



Breaking through the cultural clutter

Breaking
through the
cultural clutter

A comparative assessment of multiple cultural and institutional frameworks

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Abstract

Purpose – The purpose of this paper is to examine and compare the validity of different operationalizations of cultural and institutional distance.

Design/methodology/approach – First, a review of the theoretical background for Hofstede's, Schwartz's, Trompenaars's, and Global Leadership and Organizational Behavior Effectiveness' (GLOBE) cultural frameworks is provided, as well as the institutional environment. Then, the validity of each framework is assessed by evaluating how well each framework groups countries into appropriate clusters, and finally comparisons between the different frameworks are drawn.

Findings – It was found that the cultural distance (CD) constructs based on Hofstede and Trompenaars have strong convergent validity. CD constructs based on Schwartz and GLOBE are found to have the weakest validity. The institutional distance (ID) constructs are conceptualized to be broader than the traditional CD constructs. However, high correlations indicate a strong overlap between ID and CD. Additionally, the ID constructs are highly correlated with factors related to economic development, potentially limiting their usefulness.

Originality/value – Both researchers and practitioners can choose from a variety of CD/ID frameworks to fill their needs; however, variance in the performance between frameworks may lead to faulty conclusions. In response to this need to accurately capture cross-cultural differences, the validity of nine different operationalizations of CD/ID have been examined. Contrary to popular belief, the traditional CD construct based on Hofstede is shown to compare favorably with other frameworks and calls for the abandonment of this index may be premature.

Keywords Cross-cultural studies, Cultural studies, Organizational analysis, International business

Paper type Research paper

Introduction

Cultural differences between home market and international host markets have been identified as an instrumental variable that influences multiple international marketing phenomena. International marketing research has linked cultural distance (CD) with export relationships (Leonidou *et al.*, 2002), product acceptance (Craig *et al.*, 2005), division of marketing activities between firm headquarters and local partner (Hewett *et al.*, 2003), advertising standardization or adaptation (Karande *et al.*, 2006), and firm performance (Shenkar, 2001). In fact, according to Cho and Padmanabhan (2005, p. 309)



“no international business study can be considered complete unless there is an explicit variable controlling for cultural distance.” These findings have commonly relied on Kogut and Singh’s (1988) CD index, which is based on Hofstede’s cultural dimensions (Tihanyi *et al.*, 2005).

Despite the popularity of Kogut and Singh’s (1988) CD index, the construct has been increasingly criticized for several reasons. First, Hofstede’s (1980) framework, despite being lauded as the most influential (Kirkman *et al.*, 2006; Oyserman *et al.*, 2002), has been criticized for being a theoretical, methodologically flawed, and outdated (McSweeney, 2002). Second, in part due to criticisms levied against Hofstede, several new frameworks capturing differences in cultural values (House *et al.*, 2004; Schwartz, 1994; Trompenaars and Hampden-Turner, 1998) and institutional environments (Gaur *et al.*, 2006; Kostova, 1996; Xu *et al.*, 2004) have been introduced. The introduction of alternative frameworks has sparked a vigorous debate as to which framework is more comprehensive, parsimonious, and methodologically valid (Hofstede, 2006; Javidan *et al.*, 2006; Steenkamp, 2001). Some researchers have attempted to resolve the debate empirically by comparing different frameworks. In examinations of Dutch (Drogendijk and Slangen, 2006) and Australian (Ng *et al.*, 2007) firms, a Schwartz-based CD measure had stronger explanatory power than the traditional Hofstede version. In studies of Japanese firms, Gaur *et al.* (2006) and Xu *et al.* (2004) found that, compared to Hofstede, institutional distance (ID) had more significant explanatory power. These results suggest that CD/ID indices differ significantly depending on which framework is used and depending on which home country is used as reference. Based upon these recent findings, we contribute to the CD/ID literature by comparing and assessing the validity of nine independent CD/ID constructs.

We comprehensively examine alternative CD constructs based on the cultural-value frameworks of Hofstede (1980), Schwartz (1994), Trompenaars (1994), and Global Leadership and Organizational Behavior Effectiveness (GLOBE) (House *et al.*, 2004) along with ID constructs adopted from Xu *et al.* (2004) and Gaur *et al.* (2006). We investigate whether more recently developed frameworks may be more useful than the traditional Hofstede construct. In addition to examining a broader set of CD/ID constructs not previously investigated, by taking the US perspective, we extend the triangulation process begun by previous researchers who focused on The Netherlands, Japan, and Australia.

We begin by briefly reviewing the conceptual background for all value-based cultural frameworks as well as for the institutional environment framework. This is followed by the empirical analysis in which we present the different CD/ID indices, examine their validity, and draw comparisons between the different constructs. We conclude by discussing the implications and contributions of our study and suggesting avenues for future research.

Cultural and institutional frameworks

Already, Beckerman (1956) suggested that psychic distance (PD) influences international trade. The concept then gained greater attention when the Scandinavian School incorporated it as one of the main pillars in their theory of incremental internationalization (Johanson and Vahlne, 1977). PD was defined as “the sum of factors preventing the flow of information from and to the market,” and examples include differences in language, education, business practices, industrial development, and culture (Johanson and Vahlne, 1977, p. 24). This indicates that PD covers a broad set of factors, culture being one of them,

and is assessed at the individual level. Kogut and Singh (1988) suggested that managers' PD to a specific market would be influenced by differences in national culture. They posited that a CD index based on national culture is an appropriate proxy for managers' PD or perception of the sum of factors preventing the flow of information from and to the market, which justified the use of Hofstede's scores to create a CD index. Recently, Sousa and Bradley (2006) supported this contention by finding that differences in national culture strongly influence managers' individual perception of PD.

In 1980, Hofstede presented the results of his extensive study of national cultures. Based on data from 117,000 IBM employees from 40 different countries, he extracted four dimensions of culture, individualism-collectivism, masculinity-femininity, power distance, and uncertainty avoidance. Subsequently, and in collaboration with Bond and a group of Asian scholars, a fifth dimension, long-term orientation (LTO) was added to the framework (Hofstede and Bond, 1988). Brief definitions of Hofstede's dimensions along with the other frameworks are presented in Table I. Hofstede used what he refers to as an eclectic approach relying on theoretical reasoning followed by statistical factor analysis to tease out the cultural dimensions. As theoretical underpinnings for his cultural dimensions, Hofstede traced writings on societal inequalities as far back as Homer and Plato and borrowed the name Power Distance from Mulder (1976). The term Uncertainty Avoidance was drawn from Cyert and March (1963) but was also considerably influenced by works of Pugh (1976) and Pugh and Hickson (1976). Writings on Individualism-Collectivism can be traced to, Tonnies (1963), whereas masculinity-femininity is primarily grounded in anthropological writings by, e.g. Mead (1962) and Barry *et al.* (1957).

Despite its significance and apparent strong theoretical basis, Hofstede's framework has received abundant criticism. First, some have questioned the validity of Hofstede's dimensions since they were extracted from an existing internal company survey that was developed with limited theoretical grounding (McSweeney, 2002). Second, some of the dimensions did not emerge statistically in all countries; the validity of uncertainty avoidance has been questioned in some Asian cultures, which led to the development of LTO (Hofstede and Bond, 1988). Finally, the contemporary relevance of Hofstede's data have been questioned given that the data were collected in the late 1960s. These conceptual and methodological limitations, at least partly, motivated other researchers to develop more theoretically and empirically sound cultural frameworks.

Schwartz (1994) and Trompenaars (1994) share a similar conceptual view of culture with Hofstede in that they consider each culture, i.e. country, to have a shared set of core values and norms guiding their member's behavior. However, they differ in which values they believe capture these national differences. Schwartz (1994) identified 45 individual values he felt were recognized across all cultures. Following his conceptualization, he conducted a survey of teachers and students around the world. Data analysis revealed that the 45 values could be reduced to seven independent cultural dimensions. Trompenaars's dimensions stem from Parsons' (1951) sociological work. In addition to Parsons' five dimensions, Trompenaars added attitude toward the environment and attitude toward time for a total of seven cultural dimensions. Both Schwartz's and Trompenaars's frameworks have been praised as contemporary, theoretically sound, and for using sophisticated and systematic sampling techniques (Uhlenbruck, 2004; Drogendijk and Slangen, 2006).

Framework	Dimensions
Hofstede ^a 1967-1973 ^b IBM workers ^c A total of 40 countries at first, today 82 ^d	<ol style="list-style-type: none"> 1. <i>Individualism – collectivism</i>. The extent the individual is emphasized over the group 2. <i>Power distance</i>. The extent and acceptance of unequal distribution of power 3. <i>Uncertainty avoidance</i>. The extent people are comfortable dealing with the unknown 4. <i>Masculinity – femininity</i>. The extent of emphasis on competitiveness, assertiveness, achievement, and money 5. <i>LTO</i>^e. The extent of emphasis on thrift and perseverance
Schwartz 1988-1992 Students and teachers In total, 31 countries	<ol style="list-style-type: none"> 1. <i>Conservatism</i>. The extent the status quo is emphasized 2. <i>Intellectual autonomy</i>. The extent of emphasis on curiosity, creativity, and independent intellectual ideas 3. <i>Affective autonomy</i>. The extent of emphasis on affective stimulation and hedonism 4. <i>Hierarchy</i>. A society's acceptance of unequal distribution of power 5. <i>Mastery</i>. A society's desire to control its own environment 6. <i>Egalitarian commitment</i>. The desire to forfeit selfish interests in favor of the group 7. <i>Harmony</i>. Ability to harmonize with nature
Trompenaars 1980s-1990s Managers A total of 54 countries	<ol style="list-style-type: none"> 1. <i>Universalism – particularism</i>. Does a universal set of rules always apply or can cases can be dealt with on an individual basis? 2. <i>Individualism – communitarianism</i>. Society's emphasis of the individual or the community 3. <i>Neutral – emotional</i>. The amount of feelings that is deemed acceptable to display publicly 4. <i>Specific – diffuse</i>. The extent we engage others in specific areas of life 5. <i>Achievement – ascription</i>. The extent certain members of society is given higher status 6. <i>Attitude toward time</i>. How members of a society view the past, present, and future? 7. <i>Attitude toward environment</i>. Do we have an urge and ability to control nature, or does nature control us?
GLOBE 1990s Managers In total, 58 countries	<ol style="list-style-type: none"> 1. <i>Uncertainty avoidance</i>. The extent uncertainty is avoided by relying on established social norms 2. <i>Power distance</i>. The extent and acceptance of unequal distribution of power 3. <i>Institutional collectivism</i>. The degree collective distribution of resources is rewarded 4. <i>In-group collectivism</i>. The degree individuals express pride, loyalty, and cohesiveness in society 5. <i>Gender egalitarianism</i>. The degree the society minimizes gender role differences 6. <i>Assertiveness</i>. The degree individuals are assertive, confrontational, and aggressive in social relationships 7. <i>Future orientation</i>. The degree the society engages in future planning, investing, and delaying gratification 8. <i>Performance orientation</i>. The degree individuals are rewarded for performance improvements 9. <i>Humane orientation</i>. The degree individuals are rewarded for being fair, altruistic, friendly, and kind
ID (Xu <i>et al.</i> , 2004, 45 countries; Gaur <i>et al.</i> , 2006, 53 countries)	<ol style="list-style-type: none"> 1. <i>Regulative environment</i>. The laws and rules in a country 2. <i>Normative environment</i>. The general norms and values held by a country's people 3. <i>Cognitive environment</i>: The inferential sets or ways individuals notice and interpret environmental stimuli

Table I.
Summary of cultural
frameworks

(continued)

Framework	Dimensions
	RD: (1) anti-trust laws; (2) legal system; (3) impartiality of arbitration; (4) dispute settlement; (5) institutional stability; and (6) police force effectiveness. ND: (1) product design; (2) customer orientation; (3) staff training; (4) willingness to delegate (5) performance-related pay; (6) professional managers; and (7) effectiveness of corporate boards. ID: (1) political transparency; (2) anti-trust regulation; (3) intellectual property protection; (4) judicial system efficiency; (5) fiscal policy; (6)inflation; (7) market dominance in key industries; (8) responsiveness of the political system; (9) bureaucratic corruption; (10) attitude toward economic realities; (11) transparency toward citizens; (12) political risk (13) bureaucratic hindrance to economic development; and (14) independence of local authorities

Notes: ^aName of author/creator; ^byear(s) of data collection; ^crespondents; ^dnumber of countries; ^enot part of initial framework

Table I.

Inspired by the work of Hofstede (1980), the GLOBE research program was designed to conceptualize, operationalize, test, and validate relationships between culture and leadership effectiveness (House *et al.*, 2004). GLOBE developed their cultural dimensions based on a review of extant organizational and cultural theory, interviews, and focus groups in several cultures (House *et al.*, 2004), leading to nine independent dimensions of culture. An additional advancement in the GLOBE study is the attempt to capture both a culture’s values, i.e. how members of a society believe that it Should Be, and current practices in their society, i.e. As Is. Interestingly, they found negative correlations between values and practices on several dimensions.

Based on the review of these “newer and more theoretically sound” cultural frameworks, it is clear that other viable value-based cultural frameworks are available to aid researchers in their efforts to capture the degree of cultural differences between two markets. Still, other researchers argue that the inconsistent findings caused by the Hofstede-based CD index are caused by relevant differences besides national cultural values that are excluded by the traditional CD index. Kostova (1996) suggested that differences on Scott’s (1995) three pillars of the institutional environment, i.e. the regulative, normative, and cognitive environments, may better capture the differences that drive firms’ behavior in international markets. The regulatory component comprises the existing laws and rules in a country, which promotes certain behaviors and restricts others. The normative component refers to values and norms that govern people’s behavior, whereas the cognitive environment refers to schemas, frames, and inferential sets, defined as “the shared conceptions that constitute the nature of social reality and the frames through which meaning is made” (Scott, 1995, p. 57).

Kostova (1996) operationalized ID as the sum of differences on the three pillars and theorized that increased ID serves as a barrier to the flow of information. However, Kostova’s operationalization was context specific and to overcome this limitation, Xu *et al.* (2004) and Gaur *et al.* (2006) provided more generalizable ID constructs. In developing generalizable ID constructs, both Xu *et al.* (2004) and Gaur *et al.* (2006) excluded the cognitive component. Xu *et al.* (2004, p. 44) suggest that regulative and normative distance, “in particular, reflect the institutional perspective’s roots in economics and sociology,” whereas Gaur *et al.* (2006) suggest that the conceptual similarity between the normative and cognitive environments justify one measurement.

In the previous sections, we briefly described four cultural frameworks: Hofstede, Trompenaars, Schwartz, and GLOBE, as well as the broader institutional framework that claims to capture more than just differences in cultural values. Unlike Hofstede's original work, the more recent frameworks have drawn on decades of additional research and incorporated additional theoretical insights and methodological advancements. Furthermore, their data are more recent and may capture changes in cultural values since the late 1960s when Hofstede's data were gathered. There seems to be compelling arguments for abandoning the traditional Hofstede-based CD construct in favor of one of these "new and improved" measures. In the next section, we empirically examine these arguments by creating CD/ID from the USA, evaluating their validity, and drawing comparisons between the different constructs.

Calculating CD/ID constructs

To calculate CD, Kogut and Singh (1988) used Hofstede's scores to calculate, on each dimension, each country's deviation from the USA. The deviations were then corrected for differences in the variance of each dimension and averaged (see Kogut and Singh (1988) for full explanation). We adopt this technique for all cultural frameworks. For Hofstede, we create two CD indices. The first one relies on the original four dimensions, whereas the second one adds LTO, as suggested by Shenkar (2001) and Tihanyi *et al.* (2005). Unlike the others, Trompenaars does not make all data publicly available. Therefore, following Uhlenbruck (2004), when data on all seven of Trompenaars's dimensions are not available for a particular home/host country pair, a CD score was created for this pair with the available dimensions, as long as data were available for at least four of Trompenaars's seven dimensions (Uhlenbruck, 2004).

To operationalize ID, Gaur *et al.* (2006) identified 14 indicators from the *World Competitiveness Yearbook* (IMD, 2002) to capture the normative and regulative elements of a country's institutional environment. The 14 items were then subjected to the Kogut and Singh (1988) transformation. To increase the robustness of their ID construct, we calculate ID for each of the years for which we have data, 1992-2001. Cronbach's α for these ten years is 0.99 and the lowest correlation between any two years is 0.85. Thus, we then calculated the average ID between all countries over the ten-year period. Xu *et al.* (2004) relied on data from the Global Competitiveness Report (World Economic Forum, 2008). They identified seven items each from the "institutions-factor" and the "management-factor" of the report that corresponded to the definitions of the regulative and normative environment. After confirming the reliability of these items, they averaged all items and created scores on both the regulative and normative environments. Subsequently, ID was calculated as the absolute deviation between two countries' scores on each dimension.

Comparison and validity of CD/ID constructs

In Table II, we present the rank order for all CD/ID constructs from the USA. This shows that an advantage of Hofstede's work is that data are available for significantly more countries compared with the other frameworks. Although his initial sample consisted of 40 countries, it has since been augmented and we are able to present CD scores for 81 countries. GLOBE covers 57, Trompenaars 53, and the ID constructs capture 44 (Xu *et al.*, 2004) and 52 (Gaur *et al.*, 2006) countries, respectively. For Schwartz and the extended Hofstede, i.e. including LTO as the fifth dimension,

Rank	Hofstede 4	Hofstede 5	Schwartz	Trompenaars	Globe AI	Globe SB	Regulative Dist.	Normative Dist.	Institutional Dist.					
1	Australia	0.02	Australia	0.10	Australia	0.12	Canada	0.11	Australia	0.02	Sweden	0.04	Canada	0.98
2	UK	0.09	UK	0.30	Australia	0.11	Israel	0.17	Luxemburg	0.06	Canada	0.06	Austria	1.02
3	Canada	0.14	Canada	0.32	UK	0.11	HK	0.39	New Zealand	0.07	The Netherlands	0.30	Germany	1.20
4	New Zealand	0.27	New Zealand	0.58	Norway	0.20	Canada	0.29	Denmark	0.11	Finland	0.36	The Netherlands	1.35
5	South Africa	0.38	Switzerland	0.60	Ireland	0.35	South Africa	0.52	Israel	0.16	New Zealand	0.38	Belgium	1.41
6	Ireland	0.39	Ireland	0.65	Denmark	0.63	UK	0.59	Poland	0.51	Sweden	0.39	Denmark	1.57
7	Switzerland	0.41	Germany	0.72	Finland	0.65	Austria	0.62	S Africa	0.54	Ireland	0.39	Luxemburg	1.68
8	Germany	0.49	Italy	0.76	Belgium	0.72	Mexico	0.79	Sweden	0.57	Israel	0.40	Switzerland	1.75
9	Italy	0.65	Austria	0.80	New Zealand	0.73	The Netherlands	0.88	Slovenia	0.67	France	0.21	UK	1.83
10	Luxemburg	0.88	Belgium	0.81	Switzerland	0.77	Taiwan	0.93	Singapore	0.67	UK	0.25	Norway	1.94
11	Czech	1.12	Poland	0.88	Germany	0.77	Brazil	0.94	Hungary	0.83	Austria	0.26	Japan	2.17
12	Hungary	1.29	The Netherlands	0.92	Sweden	0.81	Ireland	1.04	India	0.89	Switzerland	0.26	HK	2.35
13	Estonia	1.41	Spain	1.00	The Netherlands	0.81	France	1.05	Italy	0.96	Finland	0.27	Luxemburg	3.10
14	Finland	1.56	India	1.01	Brazil	0.84	Albania	1.08	Zambia	0.97	Portugal	0.29	Ireland	3.43
15	Austria	1.64	Denmark	1.20	Malaysia	0.94	Switzerland	1.09	Kazakhstan	1.01	HK	0.31	Australia	3.48
16	Belgium	1.70	Norway	1.25	Italy	0.95	Finland	1.16	Finland	1.14	The Netherlands	0.33	Germany	3.50
17	India	1.73	Brazil	1.39	Nigeria	1.01	Indonesia	1.17	France	1.17	Japan	0.34	Taiwan	3.53
18	France	1.75	Sweden	1.41	Poland	1.13	Qatar	1.17	Portugal	1.19	Canada	0.38	Belgium	3.62
19	Iran	1.79	Philippine	1.47	Thailand	1.14	Germany	1.18	Spain	1.29	Germany	0.40	Austria	3.83
20	Morocco	1.82	Nigeria	1.52	Spain	1.16	Costa Rica	1.20	Denmark	1.29	Chile	0.44	Malaysia	3.97
21	Argentina	1.88	Bangladesh	1.53	Greece	1.19	Zimbabwe	1.27	Austria	1.31	Norway	0.44	Chile	4.40
22	Israel	1.89	Thailand	1.58	Hungary	1.24	Egypt	1.28	Zimbabwe	1.31	Malaysia	0.53	France	4.56

(continued)

Breaking through the cultural clutter

Table II. CD and ID rank from the USA

Table II.

Rank	Hofstede 4	Hofstede 5	Schwartz	Trompenaars	Globe AI	Globe SB	Regulative Dist.	Normative Dist.	Institutional Dist.							
23	Jamaica	1.92	Japan	1.81	France	1.25	Nigeria	1.34	Germany	1.33	Belgium	0.57	Spain	1.02	Iceland	4.97
24	The Netherlands	1.97	Singapore	1.83	Portugal	1.54	Kazakhstan	1.39	Philippine	1.36	Spain	0.37	Israel	1.04	Japan	4.99
25	Poland	2.04	HK	2.06	Israel	1.60	Malaysia	1.41	HK	1.39	Italy	0.84	Philippine	1.06	Singapore	5.64
26	Spain	2.09	Taiwan	2.19	Argentina	1.64	Namibia	1.42	Namibia	1.40	Taiwan	0.93	Brazil	1.21	Hungary	5.98
27	Malta	2.10	Portugal	2.25	Mexico	1.65	Iran	1.46	Costa Rica	1.40	India	0.95	Italy	1.23	Israel	6.50
28	Denmark	2.41	South Korea	2.55	Cuba	1.72	Ecuador	1.52	Mexico	1.42	Brazil	0.99	China	1.29	Slovakia	6.62
29	Brazil	2.45	China	2.67	Singapore	1.86	Spain	1.53	Bolivia	1.48	China	1.09	Indonesia	1.37	S Africa	7.48
30	Egypt	2.60	Brazil	3.11	Bulgaria	1.93	Japan	1.54	Malaysia	1.54	South Korea	1.25	Mexico	1.37	Poland	7.50
31	Iraq	2.60	Slovenia	3.11	Czech	1.98	El Salvador	1.55	Georgia	1.63	Hungary	1.36	Thailand	1.45	Egypt	7.66
32	Kuwait	2.60	India	3.11	Pakistan	2.06	Turkey	1.58	Argentina	1.63	Thailand	1.44	Portugal	1.47	Greece	7.89
33	Lebanon	2.60	India	3.11	India	2.06	China	1.63	Guatemala	1.74	Turkey	1.47	Czech	1.48	Italy	7.98
34	Libya	2.60	Russia	3.11	Russia	2.09	India	1.71	Switzerland	1.77	Argentina	1.49	South Korea	1.50	Thailand	7.98
35	Saudi Arabia	2.60	Philippine	3.11	Philippine	2.21	Georgia	1.72	South Korea	1.78	Peru	1.55	Argentina	1.51	Czech	8.31
36	UAE	2.60	Japan	3.11	Japan	2.31	Slovenia	1.75	Russia	1.79	Philippine	1.58	Hungary	1.52	Peru	8.33
37	Norway	2.67	South Korea	3.11	South Korea	2.66	New Zealand	1.81	The Netherlands	1.87	Indonesia	1.72	Turkey	1.57	China	8.41
38	Ethiopia	2.72	Romania	3.11	Romania	2.66	Bolivia	1.83	Japan	2.01	Czech	1.74	Colombia	1.69	South Korea	8.44
39	Kenya	2.72	Austria	3.11	Austria	2.88	Italy	1.86	Albania	2.04	Poland	1.79	Vietnam	1.83	Argentina	8.53
40	Tanzania	2.72	Ethiopia	3.11	Ethiopia	2.90	Colombia	1.91	Greece	2.12	Vietnam	1.91	Russia	1.89	India	8.61
41	Zambia	2.72	Indonesia	3.11	Indonesia	2.92	Zambia	1.95	Indonesia	2.16	Mexico	1.93	Peru	1.90	Philippine	8.96
42	HK	2.75	HK	3.11	HK	3.05	Portugal	2.06	Taiwan	2.16	Venezuela	2.67	India	1.98	Brazil	9.91
43	Turkey	2.82	Saudi Arabia	3.11	Saudi Arabia	3.07	Poland	2.08	Venezuela	2.18	Colombia	2.70	Poland	2.03	Jordan	10.14
44	T&T	2.84	Burkina Faso	3.11	Burkina Faso	3.22	Venezuela	2.09	Ecuador	2.20	Russia	2.83	Venezuela	2.11	Mexico	10.14
45	Sweden	3.04	Oman	3.11	Oman	3.34	Philippine	2.10	Colombia	2.21	Colombia	2.83	Venezuela	2.11	Mexico	10.14
46	Japan	3.07	Bahrain	3.11	Bahrain	3.83	Morocco	2.11	Morocco	2.28	Morocco	2.83	Venezuela	2.11	Mexico	11.25
47	Croatia	3.25	China	3.11	China	3.98	South Korea	2.14	Brazil	2.50	Brazil	2.83	Venezuela	2.11	Mexico	13.71
48	Philippine	3.37	Uruguay	3.11	Uruguay	4.42	Singapore	2.17	Turkey	2.53	Turkey	2.83	Venezuela	2.11	Mexico	14.61

(continued)

Rank	Hofstede 4	Hofstede 5	Schwartz	Trompenaars	Globe AI	Globe SB	Regulative Dist.	Normative Dist.	Institutional Dist.		
49	Taiwan	3.38		Serbia	4.63	Argentina	2.22	Iran	2.54	Turkey	18.12
50	Pakistan	3.45		Kuwait	4.89	Thailand	2.29	Qatar	2.55	Venezuela	19.84
51	Mexico	3.48		Venezuela	5.13	Denmark	2.30	Kuwait	2.63	Ukraine	20.17
52	Ghana	3.50		Egypt	6.32	Guatemala	2.41	Nigeria	2.76	Russia	23.53
53	Nigeria	3.50		Nepal	9.75	Kuwait	2.46	El Salvador	2.81		
54	Sierra Leone	3.50				Greece	2.91	China	2.82		
55	Bulgaria	3.50				Sweden	2.93	Thailand	2.93		
56	Vietnam	3.51				Hungary	3.20	New Zealand	3.09		
57	Bangladesh	3.52				Russia	4.02	Egypt	3.33		
58	China	3.53									
59	Thailand	3.61									
60	Uruguay	3.68									
61	Surinam	3.69									
62	Indonesia	3.94									
63	Colombia	3.99									
64	Greece	4.00									
65	Singapore	4.02									
66	South Korea	4.05									
67	Peru	4.27									
68	Chile	4.33									
69	Ecuador	4.43									
70	El Salvador	4.49									
71	Romania	4.56									
72	Malaysia	4.57									
73	Venezuela	4.58									
74	Russia	4.70									
75	Serbia	4.71									
76	Portugal	4.80									
77	Slovenia	4.96									
78	Slovakia	4.97									
79	Costa Rica	5.03									
80	Panama	5.94									
81	Guatemala	7.31									

Table II.

data are available for only 30 and 29 countries, potentially limiting the use of these frameworks. A visual examination of rank orders also indicates that there seem to be large differences between the various constructs.

To further investigate differences between the constructs, we present a correlation matrix in Table III. Whereas, many of the constructs are significantly correlated, Schwartz is not correlated with any of the other measures. This is interesting, but perhaps not surprising considering the contradicting findings from previous studies. Drogendijk and Slangen (2006) found a positive correlation (0.48) between Hofstede and Schwartz from the Dutch perspective, whereas Ng *et al.* (2007) found a negative correlation (-0.34) from an Australian perspective. Our finding further highlights that there are large differences between constructs depending on which country is used as reference. Similarly, Xu *et al.* (2004) found small negative correlations (-0.07 , -0.15) between ID and Hofstede's CD in a Japanese context. In contrast, we find fairly large positive correlations (0.50 and 0.44) between regulative and normative distance and Hofstede in the US context. The correlations between Gaur *et al.*'s (2006) ID and Hofstede were similar in the US context to their Japanese context. With Japan as home country, there is a correlation of (0.36), whereas from the US perspective, the correlation is (0.51).

Furthermore, the high correlations (0.81, 0.87, and 0.75) between the three different ID constructs confirm their conceptual similarity. We also found a very strong correlation (0.93) between the original Hofstede construct, and the expanded five-dimension construct. This suggests that there may only be a limited statistical gain by creating the conceptually richer five-dimension CD construct. The gain in conceptual richness may not be justified considering the limited number of countries for which data are available for all five dimensions. Most of the other correlations were also significant but a bit more modest in the 0.3-0.6 range. It is interesting to note, however, that GLOBE-AI and GLOBE-SB are not significantly related.

We also included a measure of national wealth (GDP per capita PPP) and country risk in the correlations matrix. In general, the values-based CD measures, except Schwartz and GLOBE-AI which have very low correlations, are moderately negatively correlated with both risk and wealth (-0.41 to -0.52 , except for Trompenaars which had a stronger correlation with risk, -0.71), whereas the ID measures are much more strongly correlated (-0.69 to -0.79). This suggests that the ID measures, intended to capture relevant national differences beyond cultural values, to a large extent only capture the degree of economic development.

In a further examination, we assess the convergent validity of each of the constructs presented in Table IV. This is based on Ronen and Shenkar's (1985) eight-cultural clusters. The clusters were based on a synthesis of the available literature at the time, including Hofstede. Data are available for six of these clusters (Anglo, Germanic, Nordic, Latin Europe, Far East, and Latin America), but since data are unavailable for the "Near East" and the "Arab" clusters, they were excluded. In addition, we add an "Eastern Europe" cluster consisting of Bulgaria, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Serbia, Slovakia, and Slovenia.

We calculated how closely each of the CD/ID measures identifies with these clusters. Based on the distance score for each country, we calculated the mean distance and standard deviation for each cultural cluster. To adjust for differences between scales, we standardized each scale with a mean of 0 and standard deviation of 1 prior to

CD/ID construct	1	2	3	4	5	6	7	8	9	10	11
1 Hofstede 4	1 (81)										
2 Hofstede 5	0.93** (29)	1 (29)									
3 Schwartz	0.01 (29)	-0.05 (17)	1 (30)								
4 Trompenaars	0.50** (48)	0.73** (27)	0.04 (24)	1 (53)							
5 Globe AI	0.43** (50)	0.39* (26)	0.13 (27)	0.15 (38)	1 (57)						
6 Globe SB	0.35* (50)	0.46* (26)	-0.15 (27)	0.53** (38)	0.19 (57)	1 (57)					
7 Regulative dist. (Xu <i>et al.</i> , 2004)	0.50** (44)	0.39* (27)	0.02 (24)	0.54** (37)	0.49** (37)	0.39* (37)	1 (44)				
8 Normative Dist. (Xu <i>et al.</i> , 2004)	0.44** (44)	0.31 (27)	0.01 (24)	0.54** (37)	0.40* (37)	0.26 (37)	0.81** (44)	1 (44)			
9 Institutional Dist. (Gaur <i>et al.</i> , 2006)	0.51** (48)	0.51** (27)	0.01 (27)	0.53** (39)	0.43** (41)	0.36* (41)	0.87** (44)	0.75** (44)	1 (52)		
10 GDP per capita (2006)	-0.47** (81)	-0.41* (29)	0.07 (30)	-0.52** (53)	-0.24 (57)	-0.43** (57)	-0.72** (44)	-0.72** (44)	-0.69** (52)	1 (96)	
11 Country risk (2006)	-0.43** (81)	-0.40* (29)	0.19 (30)	-0.71** (53)	-0.20 (56)	-0.37** (56)	-0.74** (44)	-0.69** (44)	-0.79** (52)	0.66** (96)	1 (96)

Notes: * $p < 0.05$; ** $p < 0.01$, n for each bivariate correlation is within parentheses

Table III.
Correlations matrix for
CD/ID from the USA

Table IV.
Grouping of cultural
clusters

Cluster	Hofstede 4		Hofstede 5		Schwartz		Trompenaars		Globe AI		Globe SB		Reg. dist. (Xu <i>et al.</i>)		Norm. dist. (Xu <i>et al.</i>)		Inst. dist. (Gaur <i>et al.</i>)	
	Mean ^a	SD ^b	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Anglo	0.22	0.11	0.16	0.10	0.28	0.04	0.28	0.15	0.76	0.79	0.73	1.44	0.18	0.18	0.49	0.52	3.14	0.44
Germanic	0.85	0.47	0.69	0.38	1.97	1.11	1.47	0.69	0.96	0.40	1.47	0.33	0.31	0.10	0.68	0.46	1.32	0.07
Nordic	2.42	0.43	2.22	0.15	1.65	0.78	0.57	0.15	2.13	1.21	1.00	0.47	0.25	0.19	0.33	0.36	2.77	0.20
Latin Europe	2.20	1.07	1.86	1.00	1.88	1.11	1.12	0.17	1.62	0.59	1.16	0.17	0.50	0.32	1.12	0.43	3.95	0.48
Far East	3.67	0.34	3.66	0.57	1.19	0.63	2.35	0.57	1.58	0.88	1.87	0.90	1.09	0.77	1.12	0.79	7.73	0.66
East Europe	3.33	1.15	1.64	–	1.71	1.11	2.24	0.66	2.76	1.41	0.95	0.71	1.93	0.81	1.73	0.49	10.39	1.39
Latin America	3.74	0.62	–	–	0.88	–	3.21	1.03	1.75	0.88	1.86	0.49	1.80	1.09	1.59	0.74	10.67	1.05
Mean SD ^c		0.60		0.44		0.80		0.49		0.88	0.64			0.49		0.54		0.61

Notes: ^aMean distance of all countries within cluster from the USA; ^bthe standard deviation for all countries within a cluster; ^cmean standard deviation for all clusters for each construct, a smaller mean indicates stronger convergent validity

calculating the fit of each cluster. A smaller standard deviation indicates that all countries within a cluster have a similar CD/ID from the USA, which indicates good convergent validity. Conversely, a high-standard deviation indicates that the CD/ID measure does not cluster the countries according to expectations, reducing the construct's validity. To attain an overall score of how well each CD/ID construct groups the different clusters, we averaged the standard deviations for all clusters, presented at the bottom of Table IV. Hofstede 5 clusters the countries most according to expectations (0.44), although this number may be somewhat biased considering that data are not available for two of the seven clusters. Of the other constructs, Trompenaars performs the best with a mean score of (0.49). It is closely followed by Xu *et al.*'s Regulative (0.49) and Normative (0.54), Hofstede 4 (0.60), Gaur *et al.*'s ID (0.61), and GLOBE-SB (0.64). Considering that Schwartz (0.78) and GLOBE-AI (0.88) had the least in common with the other constructs, it is not surprising that they have the lowest convergent validity.

Table IV also identifies the distance of each cluster from the USA. On average, the Anglo cluster is the most similar. However, Gaur *et al.*'s (2006) ID identifies both the Germanic (1.32) and the Nordic (2.77) clusters as closer to the USA than the Anglo (3.14) cluster. Similarly, Xu *et al.*'s ND suggests that the Nordic (0.33) cluster is closer to the USA than the Anglo (0.49) cluster. On average, the Germanic, Nordic, and Latin Europe clusters are the 2nd through 4th most similar, whereas Far East, Eastern Europe, and Latin America are the three most distant from the USA.

Discussion

CD is an important variable in any international marketing study (Cho and Padmanabhan, 2005). Indeed, marketing managers often use similarities among markets as a decision rule for when it is appropriate and effective to standardize international marketing activities (Karande *et al.*, 2006). Consequently, there is a significant need to accurately estimate cultural (or institutional) differences between the firm's home and host markets. The most frequently used measure of CD has been based upon the work of Hofstede (1980). Despite this actuality, many researchers have suggested that Hofstede's cultural dimensions are outdated, conceptually flawed, and unable to accurately and consistently predict firm behavior in international markets (Harzing, 2004; Kirkman *et al.*, 2006; Shenkar, 2001), and other researchers have sought alternative measures to capture differences between home and host markets (Drogendijk and Slangen, 2006; Gaur *et al.*, 2006; Ng *et al.*, 2007; Xu *et al.*, 2004). In response to these criticisms and the need to accurately capture cultural differences in international marketing, we undertook a comprehensive evaluation of multiple values-based conceptualizations of CD as well as the more recent ID construct. Based on our analysis, we have reached the following conclusions.

First, the findings indicate that the indices based on Schwartz and GLOBE-AI appear to be unrelated to the other constructs and cluster culturally similar markets poorly. Thus, we conclude that from the US perspective, researchers should be cautious in using Schwartz and GLOBE-AI and may want to consider alternatives. Considering the contradicting findings between our study in the US context and Drogendijk and Slangen's (2006) findings in the Dutch context and Ng *et al.*'s (2007) findings in an Australian context, this recommendation may only apply to the US context and additional research is needed for other countries. Nonetheless, both Schwartz and

GLOBE-AI are distinct from the other constructs, which may explain the large differences that we found. Schwartz gathered data from teachers and students, a different context from the business environment, which may contribute to the inconsistent findings. GLOBE-AI distinguishes itself from the other value frameworks by attempting to capture a society's current practices. Hofstede (2006) suggests that it is flawed to assume that respondents would be able to credibly compare their own society's practices with those of other countries. The apparent unrelatedness of GLOBE-AI with all other CD/ID constructs seems to support this contention.

Second, differing results between this study and those mentioned previously suggest that different measures of culture may be better at explaining particular international marketing phenomena depending upon the country of interest. Our study found that Hofstede and Trompenaars had the best validity from the US perspective whereas Drogendijk and Slangen (2006) and Ng *et al.* (2007) found Schwartz to be a better predictor of CD from the Dutch and Australian perspective, respectively, and Gaur *et al.* (2006) and Xu *et al.* (2004) found ID to be a better predictor from a Japanese perspective. These differences may suggest that firm behavior in some cultures (e.g. Japanese) may react more to institutional factors than to purely cultural factors rendering some cultural measures (e.g. Hofstede, Schwartz, etc.) ineffective. Alternatively, some measures of culture may have inherent biases from the types of questions or dimensions used or the variation of countries included in the sample that make it more useful in predicting firm behavior from one country's perspective as compared to another.

Third, except for Schwartz and GLOBE-AI, the remaining seven constructs are significantly correlated and present relatively similar rankings of distance from the USA. Additionally, in our test of the constructs ability to group countries into appropriate clusters, the remaining seven CD/ID constructs performed reasonably well.

Fourth, as expected, the three different ID constructs were closely correlated. However, the ID constructs are conceptually broader and operationalized to capture relevant differences beyond cultural values, but empirically there is a significant overlap between the ID constructs and the traditional CD constructs. This overlap combined with the strong correlations between the three ID constructs and economic development, raises a question whether the theoretical advancement made by Kostova (1996) has generated empirical advancements.

Fifth, we also note that despite significant criticism levied against the Hofstede measure, it is highly correlated with more recent operationalizations of CD/ID. Therefore, these findings suggest that the more contemporary cultural frameworks have provided only limited advancements compared with Hofstede's original work. Two primary criticisms against Hofstede's framework has been the lack of theoretical grounding (McSweeney, 2002) and the stability of culture since the time Hofstede collected his data. However, as discussed in the literature review, writings on societal inequality, gender roles, and the group versus the self, which serve as the theoretical roots for Hofstede's dimensions, can be traced far back in time. Additionally, Oyserman *et al.*'s (2002) review concluded that culture may be even more stable than Hofstede himself believed to be the case. This is further supported by notable large-scale replications supporting Hofstede's original work (Helmreich and Merritt, 1998; Hoppe, 1990).

Research directions

If the Hofstede index is not fatally flawed as some have claimed (Kirkman *et al.*, 2006; Shenkar, 2001), then why is this literature still plagued with so much ambiguity? There may be several potential answers. First, greater attention may need to be given to the interaction of CD/ID with other factors that influence firms' decision making. Culture is too often studied in isolation and more complex relationships, i.e. interaction effects, should be taken into account (Leung *et al.*, 2005; Tihanyi *et al.*, 2005). For example, most studies examining the role of CD/ID have done so without controlling for the economic attractiveness of the market. One exception is Mitra and Golder (2002), which showed that economic factors have a stronger influence than cultural factors on firms' entry decision. Thus, to further advance the literature, it may be beneficial to examine theoretically grounded interactions between CD/ID, economic attractiveness, and other factors that may potentially be significant. Future research also needs to further investigate the effects of culture over time. Although Mitra and Golder (2002) found that economic factors seem to have a stronger influence than CD/ID on the initial entry decision, culture may have a stronger influence on the execution of the firm's marketing strategy. Longitudinal studies examining how CD/ID affects firm behavior and performance can provide further insight in this area.

Another reason why CD/ID has failed to generate consistent empirical findings may be the lack of boundary conditions of various MNE theories. The Scandinavian School views the MNE as a learning entity (Johanson and Vahlne, 1977). Transaction cost theorists view the MNE as a minimizer of transaction costs (Buckley and Casson, 1976). At the core of institutional theory is the firm's need for legitimacy (Kostova, 1996). Knowledge-based theorists suggest that the internationalization of the MNE depends on the firms' ability to transfer knowledge (Kogut and Zander, 1993). To advance the field in regards to the role of CD/ID and in terms of a theory of the MNE, rather than claiming universal applicability, it may be desirable to focus on the boundaries of each theory and interactions between them. It is likely that MNEs concurrently have to be concerned with minimizing transaction costs, achieving legitimacy, having sufficient knowledge about the local environment, and developing the ability to transfer capabilities. Firm's needs may change with varying circumstances, and the influence of CD/ID may change accordingly. Therefore, by focusing on the boundaries of each theory and their interactions, we may be able to gain greater insight into when and how CD/ID affects firm behavior.

Finally, the CD/ID literature is based on the assumption that differences in national environments (culture or institutions) are an accurate proxy for managers' perception of uncertainty. Although this assumption has received some support (Sousa and Bradley, 2006), it has also been suggested that individual experiences and relationships can enable the firm to overcome market barriers such as cultural differences (Johanson and Vahlne, 2003). PD is closely related to CD, but focuses on the managers' perception of differences. It is easy to assume that an individual-level measure would always be superior to a national-level proxy; however, measuring PD faces its own limitations. For example, to accurately examine the effect of PD on a firm's market entry strategy, the PD measurement must be gathered from all of the responsible decision makers (weighted by each executive's influence) and it must be gathered prior to the decision (Dow and Karunaratna, 2006). The issue of survey timing is well illustrated in Magnusson *et al.*'s (2006) meta-analysis on CD. They found a weak negative

relationship between CD and firm performance and a much stronger negative relationship between PD and firm performance. Thus, one must ask: does high PD lead to poor performance or vice versa? It is clear that accurately measuring PD presents major hurdles to the research process and it is understandable that a large majority of research has relied on national-level proxies. Although this paper has comprehensively compared several national-level CD/ID constructs, additional work is needed to examine the relationship between PD and CD/ID.

Conclusion

Our findings need to be evaluated in light of some limitations. The comparison of CD/ID is from the US perspective. We have highlighted the differences between our findings and other studies based on Australian, Japanese, and Dutch firms. Thus, our findings and recommendations may only be applicable in the US context and additional research is needed for other markets. We have only examined the practice of developing summary constructs of CD based on various cultural and institutional frameworks. It may also be a fruitful endeavor to examine differences on each individual dimension (Kirkman *et al.*, 2006).

Despite these limitations, this study has contributed to the literature in several ways. First, we have thoroughly investigated different operationalizations of CD/ID by comparing and examining the validity of each construct. We have presented rank order and scores for all nine CD/ID measures, from the US perspective, which allows future researchers to adopt the construct that best suits their conceptual needs. Despite claims that the Hofstede index is fatally flawed, our findings have shown that Hofstede compares favorably to other indices. The Hofstede index clusters culturally similar countries reasonably well and identifies all of the Anglo countries as the most culturally similar to the USA. We have also shown that the ID constructs, although intended to capture a broader set of relevant differences, are highly correlated with the value-based CD constructs. Furthermore, the ID constructs have even stronger correlations with economic development. Finally, we have discussed several avenues for how the research community can use the different measures in the future to further advance our knowledge of the role of CD/ID in international marketing.

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