

Dysfunction from Focusing on Overseas Business

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Abstract—For this study, a questionnaire survey was administered to 824 people who had been posted overseas for at least one year (657 of whom had been involved in a business for the overseas market) in order to explore the factors behind the success of an overseas business. The results made clear, on one hand, that if Japanese companies focus on an overseas business, by, for example, defining the objectives and roles of the business, investing in market research, and posting core personnel abroad, they reach desirable outcomes, but, on the other hand, those outcomes are adversely affected when companies define the objectives and roles prior to conducting market research. A focus on overseas business increases personnel's organizational identification with his or her headquarters and with the overseas business unit. However, dysfunction occurs when personnel feel high organizational identification with the overseas business unit, and that they are not expected to show customer-oriented behavior. According to our additional analyses, this dysfunction of organizational identification emerges when one perceives a weak identity of one's organization.

Keywords: *international marketing strategy; overseas business; market research; organizational identification; organizational identity; human resource management; quantitative study*

I. LOCATION OF THE ISSUES

Today, success in the overseas market is a vital management concern for many multinational corporations. International business literature has developed through a focus on desirable aspects of business practices, such as smooth information flows nurturing trust between headquarters and local subsidiaries (Sasaki, Yamashita, Uehara, Fukutomi, & Fukuchi 2014). In order to investigate the factors behind the success of overseas businesses, the most orthodox argument involves whether to proceed with the adaptation or standardization of products and services (Bartlett & Ghoshal 1989; Ghoshal & Bartlett 1990; Sheth 2011). Earlier arguments specified conditions whereby desirable adaptation or standardization can be achieved. Naturally, responsiveness to the characteristics of the local market is necessary, and the pursuit of efficiency through standardization on a global scale cannot be ignored either. Adaptation and standardization are not always at odds, and their simultaneous pursuit has value; it may be ideal to aim at standardization as far as possible while also targeting effective adaptation to the situation. In other words, it is difficult to imagine that success in the overseas market is determined by the choice of solely pursuing either adaptation or standardization. Furthermore, the issue of creating local demand for standardized products and services can be related to both adaptation and standardization.

This orthodox argument also focuses on the organizational control of overseas business units. According to Jaworski & MacInnis (1989), discussion of management control requires two supplemental examinations: of organizational and individual control (Ramaswami 1996; Schwepker & Good 2004). The current study focuses on individual personnel in charge of the very important mission of standardization or adaptation.

As for other management indicators, the probability of success will likely rise with an increase in investment in the overseas business. If there is a mechanism to obtain information useful for decision making, local market outcomes will probably improve as well. However, even if we verify that improvement in specific management indicators leads to better outcomes, it would not be possible to obtain valuable findings, because we can only show that desirable actions lead to desirable outcomes. Given that researchers create hypotheses seeking after desirable actions, companies, following their practical implications, are likely to institute a full set of desirable actions without considering unexpected relationships between them. Companies or researchers may not imagine that certain combinations of desirable actions turn out to be dysfunctional, hindering the success of overseas businesses.

Gupta & Govindarajan (2000) argued the importance of mutual trust between the head office and the overseas business organization as well as of the delegation of authority to avoid excessive conflict between the intentions of the headquarter, the demands of the local market for the people posted overseas, and managers responsible for the overseas business. There is room to explore the antecedents of desirable behavior, such as ways to obtain the trust of the headquarter, to create knowledge that will be useful for decision making, and to transfer that knowledge.

For us, therefore, the most important research issue was exploring the universal factors that affect the success of an overseas business. We focused first on overseas businesses and conducted interviews, mainly among various manufacturers representative of Japan's multinational corporations. In addition, the subjects of these interviews included companies that have expanded into the overseas market, including the distribution and financial industries as well as industry groups. Table 1 lists the organizations and persons covered in the interviews. The following clues were obtained from these interviews. On the one hand, there were cases in which an overseas business was entrusted to a particular person and team, but those people were unable to receive the support of the home country. On the other hand, there are cases in which a marketing investment is several times lower than that of

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TABLE I. INTERVIEWEE LIST

#	Year	M	D	Industry	Classification	Informant
1	2011	2	22	Manufacturer	Food	Company A
2		2	23	Manufacturer	Food	Company B
3		3	8	Manufacturer	Food	Company C
4		4	22	Manufacturer	Food	Company D
5		5	9	Manufacturer	Food	Company E
6		5	13	Manufacturer	Food	Company F
7		10	27	Manufacturer	Food	Company A
8		10	27	Other	Surveys	Ms. b
9		10	27	Other	Government	Mr. c
10		11	17	Services	Financial	Bank K
11		11	18	Services	Surveys	Ms. b
12		12	7	Services	Financial	Bank K
13	2012	3	16	Services	Financial	Bank K
14		3	30	Manufacturer	Machinery	Company L
15		4	2	Manufacturer	Food	Company G
16		4	9	Manufacturer	Food	Company A
17		4	9	Distribution		Company W
18		4	10	Manufacturer	Food	Company D
19		4	12	Distribution		Company X
20		4	13	Manufacturer	Home Appliances	Company Q
21		4	13	Other	Publishing	Company a
22		4	13	Services	Financial	Bank K
23		4	18	Manufacturer	Food	Company E
24		5	9	Manufacturer	Housing/Real Estate	Company U
25		5	9	Manufacturer	Home Appliances	Company R
26		5	18	Manufacturer	Clothing	Company W
27		5	30	Manufacturer	Home Appliances	Company S
28		6	7	Manufacturer	Machinery	Company M
29		6	7	Manufacturer	Machinery	Company N
30		6	11	Manufacturer	Home Appliances	Company T
31		6	13	Other	Industry Group	Mr. d
32		6	27	Manufacturer	Toiletries	Company V
33		6	27	Distribution		Company Y
34		6	29	Other	Industry Group	Mr. e
35		7	18	Other	Surveys	Mr. f
36		9	25	Manufacturer	Food	Company H
37		9	27	Distribution	Retail	Company Z
38		12	19	Manufacturer	Machinery	Company O
39		12	20	Manufacturer	Toiletries	Company V
40	2013	1	23	Manufacturer	Toiletries	Company V
41		1	24	Manufacturer	Machinery	Company O
42		2	4	Manufacturer	Toiletries	Company V
43		2	4	Manufacturer	Toiletries	Company V
44		2	4	Manufacturer	Machinery	Company O
45		2	4	Manufacturer	Toiletries	Company V
46		3	12	Manufacturer	Food	Company I
47	2014	5	2	Other	Audit Corporation	Ms. g
48		7	15	Manufacturer	Food	Company J
49		7	28	Manufacturer	Food	Company A
50		8	21	Manufacturer	Food	Company J
51	2015	5	9	Manufacturer	Toiletries	Company V
52		7	22	Other	Researcher	Mr. h
53		9	24	Manufacturer	Machinery	Company P

overseas business cannot be justified; in other words, it is uncertain whether investing in an overseas business is directly connected to outcomes.

Based on these issues and findings from the interviews, we conducted a questionnaire survey, with the overseas businesses of Japanese companies as the units of analysis. From among the companies that cooperated in the interviews, the subjects of the questionnaire survey were companies that were aware of the above issues as well as those that, based on feedback regarding companies that cooperated with the research of Yamashita, Fukutomi, Uehara, Fukuchi, & Sasaki (2012), continued to cooperate with the survey. Questionnaires were distributed through an introducing party in each company and collected by post. The respondents were residents of Japan, and as it was a signature survey, they signed the name of their company. The survey period was from March to December 2012, and 90 questionnaires were collected. Hereafter, we refer to this as the 2012 survey.

TABLE II. RESULTS OF CORRELATION ANALYSIS IN THE 2012 SURVEY (N=90 BUSINESS UNITS)

		Many core personnel have the experience of being posted overseas	
(1)	Annual sales	.512	**
(2)	Developing excellent personnel through overseas experience	.325	*
(3)	Ratio of customers who are Japanese people	-.196	*
(4)	Building relationships with local influential people, such as for being allowed to conduct sales promotion activities locally	.195	**
(5)	Building mechanisms to receive various types of information from the government and the region	.274	**
(6)	Creating a network of contacts, such as by participating in parties or golf days held by the Japan External Trade Organization, Japanese Chamber of Commerce, Japanese Consulate, etc.	.229	**
(7)	Cooperating with government organizations such as the Ministry of Foreign Affairs to encourage deregulation of local markets	.328	**
(8)	Pursuing a balance between price and quality that is acceptable to locals, even if the quality is inferior to that which is sold in Japan	-.325	**
(9)	Maintaining a balance of price and quality, enabling differentiation with reference to the price and quality of competitors	-.227	**

Note (1) is for 10 levels: 1 = less than 10 million yen, 2 = 10–50 million yen, 3 = 50–100 million yen, 4 = 100–500 million yen, 5 = 500 million–1 billion yen, 6 = 1–5 billion yen, 7 = 5–10 billion yen, 8 = 10–50 billion yen, 9 = 50–100 billion yen, and 10 = more than 100 billion yen.

(3) is for 5 levels: 1 = Nearly all local people, 2 = Many local people, but with some Japanese people, 3 = About half local people and half Japanese people, 4 = Many Japanese people, but with some local people, and 5 = Nearly all Japanese people.

A seven-point Likert scale was used for all the other items.

** p<.01 * p<.05

Based on awareness of the first issue, we focused on the overseas posting of core personnel and investigated its relationship with various corporate behaviors. Table 2 presents the results of the correlation analysis between overseas posting of core personnel and other survey items. The results show that in businesses with many core personnel posted overseas, the

Western competitors. As reflected in the “Galápagos syndrome,” people who have accumulated experience in a Japanese market that has undergone unique development may not be able to effectively implement strategies in an overseas market. In particular, a business manager who has achieved remarkable success in an overseas business may have different values than a manager responsible for a domestic Japanese business. For example, the manager may rely only on him- or herself and the team, be an occasional heavy drinker, and be full of energy at times. The names of individual managers transcended the boundaries of their companies and their success stories were cited repeatedly. These successful people individually built a network of human relations for the overseas business.

The interviews identified the following issues: First, success in an overseas business may not necessarily derive from utilizing the business and marketing experience acquired within Japan. Second, companies’ hesitation to invest in an

building of an active network with industry groups, the Ministry of Foreign Affairs, and local government officials is found to have progressed; additionally, the local market for sales is frequently developed and deepened (i.e., the ratio of Japanese customers is low). However, as the reverse of this, there are situations in which it is not possible to introduce products and services adapted to the local market, even when the quality requirement is not as high as in Japan, and differentiation with reference to the prices and quality of competitors' products and services cannot be realized. At first glance, the overseas posting of core personnel seems to be a desirable behavior, but it is not always associated with desirable outcomes, for example, if we assume that products of excessive quality are introduced into overseas markets. The possibility of this type of dysfunction is not limited to Japanese companies.

Through qualitative research, Cayla & Penalzoa (2012) discussed the mistakes committed by an Australian company when advancing into India in relation to organizational identity. Managers for the Indian market were not able to introduce products and services with quality and prices adapted to the Indian market, as the managers had held special value to their companies in the home country of Australia. This suggests that there is a concern that managers may universally fail in overseas markets, not because they have accumulated experience in "Galápagos" (Japan or their own home country) but because they are core personnel who have special value in the head office.

However, this formulation has a major problem as there is little quantitative research supporting it, whether from our 2012 survey or the study by Cayla & Penalzoa. In addition, even if the overseas posting of core personnel may have an adverse impact on business outcomes, it is hard to believe that there is a linear relationship between the two. That is, it is hard to believe that the less experienced the manager of an overseas business, the more that outcomes will improve. In other words, to answer the question of which type of adverse effects the posting of core personnel abroad will have on the results of overseas business, it is important to clarify the conditional clauses and secure a sufficient number of samples for quantitative analysis. A survey must be conducted on the awareness of the second issue relating to justifications for the marketing investment. At times, core personnel cannot be relied upon and are posted overseas without being given sufficient budget. We planned a survey of people currently abroad or who had been posted overseas.

II. RESEARCH DESIGN

A. *Relationship between organizational policies and desirable outcomes*

In order to provide an overview of the identified issues, we quantitatively clarify the types of dysfunctions created because of an organizational behavior that focuses on the placement and investment of human resources in an overseas business. We also explore the conditions under which these dysfunctions are created.

Therefore, in accordance with the 2012 survey, we prepared survey items relating to investment in an overseas business, starting with the overseas posting of core personnel. This investment does not pertain to the monetary amount of investment, such as for equipment installed in overseas production bases, but rather to the investment carried out in order to understand overseas competition and characteristics of the local market (market research). In addition, all 11 survey items were prepared in order to measure the degree to which the Japanese companies focused on their overseas businesses—whether, for example, the mission of the overseas business had been determined (Rizzo, House, & Lirtzman 1970; Noble 2008). If we were to categorize the survey items, we could say that they addressed issues that related to posting personnel overseas and their training, defining the mission, and investing in overseas market research. Defining the mission and conducting overseas market research were expected to be the preceding variables of the trust between the head office and the overseas business organization as well as the transfer of knowledge (Gupta & Govindarajan 2000; Hewett & Bearden 2001). Further, focusing on market research activities is an important role of marketing as a functional department. In our analysis procedure, from among these survey items, we searched for items for which relationships with desirable outcomes or dysfunction were suggested.

B. *Organizational policies and the logic of individuals*

Next, we used the concept of organizational identification (OID) proposed by Mael & Ashforth (1992) to measure the strength of feelings of individuals posted overseas. OID is a concept to ascertain whether or not individuals have a feeling of oneness with the organization to which they belong. The individual's commitment stems from this feeling of oneness, and it is a behavioral result based on social and economic exchanges between individuals and organizations (Meyer, Becker, & van Dick 2006). Homburg, Wieseke, & Hoyer (2009) also used OID as a precursor to customer orientation and the subsequent desirable financial outcomes.

Thus, we consider the following analytical framework: the more that Japanese companies focus on their overseas business, the stronger the feelings that individuals posted overseas have toward the organization; these feelings lead to desirable behavioral outcomes, such as sufficiently caring for customers. In other words, a high level of OID is achieved when their organization increases its degree of focus on overseas business, and OID brings forth desirable outcomes from individuals. Naturally, individuals posted overseas will have feelings toward the head office of the organization in Japan, and simultaneously, they are likely to have feelings toward the overseas business organization of the local overseas company and overseas branch office (Whetten 2006). Black, Gregersen, & Mendenhall (1992) indicated that it was important to have policies that generate feelings among individuals for both the headquarters and the overseas business organization; further, Smale, Bjorkman, Ehrnrooth, Makela, & Smelius (2015) raised the issue that it is necessary to clarify the kinds of outcomes to which this dual identification relates. Based on prior research, we measured the level of feelings of individuals posted

overseas toward the head office and the overseas business organization using OID scales.

For identifying what constitutes desirable outcomes, we used indicators of outcomes based on Homburg & Jensen (2007) and Moorman & Rust (1999) for marketing outcomes, we determined whether the company achieved measures adapted to the local market and the competition, and for business outcomes, we utilized subjective outcome indicators. The measurements of the marketing outcomes used the same expressions as those used in the 2012 survey.

C. Overview of the survey

The survey of people posted overseas was conducted by Macromill, Inc. with Internet monitors, from February 4 to February 13, 2015. We searched for people who were posted overseas for a period of at least one year during their employment with a Japanese company or those with such experience previously. Here, we left it up to the respondents to answer whether they were employed by a Japanese company based on the general image of the company in question among the public rather than by investigating the ratio of foreigners among its shareholders. We wanted to set the issue as the development and provision of products and services for local markets; therefore, respondents who worked in the real estate or shipping industries or as civil servants were excluded, and 824 responses were obtained. Respondents who gave the same answer to all survey items were excluded. In order to exclude respondents who were involved in work unconnected to the local market, such as transfer of a production base abroad, the respondents were asked to provide the ratio of their Japanese customers, as shown in Table 3. In this way, responses were obtained from 657 people whose work was connected to the local market, and we conducted the analysis in this study on this sample of 657 respondents.

This sample included individuals who worked not only in manufacturing companies but also in organizations in the distribution and services industries. Information on the work

TABLE III. PROPORTION OF JAPANESE CUSTOMERS (N=824 PEOPLE)

	Frequency
Practically all local people and local companies	182
Many local people and local companies, but including some Japanese people and Japanese companies	204
For the local market	
About half and half	108
Many Japanese people and Japanese companies, but including some local people and local companies	99
Practically all Japanese people and Japanese companies	64
Subtotal	657
Exports from overseas to Japan for the Japanese market	72
For the intraorganizational transactions	95
Total	824

responsibilities of the individual respondents is provided in Table 4.

TABLE IV. RESPONDENT PROFILES (N=824 PEOPLE)

	Frequency	Of which, for the local market
Production	182	146
R&D	125	104
Sales	84	67
Manufacturers		
Marketing	27	23
Human Resources	23	15
Corporate Plannin	50	45
Subtotal	491	400
R&D	45	35
Sales	99	77
Distribution/ Services		
Marketing	35	27
Human Resources	29	21
Corporate Plannin	40	28
Subtotal	248	188
Others	85	69
Total	824	657

III. RESULTS

A. Relationship between organizational policies and desirable outcomes

To ascertain the relationship between the Japanese companies' degree of focus on their overseas businesses and the outcomes, we conducted an analysis focusing on these companies' organizational behaviors. Table 5 shows specific information on all 11 survey items on the degree of focus on the overseas business, descriptive statistics, and a correlation matrix. Refer to the same table for items measuring the marketing outcome; differentiation with reference to the balance between price, quality, and competition; and the business outcome indicators.

Table 5 shows a positive correlation between all the items measuring the degree of focus of Japanese companies and the business outcomes. We find that the measures originally expected to result in desirable outcomes were correlated to desirable outcomes; as expressed in terms of the issues identified in this study, they do not suggest that greater focus on the overseas business results in dysfunction.

Next, we used the 11 items for measuring the degree of focus and carried out an exploratory factor analysis, identifying two factors. Refer to Table 5 for the results of the factor analysis by the most likelihood method. The first factor had a positive correlation with all 11 items, and it expressed the Japanese companies' degree of focus on the overseas businesses. However, the second factor was positively correlated to the definitions of objectives and roles but negatively correlated to the deployment of excellent personnel and investment in market research for the overseas market. If the mission of the overseas business—business objectives and the roles of the people posted overseas—is defined without first investing in market research, the score of the second factor increases. Therefore, the second factor was named “mission without market research.” In order to investigate the

TABLE V. JAPANESE COMPANIES' DEGREE OF FOCUS ON OVERSEAS BUSINESS AND OUTCOMES: DESCRIPTIVE STATISTICS, RESULTS OF EXPLORATORY FACTOR ANALYSIS, AND CORRELATION MATRIX (N=657 PEOPLE)

Category	Scale Items	Descriptive Statistics		Results of exploratory Factor Analysis (Degree of Focus, 11 items)		Correlation Matrix																				
		Mean	SD	1st Factor	2nd Factor	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)			
Degree of Focus on Overseas Business	(1) Many core personnel have experience of an overseas business.	4.41	1.59	.564	.109	1																				
	(2) Personnel posted overseas have a wealth of experience within Japan.	4.35	1.47	.641	.150	.493**	1																			
	(3) Foreigners employed locally have a lot of authority regarding the planning of products and services.	3.96	1.48	.584	.131	.443**	.472**	1																		
	(4) A program has been established to train the personnel who will take charge of the overseas market and supervise the overseas business.	3.97	1.54	.688	-.020	.543**	.536**	.547**	1																	
	(5) Management in the Japanese head office shows interest in where you have been posted overseas and provides specific economic support.	4.45	1.43	.744	.218	.406**	.513**	.497**	.560**	1																
	(6) The business at which you have been posted overseas has realistic and clear objectives.	4.81	1.47	.750	.441	.399**	.535**	.456**	.445**	.647**	1															
	(7) The content of your work and roles where you have been posted overseas have been made clear.	4.93	1.44	.675	.449	.401**	.438**	.403**	.402**	.574**	.754**	1														
	(8) Excellent personnel are allocated to conduct market research and analysis of the overseas market.	4.41	1.32	.720	-.432	.371**	.406**	.351**	.491**	.439**	.344**	.299**	1													
	(9) Results of the market research and analysis of the overseas market for the local market to which you have been posted seem realistic.	4.44	1.25	.761	-.314	.334**	.420**	.386**	.497**	.483**	.450**	.392**	.705**	1												
	(10) The head office actively invests in market research and analysis of the overseas market.	4.38	1.30	.726	-.372	.353**	.362**	.368**	.509**	.454**	.389**	.334**	.674**	.665**	1											
	(11) The rules of thumb cultivated in the domestic market (as a company) are also utilized for the overseas business.	4.55	1.29	.693	-.263	.302**	.392**	.297**	.438**	.439**	.442**	.357**	.598**	.623**	.647**	1										
Marketing Outcomes	(12) Price and Quality Balance A balance between price and quality acceptable to locals is pursued, even if the quality is inferior to that of products sold in Japan.	4.31	1.35			.247**	.181**	.235**	.199**	.186**	.140**	.133**	.340**	.301**	.279**	.231**	1									
	(13) Differentiation Referring Competitors Prices and quality enabling differentiation is maintained, with reference to the prices and quality of competitors.	4.63	1.21			.316**	.326**	.276**	.347**	.397**	.355**	.302**	.433**	.453**	.482**	.473**	.505**	1								
Business Outcomes (n=911)	(14) Market Share	4.40	1.20			.313**	.293**	.345**	.375**	.384**	.331**	.310**	.483**	.460**	.524**	.398**	.294**	.400**	1							
	(15) Acquiring New Customers	4.38	1.21			.286**	.306**	.333**	.381**	.400**	.350**	.327**	.477**	.485**	.551**	.443**	.256**	.407**	.771**	1						
	(16) Maintaining Existing Customers	4.60	1.21			.269**	.314**	.298**	.341**	.361**	.393**	.353**	.427**	.460**	.518**	.436**	.224**	.436**	.655**	.712**	1					
	(17) Profitability	4.22	1.22			.308**	.365**	.346**	.455**	.392**	.341**	.288**	.525**	.521**	.573**	.407**	.271**	.391**	.675**	.667**	.650**	1				
	(18) Customer Satisfaction	4.49	1.17			.272**	.316**	.351**	.407**	.388**	.407**	.339**	.488**	.506**	.537**	.461**	.211**	.401**	.638**	.644**	.690**	.630**	1			

A seven-point Likert scale was used for all items
 ** p<.01 The significant level of the correlation coefficient (two-sided test) was less than 1%.
 The following question was used to ask about the outcome indicators at the start of the survey: "Compared to your major competitors in the local market (not only Japanese companies), to what extent can you evaluate each of them?"
 In the results of the exploratory factor analysis, the contribution ratios were 0.47 for the first factor and 0.09 for the second factor and KMO was .908.

relationships between the scores of these two factors and the outcomes, we carried out a regression analysis, the results of which are shown in Table 6. To determine if there was bias from the inclusion of respondents who normally had few opportunities to meet customers, we added opportunities for respondents to meet customers as an explanatory variable (Likert 7 point scale, mean = 4.32, SD = 1.40, N = 657 people). The coefficient of determination was significantly improved in the regression analysis with the balance between price and quality as the dependent variable. As the maximum variance inflation factor (VIF) was 1.01, there were no problems with multicollinearity in these analyses (Burns & Bush 2000).

From the results of the regression analysis, we understand that focus on the overseas business has desirable effects on the

TABLE VI. JAPANESE COMPANIES' DEGREE OF FOCUS ON OVERSEAS BUSINESSES AND OUTCOMES: RESULTS OF REGRESSION ANALYSIS (N=657 PEOPLE)

(Upper level) Opportunities for respondents to meet customers not added			
Independent Variables	Dependent Variables		Business Outcomes (5 item average value)
	Price and Quality Balance	Differentiation Referring Competitors	
1st factor Degree of Focus	.309 ***	.535 ***	.653 ***
2nd factor Mission without MR	-.162 ***	-.126 ***	-.179 ***
adjusted R ²	.119	.299	.457
(Lower level) Opportunity for respondents to meet customers added			
Independent Variables	Dependent Variables		Business Outcomes (5 item average value)
	Price and Quality Balance	Differentiation Referring Competitors	
1st factor Degree of Focus	.314 ***	.534 ***	.651 ***
2nd factor Mission without MR	-.148 ***	-.127 ***	-.184 ***
Opportunity to Meet Customers	-.128 ***	.009	.045
adjusted R ²	.134	.298	.458
ΔR ²	.015 ***	-.001	.001

Note *** p<.01
 All coefficients are standardized.

TABLE VII. JAPANESE COMPANIES' DEGREE OF FOCUS ON OVERSEAS BUSINESS AND OUTCOMES: RESULTS OF STRUCTURAL EQUATION MODELING (N=657 PEOPLE)

1st factor Degree of Focus	?	Price and Quality Balance	.314 ***
2nd factor Mission without MR	?	Price and Quality Balance	-.148 ***
1st factor Degree of Focus	?	Differentiation Referring Competitors	.535 ***
2nd factor Mission without MR	?	Differentiation Referring Competitors	-.126 ***
Opportunity to Meet Customers	?	Price and Quality Balance	-.128 ***
Price and Quality Balance	?	Business Outcomes	.028
Differentiation Referring Competitors	?	Business Outcomes	.133 ***
1st factor Degree of Focus	?	Business Outcomes	.622 ***
2nd factor Mission without MR	?	Business Outcomes	-.180 ***
χ ²			174,242
d.f.			23
p			.000
CFI			.950
GFI			.953
AGFI			.899
RMSEA			.100
Total Effects			
1st factor Degree of Focus	?	Business Outcomes	.702
2nd factor Mission without MR	?	Business Outcomes	-.201

Note *** p<.01
 All coefficients are standardized.

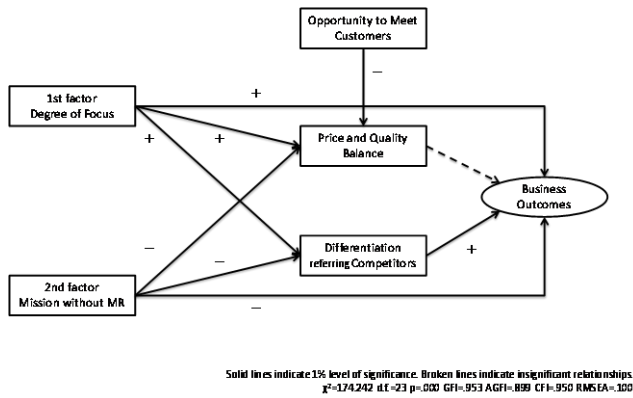


Figure 1. Japanese Companies' Degree of Focus on Overseas Business and Outcomes: Results of Structural Equation Modeling (N=657 People)

outcomes as a whole; however, the factor of mission without market research, in which the objectives and roles are defined in advance and market research is neglected, has a negative effect on the outcomes. Finally, for analyzing the relationship between organizational behaviors and the outcomes, the relationships between all the survey items were clarified using structural equation modeling. The results of this analysis are shown in Table 7 and Figure 1. These results also showed that the second factor, mission without market research, has a negative effect. In contrast to the 2012 survey, the degree of focus on the overseas business was observed to have a positive effect on the balance between price and quality. However, it is understood that this survey item is unrelated to business outcomes.

In conclusion, using the 11 survey items, we measured the Japanese companies' degree of focus on their overseas businesses, including definition of objectives and roles, investment in market research, and the overseas posting of core personnel, and found that although all 11 items improved the outcomes for the overseas business, if the objectives and roles were defined in advance of market research—or in the case of a mission without market research—there was an adverse effect on the outcomes.

B. Organizational policies and the logic of individuals

In this section, we focus on the organizational policies of Japanese companies and the logic of individuals posted overseas, and clarify the relationship between the degree of focus on the overseas business and the level of OID and outcomes. Continuing from the previous section, we used two factors for the degree of focus of Japanese companies and the concept of OID to measure the strength of the feelings of individuals posted overseas. With regard to the desirable behavioral outcomes of individuals posted overseas, we referred to Bettencourt, Brown, & MacKenzie (2005) and Thomas, Soutar, & Ryan (2001), and used practice and behavioral principles based on customer orientation. The

business outcomes indicator was added to the analysis under certain assumptions, namely, that the organization is the unit of analysis for the two factors relating to the degree of focus, and that the individuals are the unit of analysis for the strength of feelings. Further, the organization is the unit of analysis for the business outcomes indicator. The reasoning that the organization's policies regulate the behavioral principles of individuals is reasonable, but the idea that the behavioral principles of specific individuals improve the financial or economic outcomes of an organization may be too optimistic. Therefore, we cannot add the business outcomes indicator to the analysis unless we assume that the organization's policies regulating the logic of individuals posted overseas are the same as those that regulate the behavioral principles of the people engaged in the overseas business.

TABLE VIII. ORGANIZATIONAL IDENTIFICATION AND CUSTOMER ORIENTATION OF PERSONNEL POSTED OVERSEAS: DESCRIPTIVE STATISTICS (N=657 PEOPLE)

Scale Items	Mean	SD	adopted from
OI - Organizational Identity			
The reason I prefer this parent company to others is because of its values, of what it stands for.	4.40	1.35	Gregersen and Black 1992
OID-HQ - Organizational Identification with the Headquarter			
(n=892) When someone criticizes the parent company, it feels like a personal insult.	4.27	1.36	
I am very interested in what others think about the parent company.	4.42	1.29	
When I talk about the parent company, I usually say 'we' rather than 'they'.	4.50	1.28	Mael and Ashforth 1992
Successes of the parent company are my successes.	4.39	1.27	
When someone praises the parent company, it feels like a personal compliment.	4.33	1.26	
If a story in the media criticized the parent company, I would feel embarrassed.	4.47	1.38	
OID-IBU - Organizational Identification with the Overseas Business Unit			
(n=859) When someone criticizes the international business unit that I am assigned to, it feels like a personal insult.	4.27	1.39	
I am very interested in what others think about the international business unit that I am assigned to.	4.43	1.31	
When I talk about the international business unit that I am assigned to, I usually say 'we' rather than 'they'.	4.70	1.31	Mael and Ashforth 1992
Successes of the international business unit that I am assigned to are my successes.	4.45	1.26	
When someone praises the international business unit that I am assigned to, it feels like a personal compliment.	4.23	1.27	
If a story in the media criticized the international business unit that I am assigned to, I would feel embarrassed.	4.29	1.43	
Customer Orientation			
(n=915) I provide an extreme care for our customers.	4.67	1.10	
I try to figure out a customer's needs.	4.85	1.15	
I have the customers' best interests in mind.	4.89	1.18	Bettencourt et al 2005; Thomas et al. 2001
I take a problem solving approach in selling products or services to customers.	4.73	1.13	
I try to find out which kinds of products or services would be most helpful to customers.	4.75	1.13	

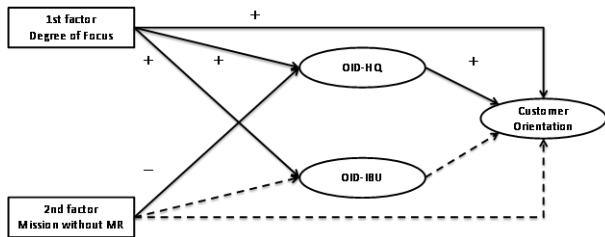
Note All items are measured by Likert 7-point scales.

Please refer to Table 8 which presents descriptive statistics on the individuals posted overseas, their OID with headquarters (OID-HQ) and with the overseas business unit (OID-IBU), and their customer orientation. Table 9 and Figure 2 use structural equation modeling to clarify the relationship between the two factors pertaining to the degree of focus and OID of the individuals posted overseas as well as customer orientation. In the structural equation modeling, we used OID and customer orientation as the latent variables.

TABLE IX. JAPANESE COMPANIES' DEGREE OF FOCUS ON OVERSEAS BUSINESS, ORGANIZATIONAL IDENTIFICATION, AND CUSTOMER ORIENTATION: RESULTS OF REGRESSION ANALYSIS (N=657 PEOPLE)

On Customer Orientation			On Business Outcomes				
1st factor	?	OID-HQ	.556 ***	1st factor	?	OID-HQ	.556 ***
Degree of Focus				Degree of Focus			
2nd factor	?	OID-HQ	-.078 **	2nd factor	?	OID-HQ	-.078 **
Mission without MR				Mission without MR			
1st factor	?	OID-IBU	.581 ***	1st factor	?	OID-IBU	.594 ***
Degree of Focus				Degree of Focus			
2nd factor	?	OID-IBU	-.021	2nd factor	?	OID-IBU	-.025
Mission without MR				Mission without MR			
OID-HQ	?	Customer Orientation	.191 **	OID-HQ	?	Customer Orientation	.189 *
OID-IBU	?	Customer Orientation	-.068	OID-IBU	?	Customer Orientation	-.041
1st factor	?	Customer Orientation	.482 ***	1st factor	?	Customer Orientation	.489 ***
Degree of Focus				Degree of Focus			
2nd factor	?	Customer Orientation	-.024	2nd factor	?	Customer Orientation	-.036
Mission without MR				Mission without MR			
				Customer Orientation	?	Business Outcomes	.150 ***
				OID-HQ	?	Business Outcomes	.316 ***
				OID-IBU	?	Business Outcomes	-.284 ***
				1st factor	?	Business Outcomes	.605 ***
				Degree of Focus			
				2nd factor	?	Business Outcomes	-.170 ***
				Mission without MR			
χ^2		779.204		χ^2		981.673	
d.f.		126		d.f.		217	
p		.000		p		.000	
CFI		.919		CFI		.929	
GFI		.896		GFI		.894	
AGFI		.843		AGFI		.854	
RMSEA		.089		RMSEA		.073	
Total Effects				Total Effects			
1st factor	?	Customer Orientation	.548	1st factor	?	Business Outcomes	.697
Degree of Focus				Degree of Focus			
2nd factor	?	Customer Orientation	-.038	2nd factor	?	Business Outcomes	-.195
Mission without MR				Mission without MR			
				OID-HQ	?	Business Outcomes	.345
				OID-IBU	?	Business Outcomes	-.290

*** p<.01
All coefficients are standardized.



Solid lines indicate .1% level of significance. Broken lines indicate insignificant relationships
 $\chi^2=779.204$ d.f.=126 p=.000 GFI=.896 AGFI=.843 CFI=.919 RMSEA=.089

Figure 2. Japanese Companies' Degree of Focus on Overseas Business, Organizational Identification, and Outcomes: Results of Structural Equation Modeling (N=657 People)

The results of this analysis show that the more an organization focuses on its overseas business, the higher the headquarters OID of the individuals posted overseas, which produces the desirable outcome of improved customer orientation. The factor of a mission without market research also acts negatively here. If the degree of focus is increased, the OID with the overseas business unit of the individuals posted abroad also grows stronger. However, high OID with the overseas business does not lead to customer orientation. Also, refer to Table 9, which refers to the relation with business outcomes. While on the one hand, high OID with the head office has a positive effect, on the other hand, high OID with the overseas business has a negative effect.

Why is it that high OID with the overseas business does not lead to a desirable outcome? In order to answer this question,

we conducted an analysis taking into consideration the strength of organizational identity. Cayla & Penalzoza (2012) expressed concern that a strong organizational identity causes divergence from the needs of the overseas market.

C. The logic of individuals and organizational identity

With regard to the identification of an individual posted overseas with the headquarters and with the overseas business, in addition to the strength of organizational identity that he or she perceives, we investigated the relationship with customer orientation and business outcomes. We used the scale of Gregersen & Black (1992) to assess the strength of the organizational identity felt by the respondents and conducted a regression analysis with customer orientation or business outcomes as the dependent variable and organizational identity as the independent variable. Each variable is the average value of multiple survey items (only organizational identity is considered as one item). The OID with headquarters and the overseas business and the organizational identity were centered to examine their interaction. The results of the regression analysis are shown in Table 10 and in Figures 3 and 4.

TABLE X. ORGANIZATIONAL IDENTIFICATION AND ORGANIZATIONAL IDENTITY: INTERACTION EFFECTS ON CUSTOMER ORIENTATION AND BUSINESS OUTCOMES (N=657 PEOPLE)

determinant variables	dependent = Customer Orientation (5 item average value)		determinant variables	dependent = Business Outcomes (5 item average value)	
	model 1	model 2		model 1	model 2
constant	4.777 ***	4.698 ***	constant	4.418 ***	4.384 ***
OI	.202 ***	.197 ***	OI	.430 ***	.411 ***
OID-HQ	.205 ***	.194 ***	OID-HQ	.261 ***	.229 ***
OID-IBU	.047	.098 *	OID-IBU	-.016	.042
OI x OID-HQ		-.049 *	OI x OID-HQ		-.144 ***
OI x OID-IBU		.042	OI x OID-IBU		.076 *
OID-HQ x OID-IBU		.098 ***	OID-HQ x OID-IBU		.077 ***
F	56.599 ***	33.882 ***	F	98.178 ***	53.453 ***
adjusted R ²	.203	.231	adjusted R ²	.308	.324
ΔR^2		.028 ***	ΔR^2		.016 ***

*** p<.01 ** p<.05 * p<.10
Coefficients are not standardized.

First, we confirm that the coefficients of determination significantly improve when the interaction terms are added to the analysis. Next, we considered the effects of each independent variable. The interaction term for strength of organizational identity and level of OID with the head office has a negative effect on customer orientation. However, its effect is small compared to the desirable effects of each main factor, namely, organizational identity and OID with headquarters. Figure 3 shows that high OID with the overseas business has a desirable effect in the event that the individual finds value in the headquarters and his or her OID with the head office is high (see the first and second graphs). On the other hand, when an individual posted overseas does not show high levels of OID with the headquarters, even if he or she shows a high OID with the overseas business, it does not bring about desirable behavioral outcomes with regard to customers (see the dotted line on the bottom).

As in the previous section, only a limited interpretation of the relationship between the logic of individuals and business outcomes is possible; however, the results indicate that if organizational identity or the OID with the head office is weak,

when the individual posted overseas has strong feelings toward the local business, outcomes will be adversely affected (Figure 4).

IV. CONCLUSION AND DISCUSSION

A. Factors contributing to the success of overseas business

In this paper, we analyzed the degree of focus of Japanese companies on their overseas businesses and the OID of individuals posted overseas with headquarters and with the local business, and identified the factors contributing to the success of overseas business. In particular, the objective was to verify that some sort of dysfunction occurs when Japanese companies focus more on their overseas businesses, or when individuals posted overseas have a higher OID with the head office and the local business. The inverse function that we verified can be summarized in the following three points.

First, analysis focusing on the policies of Japanese companies as organizations shows that, as a whole, investment in overseas market research, defining objectives and roles, and the posting of core personnel overseas result in success for an overseas business. On the other hand, when goals and roles are defined prior to the deployment of individuals and prior to investment in market research—or in other words, when the mission is set without conducting market research—business outcomes will be negatively affected.

Second, we investigated the effects of the organization’s degree of focus on the feelings and orientations of individuals posted overseas. The level of the organization’s degree of focus increases the OID of the individuals posted overseas with the head office and the local business. On the one hand, high OID with the head office improves customer orientation, but conversely, high OID with the local business unit does not necessarily improve individuals’ customer orientation.

Third, why does high OID with the local business unit not lead to desirable outcomes? We conducted an additional analysis in order to investigate this question. The results show that in the event an individual posted overseas attaches special value to the head office in Japan or identifies strong organizational identity toward the head office, when he or she has strong feelings toward the overseas business, he or she will show desirable behaviors toward customers. Conversely, when the individual posted overseas does not feel oneness with the head office, but has high OID with the overseas business, this will not bring out desirable outcomes.

B. Implications

Cayla & Penalosa (2012) cited the strength of organizational identity as a factor impeding the success of an overseas business. This earlier research was qualitative and is supported by the quantitative analysis in this paper. Also, we can easily imagine that the relationship between organizational identity and overseas business success is not linear. This paper clarifies the mechanism by which the strength of organizational identity, together with the levels of OID with the head office and with the local business in individuals posted abroad, results in improved outcomes. It is certain that the strength of organizational identity and the level of OID with the head office interact negatively on the desirable behavioral outcomes of the individuals posted overseas (or on the desirable business outcomes). However, each of the main effects is desirable. On the other hand, we were able to clarify that individuals posted

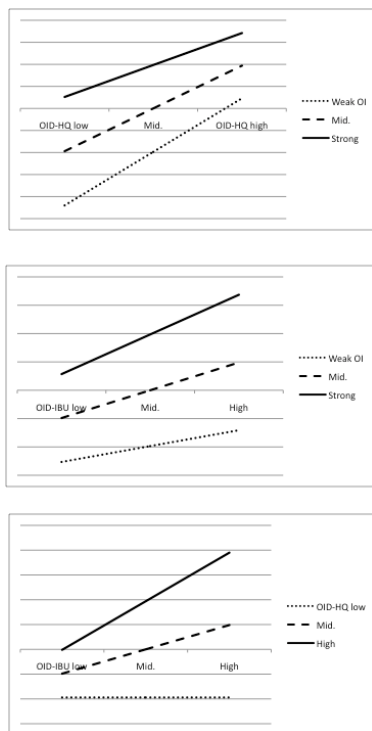


Figure 3. Organizational Identification and Organizational Identity: Interaction Effects on Customer Orientation (N=657 People)

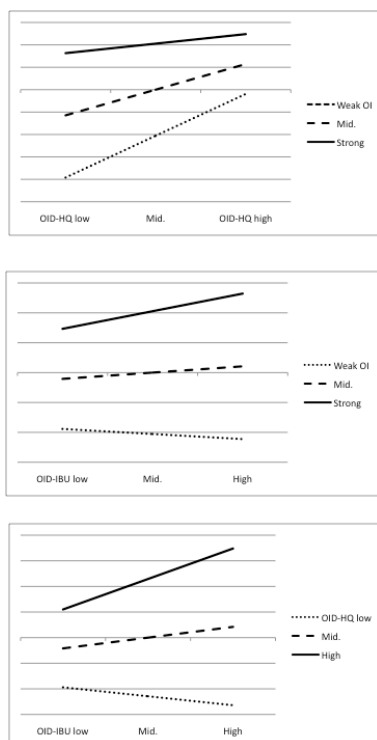


Figure 4. Organizational Identification and Organizational Identity: Interaction Effects on Business Outcomes (N=657 People)

overseas who find no special value in the head office face the danger of becoming overly involved in the local business. Therefore, when posting an individual overseas, it is essential to train him or her to think positively about the head office. A conflict of interest between the intentions of the head office and the reality of the overseas business may lead to the inverse functioning of such feelings.

Also, according to our analysis, the degree of focus by Japanese companies on their overseas businesses can be understood through two factors. As noted in the issue presented at the beginning of this paper, it is important to understand the implications of desirable policies, namely, their desirable outcomes, and our study clarified which scenarios may bring about an inverse functioning from among the desirable policies. It is dangerous to define targets and roles before investing in market research and other surveys. Further, will companies that hesitate to invest in market research be encouraged to make investments in an overseas business based on our results? Of course, this study does not investigate the specific investment amount and the degree of risk. In particular, our results suggest the importance of the marketing function that is responsible for information dissemination activities based on market research.

C. Limitations and future research

The following are the limitations of this study. First, the survey in this paper relied on the subjective awareness of the individuals posted overseas. It is possible that individuals posted overseas who feel strongly toward the overseas business evaluate results pertaining to the business strictly. Therefore, in the future, we would like to investigate measures such as combining evaluations from the management team and from managers in Japan, and using objective data on financial indicators. Moreover, in terms of the interpretation of causality, for instance, it could be imagined that when the business results undergo a slump, individuals posted overseas will feel more deeply about the local business. Since 2009, from the opportunity provided by the 2012 survey, we have conducted face-to-face interviews with many practitioners as in Table 1, but with regards to this possibility, further efforts are needed to clarify the mechanism of causality through qualitative research.

As we sought a generic conclusion, we did not consider the differences between industries and the specific stages of market development. With regard to the marketing outcome of maintaining an appropriate balance between price and quality, there were significant differences between this survey and the 2012 survey; for example, we did not go as far as constructing an analytical framework that considers the impact of exchange rate fluctuations. However, with regard to the dysfunctions caused by the degree of focus on overseas business, we confirmed that the exact same conclusions can be drawn when extracting data analyzing only respondents who work in the distribution and service industries.

Finally, there remains a research challenge that we cannot avoid with regard to investing in an overseas business. In this study, investment in facilities, such as plant sites and production equipment, was not set as the issue, but rather deployment of personnel and economic investment for market research were set as the issues. Although, undoubtedly, these

research findings suggest the importance of investment in market research, when not limited to market research costs and extended to include investment in indirect costs (e.g., advertising and marketing costs to raise brand value), both the current and future economic effects of these investments are difficult to discern. Therefore, there are likely to be many Japanese companies hesitant to make large-scale investments toward these costs. Although financial institutions will consider financing for the construction of plants and acquisition of overseas companies, in reality, they are extremely passive about financing to strengthen spending on indirect costs. Thus, which type of company will actively invest in marketing costs? Will this investment have a decisive effect on various business outcomes? Is it meaningful to invest in marketing costs? The answers to these questions are likely to be of great interest to practitioners, as they also call into question the *raison d'être* of marketing researchers.

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