141.
- Business International. 1989. *Gaining a Competitive Edge in the New Europe: Strategic Responses of Non-European Communities to 1992*. New York: Business International Corp.
- Child, John D. 1981. Culture, contingency and capitalism in the cross-national study of organizations. Pp. 303-356 in *Research in Organizational Behavior* 3, eds. L. L. Cummings and B. M. Staw. Greenwich, CT: JAI Publishers.
- Cummings. L. L. Don L. Harnett, and D. J. Stevens. September 1971. Risk, fate, conciliation and trust: An international study of altitudinal differences among executives. *Academy of Management Journal*: 294.

- Daniels, John D. 1986. European regional management by large U.S. multinational firms. *Management International Review* 26(2): 27-42.
- . 1987. Bridging national and global marketing strategies through regional operations. *International Marketing Review*. 29-44.
- Drake, Robert L., and Lee M. Caudill. May-June 1981. Management of the large multinational: Trends and future challenges. *Business Horizons*: 84.
- Edström, Anders, and Jay R. Galbraith. June 1977. Transfer of managers as a coordinator and control mechanism. *Administrative Science Quarterly* 15(2): 125-137.
- Edström, Anders, and Peter Lorange. Fall 1984. Matching strategy and human resources in multinational companies. *Journal of International Business Studies* 15(2): 125-137.
- England, George W. 1975. *The Manager and His Values: An International Perspective*. Cambridge, MA: Ballinger.
- England, George W., and Raymond Lee. December 1971. Organizational goals and expected behavior among American, Japanese and Korean managers—A comparative study. *Academy of Management Journal*: 425-438.
- England, George W., and Anant Negandhi. 1979. National context and technology as determinants of employee's perceptions. Pp. 175-190 in *Organizational Functioning in a Cross-Cultural Perspective*, eds. George

- W. England, Anant R. Negandhi, and B. Wilpert. Kent, OH: Kent State University Press.
- Enz, Cathy A. 1986. New directions for cross-cultural studies: Linking organizational and societal cultures. Pp. 173-189 in *Advances in International Comparative Management 2*. Greenwich. CT: JAI Press.
- . 1988. The role of value congruity in intraorganizational power. *Administrative Science Quarterly* 33: 284-304.
- . 1989. The relationship between organizational value sharing and influence over strategic decisions. *International Journal of Value-Based Management* 2(1): 79-92.
- Flanigan, James D. 1986. Multinational as we know it is obsolete. *Forbes*, 136(5): 30-32.
- Geertz, Clifford. 1973. *The Interpretation of Cultures*. New York: Basic Books.
- Gomez-Mejia, Luis R. 1984. Effect of occupation on task related, contextual, and job involvement orientation: A cross-cultural perspective. *Academy of Management Journal* 27(4): 706-720.
- Haire, Madon, Edwin Ghiselli, and Lyman Porter. 1966. *Managerial Thinking*. New York: John Wiley & Sons: 90-103.
- Hambrick, Donald C., and Gerard L. Brandon. 1988. Executive values, in *The Executive Effect: Concepts and Methods for Studying Top Managers*, ed. Donald C. Hambrick, 3-34. Greenwich, CT: JAI Press, Inc.
- Hisey, Karen B., and Richard E. Caves. Summer 1985. Diversification strategy and choice of country: Diversifying acquisitions abroad by U.S.

- multinationals, 1978-1980. *Journal of International Business Studies*: 58-62.
- Hofstede, Geert. Spring-Summer 1983. National cultures in four dimensions. *International Studies of Management and Organization*: 46-74.
- Izraeli, Dafana N., Moshe Banai, and Yoram Zeira. Fall 1980. Women executives in MNC subsidiaries. *California Management Review* 23(1): 53-63.
- Johanson, Jan, and Jan-Erik Vahlne. Spring/Summer 1977. The internationalization process of the firm—A model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies* 8(1): 23-32.
- Kluckhohn, Florence Rockwood. 1967. Values and value-orientations in the theory of action. Pp. 388-433 in *Toward a General Theory of Action*, eds. Incott Parsons and Edward A. Shils. New York: Harper and Row.
- Knoke, David, and James H. Kuklinski. 1982, *Network Analysis*. Beverly Hills: Sage University Paper Series.
- Kravis, Irving B., and Robert E. Lipsey. May 1982. The location of overseas production and production for export by U.S. multinational firms. *Journal of International Economics* 12: 201-223.
- Laurent, Andre. 1983. The cross-cultural puzzle of international human resource management. *Human Resource Management* 25(1): 91-102.
- Lehner, Urban C. Jan. 5, 1983. Pitfalls of partnership. *Wall Street Journal* 44.

- Lincoln, James R., and Jon Miller. 1979. Work and friendship ties in organizations: A comparative analysis of relational networks. *Administrative Science Quarterly* 24: 181-199.
- Parsons, Talcott. 1964. *The Social System*. New York: Free Press.
- Quelch, John A., Robert D. Buzzell, and Eric R. Salama. 1990. *The Marketing Challenge of 1992*. Reading, Mass.: Addison-Wesley Publishing Company.
- Ransom, Stewart, Bob Hinings, and Royston Greenwood. 1980. The structuring of organizational structure. *Administrative Science Quarterly* 25: 1-17.
- Ronen, Simcha, and Oded Shenkar. 1985. Clustering countries on attitudinal dimensions: A review and synthesis. *Academy of Management Review* 10(3): 435-454.
- Scott, William A. 1959. Empirical assessment of values and ideologies. *American Sociological Review* 24(3): 229-311.
- Segall, Marshall H. 1979. *Cross-Cultural Psychology: Human Behavior in Global Perspective*. Monterey, CA: Brooks Cole Publishing Co.
- Tichy, Noel M. 1981. Networks in organizations. In *Handbook of Organizational Design 2*, eds. P. C. Nystrom and William H. Starbuck. Oxford: Oxford University Press.
- Van Den Bulcke, Daniel, and Marie-Anne Van Pachterbeke. 1984. European Headquarters of American Multinational Enterprises in Brussels and Belgium. Brussels: ICHEC.

- Wakhlu, B. 1986. The importance of values in organizations. *Journal of Management and Labor Studies* 11: 262-265.
- Weick, Karl. 1969. *The Social Psychology of Organizing*. Reading, MA: Addison-Wesley.
- White, Harrison C., Scott A. Boorman, and Ronald L. Breiger. 1976. Social structure from multiple networks I: Blockmodels of roles and positions. *American Journal of Sociology* 81: 73U-7B0.
- Wolf, Bernard M. 1986. The bearing industry: Rationalization in Europe. Pp. 175-195 in *Multinationals and World Trade*, ed. Mark Casson. London: Allen & Unwin.