‘CULTURE EATS STRATEGY FOR BREAKFAST’: USE AND ABUSE OF CULTURE IN INTERNATIONAL STRATEGY RESEARCH

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ABSTRACT

International strategy, as a subfield of strategic management, has too often settled for simplistic and rote approaches to bringing the international setting into the analysis of cross-border strategies and their consequences. We examine the application of national culture in international strategy research as perhaps the most common expression of locational awareness. We begin by considering the many critical assessments of current theoretical and empirical research on the culture-strategy interaction. We summarize multiple meta-analytic studies and examine a sample of empirical articles from the past 40 years more closely to offer our own criticism of the theories, settings, data, models, and variables used and the conclusions drawn by these scholars. We then go beyond critique to offer an extensive set of recommendations for future work that we believe can both correct the ever-clearer problems with extant research and offer innovative and more considered insights on the role of national culture in international strategy scholarship and practice.

INTRODUCTION

Among the many statements attributed to the late Peter Drucker, “culture eats strategy for breakfast” stands out as an especially intriguing challenge for the strategy scholar. After all, if Drucker is right, why would one of the key inputs to strategic thinking be labeled “soft” and “abstract” and generally be glossed over in strategy research? The short answer: Because while culture matters, strategy scholars lack the perspective, skills and motivation to deploy it with the necessary depth, precision and rigor.

We propose here that the generally minimalist and rote approach to the effects of culture on strategy reflects a more general lack of emphasis on the external context of strategy and strategic decisionmaking. Strategy analysis has focused on competition within industries, on the resources and capabilities of the firm, and on the efficiency of organizational boundaries. Meanwhile, it has too often fallen into a tacit assumption that as all firms faced more or less the same exogenous environment, comparisons were neither possible or necessary. International
strategy, forced by its nature to consider differences in national settings, has pushed back against this assumption (Tallman and Pedersen, 2015), but has settled into a narrow, easily applied, but not necessarily meaningful, set of stock approaches to the study of contextual effects on cross-border strategies and strategic decisions.

At the highest level of abstraction, the role of culture reflects the importance of exogenous aspects of the business environment to the choices, execution, and performance outcomes of strategic decisions and the study of these decisions and their outcomes. As such, we propose that this issue goes to the core of strategic management. Rumelt et al. (1994) posed what they saw as fundamental questions for the strategy field that we might revise a bit: How do firms behave…under different external circumstances? Why are firms different…but then, why should they not be when they come from unique settings and operate in idiosyncratic contexts? What determines success or failure…when the very definition of performance varies from place to place?

Likewise, Leiblein, Reuer and Zenger (2018) ask what makes a decision strategic, and conclude among other concerns that “it depends” (p. 562). They propose that strategic decisions and performance depend on other decisions and on fit to both internal and external environments. They point out the importance of bringing new knowledge of cognitive processes into the analysis of strategic decisions and decisionmakers (p. 563). We would add that these processes are vitally influenced by the larger environment in which the decisionmakers have developed - their cultural and institutional biases and assumptions, and those of the other actors with whom they interact. Leiblein et al. emphasize the interdependency of actors, but barely allude to the obvious (to the point of invisibility) fact that when these actors come from and act in very different settings, they must not only decide when to cooperate or compete, but indeed must
reconcile very different concepts of what these terms even mean, much less what boundary conditions are relevant, what performance success or failure are to be, who matters, what is permitted (and not), and even what is the ultimate purpose of economic activity.

In this paper, we focus on the issue of applying national culture in the study of international strategy from theoretical, practical, and empirical perspectives. Why should strategy scholarship spend more effort to incorporate cultural constructs in its analysis, and, specifically, why should international strategy reconsider how national cultures are integrated into the study of cross-border or comparative strategy studies? We will develop two main directions of argument for better understanding the role of culture. First, national culture (as a well-studied representative of a variety of national characteristics) imposes boundaries and limitations on, and offers opportunities to, strategies that involve crossing borders or operating in more than one national context. Second, cultural influences on strategic decision makers help to determine assumptions about what is ‘right and proper’ in setting goals, determining actions, and responding to stakeholders when strategies are created.

Our analytical approach in this paper also will unfold in two stages. First, we offer a review and analysis of how national culture has been applied in international strategy research, exploring breadth, scope, and depth and identifying key vulnerabilities in theory, method, and measures that stand in the way of proper integration of the two. This largely supports extant critiques of the use of culture in international strategy but from our own point of view. Second, we leverage the review to develop a framework of analysis with the aim of providing a blueprint for future enquiry, to include current and nascent research questions, theoretical paths, methodologies, variable selection, data choices, and research design.
CONTEXT, CULTURE, AND STRATEGY

Contextual differences matter to the decisionmakers on all sides of a strategy and they affect the range of organizational tools available in pursuing any strategy. This is particularly and specifically true of international strategy, which according to Tallman and Pedersen (2015, p. 273), “… involves the study of cross-border activities of economic agents or the strategies and governance of firms engaged in such activity.” It is axiomatic that the business environment varies dramatically across national borders. This being the case, we narrow our focus to international strategy and the international context of strategic management, while anticipating that our findings are largely applicable across other varied contextual settings. Analysis and study of the international context of business is the general topic of the international business field, which is far too broad to discuss here in detail. Geographical distance, differences in political, legal, and regulatory institutions, levels of economic development, historical ties between countries, and other fixed or very-slow-to-change conditions, as well as culture, compose the environment of international business (Ghemawat, 2001).

1 In the context of strategic decisionmaking, though, we suggest that models of the international business environment such as that of Ghemawat (2001), whose discussion of Cultural, Administrative, Geographic and Economic effects and ways to mitigate them offers both analytical and strategic tools, provide evidence that differences across locations have both direct and indirect effects on decisionmakers, strategies, and outcomes.

Just as we have narrowed our strategy focus to international strategic management, so we narrow our focus on context to that of national culture, given the many studies showing its significant impact on firm strategy (Ronen & Shenkar, 2017), while anticipating that

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1 We focus on national culture, but studies of other aspects of the IBE offer similar outcomes.
As a part of the context of strategy and decisionmaking, national culture has a direct impact on the people and institutions involved in decisions and has been widely studied, and so offers strong insights on the role of external factors on strategy.\(^3\)

Derived from the Latin word *cultura*, culture has been defined (Hofstede, 1997, p. 5) as “the collective programming of the mind which distinguishes the members of one group or category of people from another”. Culture is a collective property, with the collectivity at hand ranging from the nation to the sub-national region, industry, sector, firm, profession, group and occupation. Evidence of the importance of culture can be found across the natural sciences (e.g., biology), humanities (e.g., philosophy, archeology), social sciences (e.g., anthropology, geography), and business disciplines (Ronen & Shenkar, 2017). Strategy is no exception: evidence abounds that culture is important to the identity and purpose of the firm, the manner in which it conducts its business, and to performance outcomes -- the bread and butter of the strategy field. However, at different times, strategy scholars have disregarded culture, at other times they denied its importance, and on still other occasions created a version of culture all their own, one unique to the study of cross-border strategies. The challenge is to apply culture in strategy consistently and properly, with a deeper understanding of its character and effects.

**CONSTRUCTS OF CULTURE AND CULTURAL DIFFERENCES**

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\(^2\) A variety of international business studies show that institutional differences, geographic distance, levels of economic development, and other aspects of the international environment profoundly affect business.

\(^3\) As our focus is on national culture, hereafter in this paper we use the terms ‘national culture’ and ‘culture’ interchangeably.
It is not that national culture has been completely absent from strategy studies. For instance, in studies of strategy formulation, sense-making (Schneider & de Meyer, 1991), and strategic choices, such as cross-border strategic alliances and mergers and acquisitions, culture has been shown to correlate with the intention to invest, the mode of entry (Shane, 1994), the sequence of market entry, and, in particular, performance outcomes (Steensma, Marino, Weaver, & Dickson, 2000; Shenkar, 2001). Overall, however, these efforts seem to have reached a dead end, or perhaps a turning point: multiple meta-analyses, which will be discussed in this paper together with sets of individual and clustered empirical studies, find no consistently significant effect for popular measures of culture, e.g., cultural distance, on strategic choice or performance (Maseland, Dow, & Steel, 2018), but are still relied upon by strategy scholars.

In this section, we review the different roles that culture has played in the strategy literature. As our literature analysis shows, the most common application is in national entry strategies. No matter the overall MNE strategy, international strategies, by definition, involve cross-border trade or investment and some form of entry into host countries, whether as markets, production locations, sources of innovation and technology, or venues for strategic maneuvers, ultimately leading to entry strategies and related decisions on entry form and governance.

The general theoretical consensus (to be challenged later in this paper) is that the more a product/service or the way it is made, distributed and marketed is at odds with the local culture, the more likely it is that returns on the firm’s investment in a foreign market will be small, or even negative; the more specialized a firm is to its home market, the more incompatible it will be with an economically, geographically, institutionally, or culturally different market. It follows than when an MNE enters a different market, it will have to adapt its resources, process, and
organization to the institutions, culture, and other demands of the host market to be successful. Yet, it is not clear that the dimensions of culture typical to strategy studies are the most appropriate to describe cultural incompatibility for a given set of resources (Shenkar, 2001; Koch, Koch, Menon, & Shenkar, 2016), nor is it apparent that cultural distance as measured on these dimensions is relevant to creating sustained competitive advantage, or what would be the impact of incompatibility on firm strategy and performance.

Culture is a compendium of multiple facets, e.g., language, religion, family orientation, time sense, social stratification, and other sources of values and attitudes that impact the behavior of groups and individuals. Hall (1959), for instance, listed time, space, materialism, social ties and agreements as dimensions of culture that may vary in degree but are universally relevant (Graham, 2009). However, the dimensions developed by Geert Hofstede (1980) have come to dominate research in international business and management, including strategy. His four original dimensions of individualism/collectivism (IC), power distance (PD), uncertainty avoidance (UA), and masculinity/feminity (MF) are the basis for most applications of culture in international strategy; less so the dimensions introduced later, Long-Term Orientation (LTO) (Hofstede and Bond, 1988) and, more recently, Indulgence. Hofstede’s focus on business management has proved easy to apply in international management studies. Broader conceptualizations of culture that derive from disciplines outside of business studies are unfamiliar to most international strategy scholars and are seldom considered in their models. Even cultural schemas which bear some resemblance to that of Hofstede, such as GLOBE, Trompenaars, Schwartz, the World Value Survey (WVS), or clustering (Ronen & Shenkar, 2017), whose dimensions partially overlap, are much less commonly used.
The dimensionalizing of cultural traits, especially when done around a single schema, has made calculation of measured differences across countries feasible and accessible. While constructs such as religion, language, or time sense are easily seen as different between countries, Hofstede’s dimensions allow researchers to calculate an ‘exact’ value for the difference - now distance - between the positions of these two countries in IC, PD, UA or MF. Of course, this process assumes that Hofstede’s values are accurate reflections of underlying traits, that these distances are linear, and that distances on all the dimensions are equivalent. Given these assumptions, it was perhaps natural that a construct would be built around a combination of the four original Hofstede dimensions.

Developed from the earlier concept of “psychic distance” (Johanson and Vahlne, 1977, and dubbed “cultural distance”, (Kogut & Singh, 1988), an aggregate measure has become dominant in international strategy studies. The Kogut-Singh Index (KSI) and subsequent measures of overall cultural distance focus less on the specific effects of the different aspects of culture, instead assuming that the size of overall differences in (easily measured) aspects of culture is the key input to understand strategic decisions, actions, and performance. Cultural distance offers a seemingly straightforward way with which to capture cultural differences and their impact in a single variable.

From a strategy perspective, it seems logical that contextual differences would disrupt the workings of a company and that the negative impact could be mitigated by adaptation of strategy formulation and implementation. We shall see later that this is not necessarily the case, and that disruption may not be the only outcome of cultural differences. For now, it is vital to emphasize that the assertion that the effects of cultural differences are correctly represented for strategic choices and actions by a set of linear scalar dimensions is in actuality an unproven though
seldom questioned. In the rest of this paper, we develop these arguments to suggest that international strategy has been far too accepting of unproven precedents and presumptions, and to offer a framework for thinking more rigorously and constructively about these issues.

**EMPIRICAL STUDIES OF NATIONAL CULTURE IN INTERNATIONAL STRATEGY**

The consideration of context is essential to international strategy. This can be as simple as including proxy variables for country as controls for unmodeled effects due to national conditions, or can expand to include measures of national context or differences in national context between the MNE’s home country and the host countries in which a strategic action has occurred. To investigate the study of culture and strategy, we conducted a comprehensive search in major journals including *Strategic Management Journal* (SMJ), *Global Strategy Journal* (GSJ), *Academy of Management Journal* (AMJ), *Organization Science* (OS), *Management Science* (MS), *Administrative Science Quarterly* (ASQ), *Journal of International Business Studies* (JIBS), and the *Journal of Management* (JOM) for articles that include the keywords “culture”, “cultural distance”, “cultural differences”, or “national culture”, together with the keywords “strategy”, “strategic management”, “international strategy”, “international business”, or “global strategy”. We found 170 articles from the past forty years meeting those criteria. Next, we reviewed these articles to identify those that include the keywords in the Abstract, Introduction, and/or Theory Development Section, and excluded those treating culture as control or background variable, resulting in 94 articles having culture as the main thrust, 1981-2017. Of these, 31 papers were purely conceptual, 6 were meta-analysis papers, and 57 were empirical.

In this section, we first review and analyze the six meta-analytical articles to establish the key themes and findings that constitute the current “state of the art”. We then use the insights
from the meta-analyses to address a set of 57 individual empirical articles that are suited for our main purpose in this paper, that is, to review how national culture has been applied in international strategy scholarship and contrast that treatment with its observed and potential role in and contribution to strategy research and practice.

**Meta-analyses**

The empirical literature addressing the impact of culture and cultural distance variables in IB and international strategy is extensive enough to have engendered a number of meta-analytical studies over the years. The most recent is Beugelsdijk, Kostova, Kunst, Spadafora, & van Essen’s (2018) analysis of 156 papers, which also describes results of six earlier meta-analyses (Zhao, Luo, & Suh, 2004; Tihanyi et al., 2005; Kirkman, Lowe, & Gibson, 2006; Magnusson, Baack, Zdravkovic, Staub, & Amine, 2008; Reus & Rottig, 2009; Morschett, Schramm-Klein, & Swoboda, 2010). The studies make three key points: (a) the core strategic issue is MNE entry to new foreign markets, (b) this entry is mostly probed with an agglomerative construct, typically “cultural distance”, and (c) results are by and large inconclusive, with no consistent significant effects of cultural distance on entry strategy choice or performance outcome.

**Entry and distance measures.** As has been observed repeatedly (Shenkar, 2001; Tihanyi et al., 2005; Maseland et al., 2018), and as Beugelsdijk, Kostova et al. (2018) point out, the evidence for composite cultural distance measures influencing entry mode is at best mixed and inconclusive. Kirkman et al. (2006) note that different articles have come to opposite conclusions about its effect as an independent variable, Tihanyi et al., (2005) find that cultural distance is not a significant predictor of any of their strategy variables, and Reus and Rottig (2009) find
inconclusive results for the effect of cultural distance on entry mode and performance. Stahl and Tung (2015) conclude that a variety of meta-analyses show small effects and inconclusive direction of effects on outcomes, and contingent effects from setting and organizational efforts to manage cultural differences. Zhao et al. (2004) look at ownership and market entry and find that the impact of Hofstede-based indices is moderated by location and industry, and is sensitive to data source. Overall, across all of these meta-analyses, only a small, largely non-significant effect of cultural distance on market entry strategies has been found (Maseland et al., 2018).

In the meta-analyses that consider organizational performance, we see a generally negative effect of cultural distance on subsidiary financial performance (Beugelsdijk, Kostova et al., 2018). However, Beugelskijk et al. (2018) also find that greater cultural differences reduce host country subsidiary performance while benefitting the MNE as a whole, and that organizational learning is made more difficult by cultural distance, but is more rewarding when successful. Reus and Rottig (2009) agree that performance effects are inconclusive. Stahl and Tung (2015) propose that cultural distance and diversity “represent a double-edged sword” (p. 398), creating difficulties but also offering opportunities for those firms that can overcome the challenges, whereas most models assume that cultural differences are invariably disruptive.

Kirkman et al. (2006) do find that individual Hofstede dimensions (notably Power Distance (PD) and Uncertainty Avoidance (UA)), in contrast to the composite indices, are generally significant drivers of entry decisions. In the case of alliances, Kirkman et al. (2006) find that firms from higher UA countries prefer low-risk market-based entry modes and when using equity joint ventures, they prefer higher ownership levels which offer greater control. Also, investments in high Individualism countries are more likely to be contractual arrangements. Firms from higher PD countries tend to prefer whole ownership and equity joint ventures over
lower-control modes. This is in line with Brock, Shenkar, Shoham and Siscovich (2008) who find that MNEs based in high PD countries staff their subsidiaries with a higher proportion of expatriates regardless of the PD level in the host country. While these results show the potency of individual dimensions of culture, they do not reflect the impact of differences or “distances” but rather that of nominal readings for either a home or a host nation.

Data sources. Tihanyi et al. (2005) find that for a US-based subsample, cultural distance had a significant effect on entry mode choice. The overwhelming influence of US-based MNEs in international strategy studies may be a source of bias and may account for what limited support there is for the KSI approach. Lim, Makhija and Shenkar (2016) find contrasting results for cultural differences for US MNEs investing abroad versus foreign MNEs investing in the US, supporting the notion of asymmetry between cultures previously proposed by Shenkar (2001), but also showing that cultural effects on strategy may vary across sample settings. Kirkman et al. (2006) note that various contextual variables moderate the effects of the KSI on strategy variables. Further, Beugelsdijk, Ambos, and Nell (2018) find very low correlations between various cultural distance measures (e.g., .11 between the results from using the Hofstede vs. the GLOBE data, the two most commonly used dimensional systems). The evidence is that choice of data source, both in the selection of countries to be included and the secondary database used, makes a significant difference in the observed effects of cultural and cultural distance on strategy choices.

Takeaways. The overall results of these meta-analyses are clear - cultural distance, especially as represented by the KSI, is not a consistent or reliable predictor of international strategies or their performance outcomes. Beugelsdijk, Kostova et al.’s (2018) review notes that studies make somewhat different assumptions, mixing ownership mode, entry mode, and various
moderating effects, such as the MNE’s home country. To assess the possible impact, they look at various aspects of internationalization separately, concluding that cultural distance significantly influences the choice of host country and establishment type or mode (greater cultural distance makes investment in a given country less likely and leads to a preference for greenfield investment); however, it is not a significant determinant of degree of ownership in studies of the use of acquisitions and alliances to govern new subsidiaries.

As discussed at length in the literature (Shenkar, 2001; Maseland et al., 2018), there are numerous significant, possibly fatal, flaws in deploying Kogut and Singh’s (1988) index as an instrument to measure ‘cultural distance’, and this is even before getting into such challenges as conceptual and theoretical confusion (Anderson & Gatignon, 1986; Gatignon & Anderson, 1988), the amalgamation of distinct entry mode combinations, the mixing of governance and mode (ownership level and greenfield/acquisition), and the on/off consideration of post-entry performance. This calls into question the very usage of what has been and still is the most popular measure of cultural effects in strategy research (Maseland, et al., 2018). Alternative measures to the KSI have been used to somewhat better effect, and sample bias may have played a part in these findings.

A Finer Grained Approach to Empirical Studies

Beyond reviewing meta-analytical studies, we consider 57 empirical articles published between 1981 and 2017 that to identify defects in the culture-strategy analyses that are beyond the meta-analyses. The articles span the time from 1981 to 2017, rising from one article in 1981 to 4 papers in 1996 to 5 in 1997 (9% of the total) and reaching a peak in 2017 (8 articles, 14%).
Among the journals reviewed, it is not suprising that the largest percentage (22 out of 57, or 39%) appeared in *JIBS*, where cross-country comparisons are a submission requirement. *SMJ* is in second place, with 11 papers (19%), followed by AMJ and MS with 6 (11%) each. Five papers (9%) were found in *GSJ*, a journal that commenced publication only in 2011. Together, these five journals account for 89% of our reviewed empirical articles.

The breadth of the subject matters covered in the studies is somewhat larger than was evident in the meta-analyses. We reviewed and identified the topics, and assigned the articles to ten classes as shown in Table 1. Performance is the most studied topic (18 or 31.58%), which is not surprising given that it is part of the very identity of the strategy field. Next comes Entry Mode (11, or 19.30%), which we have already noted as a popular topic, and then Mergers & Acquisitions (M&A) (7, or 12.28%), one of the oft studied areas in strategy and other fields, e.g., finance. We have tabulated the ten topics against cultural measures, cultural distance, econometric models and empirical results in Table 1.

---Insert Table 1 about here-----

**Strategic context bias.** Despite our efforts at distinguishing topics, the great majority of international strategy papers we considered looked at entry strategies in one way or another. Our topical categorizations are tied to the stated intent of the original authors, but entry mode often includes joint ventures and/or acquisitions as possible selections, and the articles assigned to the M&A and Alliance categories typically consider these strategies in the context of entering or competing in a specific market. This is evident among the studies in Table 1. Only a couple of the categories of strategy studies do not directly or indirectly address the decision to enter a foreign country either as a market or a production location, the decision to remain in (or leave) that market, and the subsequent performance of the subsidiary and/or parent firm. While we
separate articles addressing strategic action choices from those that looked at firm performance as the dependent variable, performance was almost always assessed in the context of market entry (e.g., alliance performance, acquisition failure rates). While market entry is a key strategic decision, it is fair to ask whether it has crowded out other strategic questions of significance.

**Input variable biases.** While the cultural characteristics of the home or host countries are used in 31 studies, cultural distance of some sort is used in 44 papers, and both appear in 17 articles (see Table 1). Hofstede’s framework has been used in 43 articles, showing it is by far the dominant source of cultural data, largely due to the ease and precedent of applying the KSI, which uses Hofstede’s data. Cultural distance is used in most Performance and Entry Mode (including M&A and Alliance) studies, but in none of the Strategic Decision-making and in only one of the Innovation papers. The reason is probably that entry mode studies have a built-in home/host country setting and hence the emphasis is on cultural differences, whereas decision-making and innovation are mostly amenable to nominal focal firm readings.

KSI was used as an input variable in 14 of the 25 articles classified as primarily addressing entry mode, M&A, Alliances, and Location; it was a significant explanatory variable in four. The index was not significant in determining subsidiary location, but was significant in four of eleven studies of entry mode and in two studies that looked at governance (M&A or Alliances & Joint Ventures). All three Outsourcing studies (the choice to source inputs from suppliers or internally) applied KSI, with significant effects. In the 18 studies where performance was the primary dependent variable, 16 used a cultural distance measure, of which 10 applied the KSI and 7 found a significant effect. These results should be interpreted with caution given bias towards positive results and the index’s basic flaws. Still, the findings for outsourcing studies raise the possibility that the index is more suitable for some research questions than others.
We identified articles that applied multiple separate dimensions of cultural distance. The five most frequently used individual cultural dimensions were PD, IC, masculinity/femininity (MF), UA, and long-term orientation (LTO). It is not surprising that UA is the most frequently deployed dimension (47 or 82.46%). Kogut & Singh’s (1988) use of this dimension in addition to their aggregate index signalled its potential importance. In addition, Hofstede posited that UA was, in his mind, the most relevant dimension for FDI outcomes. The second most used cultural dimension is Individualism-Collectivism (IC) (46 or 80.70%), followed by PD (45 or 78.95%). The emphasis on different dimensions of culture has changed over time, as shown by Table 2.

We see in Table 1 that studies of entry strategies, alliances, and acquisitions that measured UA all found it to have a significant correlation with more control through increased ownership. For example, Handley and Angst (2015) found that as global supply networks have developed, the governance of outsourcing relationships is tied to the country in which the supplier is located. They show that contractual governance is more effective in individualistic and low UA countries, while higher UA is associated with a greater likelihood of using an equity joint venture. Huang, Zhu and Brass (2017) showed that differences in PD between MNE acquirers’ home countries and target countries will affect post-acquisition performance, including a finding that the outcomes are worst when the acquirer is higher in PD than the target, which reaffirms the potential for asymmetry of the cultural impact.

**Location bias.** Given that international strategies typically involve both home and host country contexts (e.g., entry mode), we further examined the home and host countries for those papers that have specified country/markets. As shown in Table 3, the US is the most frequently studied national context (15 times), followed, at a distance, by Japan and the Netherlands (5
times each) and China (4 times).\textsuperscript{4} We tabulated the frequencies across four periods: 1981-1989, 1990-1999, 2000-2009, and 2010-2017 (see Table 3). Throughout, the US was the most popular context, with China rising to second and Japan and the Netherlands declining over time. Behind those trends is China’s dramatic rise to become the world’s second largest economy and the descent of Japan to third as well as the shifting of US trade tensions from Japan to China.

That the US remains the most prominent ‘anchor’ of international strategy is consistent with earlier reviews of the international business literature (e.g., Thomas, Shenkar, & Clarke, 1994; Cantwell, 2014). A USA-centric literature may introduce certain biases. The concept of ‘country of origin effects’ proposes that multinationals from one country will be more similar to each other than to other equivalent firms from other countries (Sethi and Elango, 1999). This suggests that overwhelming use of samples from one country will strongly bias findings about international strategy, but may well be interpreted as representative of the general population.

For instance, the USA is generally an outlier on individualism, a cultural dimension correlated with entrepreneurial tendencies, among other variables that could impact strategic behavior. For instance, Chen, Peng and Saporito (2002) propose that opportunism may appear more often for intra-group transactions in more individualist cultures and for inter-group transactions in collectivist cultures. In the future, culturally-oriented studies simply must address a much wider range of home/host country combinations if we are to grasp the wider impact of culture on strategy.

\textsuperscript{4} We also note that in studies that use multiple countries as home or host markets, the US is almost invariably present, as are multiple Western European countries.
from the fundamental perception of relevant stakeholders and goals to the assessment of competition and firm resources to the (often tacit) perception of the acceptability of various strategies to the relative valuation of different aspects of performance. Thus, an overwhelming sampling of American managers in US-based firms makes the implicit assumption that this is a representative sample, while many studies of culture (and institutions and economics and geography) would challenge this. Not only does this bias influence samples and responses, but the strong US bias in research institutions and researchers suggests that the very design of these studies and their constructs and assumptions will be deeply biased - and likely not challenged by editors, reviewers, and other critics who are also overwhelmingly based in the USA and Western Europe (Boyacigiller and Adler, 1991).

The Application and Expectations of Strategy Theories

Most international strategy research is tied to one or more economic or management theories of organization and performance. The theory selected is of utmost importance as it typically defines the research question, the research setting and design, the hypotheses, and interpretation of results. The meta-analyses do not typically address issues of theory since the many articles that they analyze typically purport to support various theories. However, our discussion of Table 1 suggests that certain theories are more widely applied than others and that the character of the culture-strategy link varies across theories. It is clear that the choice of theoretical lens biases how culture is described, applied, and examined in strategy platforms.

Transaction Cost Economics (TCE) is the most often used theoretical lens (20 times over the past 40 years). This is not surprising. Since Williamson (1975) and, in IB, Buckley and Casson (1976), proposed models for when bureaucratic governance would replace market ties. Both built
on Coase’s (1937) original insight about transaction costs and the existence of firms, and TCE related models have dominated organizational economics since they were proposed. In TCE models, when the costs of market transactions, such as exports or licensing, become too high, firms will ‘internalize’ a transaction by extending organizational boundaries, for instance by establishing a subsidiary in a foreign market. Various conditions surrounding the transaction, to specifically include uncertainty about a partner’s actions, raise the costs of market transactions and make internalization more likely.

The original internalization models (Buckley & Casson, 1976; Dunning, 1988) expected that the less similar the home and host markets of a firm are, the more likely is foreign direct investment (FDI) or internalization of international production. Kogut and Singh (1988) interpreted increasing cultural distance as creating greater uncertainty, and therefore as making greater internalization more likely for a multinational firm entering a foreign market. However, as Anderson and Gatignon (1986) demonstrate, while greater uncertainty about the partner’s actions might result in a desire for more control of a subsidiary, greater uncertainty about the overall riskiness of the national market suggests the use of lower commitment modes of governance. TCE-related theories may have driven over-use of KSI, but uncritical acceptance of specific interpretations also may explain why the effect of greater cultural distance is so weak.

Considering that cultural inappropriateness might impact asset value, particularly for intangibles, the Resource-Based View (RBV) unsurprisingly emerges as the second most frequently used strategy lens in our review (16 times). RBV’s increasing popularity (8 of its 16 applications are in the most recent decade) parallels its increased use in strategy overall. In the RBV (Barney, 1991), possession of unique resources allows a firm to demand rents, or premiums
exceeding efficient market norms, for its goods or services.\(^5\) The need to control firm-specific assets and their application in the marketplace is expected to drive multinational firms to pursue greater control of their foreign market activities.

International application of RBV brought recognition that assets might be unique and valuable to customers in one market, but have little (or even a negative) value in other markets where their influence on the firm’s output did not match demand patterns (Tallman, 1992). In RBV, as well as in similar models such as the Capabilities-Based (Tallman & Fladmoe-Lindquist, 2002) or Knowledge-Based (Grant, 1996) Views, uncertainty about the actual value of the firm’s resources in an unfamiliar market is tied to customer responses, including those driven by local culture. The effects of culture in RBV are perhaps best tied to specific concerns such as religious preferences, conspicuous consumption, or the roles of work and workers in the culture, rather than dimensions such as those of Hofstede. Under RBV assumptions, the role of cultural distance becomes hard to define – are Hindus in India closer or farther from Christianity than are Muslim Arabs? Does this matter to their consumption of Western goods? Clearly cultural differences will affect market acceptance of products (or, for that matter, other properties, such as management styles) based on specific resources, but whether such differences can be usefully portrayed and summed as measurable distances and whether distance is even the proper lens with which to capture such variations (Shenkar, Luo & Yeheskel, 2008), needs much more consideration than it has been accorded.

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\(^5\) Rugman’s (1981) version of internalization theory explicitly recognized the importance of bringing together Firm-Specific Advantage (FSA) and Country-Specific Advantage (CSA) in an efficient manner. Though developed prior to RBV, his emphasis on the importance of combining different types of assets to gain competitive advantage would offer a similar outlook on location and strategy - he makes no mention of culture or cultural differences. In his treatise on the ‘regional multinational’, Rugman briefly mentions culture but assumes it overlaps with region, which is empirically only partially the case (see Ronen & Shenkar, 2013).
The third major theory used in entry strategy studies is institutional theory (5 times overall, with 4 of its 6 applications in the 2010s). The theory proposes that differences in a country’s formal (legal, regulatory, political) and informal (culture, religion, language) institutions drive commonalities across the subsidiaries of all foreign firms in a host market and forces MNEs to operate differently in different locations. Firm activities such as transfer of practices, strategic goals, and market positioning will be affected by different complex institutional settings (Kostova, Marano & Tallman, 2016). Cultural characteristics are considered directly in institutional models, but as in the case of RBV there is no clear role for cultural distance as denoted by aggregate indices.

Overall, strategy theory suggests that cultural influences, both home and host cultural attributes and cultural differences, will impact the selection, viability and performance of international strategies, increasing perceived risks, altering the value of resources, and driving learning and innovation. As we have seen, though, only a few studies have carefully assessed theoretical expectations in light of data biases, variable selection, and established empirical techniques, such that no one theoretical perspective can be said to offer a more accurate perspective on cultural impacts on strategy than the others. There seems to be ample room for future research on that topic.

**DIRECTIONS FOR FUTURE WORK**

In the previous sections, we have summarized the results of several recent meta-analytic studies and have ourselves identified a number of patterns in the international strategy literature that offer insights on how extant studies look at national culture as an influence on MNE strategies. In this section, we present a framework that describes how culture could be used more rigorously
and effectively in international strategy research, drawing on identified empirical findings and theoretical relationships that are both specific and supported. Our goal is not to prescribe precise parameters for future research, but rather to suggest how certain major problems and biases in the existing research literature can be avoided or corrected, and to suggest that doing so might also open up the study of culture and strategy to meaningful innovation and novel insights.

We begin by suggesting how culture and cultural distance could be applied in empirical studies of commonly observed phenomena to enhance theoretical rigor and help explain how specific variables might be better applied in global strategy entry, governance or performance. We then consider key strategic issues that were not raised in the international strategy papers summarized in Table 1, and offer thoughts about how culture or cultural differences might impact international strategic transactions. We finish by focusing on the study of strategic decisionmaking in multinational firms and the potential impact that cultural conditions might have on international strategic choices.

**Correcting Research Biases and Attribution Errors**

As discussed above, there are certain biases in the use of cultural variables in international strategy studies that resulted in overweighting some data, variables, and contexts to the point that they may have led to mistaken attributions concerning culture and strategy. These long term trends and band-wagon effects suggest that scholars need to make conscious decisions to work against common, popular, and ‘safe’ approaches.

Let us look at each of these areas. The popularity, availability, and long string of antecedents mean that the great majority of studies use the Hofstede (1980) data or, more rarely, the similar, ‘universal dimension’-style GLOBE data (Javidan, House, Dorfman, Hanges & Sully
de Luque, 2006) to measure culture. A few international strategy studies look at other cultural influences and a few others have done their own surveys. However, these secondary databases provide measures of culture in the vast majority of such studies. This is not surprising, given that strategy scholars tend to have limited skills, background, or training to propose their own versions of culture, and given that data availability means that using these data is relatively quick for what is often just a single variable in a strategy study. We strongly advocate that scholars take the risk and consider alternative approaches. The first, easy step, is to run multiple cultural schemas (Shenkar, 2001), available in GLOBE (Javidan et al., 2006), the World Values Survey (WVS) (Inglehart, 1997), and Schwartz (2012), among others. Those schemas have been criticized individually (e.g., Hofstede, 2010, re the GLOBE framework) and as a group (Smith, 2006), but their simultaneous employment greatly enhances reliability. However, as Hofstede (2010, p 1334), “Dimensions…do not “exist” in a tangible sense. They are constructs…” Other approaches to the study of culture need to be considered, to include Ronen and Shenkar’s clustering (2013, 2017), which overcomes some of the methodological issues associated with the above schemas (e.g., additivity), but at a cost (e.g., partial blurring of dimensional aspects), or the collection of primary data, both of which resulted in more significant findings. Other cultural indicators have been identified in a variety of disciplines, and strategy scholars should revisit anthropology, psychology, sociology and other areas for alternative approaches to conceptualizing and measuring culture. We do not advocate for any one database, analytical approach, or schema, but we do think that finding consistent results from different data via a variety of methods would be of great value to studies of the effects of external factors on international strategy studies.
In reducing data to variables, we have also shown an overwhelming bias in one direction - to the use of cultural distance instead of culture and to applying distance through multi-dimensional indices such as the KSI. We have devoted a good bit of effort to analyzing the use of the KSI, both in the meta-analyses and in our individual articles, where it is shown to have consistently inconsistent effects. We have also cited a growing literature that criticizes the use of composite cultural measures from conceptual, methodological, and robustness perspectives. Again, the primary justification for using the KSI or similar variables is precedent - many others have done so. It is also relatively easy to construct, offers superficial relevance, and has been the ‘safe’ choice. We see journals pushing back at its use, at least as anything but a control variable, but we strongly recommend that strategy researchers use individual dimensions (and not necessarily “the usual suspects”) to represent cultural influences, choosing these carefully based on conceptual, theoretical and relevancy considerations, as discussed above.

The third consideration is the overwhelming use of the United States as the national context in these studies, most often as the home country for MNEs, but almost as often as the target or host country. This seems logical, as the US is still the world’s largest economy, and even more so since so many international strategy researchers are based in and/or educated in the country. However, as our analysis shows, the US is not a representative case on many cultural measures, most notably on the Individualism-Collectivism dimension that is a part of many cultural studies. If the individualism of the US culture is taken as the norm, or the basis for measuring all other cultures, we see a distorted view of the world. At a minimum, any cultural differences on this dimension work only in one direction, so comparative and absolute values on IC become conflated. At worst, conditions in the USA that are tied to unique aspects of its culture are treated as the norm, and alternatives are seen as problematic, an issue that we see as at
least a partial cause for the assumption that cultural differences or ‘distances’ should have negative correlations to investment and performance. If we look at the cultural dimensions, we see that low UA, low PD, and high Individualism - generally a description of the US culture - have been tied to higher levels of innovation and entrepreneurship in a country (Shane, Venkataraman, & MacMillan, 1995). The overwhelming influence of US-based samples also may be a source of bias for this and any other individual dimensional variables and for the use of the KSI, which was conceived of and originally implemented in studies of American multinationals. These outcomes highlight the potential bias of US-centric research and suggest an urgent need for studies of cultural effects in transactions that do not involve US MNEs or that provide a comparative prism.

**The Role of Theory in Variable Selection**

We strongly believe that international strategy scholars should bring culture into their theoretical and empirical work, but should do so in a cautious, thoughtful, and rigorous manner. Correcting the research biases described in the previous section is best handled by deeper and more considered conceptual modeling. We propose that specific conceptual purposes be served by the choice of carefully selected cultural dimensions, driven by theory and specific logic and adapted to the phenomenon at hand.

As an example, Handley and Angst (2015) showed that governance effectiveness was related to Uncertainty Avoidance (UA) and Individualism-Collectivism (IC). They chose to include these two dimensions and not others based on clearly outlined theoretical reasoning that lower tolerance for uncertainty would lead to a desire for stronger governance, and that greater individuality would be better addressed with less oversight. Similarly, Steensma et al. (2000)
develop theoretical arguments for why masculinity (MF), IC, and UA should be related to the
decision by small and medium sized firms to use technological alliances and to choose equity
joint ventures or contractual alliances. While the results are only partially supportive of their
hypothesized model, the authors are able to analyze and better understand why their results are
what they are because of their tight theoretical reasoning.

We propose that such careful selection of cultural conditions and variables should be the
norm and model for international strategy studies, as opposed to pro forma use of generic
‘cultural distance’ models and variables. Where issues of Uncertainty Avoidance (whether home,
host, or the difference) seem to be closely tied to transaction cost assessments, it is not clear that
differences in masculinity do. On the other hand, Power Distance in the host country could well
be tied to the ability to import firm-specific capabilities to a new subsidiary, and thus to a
resource-based interpretation, while Individualism may not. The focus should be on interpreting
cultural effects through the theoretical lens of the study, and, again, this should not be instantly
translated into an exclusive focus on differences in culture while turning off consideration of
nominal effects. In turn, this reaffirms the importance of widening the scope of investigation
beyond the United States, a sampling necessity if nominal impacts are to be weighed.

The choice of a theoretical perspective - transaction cost, resource based, institutional,
some other extant strategy theory (we find real options concepts and organizational learning to
be intriguing), or a novel theory - is important in establishing a conceptual framework for any
study of international strategy. The conceptual framework should provide clear guidance on how
specific aspects of culture might interact with other input variables to influence the dependent
variable, whether degree of diversification, choice of entry mode, or subsidiary performance (or
one of the many other possible issues of interest). In considering culture, scholars might consider
whether they should focus on components of culture such as religion, language, time orientation and the like or on dimensions of work related culture such as UA, PD, IC, MS (as well as the later additions of LTO and indulgence), were one to choose Hofstede, or, as we have recommended, a combination selected from among his schema, GLOBE, WVS, Schwartz, Ronen & Shenkar, or, perhaps an original survey. Those should be considered based on the issues of concern, the countries studied, and the tradeoff between ties to the literature and relevance to the specific study (of course, the choice of data source is tightly tied to the availability of specific measures and variables). Similarly, one should consider whether distance is the right perspective in which to deploy the cultural schemas, or if recent lenses, such as friction (Shenkar et al., 2008) provide a more realistic and rigorous representation. Again, we do not advocate here for one approach over another, only that an explicit conceptual, theoretical and methodological rationale be offered for the choices made - rather than convenience, ease, or conceptual inertia.

Relevant to the use of theory or at least strong conceptual frameworks is the potential for theory building through qualitative empirical studies. It is quite possible that a relevant mid-range theory of cultural impacts on international strategy might be derived from more than one of the high-level theories of organization, strategy, and performance that we have discussed. It is also quite possible that alternative theories could be most applicable, particularly in looking at non-US samples, given that the most commonly used theories were developed from observation of Anglo-American firms and their strategies by scholars in the UK and the US. The use of qualitative or case-based research (Eisenhardt, 1989), or of purely observational quantitative research, could add considerably to our understanding of strategy and performance across international settings for culture and other contextual variables.
Going Beyond Entry Strategies

We believe that contextual variables could be used more effectively in studies of multi-firm, multi-country and multi-industry questions such as internationalization/multinationalization. Indeed, questions of how, how fast, and how successfully multinational firms expand their operations into foreign countries are quite common, but have also come to be seen as inconclusive and in need of new paradigms (Tallman & Pedersen, 2012). While these studies tend to use measures such as the number of countries or regions, and sometimes the number of industries or sectors (Hitt, Hoskisson & Kim, 1997) in which firms are located, they seldom consider issues such as how many (and how different) cultures (or political/legal institutions, religion, or economic grouping) each firm might face. We offer that scholars interested in why and how firms grow as MNEs consider what aspects of home country culture, whether Hofstede or GLOBE dimensions or cultural characteristics tied to sociological or anthropological models (e.g., Hall, 1984, 1990), might provide strategic competitive advantage to firms from one country over another. We might expect, for instance, that firms from high PD cultures will maintain more centrally controlled multinational organization, as was proposed by Brock et al. (2008), while more individualistic home cultures might lead to lower use of expatriate subsidiary managers.

While Rugman and Verbeke (2004), among others, demonstrate that most MNEs are largely confined to their home region, speculation that country similarities may lie behind this remain largely that - speculation. Might an MNE that is in multiple countries that have similar cultures (i.e., share a cultural cluster in Ronen and Shenkar’s (1985, 2013) model) have an advantage over one in the same number of countries that have very different cultures? Might this depend on industry characteristics such as cultural sensitivity of products, innovation,
technological intensity? We do not know, though we do know, for example, that cluster membership matters for organizational learning. We would hope that further studies of multinationalism/internationalism begin to consider the cultural complexity that companies create for themselves as they extend their operations be considered as a whole, rather than on a step by step basis (Barkema et al., 1997). Similar questions can be raised for any strategic activity that extends beyond borders or between countries.

**Country of Origin and Strategic Decisionmakers**

The majority of discussion about the interaction of culture and strategy, which is reflected in most of our assessment, relates to the moderating or boundary-setting role of culture as an exogenous factor impacting a firm-level strategic transaction and its outcome. We can see this clearly as the focus is most often on the host country culture and its presumed effects (or on the effect of the cultural distance between host and home as viewed from the entry strategy perspective). However, while the ‘actual effects’ of culture on the transaction are certainly important, so are the perceived effects as seen by strategic decisionmakers, who are most often creatures of their own home country cultures. Biases in strategic decisionmaking, in the choice of strategies, may well be introduced by cultural or other environmental influences on the very human corporate decisionmakers behind strategic management. The effect of home country, or country of origin, culture on decisionmakers is a specific instance of the influence of country of origin effects on the strategies of multinational firms. As Sethi and Elango (1999) say, multinational firms from one country are likely to exhibit similarities that are distinct from those from other countries. This becomes a problem when the great majority of firms studied are from the same country or a small group of countries…the US, in this case. It is essential that a better
balance of sample locations be developed if we hope to create unbiased understandings of the international environment of strategy in general and of cultures specifically.

As an example from our empirical analysis, Huang, Zhu and Brass (2017) propose and demonstrate that differences in Power Distance (PD) between the home nations of international acquirer firms and target firms will have a significant effect on post-acquisition economic performance, as measured by Tobin’s Q of the combined firm three years after the acquisition. They theorized that managers from high PD cultures would be inclined toward more bureaucracy and acceptance of control by higher authority individuals, while those from low PD cultures will resent detailed oversight and position authority, and that differences between the two groups will lead to misunderstanding and poor outcomes. Empirical results support their hypotheses, including a key expectation that the worst outcomes will be found when the acquirer is higher PD than the target, so that the acquirer managers will try to dominate the combined firm, but the target managers will resent this domination.

What we see is that the cultural assumptions in both home and host country matter to strategic choice and execution - not because of cultural distance, but because of culturally driven views of organization, authority, and behavior. The question has long been posed in international studies as to whether cultural biases on the part of researchers offer inaccurate views of foreign settings because the questions asked and models applied have no (or alternative) meaning in different cultural settings (Boyacigiller and Adler, 1991). Likewise, the goals, constraints, interpretations of choice, relative importance of workers and customers, role of managers, of owners, and many other assumptions and influences on strategic choice will vary from place to place. The cultural backgrounds of strategic decisionmakers clearly influence how they think
about problems as much as they influence how they approach solving those problems that are identified. Contextualizing strategy making as well as strategy application is essential.

We must also consider that contextualizing the study of strategy making is essential. It is not just the strategists, but scholars who are subject to the biases described by Boyacigiller and Adler (1991). We discussed above the overwhelmingly US-centric nature of international strategy studies, both in the sources of data and observations and in the locations of researchers and their embeddness in home culture, institutions, and circumstances. If we hope to fully capture the interaction of strategies and their environments, we need a broader, much less biased, field for our studies. The US is no longer 50% of the world economy, and research needs to incorporate the rise of the rest of the world more aggressively. Likewise, we hope that research from much wider perspectives can be encouraged, and that researchers with multi-cultural backgrounds are encouraged to ‘take off their American hat’ when analyzing strategies and strategic decisions in non-US settings.

CONCLUSION

We have offered a wide-ranging critique of the use of national culture or cultural distance in studies of strategic management in an international setting. To a large extent, we support previous criticism (Shenkar, 2001; Beugelsdijk, Kostova et al., 2018). While most strategy models accept that external conditions or events might impact choices and outcomes of strategies and provide conceptual access for such influences, few address these issues directly, and in particular, they do not make explicit allowance for cultural effects. Even less does strategy research provide for explicit contextual influences on strategies of performance, again with culture only addressed in a minority of even international studies. When culture is included, most
studies use a composite cultural distance measure, typically the KSI, without a strong theoretical or empirical justification, if any. As Maseland et al. observe (2018), international strategy scholars tend to justify the use of the KSI by its citation count, not its theoretical rigor.

Our analysis suggests that the critiques of using the KSI offered by Shenkar (2001, 2012) and others continue to be valid. In addition, we find that aggregate measures are sensitive to the data source, even between similar dimensional models such as the Hofstede and the GLOBE studies. While cultural distance sometimes significantly correlates with strategic choices or performance outcomes, it often fails to do so, and when it does, the signs may be opposite from expectations. From both theoretical and empirical perspectives, we add to the voices that recommend against the continued use of cultural distance indices to explain entry strategies and performance unless they are very specifically called for by the conceptual model (Beugelsdijk et al., 2018). Moreover, where Beugelsdijk, Kostova et al. (2018) found that cultural distance was a significant explanator of location choice, the studies that we considered as focused on location found that the KSI was not significant as an explanatory variable. Even in this decision that might be seen as tied most directly to concerns for differences in country-specific factors, that of where the firm will invest as opposed to what its organization will be, there is little consistency across empirical findings. If we cannot support the use, especially the conceptually unrelated use, of composite distance measures, how should scholars look at culture and strategy?

Without a doubt, this treatment of national culture in strategy has been impacted by its primarily economic parent disciplines. Beugelsdijk and Maseland (2011) characterized the view of culture in economics as ambivalent (if addressed at all), with three major approaches: culture and economy (culture as an exogenous factor, a source of preference of reason for deviation from model) culture as economy/ economy as culture (where the economic perspective is extended to
all spheres of life), and the culture of economics (studying economic ideas from a cultural perspective). As the authors note, the first approach has been dominant in the field of economics, and this seems also the one imported into strategy. As an exogenous factor, culture is not easily incorporated into the mainstream strategy frameworks and remains very much an add-on rather than an integrated component of theory or practice. Furthermore, this add-on is viewed mainly as an obstacle and a handicap to efficient markets rather than a potential resource, which explains in turn why an RBV list of assets and capabilities rarely includes culture as a potential resource.

In this sense, the treatment of national culture in strategy may indicate some broader concerns in the discipline such as its reluctance to consider behavioral and cognitive perspectives on strategic decision making and the overall challenge of treating context as part of a cohesive theoretical framework, especially when elements to be included are tacit and ill-defined. Indeed, the focus we find on the cultural distance formula appears to survive as a way to circumvent difficult-to-measure-precisely environmental elements by converting them to a simple and quantified, if deeply flawed, measure that meshes with organizational economics logic. This struggle between the imposed economic logic underlying strategy and the ‘messiness’ of humanistic constructs such as culture may also delay a day of reckoning when the strategy field will have to adjust its theoretical positioning and broaden the scope of its disciplinary intake. Ultimately, though, strategic decisions are taken within an (at least partially) exogenous context, strategic actions are influenced by that context in which a firm is embedded (the nature of which is an important variable and of itself), and performance outcomes are partly determined by the same context. National culture is a major part of the national and international context of business and strategy - and should be brought into more aspects of international strategy as a matter of priority.
Finally, two important caveats: First, as noted, our focus here was on the role of national culture. In no way does this discount the impact of culture at the corporate, industry, occupation, and group level. Indeed, one of the main challenges for the strategy researcher is to study how those various levels intersect, as Weber et al. (1996) have done for national and corporate culture, and how the interaction affects strategy formulation, implementation, and performance. Nor should we neglect individual variations in values and beliefs, and their potential impact on strategic decision making, especially among members of the Top Management Team. This will not only protect against an ecological fallacy, but will also contribute to the understanding of how strategy evolves and is applied.

Second, while culture is a potent force, one should never consider it as a residual variable, that is, as a power that explains just about any observable variation in operation and performance. Not only is culture one of multiple forces exerting influence on strategy, but its impact may be correlated with or mediated by other forces. Whereas in the view of institutional economics culture, as an informal institution, is separate from formal institutions, from a sociological perspective a major route by which culture exerts its impact is by shaping formal institutions. Similarly, culture is not divorced from economic realities, for instance, economic volatility may be more unsettling under high UA, leading to a different repertoire of strategic responses.

The caveats above should not be viewed as discouraging strategy researchers from undertaking research on culture. Quite the opposite. However they do remind us yet again how important it is to do it right, conceptually, theoretically, and methodologically. If we do, not only will we end up with a deeper and more rigorous understanding of the role of culture, but the strategy field as a whole will benefit.
REFERENCES


### TABLE 1.

**Topics, cultural measures, cultural distance, methods, results of the empirical articles**

<table>
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<tr>
<th>Authors</th>
<th>Jnl/Yr</th>
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<th>Host</th>
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<th>Cultural Distance**</th>
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<td>UA</td>
<td>KSI</td>
<td>OLS</td>
<td>UA, KSI sig.</td>
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<tr>
<td>Shane</td>
<td>SMJ/94</td>
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<td>Multi</td>
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<td>KSI (cv)</td>
<td>OLS</td>
<td>PD sig.</td>
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<td>Erramilli</td>
<td>JIBS/96</td>
<td>USA/Eur</td>
<td>Home PD/UA</td>
<td>KSI (cv)</td>
<td>OLS</td>
<td>PD, UA sig.</td>
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<td>Japan</td>
<td>Multi</td>
<td>----</td>
<td>KSI (cv)</td>
<td>Logit</td>
<td>Sig. for JV only</td>
</tr>
<tr>
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<td>SMJ/00</td>
<td>Japan</td>
<td>Multi</td>
<td>----</td>
<td>KSI</td>
<td>OLS</td>
<td>n.s.</td>
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<td>Region</td>
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<td>Model</td>
<td>Significance</td>
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<tr>
<td>Chang, Rosenzweig</td>
<td>SMJ/01</td>
<td>Japan/Eur</td>
<td>USA</td>
<td>R&amp;S</td>
<td>KSI</td>
<td>OLS</td>
<td>Both sig.</td>
</tr>
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<td>Brouthers, Brouthers</td>
<td>JIBS/01</td>
<td>USA/W.Eur</td>
<td>E. Eur</td>
<td>----</td>
<td>KSI; UA/PD/IC/MF</td>
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<td>Sig.</td>
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<td>IR sig.</td>
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<td>KSI (cv)</td>
<td>Logit</td>
<td>UA/PD/IC/MF sig.</td>
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<td>Multi</td>
<td>----</td>
<td>KSI</td>
<td>Logit</td>
<td>n.s.; Mod sig.</td>
</tr>
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<td>Handley, Angst</td>
<td>SMJ/15</td>
<td>USA</td>
<td>Multi</td>
<td>IC/UA (mv)</td>
<td>----</td>
<td>2SLS</td>
<td>Mod sig.</td>
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<td>Weber, Hsee</td>
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<td>USA</td>
<td>Multi</td>
<td>UA/PD/IC/MF</td>
<td>----</td>
<td>Diff Means</td>
<td>Sig.</td>
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<td>Lubatkin, Calori, Very, Viega</td>
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<td>UK/France</td>
<td>France/UK</td>
<td>UA/PD/IC</td>
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<td>MANCOVA</td>
<td>Sig.</td>
</tr>
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<td>Stahl, Voigt</td>
<td>OS/08</td>
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<td>Multi</td>
<td>UA/PD/IC/MF</td>
<td>KSI</td>
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<td>Sig.</td>
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<td>Finland</td>
<td>Multi</td>
<td>----</td>
<td>GLOBE (cv)</td>
<td>HLR</td>
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<td>Huang, Zhu, Brass</td>
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<td>Multi</td>
<td>Multi</td>
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<td>PD; KSI (cv)</td>
<td>OLS</td>
<td>PD sig.; KSI n.s.</td>
</tr>
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<td>CA sig.</td>
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<td>PD, UA</td>
<td>OLS</td>
<td>UA sig.; PD n.s.</td>
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<td>AMJ/81</td>
<td>USA</td>
<td>Japan</td>
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<td>Inferred</td>
<td>Experiment</td>
<td>Sig.</td>
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<td>Luo</td>
<td>ASQ/01</td>
<td>China</td>
<td>Multi</td>
<td>UA/PD/IC/MF/LO</td>
<td>KSI</td>
<td>SEM</td>
<td>Sig.</td>
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<td>Giannetti, Yafeh</td>
<td>MS/12</td>
<td>Multi</td>
<td>Multi</td>
<td>WVS, Traditional</td>
<td>----</td>
<td>OLS</td>
<td>Sig.</td>
</tr>
<tr>
<td>Choi, Contractor</td>
<td>JIBS/16</td>
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<td>Multi</td>
<td>----</td>
<td>PD, LO</td>
<td>OLS</td>
<td>PD sig.; LO part</td>
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<tr>
<td><strong>Strategic Decisions &amp; Choice</strong></td>
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<td>Sig.</td>
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<td>SMJ/97</td>
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<td>Multi</td>
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<td>----</td>
<td>OLS</td>
<td>PD/UA/IC/LO sig.</td>
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<td>Tan, Wei, Watson, et al.</td>
<td>MS/98</td>
<td>USA, Sing</td>
<td>Multi</td>
<td>IC (mv)</td>
<td>----</td>
<td>ANOVA</td>
<td>Sig.</td>
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<td>Steensma, Marino, Weaver, Dickson</td>
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<td>UA, MF, IC</td>
<td>----</td>
<td>HLR</td>
<td>MF, IC sig.; UA sig.</td>
</tr>
<tr>
<td><strong>Outsourcing</strong></td>
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<tr>
<td>Kalaignmentam, Kushwaha, Steenkamp, Tuli</td>
<td>MS/13</td>
<td>USA</td>
<td>Multi</td>
<td>UA/PD/IC/MF</td>
<td>KSI</td>
<td>OLS</td>
<td>Sig</td>
</tr>
<tr>
<td>Mol, Brewster</td>
<td>GSJ/14</td>
<td>Multi</td>
<td>Dutch</td>
<td>----</td>
<td>KSI (Hof &amp; GLOBE)</td>
<td>GLM</td>
<td>Hof sig.; GLOBE n.s.</td>
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<tr>
<td>Authors</td>
<td>Journal/Year</td>
<td>Location</td>
<td>Methodology</td>
<td>Measures</td>
<td>Index</td>
<td>Test</td>
<td>Significance</td>
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<tr>
<td>--------------------------------------------</td>
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<td>-------------</td>
<td>----------</td>
<td>-------</td>
<td>------</td>
<td>--------------</td>
</tr>
<tr>
<td>Choi, Ju, Kotabe, et al.</td>
<td>GSJ/18</td>
<td>USA</td>
<td>Multi</td>
<td>----</td>
<td>KSI (Hof 6)</td>
<td>OLS/Event</td>
<td>Sig.</td>
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<tr>
<td>Benito, Gripsrud</td>
<td>JIBS/92</td>
<td>Norway</td>
<td>Multi</td>
<td>----</td>
<td>KSI</td>
<td>OLS</td>
<td>n.s.</td>
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<tr>
<td>Brown, Yasar, Rasheed</td>
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<td>UA, IC</td>
<td>----</td>
<td>OLS</td>
<td>Both sig.</td>
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<td>Pesch, Bouncken</td>
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<td>Germany</td>
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<td>----</td>
<td>KSI</td>
<td>MLR</td>
<td>n.s.</td>
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<tr>
<td>Shane, Venkataraman, MacMillan</td>
<td>JOM/95</td>
<td>Multi</td>
<td>Multi</td>
<td>UA, PD, IC</td>
<td>OLS</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Mitchell, Smith, Seawright, Morse</td>
<td>AMJ/00</td>
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<td>Multi</td>
<td>PD, IC</td>
<td>MANOVA</td>
<td>Part; Mod sig.</td>
<td></td>
</tr>
<tr>
<td>Chua, Roth, Lemoine</td>
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<td>Multi</td>
<td>Multi</td>
<td>UA, PD, IC, MF</td>
<td>KSI</td>
<td>Probit</td>
<td>Sig</td>
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<tr>
<td>Boyacigiller</td>
<td>JIBS/90</td>
<td>USA</td>
<td>Multi</td>
<td>----</td>
<td>Survey CD</td>
<td>OLS</td>
<td>Sig.</td>
</tr>
<tr>
<td>Brock, Shenkar, Shoham, et al.</td>
<td>JIBS/08</td>
<td>Multi</td>
<td>Multi</td>
<td>GLOBE PD, UA, Ind, Assert</td>
<td>Diff in PD, UA, Ind, Assert</td>
<td>Logit</td>
<td>PD sig., Assert sig.</td>
</tr>
<tr>
<td>Shin, Hasse, Schotter</td>
<td>AMJ/17</td>
<td>Japan</td>
<td>Multi</td>
<td>Gelfand</td>
<td>KSI</td>
<td>GLM</td>
<td>Sig.</td>
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<tr>
<td>Holmes, Miller, Hitt, Salmador</td>
<td>JOM/13</td>
<td>Multi</td>
<td>GLOBE IC, LO</td>
<td>----</td>
<td>OLS</td>
<td>n.s.</td>
<td></td>
</tr>
</tbody>
</table>

Notes: Hof: Hofstede, PD - Power Distance, UA - Uncertainty Avoidance, IC - Individualism-Collectivism, MF – Masculinity -Femininity, LT - Long Term (v. Short term)
KSI: Kogut & Singh Index, R&S: Ronen & Shenkar Clusters, GLOBE: Global Leadership & Organizational Behavior Effectiveness Index.
**TABLE 2.**

Dimension of cultural distance deployed by decade

<table>
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<tr>
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<tbody>
<tr>
<td>Number of dimensions</td>
<td>4.456</td>
<td>7.5</td>
<td>3.944</td>
<td>4.867</td>
<td>4.318</td>
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<tr>
<td>Power distance</td>
<td>45 (78.95%)</td>
<td>1 (50%)</td>
<td>18 (100.00%)</td>
<td>12 (80.00%)</td>
<td>14 (63.64%)</td>
</tr>
<tr>
<td>Individualism/collectivism</td>
<td>46 (80.70%)</td>
<td>1 (50%)</td>
<td>17 (94.44%)</td>
<td>12 (80.00%)</td>
<td>16 (72.73%)</td>
</tr>
<tr>
<td>Masculinity/femininity</td>
<td>41 (71.93%)</td>
<td>1 (50%)</td>
<td>16 (88.89%)</td>
<td>11 (73.33%)</td>
<td>13 (59.09%)</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>47 (82.46%)</td>
<td>1 (50%)</td>
<td>17 (94.44%)</td>
<td>12 (80.00%)</td>
<td>17 (77.27%)</td>
</tr>
<tr>
<td>Long-term orientation</td>
<td>11 (19.30%)</td>
<td>0 (0)</td>
<td>3 (16.67%)</td>
<td>3 (20.00%)</td>
<td>5 (22.73%)</td>
</tr>
</tbody>
</table>

Note: The numbers represent the times being used and the numbers in brackets represents the percentage out of 57 empirical articles.

Table 2 does not include “indulgence versus restraint” in the calculation due to the fact that indulgence is too new an addition to consider here. This dimension was used once among the 57 empirical articles.

Many studies used survey data and the number of cultural dimensions varies significantly across the studies. As a result, the number of cultural dimensions deployed in these articles ranges from one to eleven. For example, in the 1980s, the average number of dimensions of cultural distance was 7, largely due to the various culture measures adopted by the surveys. That number has stabilized at four in the most recent three decades. This is due to the increasing use of Kogut and Singh’s equation that originally combined just four cultural dimensions.
### TABLE 3.

**Empirical contexts employed in empirical articles**

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<td>USA</td>
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<td>5</td>
<td>2</td>
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<td>Japan</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Netherlands</td>
<td>0</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
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</tbody>
</table>

Notes: Given that some of 57 articles indicate “global” or “multiple” as empirical contexts (see Table 4), we only count those empirical articles (i.e., 32 articles) that explicitly state specific countries/markets in their empirical context.