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ORGANIZATIONAL CROSS-CULTURAL ADAPTATION THROUGH SOCIAL  
NETWORKS:  
A Multiple-Case Study Of Chinese Firms Operating In The United States

BY

Jing Betty Feng

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Doctor of Philosophy

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY  
ROBINSON COLLEGE OF BUSINESS  
2014

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## ACCEPTANCE

This dissertation was prepared under the direction of the Jing Betty Feng Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctoral of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

H. Fenwick Huss, Dean

## DISSERTATION COMMITTEE

Leigh Anne Liu  
Daniel Bello  
S. Tamer Cavusgil  
Penelope Prime  
Mark Keil

ABSTRACT

ORGANIZATIONAL CROSS-CULTURAL ADAPTATION THROUGH SOCIAL  
NETWORKS:

A Multiple-Case Study Of Chinese Firms Operating In The United States

BY

JING BETTY FENG

APRIL 21<sup>st</sup>, 2014

Committee Chairs: Dr. Leigh Anne Liu & Dr. Daniel Bello

Major Academic Unit: Marketing

I report on the findings of an inductive, interpretive multiple-case study of organizational cross-cultural adaptation and answer the question of how foreign companies can overcome the challenges of fitting into their host environment. Based on in-depth interview data from nine Chinese firms operating in the United States, I explore the content and drivers of firm-level cross-cultural adaptation. The emergent framework demonstrates a dynamic and comprehensive process at the firm level, involving a multilevel and multidimensional adaptation to fit through social networking. The identified patterns of adaptors reveal the link between cross-cultural adaptation and functional fitness of firms in a foreign environment. The study also identifies the boundary conditions of the cross-cultural adaptation of foreign firms. In addition, the study highlights the previously underserved aspect of functional fitness in a foreign environment and its essential role in influencing a firm's overseas performance.

## **DEDICATION**

To my husband, Zachary. Your dedication and passion for your career set an example for me to follow. Your sensibility, encouragement, and unwavering belief in me have guided me throughout the process. Your endless support provides me the foundation to explore new opportunities and to pursue my dreams. For this, I am forever thankful.

To my son, Miles. Your shining smile and affectionate hugs are all it takes to give me an endless stream of energy and strength to continue pursuing my goals. Thank you for showing me the importance of cherishing the special moments of love in our lives.



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During my doctoral training, Dr. Liu has served as both my mentor and dissertation co-chair. Thanks for your encouragement to pursue the research subjects that I am passionate about, in spite of the potential challenges of conducting a qualitative study in our field. You always brought enthusiasm and energy to our discussions and inspired new ideas. Your knowledge and guidance over the years have been most valuable for my life as a doctoral student.

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# **1 CHAPTER ONE – INTRODUCTION**

## **1.1 Overview**

The purpose of the study is to examine how foreign companies can fit into their new cultural and institutional environment. Drawing on the concept of cross-cultural adaptation (Kim, 2005; Molinsky, 2013) from cultural psychology, I explore how firms adapt in a new cultural environment via expanded social networks. Through an inductive and interpretive multiple-case study, the scope of this study is to identify the environmental and contextual drivers, content, and consequences of cross-cultural adaptation at the firm level. I conducted interviews of twenty individuals to study nine Chinese firms operating in the United States. Through a grounded data coding approach, I develop a dynamic framework of cross-cultural adaptation at the firm level as a mechanism for foreign companies to achieve functional fitness in the new cultural and institutional environment. I explore a comprehensive understanding of cross-cultural adaptation of an organization and illustrate its reciprocal evolving process from the perspective of individual employees, inter-firm relationships, and organizations. I propose both external and internal network drivers of the adaptation. I then identify four patterns of foreign adaptors to establish the link between cross-cultural adaptation and organizational functional fitness in the new environment. Practically, this study provides an applicable mechanism for multinational companies (MNCs) to effectively operate and compete in foreign markets. Ultimately, this stream of inquiry will help enhance MNCs' competency in the international market.

I also recognize the limitations of the study and hope they can be addressed in my future study. First, although I believe that cross-cultural adaptation can apply to any foreign companies in any market, the context of Chinese firms operating in the United States might raise concerns of generalization. Second, I used a variance approach to explain the dynamic process, instead of

a longitudinal process approach. Third, I only examine the cross-cultural adaptation of the subsidiaries, although the headquarters at home may also experience some level of adaptation dealing with the global environment.

The dissertation will include five chapters. First, I will review the literature. Next, I will introduce my research method and data analysis. Then, I will introduce the findings of the study and propose a measurement construct, followed by discussion of theoretical and managerial implications and the conclusion.

## **1.2 Cultural Barriers for Multinational Companies**

As international trade and globalization have spread in recent decades, foreign direct investment (FDI) as a market entry strategy for multinational companies (MNC) has become increasingly noteworthy and prevalent in recent years. According to an OECD report, the world outflow FDI reached a record of \$2,169 billion in 2007. Through joint ventures, mergers and acquisitions, and wholly-owned subsidiaries in foreign countries (Dikova & Witteloostuijn, 2007), firms are rushing into the new global market rapidly in order to maintain business growth from foreign customers.

However, operating in a foreign country, firms face challenges from local cultural values that are conveyed through societal institutions such as family, the nations' political economy, education, religion, and language (Schwartz, 1999; Tihanyi et al., 2005). A wealth of literature on national cultural differences has identified that cultural distance remains a barrier in overseas operation. It can disrupt collaboration and knowledge learning from international alliances (Cartwright & Cooper, 1993; Emden et al., 2005; Sirmon & Lane, 2004), and result in higher transaction costs, reduced knowledge transfer, and poor operational performance (Agarwal, 1994; Brouthers & Brouthers, 2001; Morosini et al., 1998; Slangen, 2006; Tihanyi et al., 2005).

Consequently, the majority of MNCs are suffering from performance problems and end in failure overseas because of the poor cultural integration with their international alliances and their host environment (Meschia & Ricciob, 2008; Pothukuchi et al., 2002). The ability to overcome the obstacles coming from the new cultural environment becomes crucial for firms to achieve their economic goals in their overseas operations. There are a handful of cases showing that successful MNCs at home failed in the foreign market due to challenges from foreign cultures. For instance, Home Depot, the world's largest home development retailer from the United States, closed all stores in China six years after entering the market because the company "failed to fit into China's water and soil," as the Chinese media commented (Zi, 2011). On the other hand, Chinese telecommunication giant Huawei stumbled in the U.S. market and was "not interested in the U.S. market anymore" after many failed attempts to break into it (Hille, 04/23/2013). Although these failures are often considered to be a political issue, they exemplify how MNCs can fail to cope with a foreign institutional environment, and how the failure to adopt a Western-friendly culture of transparency can challenge a successful company at home to achieve overseas expansion (Frazier, 10/10/2012). The two stories of Home Depot and Huawei represent many MNCs that failed to succeed to fit into a foreign cultural environment, and their experiences make us wonder: How can foreign companies overcome the challenges of fitting into their host environment?

Culture, defined as shared meanings and behaviors within a society, includes beliefs, norms, practices, symbols, rituals of daily life, and institutions (Swidler, 1986); culture remains as a performance barrier for MNCs to operate overseas and has been the central theme of cross-cultural management research. The notion of liability of foreignness (LOF) (Zaheer, 1995) specifies that foreign companies incur additional costs to operate overseas due to unfamiliarity with the new cultural environment. Studies suggest that companies can reduce LOF through

sociocultural integration (Stahl et al., 2005) to resolve cultural distance within companies and with their local business partners. Companies can also utilize various strategies, such as local networking, resource commitment, legitimacy improvement, and localization to mitigate the challenges from LOF (Luo et al., 2002; Petersen & Pedersen, 2002).

Situated in complex internal and external environments, the ultimate goal for MNCs is to achieve functional fitness, or a status of competitiveness and ease of operation in the foreign market (DiMaggio & Powell, 1983; Thornton et al., 2012). Prior research has primarily emphasized gaining external legitimacy (Kostova & Roth, 2002; Kostova & Zaheer, 1999) and integrating sociocultural systems between two groups (Stahl et al., 2005). We have little understanding how companies can fit into the new environment. Meanwhile, actors in MNCs, such as individual employees, organizations, and the surrounding community, are nested in higher order levels (Thornton et al., 2012), yet extant literature mainly focuses on the same level of units and offers little insight into the perspectives of the different levels of parties involved. Besides, the dynamic perspective of LOF and study in the context of MNCs from emerging markets are still underserved subjects in international management literature (Denk et al., 2012)

### **1.3 Importance of Cultural Adaptation**

Culture shapes societal values and norms. In the past, culture has been considered a static variable that remains stable over time (Hofstede, 1980; Hofstede et al., 2010). Cross-cultural management research has been usually focused on the national cultural level (Hofstede, 1980; Hofstede et al., 2010; House et al., 2004; Schwartz & Bilsky, 1990) or the organizational level (Rashid et al., 2004; Schein, 2010) and examines the performance challenge caused by the difference in national values or in the organizational level. The process of globalization initiated the dynamic view of culture. Erez and Gati (2004) propose culture as a hierarchy of levels that

consists of various levels nested within each other, from the most macro-level of a global culture, through national cultures, organizational cultures, group cultures, and then to the individual level. Culture can be formed at each one of these levels as a shared meaning system; however, cultures at each level interact and impact each other through the top-down process of socialization and the bottom-up process of aggregation.

Operating overseas, firms deal with the cultural difference from individual values and beliefs of their foreign workforces, from organizational culture and management practices of their alliances, and from the institutional and social environment of the host market. The multilevel cultural model suggests that misfit between culture at the macro-national level and management practices at the meso-organizational level results in poor performance of organizations (Erez & Earley, 1993; Erez & Gati, 2004). As multinational companies strive to minimize the cultural difference in the global arena in order to improve their performance in the foreign market, top-down processes stimulate a process of adaptation to the macro-level host cultural environment and drive a continuous reciprocal process of shaping and reshaping organizations in the lower levels of organizational and individual culture (Erez & Gati, 2004). The cross-cultural adaptation process allows multinational companies to develop common rules and cultural values that enable them to create a synergy between the various regions and different parts of the multinational company (Leung et al., 2005).

Cross-cultural adaptation has been studied in psychology as a dynamic process by which individuals establish and maintain relatively stable, reciprocal, and functional relationships in new, unfamiliar or changed cultural environments (Kim, 2000). Through intercultural transformation, strangers (individual immigrants) will experience three interrelated facets of internal change: increased functional fitness in carrying out daily transactions, improved



psychological health in dealing with the environment, and a movement from the original cultural identity to a broader, “intercultural” identity (Kim, 2000, page 61). Based on the definition at the individual level, I define cross-cultural adaptation at the organizational level as *a dynamic process by which a firm develops and maintains relatively stable, reciprocal, and functional relationships with a new, unfamiliar, or changed cultural and institutional environment*. Yet, at the firm level as a whole, we have less knowledge about the content, drivers, and consequences of cross-cultural adaptation.

#### **1.4 Importance of Chinese Companies’ Adaptation**

In the past, applications of theories in cross-cultural management literature have mainly focused on companies originating in developed economies. Little has been done to examine the increasing importance of MNCs coming from emerging markets and to address the questions of generalizability of theories as nascent players enter the global marketplace from new geographic areas (Denk et al., 2012). As China moves into a new economic development phase, the outward foreign direct investment (OFDI) from China has increased significantly despite the 2008 financial crisis. China’s OFDI grew from less than \$100 million in the 1980s to \$68.81 billion in 2010, making China the fifth-largest originator of OFDI by volume (Salidjanova, 2011).

Although more than 90 percent of that OFDI is in developing or underdeveloped regions, the investment from China in the United States has increased steadily in the last decade. By 2012, there had been a total of 591 greenfield and acquisitions deals with an accumulated value of \$20.9 billion (Source: Hanemann & Gao). Although China has increased its role in the global marketplace, Chinese companies are facing tremendous sociocultural challenges going abroad, and only 37 percent of companies felt they achieved their anticipated goals (Zhang, 2013). Yet, research to investigate this new phenomenon has been rare. Particularly in the U.S. market where

China has been trying to shift its position from a major exporter to an investor, we do not have a deep understanding of how Chinese companies perform and what specific challenges they are facing. A study of the context of Chinese companies operating in the U.S. will provide insights about MNCs originating from emerging markets.

The unique characteristics of Chinese firms can generate a context-specific theoretical framework and management model (Tsui, 2004), as the Chinese context includes a specific set of institutional logic and cultural understandings. The institutional logic involves systems of politics, laws, economic structure, and public organizations, while cultural understandings include Chinese values, beliefs, and practices (Li & Tsui, 2000). Coming from an emerging market, Chinese firms are often less advanced in technology and managerial experience. Incentivized by the “going abroad” policy of the Chinese central government (Leung, 2012), the motivations behind Chinese OFDI are often to acquire strategic assets such as knowledge, brand, R&D capacity, marketing practices, and distribution channels as a shortcut for international expansion (Chao, 2012; Deng, 2009). The Chinese national culture is generally considered as high power distance, high collectivism, and low uncertainty avoidance, with a unique form of social capital called *guanxi* (personal network) and *renqing* (human sentiment) (Cheung et al., 2001; Hofstede, 1980; House et al., 2004). With its unique cultural heritage and collective orientation, Chinese firms are strongly influenced by the paternalistic approach to management, acceptance of hierarchy, and the importance of relationships (Pun et al., 2000). Further, Erez and Gati (2004) argue that cultures of high collectivism, high power distance, and high uncertainty avoidance are more resistant to change than others. Therefore, I expect that Chinese firms face more social cultural challenges than their Western counterparts in their adaptation to the global environment.

## **1.5 Research Objectives**

The objective of the study is to establish a theoretical framework of cross-cultural adaptation at the firm level and propose that, in order to reduce LOF and fit into the external cultural and institutional environment, firms will engage in an evolving process of cross-cultural adaptation through improvement of their social network structure with their host environment. The present study explains how multinational firms adapt to the foreign cultural and institutional environment; describes the antecedents, consequences, and process of the adaptation; and particularly, discusses how their host social networks can facilitate the adaptation process. This study has four primary objectives:

1. To identify the elements of organizational cross-cultural adaptation using the multilevel lenses,
2. To identify the contextual drivers of organizational cross-cultural adaptation through examining the internal and external social networks of organizations in the foreign market,
3. To develop a theoretical model of organizational cross-cultural adaptation through an inductive and interpretive multiple-case study method.
4. To understand the environmental factors that demand cross-cultural adaptation at the firm level

This study is expected to make three primary contributions. First, I extend and bridge the concept of cross-cultural adaptation (Kim, 2000) from psychology and the social network theory from sociology, two previously separated but related streams of research, to explore the cross-cultural adaptation at the firm level. I develop a dynamic framework of cross-cultural adaptation at the firm level as a mechanism for foreign companies to achieve functional fitness in the new cultural and institutional environment and therefore minimize

liability of foreignness. I explore a comprehensive understanding of the cross-cultural adaptation of an organization and illustrate its reciprocal evolving process from the perspective of individual employees, inter-firm relationships, and organizations. Second, I introduce the concept of the functional fitness of an organization, which will allow a firm to survive and succeed in the long run. I then identify four patterns of foreign adaptors to establish the link between cross-cultural adaptation and organizational functional fitness in the new environment. Third, this study provides an practical and applicable mechanism for MNCs to effectively operate and compete in foreign markets. Ultimately, this stream of inquiry helps enhance MNCs' competency in the international market.

## **2 CHAPTER TWO – LITERATURE REVIEW**

### **2.1 Individual Cross-Cultural Adaptation**

The word *adaptation* refers to “changes that take place in individuals or groups in response to environmental demands” (Berry, 1997, page 13). It “implies the process of learning to function in or feel comfortable in a new environment” (Shaules, 2007, page 20). In the field of learning how immigrants make psychological changes and successfully transit from one culture to another, the concept of cross-cultural adaptation has been a central and defining theme. Due to the constant influx of immigrants to the United States, cross-cultural adaptation (Kim, 2000) has been studied across social science disciplines since the 1930s. Strangers gradually acquire some of the new cultural system while losing some of their original cultural habits in order to adapt to the new host environment (Kim, 2005). This process is viewed as the reduction of conflicts by making cultural or behavioral features more similar through adjustment, reaction, or withdrawal (Berry, 1980). Kim (2005, page 380) defines cross-cultural adaptation as “the entirety of the phenomenon of individuals who, upon relating to an unfamiliar socio-cultural environment,

strive to establish and maintain a relatively stable, reciprocal, and functional relationship with the environment.” The goal of cross-cultural adaptation is to achieve fitness between the internal conditions of the person and the conditions of the new environment. Coping with unfamiliarity and challenges from foreign cultures, particularly when they are dependent on the host environment to meet their social needs, individual immigrants often undergo a struggling but evolving adaptation process. Through continuous interaction with the various aspects of the new cultural environment, the stranger will undergo a progression of changes to integrate culturally acceptable concepts, attitudes, and actions and eventually share a similar image of reality and self (Kim, 2005). As the result of intercultural transformation, strangers (individual immigrants) will experience three interrelated facets of internal change: increased functional fitness in carrying out daily transactions, improved psychological health in dealing with the environment, and a movement from the original cultural identity to a broader, “intercultural” identity (Kim, 2000, page 61).

However, the concept of cross-cultural adaptation has only been applied at the individual level. It has yet been applied at the firm level or empirically examined at this unit of analysis. As firms continuously respond to their new host environment and make organizational changes, I expect they will undertake a process of adapting to the host environment to cope with the problem brought by cultural distance. Through the adaptation process, firms will develop a mutual understanding with their internal multicultural workforce and external international alliances, achieve a higher level of employee engagement and employee satisfaction, and establish a functional relationship with their host environment. The cross-cultural adaptation process therefore can ultimately reduce the problems caused by cultural distance and result in a high degree of internal and external “functional fitness” (Kim, 2005), ultimately accomplishing

the financial goal of global expansion and competitiveness. Thus, I use cross-cultural adaptation to underline the evolving process of organizational transformation in order to fit into a new cultural and institutional environment, particularly in the overseas business setting. The concept not only considers an internal transformation but also an external interaction. Building from Kim's (2005) definition, I define cross-cultural adaptation in the international business context as *a dynamic process by which a firm develops and maintains a relatively stable, reciprocal, and functional relationship with a new, unfamiliar, or changed cultural and institutional environment.*

## **2.2 Social Network Theory**

In order to understand how multinational firms can achieve a successful sociocultural integration, researchers have broadened this line of inquiry in attempts to build predictive models with emphasis on such factors as trust between organizations, corporate cultural diversity, autonomy and involvement, adaptability, and leadership (Stahl et al., 2005). Yet, researchers have emphasized the factors within an organization; little has been done to identify how external forces can also influence the cultural evolution process in an organization.

The social network theory literature in management has increased rapidly in recent years toward more relational, contextual, and systemic understanding (Borgatti et al., 2009). Starting in the 1920s in the field of sociology and anthropology, the social network perspective assumes that individuals, groups, or organizations, as social actors, are connected by a set of ties (an interrelationship network). It focuses on relationships rather than (or in addition to) individuals (Brass, Forthcoming) and views characteristics of the social actors as arising out of structural or relational processes or properties of the relational system (Wasserman & Faust, 1994). A set of ties of a given type connect a set of social actors (often called "nodes") to form a network based on 1) similarities, such as membership, location, alma mater, etc.; 2) social relations; these can

be kinship, role, and affective relations such as friendship or cognitive relations such as “knows about”; 3) interactions, such as giving advice to, helping with, etc.; and 4) flows, such as information or resource (Borgatti et al., 2009). Different types of ties define different networks and conduct different functions (i.e., the friendship network is different from the professional network, although they can overlap) (Borgatti et al., 2009). The benefit of social networks involves information flowing from contacts and relationships with other players, and the advantage created from the relationships is known as social capital (Burt, 2005). Investment of social capital by an organization can lead to competitive success, as their expanded network can provide access and referrals to the organizations with specific resources, information, and opportunities at right time (Burt, 1992a, 2001, 2005).

An organization is viewed as social groupings with various patterns of interaction over time (Tichy et al., 1979); thus the network approach is a distinctive lens to analyze a range of organizational phenomena and behaviors at both macro and micro levels, such as inter-firm relations (Beckman et al., 2004; Uzzi, 1996), alliance selection (Li, 2008), entrepreneurial behavior (Simsek et al., 2003), innovation performance (Powell et al., 1996; Tsai, 2001), and individual unethical behaviors (Brass et al., 1998) (For reviews, see Borgatti & Foster, 2003; Kilduff & Brass, 2010). The firm gains access to various resources, information, knowledge, or capabilities from other organizations through social networks (Andersson et al., 2002). Through analyzing interaction patterns and the network positions of the nodes, we can obtain a deeper understanding of the organizational phenomenon to learn how resources and power are allocated, how information flows, how opportunities are created and captured, and how alliance support is distributed.

To understand individual cross-cultural adaptation, the social network prospect is conceptualized at the micro level to establish the relationship between the network of host ties and the immigrant's adaptation to a new cultural environment. Kim (2000) proposes that strangers learn the host culture and communication patterns from their relationships with host nationals; therefore the increased number, strength, and centrality of host ties of a stranger's personal network likely enhance the quality of communication. The social network of expatriates has been examined to understand their cross-cultural cultural adjustment in their foreign assignment (Osman-Gani & Rockstuhl, 2008).

The fundamental aspect of the social network theory is the inclusion of concepts and information on relationships, also called ties, and the information flow from relational ties (Burt, 2005; Wasserman & Faust, 1994). In the cross-cultural context, the relationship with the host network ties provides “informational support”—information assisting functioning and problem solving in the host country—and “emotional support”—emotional resources helping strangers feel better about themselves and their situation when adjustment difficulties become overwhelming (Farh et al., 2010). Thus, the host network ties not only act as an information source to help people understand other cultures, but also serve as a social support source (Bird et al., 2010), therefore enabling the strangers to incorporate the psychological and social attributes of the host culture and thus establish a functional relationship with the host environment (Kim, 2000).

Despite the increasing research attention to the impact of the individual's social networks on cross-cultural adaptation, few studies have been tested whether the same concept can be applied to organizations embedded in a different cultural and institutional environment. Drawing on previously established studies on cross-cultural adaptation at the individual level, I anticipate



that the increased social connection with the organizations, firms, and communities from the host environment will provide organizations with the advantages of social capital, particularly informational support for problem solving, and at the same time transform the organization to become behaviorally and culturally more similar with other participants in the host network. Hence, when an organization continuously expands its networks within the new host environment, I predict that the social network structure of an organization in a foreign environment can influence the progress and degree of cross-cultural adaptation over time at both the individual and organizational levels.

The literature on networks also suggests that it is not only the content of interactions between ties that matters, but also network structure characteristics such as size, heterogeneity, and density (Granovetter, 1973; Wasserman & Faust, 1994). Thus, based on the nature of links and structure of social networks (Tichy et al., 1979), I propose that four characteristics of the organizational ties with their host networks will provide cultural information and learning and thus facilitate the progress of cross-cultural adaptation. They are diversity of host ties, strength of host ties, network centrality, and structural holes.

### **2.3 Foreign Environment as a Performance Barrier**

In international business literature, the notion of liability of foreignness (LOF) (Zaheer, 1995) highlights the challenges of a foreign environment and suggests that firms incur additional costs doing business abroad due to the unfamiliarity with and lack of roots in the new cultural environment. Compared to domestic competitors, foreign firms experience higher costs without sufficient knowledge of the host market and the local culture, norms, and practices (Denk et al., 2012; Petersen & Pedersen, 2002) and face unfavorable treatment by local stakeholders or government (George et al., 2001). Higher internal and external transaction costs also arise from

the cultural distance (Gomez-Mejia & Palich, 1997; Tihanyi et al., 2005) within firm interactions between foreign managers and local employees and inter-organizational interactions with local business partners (Denk et al., 2012; Eden & Miller, 2004). The different understanding of the norms, values, and institutions (Gomez-Mejia & Palich, 1997; Tihanyi et al., 2005) causes higher levels of complexity and uncertainty for managerial decision-making (Tihanyi et al., 2005) and less effective communication for knowledge transfer (Bhagat et al., 2002; Qin & Ramburuth, 2008; Reus & Lamont, 2009). The existence of LOF is a major factor in influencing a company's internationalization strategy and a critical barrier to achieving overseas operational performance (Denk et al., 2012).

A rich stream of literature has studied various strategies to remedy the challenges from cultural issues while conducting business overseas. Sociocultural integration, the “combination of groups of people possessing established norms, beliefs, and values” (Stahl et al., 2005: 6), is emphasized to answer the challenges resulting from cultural distance. Sociocultural integration is an ideal solution to resolve internal cultural conflicts by combining cultures from two groups and making efforts to engage them in collaboration and work toward a common goal (Stahl et al., 2005). To resolve the external environmental challenges, a firm can become an insider in the host market, develop network linkages, and align and adopt local values and practices to gain external legitimacy (Kostova & Roth, 2002; Kostova & Zaheer, 1999; Zaheer, 2002). More specifically, firms can utilize strategies of establishing local networks and resource commitment to improve localization and legitimacy (Luo et al., 2002; Petersen & Pedersen, 2002). In addition, foreign firms can increase product varieties to gain exposure in underserved market segments and can affiliate with local groups not only for knowledge sharing, but also for “legitimacy spillovers” (Kostova & Zaheer, 1999), as affiliation of a group (Elango, 2009).

As companies constantly interact with their situated environment, in the long run, companies that fit the environment will survive as the environment selects the most fit, or optimal, organizations (Aldrich & Pfeffer, 1976). The ultimate goal of MNCs is to achieve functional fitness with the host market, which includes the economic fit, the competition in the industry for resources and customers, and the social fit, or the comfort and ease of operating in the host environment (DiMaggio & Powell, 1983; Thornton et al., 2012). Fitness is a more desired status than just having an accepted existence (legitimacy), and it is a more proactive approach for MNCs in overcoming cultural challenges. Even with increasing attention to the foreign environmental impact in relation to organizational performance, the cross-cultural coping mechanisms have focused on 1) internal sociocultural integration between two cultural groups to resolve the challenge of cultural distance, or 2) inter-organizational mimetic behaviors to improve legitimacy, or acceptance by the host country environment. There is little investigation and understanding of how MNCs can fit into their foreign environment, which constitutes a different socially constructed system of norms, values, beliefs, and definitions. Table 1 summarizes the literature of solutions for culture-related issues at the both individual and firm level.

#### **2.4 Summary of Theoretical Gap**

Scholars in culture psychology, sociology, and international business have studied cultural adaptation from different perspectives. Culture psychologists provide intimate descriptions of the adaptation of new immigrants to fit into unfamiliar living conditions (e.g., Kim, 2000). Sociologists illustrate how relationships or network ties provide information and cultivate psychological comfort (e.g., Uzzi, 1997). International business scholars offer insights on integrating different sociocultural systems to overcome the liability of foreignness (e.g.,

Kostova & Roth, 2002; Zaheer, 1995). Each stream of research has advanced our understanding of cultural adaptation; however, the research also largely exists in disciplinary silos and focuses mostly on one level of analysis.

As one of the drivers for LOF is the unfamiliarity and lack of local business and institutional knowledge, the importance of knowledge transfer is emphasized to reduce LOF (Petersen & Pedersen, 2002). However, extant literature lacks a dynamic view of LOF, so we have limited understanding of how LOF is reduced over time by undergoing a continuous learning process (Denk et al., 2012), specifically, how MNCs utilize learning to cope with foreign environmental pressure and infuse new knowledge into their internal cultural repertoire. Particularly, MNCs have complex internal and external environments with inconsistency and conflict within the organizations and among international partners (Kostova et al., 2008). They are not only confronted with the cultural clash within organizations and between business partners, but are also exposed to a variety of cultural, economic, and institutional environments (Roth & Kostova, 2003; Slangen et al., 2011; Zaheer, 1995). Extant cross-cultural literature to examine overseas performance of MNCs often emphasizes a single level of cultural difference at the national level (Hofstede et al., 2010; House et al., 2004; Schwartz & Bilsky, 1990), organizational level (Pun et al., 2000; Rashid et al., 2004; Schein, 2010), or institutional level (Dean & Shenkar, 2002; Gaur et al., 2007). Since institutions operate at multiple levels and actors are nested in higher-order levels, a single level observation may result in some confounding findings (Thornton et al., 2012). Extant literature falls short on providing a comprehensive and systemic mechanism to deal with environmental pressures. In other words, we need a better understand of how MNCs effectively coordinate multilevel actors of internal and external stakeholders while fitting into the new environment.

## **2.5 Research Questions**

Functional fitness in a new environment directly reflects the congruence between newcomers and their host environments (Kim, 2000). As the literature review revealed that we need further understanding about the dynamic process of firms adapting to a new host market, this study aims to address the following three specific questions: 1) What are the contents of cross-cultural adaptation at the firm level? 2) What are the contextual factors and outcome of organizational cross-cultural adaptation? and 3) What are the boundary conditions to drive firms adapting cross-culturally? In order to answer these questions in the rich, open, and complex international business environment (Doz, 2011), I choose a multiple-case study with firms as the unit of analysis to meet my goal toward theory induction. Below I report the qualitative method and results and propose a framework on organizational cross-cultural adaptation.

**Table 1**      **Summary of Literature about Solution of Cross-Cultural Issues**

<b>Solution</b>	<b>Definition</b>	<b>Level of Analysis</b>	<b>Relationship</b>	<b>Studies</b>
Adaptation	Changes that take place in individuals or groups in response to environmental demands	Individual	With external environment	Berry (1980, 1997) Berry and Sam (1997) Shaules (2007)
Cross-cultural adaptation	The entirety of the phenomenon of individuals who, upon relating to an unfamiliar socio-cultural environment, strive to establish and maintain a relatively stable, reciprocal, and functional relationship with the environment	Individual	With external environment	Kim (2000, 2005)
Sociocultural integration	Combination of groups of people possessing established norms, beliefs, and values	Firm	Between two groups	Buono and Bowditch (1989) Cartwright and Cooper (1993) Stahl et al. (2005) Stahl and Voigt (2004)
Legitimacy	A firm can become an insider of the host market, develop network linkages, and align and adopt local values and practices to gain external legitimacy	Firm	With external environment	Kostova and Zaheer (1999) Kostova and Roth (2002) Zaheer (2002)

### **3 CHAPTER THREE – DESIGN AND METHODS**

#### **3.1 Inductive Multiple-Case Study**

A qualitative research method will be appropriate for this study. Qualitative research can “do best by emphasizing the promise of quality, depth, and richness in the research findings” (Marshall & Rossman, 1989, page 19). It also responds to the call for more qualitative studies to contribute to theory-building in the rich, open, and complex international business environment (Doz, 2011). As we knew little about the processes of organizational cross-cultural adaptation, I chose to pursue an interpretive approach, focusing on building an emergent theory from a perspective that gives voice to the interpretations of the living experience (Corley & Gioia, 2004). Interpretive theorizing allows for “indeterminacy rather than seek[ing] causality and giv[ing] priority to showing patterns and connections rather than to linear reasoning” (Charmaz, 2006: 126). The underlining philosophy of interpretation assumes that reality is subjectively understood and dependent on the observer and participants of the organization (Mason, 2002; Myers, 2011). With the basic assumptions that the organizational world is socially constructed and that people in organizations know what they are trying to do and can explain their thoughts, intentions, and actions (Gioia et al., 2013), interpretive qualitative methods mean that I record the research participants’ words and I try to understand, but do not necessarily adopt or reproduce their views; rather I interpret them (Charmaz, 2006). The inductive approach is particularly appropriate for investigating the real-life phenomena of organizational cross-cultural adaptation with rich and in-depth data that include complex social and behavioral dimensions (Charmaz, 2006; Denk et al., 2012). I also conducted multiple levels of observation in the study to understand the workings of mechanisms and to provide a more accurate picture of the complex phenomenon (Hitt et al., 2007; Thornton et al., 2012).

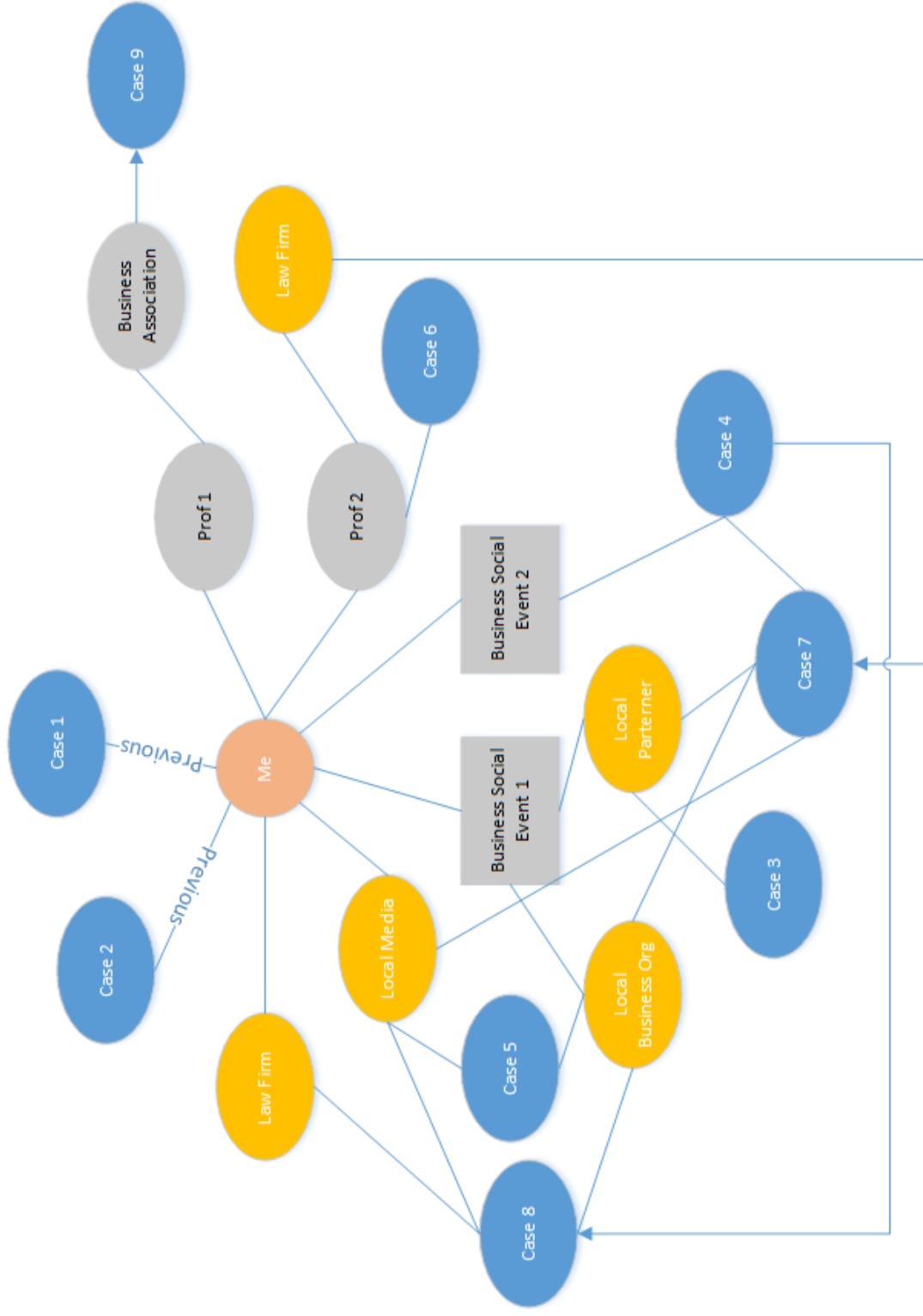
### **3.2 Sampling**

I purposively selected cases based on their relevance to my research questions and sought for a variety of companies characteristics, such as ownership types, size, headquarters origin, and overseas performance, etc. The cases were identified through personal and business networks through a snowball technique, illustrated by Figure 1. I asked each informant for his or her recommendations as to which companies could best explicate the processes I was interested in (Corley & Gioia, 2004). The strategic, specific, and systematic sampling approach allowed me to check emerging questions as I compared data and found ways to answer those questions (Charmaz, 2006; Mason, 2002), therefore the selected cases were representative and able to provide insight for my research question concerning cross-cultural adaptation at the firm level.

The number of cases and interviews was decided by the degree of theoretical saturation to the point that gathering more data reveals no more properties nor any further theoretical insights (Charmaz, 2006). In the end, this study includes nine Chinese companies from mainland China, Hong Kong, and Taiwan, operating in the eastern part of the United States in various industries, with different ownership types (private, state, or public owned) and company sizes (small-sized enterprise or large multinational corporation). The various characteristics of companies imply that the phenomenon of cross-cultural adaptation incurs in real-life across a range of contexts. The U.S. headquarters of those companies are mainly in the states of Georgia, North Carolina, and Michigan. Those states have a relatively smaller Chinese population from earlier generations of immigrants and fewer Chinese companies compared to such states as California or New York, thus providing a more salient foreign environment to Chinese companies and less contaminated samples for the study. Appendix 1 provides a description of the nine companies.



**Figure 1** Illustration of My Social Network to Access the Cases



**Table 2 Firms in the multiple-case study**

Case	Industry	HQ Location	US HQ	Sales	Owner-ship	Entry Mode	Year entered	# of Internal Resp*	# of External Resp**	# of Employees in the U.S.	Current Status in the U.S.	# of Employees Global
1	High-tech	Mainland China	NC	B2C	Public	M&A	2005	1	2,000	2,000	Open	30,000
2	Wind energy	Mainland China	MI	B2B	Private	Sales-subsidary	2012	1	1	1	Open	15
3	Motor manufacturer	Mainland China	GA	B2B	Private	Wholly-owned	2008	1	30	30	Open	563
4	LED light	Hong Kong	GA	B2B	Private	Wholly-owned	2009	4	9	9	Open	200
5	Service	Mainland China	GA	B2B	SOE	Wholly-owned	2009	1	4	5+	Suspended	Unclear
6	White goods and electronics	Mainland China	GA	B2C	SOE	Wholly-owned	2001	1	100+	100+	Open	60,000
7	Heavy machinery	Mainland China	GA	B2B	Public	Wholly-owned	2006	4	4	100+	Open	30,000
8	Electronic	Mainland China	GA	B2B	Private	Wholly-owned	2007	3	3	Unknown	Closed	802
9	Automobile parts	Taiwan	GA	B2B	Private	Wholly-owned	1985	6	115	115	Open	20,000

\*Internal Resp refers to the interviewees who are currently or previously employed with the company.

\*\*External Resp refers to the interviewees who are currently working or previously worked with the company and have insights into the company.

## **Appendix 1 Description of Nine Cases**

### Case 1 – High-tech, large public company

Case 1 is a high-tech company, with headquarters located in mainland China. One of the top Fortune 500 companies, it is currently a leading company in the industry. It produces consumer products and has become a well-known brand for global consumers. It entered the U.S. market through a merger & acquisition. The interviewee of the company is my former classmate and is currently the executive assistant of the CEO of the company.

### Case 2 – Wind energy, small private company

Case 2 is a start-up company focusing on wind energy products based in mainland China. It is a global-born company offering innovative wind energy products to its global customers. It is currently establishing its sales network through distributors and agents in the U.S. market. The interviewee is my former co-worker and currently the CEO of the company.

### Case 3 – Motor manufacturer, large private company

Case 3 is a large private company based in mainland China. Manufacturing its motor products in China, the company has distributions in Europe and North America (NA). The interviewee is the vice president (VP) of Operations and was introduced by one local interviewee (L-2).

### Case 4 – LED light manufacturer, medium-sized private company

Case 4 is a medium-sized private company and belongs to a holding company based in Hong Kong. The holding company has been in the U.S. market since the 1980s; however, the LED division is new and has only been in business about five years. The company is currently distributed through distributors and sometimes directly to the end-users. I approached the COO of the company when he spoke in a forum event and he accepted my request to be an interviewee. He also let me interview his employees. After the data collection, I provided a cross-cultural workshop for the company to show my gratitude to their support.

### Case 5 – Trade service provider, large state-owned enterprise (SOE)

Case 5 is a service company providing tradeshow service for Chinese manufacturers. It operated successfully in other markets before it entered in the United States in 2009. It suspended its business in 2011. One of my committee members introduced me to a former employee of the company for an interview. Other interviewees also discussed the case as additional data sources. It is said that the company has been seeking further opportunities in Mexico to build a one-stop-shop location for resorts and tradeshows.

### Case 6 – White goods and electronics manufacturer, large SOE

Case 6 is a white goods manufacturer with headquarters located in mainland China. It is a large state-owned enterprise. Its major customers are retailers or wholesalers. It has been in the United States since 2001; however, it has achieved only 2 to 3 percent of market share, with low recognition of the brand. The interviewee is working in the company's marketing department and was introduced by one of my committee members.

Case 7 – Heavy machinery manufacturer, large private company

Case 7 is a heavy machinery manufacturer based in mainland China. It has been very successful in China and has expanded to Europe and NA. The company built a facility in Georgia in 2006; however, it hasn't been able to meet its production capacity and original investment plan. The company merged with a German company and planned to move its NA capacity to another state. However, my attempt to interview their executives was not successful. Because the company is well known as a major source of IFDI to the local economy, I interviewed several other local business partners for data collection.

Case 8 – Electronics manufacturer, large private company

Case 8 is an electronics manufacturer based in mainland China. The CEO is famous in China for his success in building his enterprise. After entering the U.S. market in 2007, the company involved in several intellectual property (IP)-related lawsuits and an FBI investigation for pricing conspiracy. Although CEO won the IP cases and was granted immunity in the later case, his initial investment plan was not actualized. I contacted the son of the CEO, who was in charge of NA business, but did not receive a response. Similar to case 7, this company was well known to the local business community as a major source of IFDI, therefore I interviewed local business partners as my data source.

Case 9 – Automobile parts, large private company

Case 9 is a major family-owned company based in Taiwan. The company has been in business in the United States since 1985. Today the brand is ranked number 9 globally and is well-known for its niche products. I contacted the company president through the member list provided by the commercial division of the Taipei Economics and Cultural Office and was invited to interview its president and five other directors or managers from different functions.

### **3.3 Data Collection**

I utilize various qualitative data sources for this study: 1) transcripts from semi-structured face-to-face or phone interviews (Appendix 2), (2) e-mails or phone calls to follow up interviews for clarifying questions, (3) archival data, including news publications and materials provided by informants, (4) published financial reports, and (5) non-participant observation. I relied on the interviews as the main source of data. In addition, the documentation and observation data serve as important triangulation and supplementary sources to understand the concept of cross-cultural adaptation and as a means of gaining additional perspectives on key issues to provide a triangulation of evidence (Corley & Gioia, 2004; Mason, 2002).

I conducted all face-to-face or phone interviews with twenty individuals from the Chinese companies or their local business partners. The interview questions were constantly revised to fulfill the process of theoretical sampling. The data collection phase started in October 2012 and was completed in March 2013. I interviewed both senior executives of the companies and employees as the key informants. My research focus suggests that sampling should begin with top managers because they play an important role in the strategic aspects of cross-cultural adaptation, are normally involved in all key aspects of the business, and have knowledge about the firm's strategy and administrative activities (Corley & Gioia, 2004; Uzzi, 1997). Inclusion of low-level employees, on the other hand, can help us to cover non-biased views and to satisfy my goal of understanding the multilevel phenomenon. Each interview lasted from forty minutes to two hours. Table 2 and Table 3 summarize the basic characteristics of the companies and interviewees included in this study. I was not able to interview internal employees from two companies (case 7 and 8) despite my efforts. However, I believe that including those two cases is appropriate and relevant for the nature of this study; therefore, I utilized sufficient sources of

media publications and multiple external informants who had worked with and had intimate knowledge of these two companies. Table 4 summarizes the data sources utilized for each case.

**Table 3 Summary of Interviewees**

<b>ID</b>	<b>Case ID from Table 1</b>	<b>Company Type</b>	<b>Position</b>	<b>Profile</b>	<b>Years in the U.S.</b>	<b>Minutes of Interview</b>
L-1	7	Local Partner	Attorney	Chinese	23	50
L-2	5	Local Partner	CEO	American		73
C-1	1	Chinese Firm	Executive Assistant	Chinese	14	45
C-2	2	Chinese Firm	CEO	Chinese	15	90
C-3	3	Chinese Firm	VP of Operations	American		120
H-1	4,5,7	Hong Kong Firm	COO	Chinese	25	66
C-4	5	Chinese Firm	Former Manager	American		63
L-3	5, 7, 8	Local Media	Reporter	American		57
L-4	8	Local Partner	Attorney	American		50
C-5	6	Chinese Firm	Marketing Analyst	Chinese	2	60
L-5	5,7,8	Local Partner	Director	American		57
H-2	4	Hong Kong Firm	Customer Service	American		40
H-3	4	Hong Kong Firm	Warehouse Manager	American		50
H-4	4	Hong Kong Firm	Sales & PD Manager	American		50
T-1	9	Taiwanese Firm	President	Taiwanese	30	60
T-2	9	Taiwanese Firm	Advertising Manager	American		48
T-3	9	Taiwanese Firm	Sourcing Manager	Taiwanese	30	45
T-4	9	Taiwanese Firm	Director of Sales	American		65
T-5	9	Taiwanese Firm	Manager of Planning	American		41
T-6	9	Taiwanese Firm	HR Director	American		47

**Table 4 Summary of the Data Sources Utilized for Each Case**

Case	Internal Interviews	External Interviews	Web site	Emails	Annual Report	Observation	Video	Company Documentation
1	X		X	X	X			
2	X		X	X			X	X
3	X		X			X		
4	X	X	X			X		
5	X		X					
6	X		X					
7		X	X		X			
8		X	X					
9	X		X			X		X

## **Appendix 2 Semi-structured Interview Questions**

### **Questions (The president of Case 9):**

1. Could you please introduce yourself and your personal background? How many years of your working experience do you have with the company and in the United States? What is your role in the company? (For non-Chinese: what is your nationality?)
2. Can you briefly introduce the growth history of your company in the U.S. market? From your point of view, what are the most important drivers to make your company a success in this market?
3. How many employees do you have in the U.S. total and what is the mix of the workforce?
4. Did your company experience challenges from cultural differences with the local environment in the past? Do those challenges still exist today? Can you describe with some examples?
5. In your alliance of social networks in the U.S. market, which connections are more important for your company to learn about local business conducts and local culture?
6. How does your company develop a close relationship with your local business partners? Have you learnt from your partners about cultural differences to help your company adjust to local culture?
7. Is there any cultural conflict within the company's workforce? How do you usually address such conflicts?
8. How often does your company participate with social events in the local market, such as organized forums, business association meetings, or local community events? Why do you go or not go to those events? (Follow up: What kind of learning do you receive from those events?)
9. What other activities has your company done to integrate your company with the local market and what are the results?
10. How do you describe the relationship between the U.S. division and the headquarters? What level of autonomy do you have in the U.S. division in terms of budgeting, marketing, and product development?



11. How do you think your customer will identify your brand?
12. As a global brand, how well your company is doing in other regions (Europe, Asia, others), compared to the U.S.?

**Interview questions to employees of Case 9**

1. Could you please introduce yourself and your personal background? How many years have you worked with the company? What is your role in the company?
2. Do you feel any challenges from cultural differences between you and your company (or the headquarters)? Can you describe them with some examples?
3. Have you felt cultural changes within the company or the headquarters over time? Can you describe them with some examples?
4. How do you describe the communication style of your company?
5. How often do you communicate with your counterpart in China? Do you feel some difficulty in communication? Do you feel the communication has become easier over time? Some examples?
6. Have you felt stressed sometimes due to poor communication and misunderstanding with your Chinese counterpart? Any examples?
7. Have you tried to address the cultural issue with your Chinese counterpart? How do you address this issue?
8. How do you feel about your personal relationship with your Chinese counterpart?
9. What will you recommend the company do to reduce cultural challenges?
10. How do you see yourself with the company in five or ten years?

### **3.4 Data Analysis and Coding Scheme**

Because this is an inductive and interpretive study, I constantly analyze and compare the emergent themes and concepts (Corley & Gioia, 2004; Strauss & Corbin, 1998). Through this process, I was able to focus on answering the research questions of the study, compare the similar and contradictory findings with the literature, establish coding schemes, and identify theoretical development opportunities (Miles & Huberman, 1994). I used NVivo software to conduct content analysis, coding, and recoding. I conducted initial coding based on informant terms (1st-order data); then, I utilized focused coding to organize first-order codes into themes and dimensions originating from my theoretical-based interpretations to a higher level of themes/categories (2nd-order data). Finally, I distilled second-order themes into overarching theoretical dimensions (Charmaz, 2006; Gioia et al., 2013).

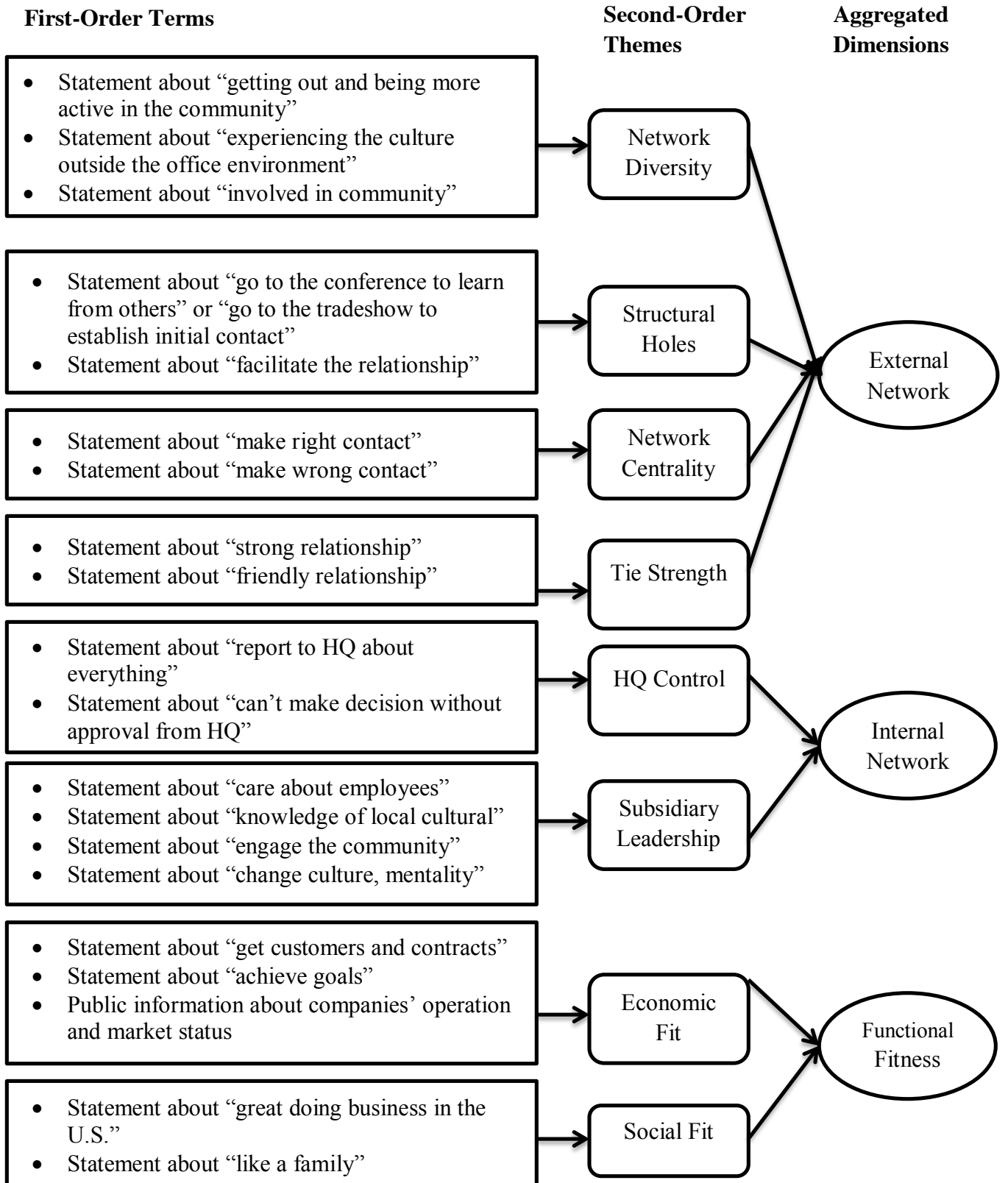
The first stage of the analysis was to identify the content of cross-cultural adaptation at the firm level. During this stage, I focused on how interviewees described the business culture and practice differences, how the companies had changed since they entered the market, and how the subsidiaries conducted business differently from their headquarters in order to operate effectively. Later, to understand how companies expanded their social networks in the foreign environment, I focused on how companies participated in different local events, how they identified key business partners and established relationships with them, and how those social relationships assisted with learning the local business environment. Last, I evaluated the degree of cross-cultural adaptation of each firm by contrasting how they practice differently comparing with the general practices in the market and whether the companies experienced changes in their business practices and organizational culture. To assess the companies' success in conducting

business in the market, I relied on the interviewee's self-evaluation, the public ranking, and news reports to evaluate their performance from both economic and social perspectives.

After completing the full set of 1st-order terms, 2nd-order themes, and aggregate dimensions, I build a data structure (Figure 2) to finalize the conceptual model, and Table 5 summarizes all of the identified variables. Figure 3 demonstrates the NVivo coding scheme. Table 6 and 7 exemplify the quotations from the interviewees to support my interpretation. Last, and especially relevant to multiple-case studies, I adopted the approach of cross-case synthesis (Strauss & Corbin, 1998) to analyze each single case and to group those cases sharing similarity in conceptual types. This approach is particularly helpful for us to categorize the cases in establishing possible causal relationships between antecedents and outcomes of cross-cultural adaptation.

An interpretive reading involves constructing or documenting a version of what I think the data mean or represent (Mason, 2002). To ensure the integrity and validity of my interpretive reading of my data, I also followed the guideline suggested by (Corley & Gioia, 2004) to use peer debriefing to invite other researchers not engaged in the study to solicit critical questions about the data collection and analysis procedure. This process helped a careful retracing and reconstruction of the theory building (Mason, 2002).

**Figure 2 Data Structure**



**Table 5**      **Definition of Terms**

<b>Terms</b>	<b>Definition</b>
Diversity	A wide range of different social groups encompassing the potential access to information and resources
Structural Hole	A non-redundant relationship between two contacts
Network Centrality	Reflects the importance, value, and potential social influence of the Ego, relative to other players in the network
Strength of Host Ties	Characterized by a combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and reciprocal services
HQ Control	Tight HQ control represents a lack of trust in the ability of subsidiary managers to make sound decisions on their own
Subsidiary Leadership	A leader with a global mindset and an understanding of the host culture, perhaps with years of personal and professional overseas experience
Functional Fitness	The economic fit, the competition in the industry for resources and customers, and the social fit, the comfort and ease of doing business overseas

**Figure 3 NVivo Coding Scheme**

Name	Sources	References
1-SN-Host Network Tie Properties		
1.1-SN-Instrument Ties		
1.1.1-SN-Diversity of Host Tie	9	20
Active in community	4	6
Be out and attending events	2	2
Become friends	1	1
Building relationship with the community	1	1
No engagement in the community	2	2
Repair relationship with the community	1	2
Training programs	2	2
Work close with partners and learn	1	4
1.1.2-SN-Structural Holes	5	12
Adding value by understand local culture	1	1
Get contacts from trade shows	4	7
Introduce to other contacts	1	1
Not using contacts	1	1
Use existing relationship (R)	1	1
1.2-Expressive Ties		
1.2.1-SN-Network Centrality	8	24
Built right connection	2	2
Go to agents for multiplier effect	1	2
Make wrong connection	4	10
Relationship with government	3	6
Work with local	1	1
wrong place	2	4
1.2.2-SN-Intensity of Host Tie	9	14
help me learning like friends	1	1
Long term relationship	1	1
Network and bonding	1	1
No strong relationship	1	1
Switch without a strong tie	1	1
2-Adaptation Process		
2.1-Adaptation-Individual Cognitive		
2.1.1-Host Communication Competence	3	5
Don't speak the language	2	2
Translation from Chinese	1	2
2.1.2-Cultural understanding	5	9
Learning about local culture	2	3
Not knowing local culture	2	2
training of local culture	2	2
2.2-Adaptation-Individual Emotional		
2.2.1-Comfort	4	7
Don't feel difference	2	2
Move out comfort zone	1	1
Reverse Adapt	1	3

Social bonding like friends	1	1
2.2.2-Easiness to communicate	6	6
Don't know what's going on	1	1
Don't speak the host language	1	1
Easy to communicate with clients	1	1
Have communication issue	1	1
Make it simple	1	1
Speak up more	1	1
2.2.3-Psychological Safety	3	4
Don't feel safe	1	1
Don't want to question too many	1	1
Feel rude	1	1
Local employees freak out	1	1
More casual	1	1
stressful but handled quickly	1	1
2.2.4-Sense of Affiliation	2	2
Belong to the community	1	1
Enjoy learning different culture	1	1
Improve employee's moral	1	1
Take time to get trust	1	1
2.3-Adaptation-Organizational Relational		
2.3.1-Communication Engagement	6	7
Communication Transparency	2	2
Managing expectation	1	1
No communication	2	2
Personal visits	1	1
2.3.2-Cultural Based Knowledge Transfer	3	9
Different practices	1	1
Learning from foreign partners	1	1
Marketing Influence	1	5
Marketing specialists	1	1
No sharing	1	1
2.3.3-Key players Connection	6	14
Connect with agent	3	3
Did not have established network	1	1
Establish right contact at trade show	1	2
Our agent has strong relationship	1	1
Part of family	1	1
Wrong place	1	1
You will need right contact	3	4
2.3.4-Trust and Commitment	6	22
Building trust	1	1
Careful for trust	1	3
Challenge of trust	1	1
Have to micromanage	1	1
Involve in community to build mutual benefits	1	1
Trust is important for B2B	1	1
Trust issue for Chinese companies	2	4
2.4 Reciprocal process	4	4
change of management style	1	1

Leader's influence	1	1
Management's adapt	2	2
3-Organizational Effects		
3.1-Administrative Effect		
3.1.1-Hiring and rewarding policies	8	22
3.1.2-Institutional standard	5	8
3.1.3-Legal practice	5	16
3.1.4-Official language	4	6
3.2-Operational Effect	1	1
3.2.1-Business practices	8	27
Wrong business practices	2	4
3.2.2-Communication Style	5	14
3.2.3-Employee Commitment	7	18
3.2.4-Professionalism	2	2
3.3-Organizational Value		
3.3.1-Branding	5	8
3.3.2-Diversity	3	7
3.3.3-Global Identify	8	17
3.3.4-Innovation	4	5
3.3.5-Quality	2	6
4-HQ&Subsidiary Relationship		
4.1-HQ Control	4	6
4.2-HQ Support	1	1
4.4-Subsidiary Leadership	1	1
Decision Maker	2	2
Global Mindset	3	6
Long Foreign Living Experience	3	5
Open to Change	2	3
Persistent	1	1
Adaptive Demand	15	22
Economic fit	9	9
Social fit	2	2
Become friends	1	1
Endanger	1	1
Like family	1	1
Part of the community	1	1



**Table 6**      **Data Supporting Interpretations of Cross-Cultural Adaptation**

<b>Theme</b>	<b>Representative Quotes</b>
Communication engagement	“We need communication to maintain the trusting relationship. It will be suspicious without information transparency. ... We sign non-disclosure agreement to share confidential information, and we always respond whenever our clients have questions to us. Our customers told me once that ‘Your guys are more than prompt’” (C-2).
Key players connection	“Particular to the Chinese is that in China, government plays a big role in business. ... There is a lack of understanding on the role of government in business in the United States. ... The insistence is always meeting with the governors and the mayors and all of that. However in here, you don’t think that way” (L-5).
Cultural understanding	“For us living here for a long time, whenever you see the charity events or community events during holidays, you will be influenced more or less over time, so I learn to participate with such activities myself and so does the company” (H-1).
Sense of affiliation	“Sometimes we have to educate them, but they also educate me as far as their personal beliefs and stuff like that. So, it’s a mutual thing but sometimes it makes it a little challenging to operate ... I think if I’m going to work in this company, I need to immerse myself” (T-4).
Legal standards	“We are in the United States; we are still part of the Taiwanese company, but we work under the U.S. laws or business rules” (T-6).
Employee commitment	“People said that I work for a Chinese company and ship jobs overseas. If we are selling some cheap and crappy products, I would feel unfair. But when I see the product we produce, I don’t feel bad about working for a Chinese company at all. I’m proud of the product quality we build and I can sleep well” (C-3).
Global identity	“I think we do a good job in the U.S. of showing that we’re very U.S.-friendly and are an Americanized brand.” “It is the community and people which is important to the company; we are not here just to benefit from the community, but to be part of the community” (T-1).

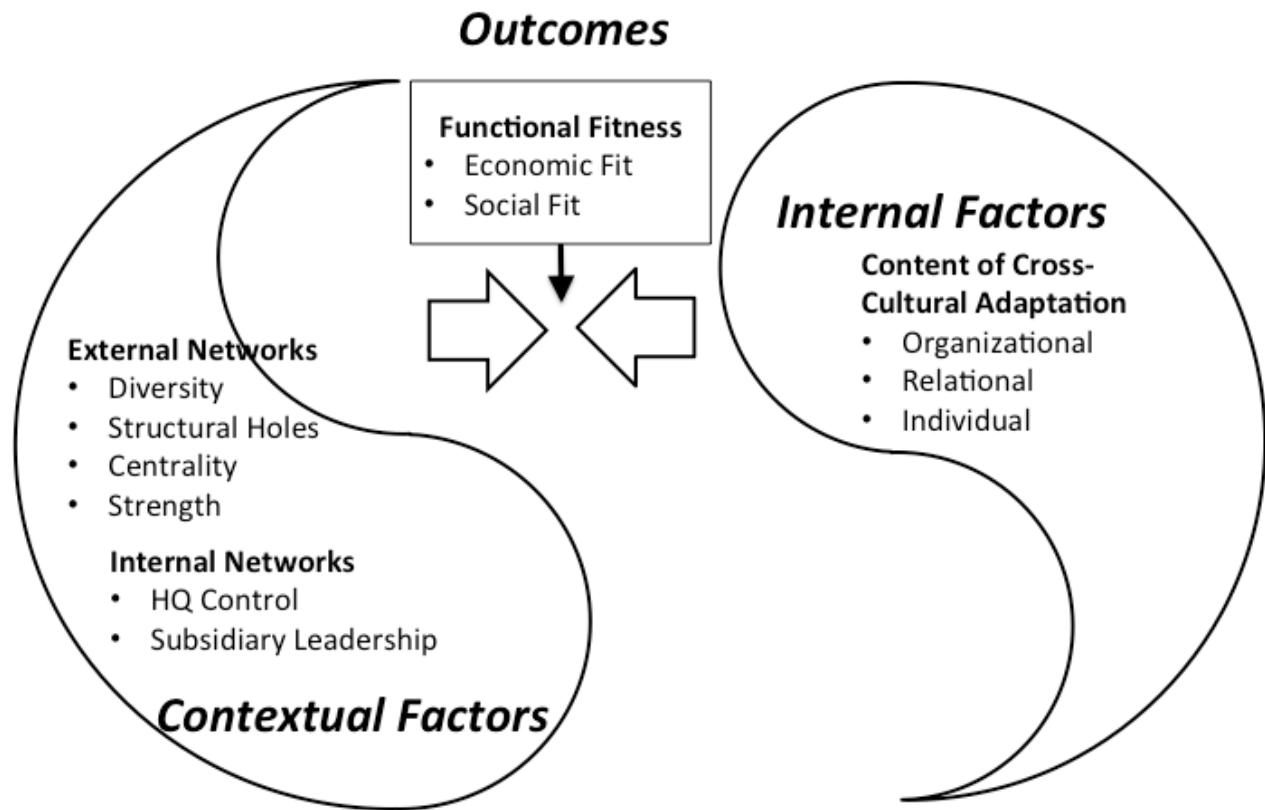
**Table 7**      **Data Supporting Interpretations of Network Drivers and Outcomes**

<b>Theme</b>	<b>Representative Quotes</b>
Diversity of host ties	“We are willing to sponsor community events and other business forums. In one way, it’s to support such events, and at the same time to market and promote our brand and our presence. So, when I participate with some social events, I am marketing the brand of my company, more or less” (H-1).
Structural holes	“We also introduce them to people that can advise them. We are more facilitators of creating business. So, we don’t act as personal consultants but what we do is introduce them to people that are consultants” (L-5).
Network centrality	He “had a wrong perception and thought that his relationship with political contacts would help him to get business deals” (L-5). “Many Chinese companies go to tradeshows but I don’t think they get customers there. They set up a booth with poor English-spoken sales managers from China. They thought they will make sales just by displaying their products and giving business cards ... we go there year after year, so others know you have an industry presence and you are a survivor” (H-1).
Strength of host ties	“Many of my customers have become friends and are very nice to me. They have provided a lot of help in introducing the market to me, help me find local suppliers for parts that can be made locally, drive me around traveling, helping me define our long-term strategies, etc.” (C-2).
HQ control	“The person could not move this stuff from here to here without asking permission from Beijing. And that’s bad because it ties your hands” (L-5). “We report everything back to HQ and everything needs to be approved” (C-5).
Subsidiary leadership	“It really wasn’t hard for me to get (the president) to understand me [that] he needed to do something like this. He’s been very open to suggestions from me to move the company forward. He always will be” (T-6).
Social fit	“So it has been great dealing with the U.S. customers” (C-2).

## **4 CHAPTER FOUR – FINDINGS**

I propose that foreign firms utilize cross-cultural adaptation as a mechanism to achieve functional fitness within a new cultural and institutional environment. Companies experience an evolving transformation process at multiple levels and dimensions to align with their host environment and thus develop and maintain a relatively stable, reciprocal, and functional relationship. The internal and external networks of the companies act as contextual factors to drive the degree of cross-cultural adaptation at the firm level. In another words, through enhanced social networks, foreign companies improve their level of cross-cultural adaptation to achieve functional fitness within the new host environment. Figure 4 illustrates the conceptual model of organizational cross-cultural adaptation. In this chapter, I will first introduce what cross-cultural adaptation means to foreign companies. Then, I will explain how host social networks can provide opportunities for cultural learning to facilitate the adaptation process. Last, I will compare all nine cases to establish a link between social networks, cross-cultural adaptation, and functional fitness of organizations.

**Figure 4**      **Conceptual Model of Organizational Cross-cultural Adaptation**

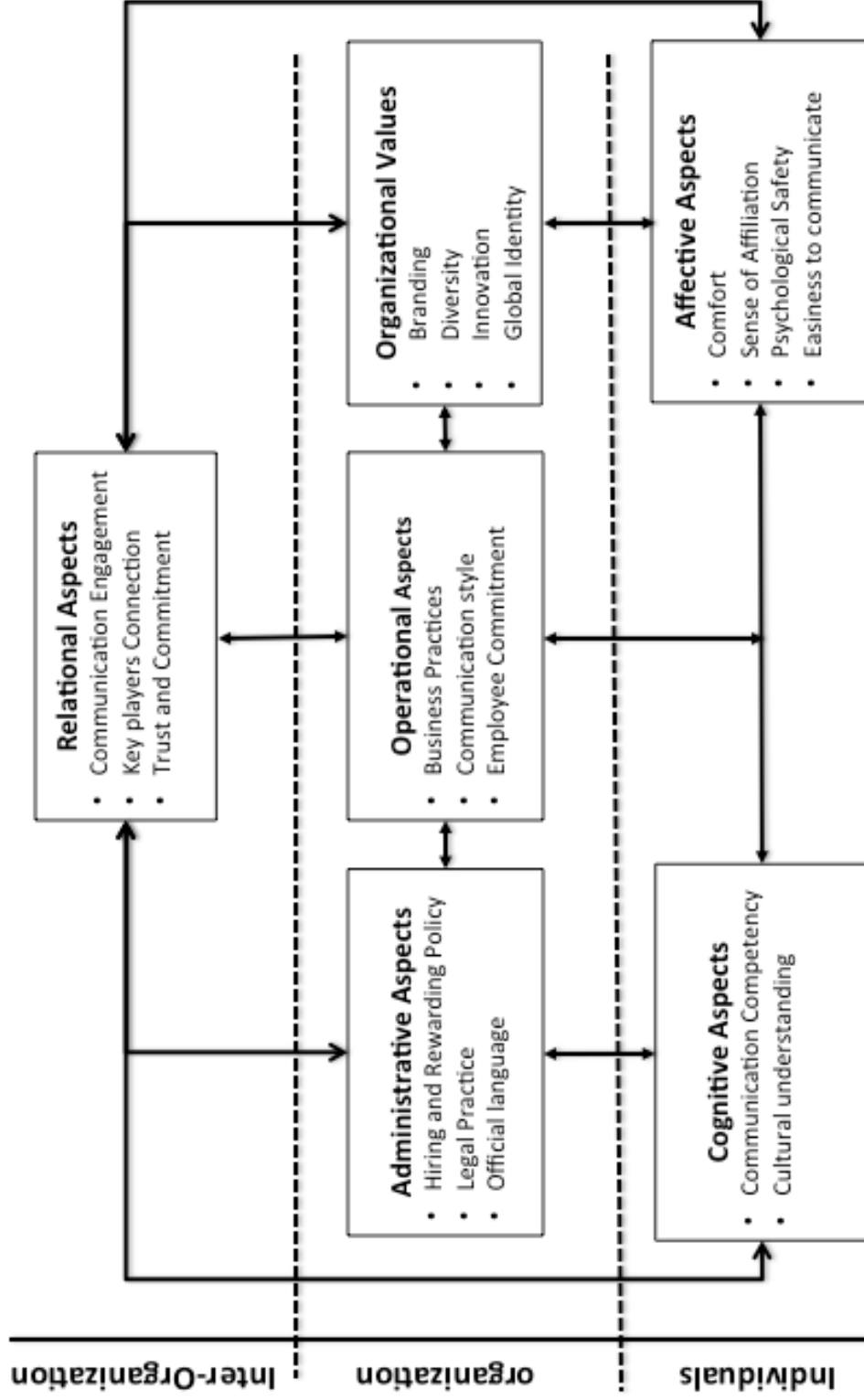


#### **4.1 Internal Factors: The Content Of Organizational Cross-Cultural Adaptation**

From the data from multiple sources, I found that the dynamic cross-cultural adaptation process within an organization consists of adaptation at the organizational, inter-organizational, and individual level, and it evolves reciprocally between individuals and collectively at the organization level. When the organization as a whole struggles with the foreign culture and undergoes the adaptation process to achieve a functional relationship with the new internal and external environment, individual members embedded inside the organization also experience a reciprocal adaptation process. Based on the data, the sub-dimensions demonstrate the areas where changes arise during the adaptation process. Cross-cultural adaptation underscores a transformation of organization over time; as the president of a Taiwanese company stated, “We have been doing this for long time” (T-1). I utilized the variance approach (Van De Ven, 2007) to capture the significant changes in an organization and to illustrate the conceptual model of organizational cross-cultural adaptation.

Figure 5 depicts the content and dimensions of organizational cross-cultural adaptation.

Figure 5 The Content of Organizational Cross-cultural Adaptation



#### **4.1.1 Organizational Level**

My study indicates that the evolution of adaptation is demonstrated through three dimensions: administration, operation, and organizational values. Adaptation with these three dimensions of outcomes will enable foreign companies to transform internally to fit the host environment.

##### **a. Administrative Aspects**

The data show that, very often, the cross-cultural adaptation of a company involves a change in human resource policies. From the companies in the study, I saw that companies with lower cultural adaptation maintained leadership, management, and teams from China while companies with higher cultural adaptations hired local or international employees to “blend in” (H-1). Three interviewees mentioned their adoption of “non-discrimination” hiring standards, which were completely foreign to Chinese companies. In addition, Chinese employees considered fulfilling their job responsibility as their obligation, while American employees often needed recognition to motivate their performance; therefore, reward policy changes should follow. An American employee told the first author that he felt “dispensable” because there was “no praising,” “no recognition” for their contributions. If financial reward was difficult, he stated, there could be other forms of recognition so they could have a “sense of worth” and “feel to be part of company” (H4). On the other hand, the company with higher adaptation said, “We’re able to do a lot more little things for our employees that I think they’re really appreciating and we always send anniversary cards” (T-6).

Language has not been examined much as a major factor in international business performance literature. However, more than half of the interviewees mentioned language as a communication barrier, which indicated language difference as one of the liabilities of foreignness and a barrier for achieving effective communication and coordination (Luo &

Shenkar, 2006). One company in my study made English their official working language from headquarters to subsidiaries, and all communication throughout the company was conducted in English. With one standard language used around the globe and a requirement of language skill, the company faced fewer communication barriers to transfer knowledge, and therefore was able to enhance coordination across borders.

Other administrative changes were indicated through adaptation of legal practices. Several interviewees mentioned that Chinese companies were reluctant to use legal services until “something goes wrong” (L5). In China, law enforcement is weak and people get used to resolving issues through non-legal channels. In the United States, on the other hand, the legal infrastructure is well developed, and individuals or companies regularly utilize legal sources to recover damages. The president of a Taiwanese company commented that “sooner or later, there will be lawsuits in the company (in the U.S.)” (T-1), and it would be too late to hire a legal service then. On the other hand, the companies with high adaptation employed legal services to reduce risk in international business. One company in my study mentioned that they have every contract reviewed by their attorney (C-2). The HR director of the Taiwanese company concluded, “We are in the United States; we are still part of the Taiwanese company, but we work under the U.S. laws or business rules (T-6).”

**b. Operational Aspects**

Cross-cultural adaption influences foreign companies to learn and adopt business practices as “how to do business in the U.S. ways, how Americans operate” (L-5). From the cases, I found that companies with low cross-cultural adaption entered the U.S. market with their previously successful business model and practices from home or other regions, in particular sales and marketing approaches, while companies with high cross-cultural adaptation learned to



utilize the matured distribution channels in the U.S. However, a sales manager mentioned that he still faced continuous pressure from their headquarters to get big clients directly without an understanding of the U.S. distribution network (H-4). In another case, the American VP of a Chinese company shared his experience that, during the first two years of entry, the Chinese owner visited them very often and went to every client meeting with him, even though he was in charge of the U.S. operation. The owner thought that his visit would help meet clients' big bosses and make big deals as they usually did in China. But once when they were meeting a buyer who had the authority to make purchasing decisions, the presence of the president from China confused the buyer, who then questioned the authority of the VP. The owner finally learned the difference in the procurement process and left the VP to do what he needed to do to run the business.

Another observed difference between high and low cultural adaptation companies is their different attitudes toward communication. Companies with a low level of cross-cultural adaptation often “try to hide the problem [from their partners] and hope the problem can somehow go away” (H-1). I also observed a low level of communication between the local and foreign employees within those companies. An employee in the marketing department of a state-owned company told us that most of their engineers were from China, and she had “no idea of what they were doing here. There was no official request for communication between R&D and marketing” and there was “a huge communication gap” with their headquarters (C-5). In high cultural adaptation companies, communication was considered a key element to improve company productivity. A company with higher level of adaptation recognized the needed to “be frank, respect, and compromise” (C-1) to resolve cultural issues among employees. A director stated:

I think having great communication is part of our critical success factors, and as many people talked to you about mission statement and our values and part of that whole plan, we have our little orange book, and part of that is the critical success factors—five of the things that we work on that we think are important to our company. (T-6)

I also observed different levels of employee commitment among the companies in the study. The companies with low cross-cultural adaptation had high employee turnover rates, particularly among their American employees, while employees in high cross-cultural adaptation companies presented a high level of loyalty and commitment. One American manager from a Taiwanese company commented, “Hopefully, I’ll be here until [I] retire” (T-2), while the American VP working for a Chinese company stated:

People said that I work for a Chinese company and ship jobs overseas. If we are selling some cheap and crappy products, I would feel unfair. But when I see the product we produce, I don't feel bad about working for a Chinese company at all. I'm proud of the product quality we build and I can sleep well. (C-3)

**c. Organizational Values**

Branding is one important prospect recognized by my interviewees. The American VP of a Chinese company stated, “It takes time, but now 50 percent of our distributors recognize our brand. Our goal is to have our end-users also recognize our brand and ask for it (C-3)”. The Taiwanese company in the study never stops their effort to promote their branding globally. Their marketing manager said:

If we can move forward with some of these things that we are to put to motion, we're definitely are stepping in the right direction for (our company) globally as a brand power in the industry. It's very exciting. (T-2)

One of the prominent differences between companies with low and high cross-cultural adaptation is the gap of employee diversification, ranging from an "all Chinese team" to a "global workforce." The biggest tolerance of diversity enables companies to effectively operate across cultural borders (Gupta & Govindarajan, 2004) and to motivate employees from different cultures to join forces for strengthening the competitive sustainable advantage (Erez & Gati, 2004). The COO of the Hong Kong company said, "We have a well-rounded and diversified team from China, U.S., and Europe. It's also very easy to communicate with American clients because we know about the U.S. market" (H-1). A diversified workforce helps to establish a global identity for the company from its sense of belongingness to a worldwide culture and awareness of practices, styles, and information that are part of the global culture (Arnett, 2002).

From those cases, I found that some companies carried the burden of being "perceived as a Chinese brand, Chinese company" and "not an internationalized company" (C-5), but I also observed that companies consider themselves to be a global company. Instead of identifying themselves as a Chinese company, the companies with a high level of cultural adaptation can truly change their "mentality of management" (T-1) to think globally and act locally by adopting local practices. The executive assistance from a Chinese company said, "What I see our company [as] truly a global company with one culture. We are not a Chinese company but a global company" (C-1). Without an image as a "Chinese company," their potential clients will pay more attention to their products instead of their country of origin (C-3, C-5). The marketing manager of the Taiwanese company proudly claimed, "I think we do a good job in the U.S. of showing

that we're very U.S.-friendly and are an Americanized brand" (T-2). In addition, their president noted,

"It is the community and people which are important to the company; we are not here just to benefit from the community, but to be part of the community" (T-1).

In foreign markets, companies mimic other companies' practices to gain legitimacy, however without the belief of value creation (Kostova & Roth, 2002), my analysis further suggests that the cross-cultural adaptation will have an effect on the actual belief in the value of embracing practices from the host market and thus adapt to the foreign norms and practices for value creation, which leads to improved employee satisfaction; enhanced bonding relationships with the local partners, as in the case of the wind energy company; and increased operational efficiency. Based on the discussion, I propose the following proposition:

**Proposition 1:** Cross-culture adaptation involves transformation of the organization's administration, operation, and organizational value at the organizational level, which lead to the functional relationship with its host environment.

#### **4.1.2 Inter-Organizational Level**

Data from my interviews indicate that cross-cultural adaptation at the organizational level comprises an evolving social relationship (Berry, 1995) between Chinese companies and their host partners. One of these key elements is communication engagement, which demonstrates the desire and willingness to initiate and maintain communication with partners. Information sharing and transparency are among the main issues for the companies with low cross-cultural adaptation. An interviewee from a local organization described their Chinese partners as "very, very difficult" because "you send them emails and they don't respond. It's very hard to reach out to them" (L-5).

An American VP of Operations working for a Chinese company commented on his experience regarding information sharing from his Chinese counterparts:

So whenever I asked them for test data and product information, it was a pain.

They are afraid that competitors can steal their information. However they didn't understand it is an industry standard to publicize product technical specification.

Anyone can search your product specification online. (C-1)

On the contrary, the CEO of a start-up wind energy company from China considered communication as a competitive advantage to provide superior customer service and a precondition for mutual trust. He said:

We need communication to maintain the trusting relationship. It will be suspicious without transparency. ... We sign non-disclosure agreement to share confidential information, and we always respond whenever our clients have questions to us. Our customers told me once, "Your guys are more than prompt."

(C-2)

As one of the results of their communication engagement and an attitude of cooperation and responsiveness, his company won a contract quickly from a major distributor and avoided the inclusion of undesirably demanding contract terms or clauses in the contract.

Many Chinese companies came to the United States without knowing "the local customer, the local business practices, the sales and marketing process, and the procurement process of big corporations" (L-5); therefore they were often not able to make the right connections with key players in the market. A local partner said:

Particular to the Chinese is that in China, government plays a big role in business. ... There is a lack of understanding on the role of government in

business in the United States. ... The insistence is always meeting with the governors and the mayors and all of that. However, here, you don't think that way.

(L-5)

It is very typical for Chinese companies with low cross-cultural adaptation to seek business opportunities from government relationships in the United States based on their previous experience in China or other regions, while companies with higher cross-cultural adaptation use a different approach by “moving to the sales agent channel because of multiplier effect (H-1)” because the U.S. market has a mature distribution system (T-1 & H-4). Therefore companies with a higher level of adaptation utilized “distributors’ network at the local market” as their “sales and marketing arm” (C-2). Such key connections include not only their direct customers but also those indirect agencies that are well connected in the market. The Taiwanese company in the study had worked with its advertising agency for more than a decade since “the advertising agency works with all sorts of different professional sports teams” (T-2). Through the assistance of the agency, the company was able to sponsor some of the best athletes in the market to enhance its global brand image.

I found that trust between partners is one of the biggest issues emphasized by the interviewees. Trust is the key component in strong relationships (Burt, 1992b) and has been intensively studied in the inter-organizational relationship literature (Currall & Inkpen, 2002; Krishnan & Martin, 2006; Yuki et al., 2005). One interviewee from an American partner company commented on his Chinese partner:

It's gotten a little better, but yeah, we've had a relationship for 10 years and I still need to be very, very careful. ... You have to micromanage. There are a lot of

times with respect to materials, in critical materials, we have to validate the materials before they're processed and then again afterwards. (L-2)

My interview data revealed that a higher level of cross-cultural adaptation enhanced the trust and commitment between alliance partners. The CEO of the aforementioned wind energy company told us that he had several distributors who started doing business with him before he became the CEO. Based on previous experiences, the distributors were concerned that his company would skip them and go directly to the end-users if they shared the end-user information. Such skepticism caused problems for the company in conducting its warranty services and prevented it from building brand reputation among consumers. The CEO visited his distributors and emphasized his commitment to building a long-term relationship with them. His distributors “like him and trust him” (C-2) and thus established their relationship based on mutual trust and commitment, which eventually led to information sharing of end users.

Extant literature has suggested that a cooperative inter-organizational relationship emerges out of a variety of situations, such as preexisting relationships, institutional mandate, resource dependency, or interdependency between companies (Galaskiewicz, 1985; Oliver, 1990; Ring & Van De Ven, 1994). Such relationships are established incrementally through repeated transactions over time to allow partners to increase trust and commit to the relationships (Ring & Van De Ven, 1994). In the international business context, my study demonstrates that cross-cultural adaptation of an organization can facilitate cooperative and effective inter-organizational relationships through increasing communication engagement, connecting to the key players in the market, and enhancing mutual trust and commitment with their alliance partners. Hence, I propose:

**Proposition 2:** Cross-cultural adaptation of a firm involves its relational progress with host business partners.

#### **4.1.3 Individual Level**

As employees are embedded in an organization, a firm's cross-cultural adaptation will also comprise an adaptation process at the individual employee level. When a company as a whole struggles with the adaptation process, the internal employees, both expatriates and local employees, also undergo changes in both cognitive and affective aspects in order to function effectively and appropriately in the multicultural business environment. Expatriates will adapt to local norms, values, and behaviors to increase the likelihood of fitting in, winning respect, and being an effective and persuasive collaborator in the new cultural setting (Molinsky, 2013). However, a foreign company will have a certain level of culture or practices carried over from its home culture. Thus, beyond the cross-cultural adaptation of foreign individuals, the adaptation at a firm level also involves local employees adapting to the foreign cultural perspective to avoid stereotypes and conflicts and allow them to collaborate with foreign colleagues smoothly.

##### **a. Cognitive Aspects**

Host communication competence (Kim, 2000) is the important capacity to allow foreigners to engage themselves with the host communication process and to provide a higher quality of communication experience with clarity, responsiveness, and comfort in intercultural social interactions (Liu et al., 2010). Unfortunately, companies still often overlook such essential capacity for foreign operations. An interviewee from a local business partner of Chinese firms expressed his disappointment about the low level of interaction from his partners:

They're very big and a lot of them don't speak English, so, they're not really engaged; we give them presentations; we give them talks but when I'm giving, I



can tell who's listening and who's not paying attention because they're not engaged. (L-5)

Lack of responsiveness to the other party falls short on reciprocal communication expectations and may cause conflicts in interpersonal communication (Liu et al., 2010). A low level of host communication competence becomes such an obvious impediment and creates a very unfriendly working environment toward local employees. One Chinese employee commented that Chinese workers were "very rude" (C-5) to speak in Chinese in meetings in front of American co-workers in order to directly communicate with their Chinese CEO. In another case, misunderstanding incurred because of the different norms. For Chinese, expressing gratitude is not necessary for someone carrying out his or her obligations (Nisbett, 2004); however, it is something that is uncomfortable for Americans. An American employee told us:

Sometimes when I received emails [from Chinese counterpart], my feelings get hurt because I think they're so straightforward, but I think it's just the way they translate it. They're not being mean, it's just so straightforward. (H-2)

From my cases, I also saw that competency of host language does not necessarily lead to cultural understanding, which is usually required for long-term immersion and interaction with the host environment. In one of the cases, the general manager of a Chinese company completed two years of MBA education in the United Kingdom. Verbal communication should not be a barrier. However, "the management team coming from China does not know much about the market, the society, and the country" (H-1); the president from another Chinese company commented, "Getting an MBA overseas is very different from working or living in a foreign country. There is not much knowledge about the foreign society after two years of schooling" (H-1).

Cross-cultural adaptation of individuals will improve their host communication competence and cultural understanding, but this process may take “a long time” (H-1, T-1). From the internal integration and external interactions, foreign individuals will slowly acquire knowledge of the host culture and host communication system (Kim, 2000), expand their cultural understanding of the new environment, and gradually adapt to the host environment cognitively. As someone who has lived in the United States for more than 25 years, the president of a Chinese firm commented:

For us living here for a long time, whenever you see the charity events or community events during holidays, you will be influenced more or less over time, so I learn to participate with such activities myself and so does the company. (H-1)

Cross-cultural adaptation is also easier for individuals who have children at school because they “are a lot more active in the community because of the activities of the children and the demands of the children” (L-1). The cognitive improvement therefore helps individuals to achieve comfort in intercultural communication, to find a feeling of ease and pleasantness in interacting with others (Liu et al., 2010), thus feeling more accepted by the new environment.

#### **b. Affective Aspects**

A low level of communication competence and cultural understanding among foreign employees often goes side by side with a higher level of frustration and a stressful working environment, for both foreign expatriates and local employees. In particular, local employees do not sense an affiliation with their companies and experience a low level of psychological safety—a shared belief within a team that the team is safe for interpersonal risk-taking (Edmondson, 1999). One American employee, who has worked for the company for more than six years, told us her concern:

As an employee, we're not allowed to ask too many questions or I feel that maybe it'll come across as rude especially [for those] coming from China, they're the bosses. So, you don't want to ask too many questions ... sometimes I'm stressed because I cannot communicate and I feel that they're not going to hear me. ... We see things changed from one day to another and people come and go and we really don't know what is the norm when is it okay. I shouldn't feel safe.

(H-2)

However, several interviewees working for the Taiwanese company demonstrate the adaptation of American employees. The company has been in the United States for more than 30 years, while language remains a barrier. Dealing with the communication issues with his counterpart in Taiwan, the American marketing manager said, "I'll try and write emails that are very simple and to the point so it doesn't get lost in translation when I send it to them" (T-2). The director of sales of the company mentioned that he noticed that seniority and hierarchy could prevent his employees from making suggestions, so he encouraged his employees to bring him ideas all the time, even though he might be older and at a higher level. He has also faced situations when his foreign colleagues spoke their native language in meetings, and in spite of feeling frustrated, he commented:

I've adapted and realized they feel more comfortable speaking in their own language sometimes and to try to get points across and to make decisions quicker for them to speak in their native tongues whereas it's quicker for me in my native tongue. (T-4)

Such reverse adaptation allows American employees to become more receptive to foreign cultural prospects. The director put it this way:

Sometimes we have to educate them, but they also educate me as far as their personal beliefs and stuff like that. So, it's a mutual thing but sometimes it makes it a little challenging to operate. . . . I think if I'm going to work in this company, I need to immerse myself. In fact I actually requested to be stationed in Taiwan for like a two- to three-year period to do a set of work there, so I can immerse myself into the real culture and to understand the company better. (T-4)

My findings suggest that the individual adaptation within the company occurs for both foreign and local employees, and it is a mutual learning and adapting process. Such individual adaptation will not only improve individual learning about another culture, but also allows employees to better coordinate and respect each other. In summary, I propose:

**Proposition 3:** The cross-cultural adaptation process at the firm level is reflected through individuals at the cognitive and affective aspects.

#### **4.1.4 The Reciprocal Process between Levels**

My analysis of the cases shows that, during the process of cross-cultural adaptation, Chinese companies modify their human resource policies to meet local and institutional standards. The workforces become more “diversified” (H-1) and English becomes the company's official language (C-1) to enable communication among employees from different nationalities. Operationally, communication becomes more transparent to avoid misperception and confusion. Business processes are improved to prevent misinterpretation and to maintain operational consistence. Management styles also change to fit local culture. Most importantly, cross-cultural adaptation leads to an organizational value focusing on branding, global identity, diversity, and innovation, which enable a firm to have long-term sustainability and competency in the foreign market. As the organizational cross-cultural adaptation suggests an embedded setting, the

adaptation of individual employees influences the organizational climate, while the adaptation of the leaders drives the changes of organizational policies and activities, which further encourages the adaptation of lower-level employees. Simultaneously, the adaptation of the company could establish an “organizational atmosphere similar to” (T-2) their business partners in the host market, and hence further reinforce the adaptation of the employees and leaders in the organization. An American employee described his company, which entered the U.S. market more than thirty-five years ago from Taiwan, as having a “casual,” “Americanized,” and “exciting” (T-2) working environment with “the management trying to adapt to the culture” (T-2). He said, “It is fun to learn about how cultures are different and I enjoy that.”

In conclusion, based on my observation, cross-cultural adaptation is a reciprocal and dynamic process, which requires alignment of the individual, organizational, and inter-organizational levels over time. This finding suggests that it is of theoretical and practical importance to assess cross-cultural adaptation at the firm level, and that it is a multilevel evolving process that some companies can take years to achieve.

**Proposition 4:** The organizational cross-cultural adaptation process is a reciprocally evolving process among the organization, leadership, and individual employees, and it requires consistency and convergence between individuals and organizational values.

## **4.2 Contextual Factors: Network Drivers of Cross-Cultural Adaptation**

### **4.2.1 External Network Drivers**

Cross-cultural adaptation involves the processes of recognizing cultural differences, feeling the pressure of adapting to the local culture, and taking actions to make changes. Companies need to be part of the complex social setting and communicate with members of the local context to comprehend the different meanings. The social networks of foreign companies

provide a platform for learning and sense-making and therefore activate the transformation of the companies' organizational culture through a communication process (Erez & Earley, 1993).

Social network theory distinguishes two types of ties: instrumental ties and expressive ties. The former associates the transfer of physical, informational, or financial resources, while the latter involves friendship and social support (Manev & Stevenson, 2001). For cross-cultural adaptation, companies need not only the instrumental ties to learn about local cultural and institutional norms, but also the expressive ties to develop long-term social bonding relationships with their partners and become “localized” (T-2), thus establishing a social affiliation with the host environment. Network literature suggests that the quality of relationship is not only influenced by the content of interactions between ties, but also by network structure characteristics such as size, heterogeneity, and density (Granovetter, 1973; Wasserman & Faust, 1994). Based on the literature on the nature of ties and the structure of social networks (Tichy et al., 1979) and supported by my interview data, I found that four characteristics of the organizational ties in their host networks will provide cultural learning and social support, and thus drive the progress of cross-cultural adaptation.

**a. Diversity of Host Ties**

Network diversity is defined as a wide range of different social groups encompassing the potential access to information and resources (Ibarra, 1995) . In an international business context, network diversity means social heterogeneity, composed of relationships from different nationalities and various industries (Wang & Nayir, 2006). My interviewees believed that their cultural learning resources could come from various types of host ties, such as cultural workshops provided by local universities or business organizations, local communities, or professional conferences. A local partner of a Chinese firm said, “Getting out and being more

active in the community would be helpful for [the newcomers] to learn about the U.S. business customs or the unspoken rules of the game and also to build a network. [It] also [helps] to experience the culture outside of the office, their own environment (L-1).” An executive assistant from a company said, “We engage in many activities, such as conferences and international forums. We go to conferences to learn from others, or to network with others” (C-1). On the contrary, another Chinese company was not “willing to participate in any community events” because “the management team coming from China did not know much about the market, the society, or the country (H-1)” and “they didn’t know that that was something they ought to be doing” (L-1). Network diversity enhances the quality of the network through wide-ranging information sources (Burt, 1992b). In the case of organizational cross-cultural adaptation, diversified host ties not only enable companies to learn host cultural knowledge through various channels, but also to boost their company images and brands. The COO of a Hong Kong company, also the president of a local business association, said,

We are willing to sponsor community events and other business forums. In one way, it’s to support such events, and at the same time to market and promote our brand and our presence. So, when I participate with some social events, I am marketing the brand of my company, more or less. (H-1)

**b. Structural Holes**

The appearance and disappearance of structural holes (Burt, 1992b) change interactions over time. A structural hole is a non-redundant relationship between two contacts. The holes connect invisible players who can play important roles in the markets and provide additional rather than overlapping network benefits. Players become competitive because of their access to “holes” in the social structure of the competitive arena (Burt, 1992b). In the individual

cross-cultural adaptation process, weak ties (Granovetter, 1973) serve a function of providing linkages between various ethnic groups and help spread information and resources of the host sociocultural system (Kim, 2000). My interviewees described that connections to structural holes were particularly helpful for the foreign companies to learn and adapt to the host practices. The structural holes for foreign companies included organizations and events such as tradeshow, conferences, local law firms, chambers of commerce, or other business associations. Activities such as attending tradeshow and conferences allow companies to “establish contacts” for future follow up (H-1) and “learn from others” (C-1, T-1) about the trends of industry and the host market. Those local organizations did not directly provide sales opportunities for the foreign firms; however, they often acted as “facilitators” (L-5) and introduced foreign companies “to people that can advise them” (L-5), such as consulting firms. During this introduction and facilitating process, the structural holes helped foreign firms understand the local standards and requirements. A director from a local chamber stated, “We’re just going to do what we can to help smooth the way for them what they did here” (L-5). An attorney from a local law firm said:

Often times, I come across a client and say “Look at me. I’m not just a lawyer; as someone who has lived in the U.S. for a long period of time and is familiar with not just the law but a lot of cultural issues and social issues, all of that allows me to be able to bounce off thoughts and ideas and decisions with you.” I do that often. And a lot of them do call on me with regards to things that are non-legal in nature and so, I like to think that by adding value to my clients, in that respect, helping from understanding how can they understand the society, the culture, the business environment better. (L-1)

**c. Network Centrality**



Centrality reflects the importance, value, and potential social influence of the Ego, relative to other players in the network. An individual with higher centrality is better informed to find out what is going on and receive information and advice (Kim, 2000). A high degree of network centrality can thus increase the speed of resource flows as well as its network influence (Yang et al., 2011). In my study, making the right connection was often cited to indicate network centrality. A CEO of a Chinese company had a big investment plan for the local market. However, he “had a wrong perception and thought that his relationship with political contacts would help him to get business deals” (L-5). His company was later involved with a legal investigation and failed to actualize his investment plan. Another Chinese company also suspended its operation after two years without successfully making sales. A local partner contributed their failures to the shortage of key connections: “They’re getting advice from agencies here about what kind of incentives they can get, and where is the best site and all these. Who knows whether they listened too much or not enough” (L-3).

Interviewees from several companies in the study mentioned tradeshows as a venue to identify and establish initial contact with key connections and learn about the local market trend. Not every company knows how to utilize tradeshows to build the right network connections. The COO of a Hong Kong Company commented:

Many Chinese companies go to tradeshows, but I don’t think they get customers there. They set up a booth with poor English-spoken sales managers from China. They thought they would make sales just by displaying their products and giving business cards. ... We go there year after year, so others know you have an industry presence and you are a survivor. (H-1)

Further, companies need to “cultivate” (H-1) the initial contacts in a bonding relationship through follow-ups, visits, long-term conversations, and other relationship-building processes. However, making the right connection in the host market is the first step to succeeding in the market.

**d. Strength of Host Ties**

The strength, also called intensity, of a tie is often studied as the most effective factor in a network to influence the behavior of actors. It is a combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services that characterize the strength of ties (Granovetter, 1973). A strong relationship with host connections can provide friendship and social support for foreign companies.

An interviewee (C-2) indicated that in the competitive U.S. market, it is easy for companies to “switch” to other partners if they do not have strong relationships. Thus, the host partners without strong ties would not try to influence their Chinese partners. However, once the relationship becomes strong, information sharing becomes easy. One Chinese company told us that their local distributors did not share the end-users’ information initially until they established a trust-based relationship. Such information sharing allowed this interviewee’s company to better serve the end-users and enhanced the brand reputation of the company. The interactions among those connected by strong ties enhanced the coordination of activities, improved interdependency, and increased information exchange, therefore facilitating the cultural learning of the foreign companies.

Strong relationships with the host partner also bring foreign companies social support beyond business transactions. For example, the CEO of the wind energy company told us:

Many of my customers have become friends and are very nice to me. They have provided a lot of help in introducing the market to me, help me find local suppliers for parts that can be made locally, drive me around traveling, helping me define our long-term strategies, etc. So it has been great dealing with the U.S. customers. (C-2)

Likewise, the executive assistant of another Chinese company said, “[Our company] really stresses on success sharing with partners, particularly profit sharing. We treat them as part of the family, not just another company. Very meritocracy” (C-1).

The above features of social networks suggest that foreign companies can utilize information from diverse networks and structural holes to improve their understanding of the host culture and to increase learning opportunities for social interactions, while network centrality and the strength of host ties allow foreign companies to establish social bonding relationships in their host environment. Therefore I propose:

**Proposition 5:** A firm’s progress of cross-cultural adaptation in the host market can be facilitated through improving network diversity, connecting to structural holes, enhancing network centrality, and strengthening host tie relationship.

#### **4.2.2 Internal Network Drivers**

The function of headquarters (HQ) and subsidiary leadership in cross-cultural adaptation emerged from my interviews. In international business literature, the relationship between HQ and subsidiaries is central to understand the functioning of MNCs (Birkinshaw et al., 2000; Johnston & Menguc, 2007). The interview data show that, in the organizational cross-cultural adaptation process, the relationship between HQ and subsidiaries plays a crucial role in affecting the level of adaptation of the foreign subsidiaries.

##### **a. Headquarters Control**

It is necessary to have a certain level of HQ control to ensure coordination among subsidiaries. However, tight HQ control represents a lack of trust in the ability of subsidiary managers to make sound decisions on their own (Birkinshaw et al., 2000). From the cases, I saw that companies with a lower level of cross-cultural adaptation were often tightly managed by their HQs. A local partner commented on a Chinese company in my study as a place “where the person could not move this stuff from here to here without asking permission from Beijing. And that’s bad because it ties your hands” (L-5). Similar controls happened to another state-owned Chinese company to the extent that even employee participation in local conferences needed HQ approval. According to a Chinese employee working in the company, “We report everything back to HQ and everything needs to be approved” (C-5). The local directors had no authority to decide how to spend the budget. An employee shared this story: The American marketing director needed to give \$4,000 to the Wal-Mart account to print flyers. She needed to submit a detailed report to HQ to justify the spending. To prevent the delay in the approval process from causing the company to miss the market promotion opportunity, she used her personal credit card to pay the expense (C-5). The marketing director in this company resigned within a year. In another company, the HQ decided on a list of clients in China for the U.S. division to represent in the American market. However, many of the companies in the list were not equipped with appropriate products or quality standards for the U.S. market.

Such a high degree of control from these HQs results in a low level of flexibility for decision-making at the subsidiaries and limits their capability to adopt business practices and cope with the local environment and local demand (Ambos & Birkinshaw, 2010; Kostova & Roth, 2002; Roth et al., 1991). The tight control from HQ often indicates a hierarchical organization structure, which also limits deviation from its organizational culture, business

practices, and processes. Under a tightly controlled environment, it is difficult for the leadership of foreign subsidiaries to initiate organizational changes to adapt to their host cultural environment. With increasing attention to the HQ–subsidiary relationship and its impact on subsidiary performance (Andersson et al., 2002; Birkinshaw et al., 2000; Miller & Eden, 2006), we still have little knowledge of how such a relationship can impact the cross-cultural adaptation in subsidiaries. Therefore, I propose:

**Proposition 6:** Headquarters control negatively impacts the level of cross-cultural adaptation of the foreign subsidiary.

**b. Subsidiary Leadership**

Like any organizational change, cross-cultural adaptation also requires strong leadership at the foreign subsidiary and “has to be driven from the leadership” (C-1). In addition to the leadership characteristics, cross-cultural adaptation will be more effective from a leader with a global mindset and an understanding of the host culture, perhaps with years of personal and professional overseas experience. As I observed, the companies with higher cross-cultural adaptation have leaders who are effective decision-makers for the subsidiaries’ operation, open to changes, caring for their employees, engaging with their local communities, and persistent to drive cultural changes in their respective subsidiaries. Very often, those subsidiary leaders were dealing with the pressure from their home organizational culture and HQ manufacturer mentality; thus, it was essential that the subsidiary leader take the initiatives of adapting. The HR director, an American who worked for the Taiwanese company for 11 years, described her president as “very reserved, very conservative, but he hires people like myself that’s more outgoing to be the communicator for the company” (T-6). She praised her president’s support when she needed to implement policy changes in the company:

It really wasn't hard for me to get [him] to understand he needed to do something like this. He's been very open to suggestions from me to move the company forward. He always will be. I just felt very strongly that we needed to do this; a team of best put it together. And it was based on what people felt here in this office. We did a lot of surveys and got what was important to our employees. ... He makes my job very easy for the benefits that we give our employees. (T-6)

The leadership literature has suggested that a powerful leader can transform organizational culture and drive operational performance (Schein, 2010), yet there is little emphasis of the role of subsidiary leaders in driving local cultural adaptation and ultimately the subsidiary's performance. Through the findings, I propose:

**Proposition 7:** Subsidiary leadership positively influences the level of cross-cultural adaptation of the foreign subsidiary.

### **4.3 Outcomes: Patterns of Organizational Cross-Cultural Adaptation**

Although the companies in my study are from various industries with different ranges of size and type of ownership, I observed and identified four patterns of cross-cultural adaptation. Based on the maturity of social network and the degree of functional fitness of the organizations, I call the patterns: "Big Splash," Reluctant Adaptor, "Step by Step," and Prudent Adaptor (Figure 5). Table 8 summarizes the comparison of the cases. I also highlight several critical features of the four patterns of cross-cultural adaptation in Table 9 based on the observations, and provide the selected quotations for companies with high or low level of adaptation for each feature in Table 10.

#### **4.3.1 "Big Splash"**

Two Chinese companies in the study, one state-owned and one private-owned, illustrate a phenomenon described by an interviewee as “big splash” (L-3): the companies hosted grand openings and announced appealing investment plans of hundreds of millions of dollars and potential employment opportunity to the hosting city. With their high-profile investment plans, both companies drew substantial attention from the local government and media. However, both companies failed quickly despite their initial ambitious goals for the market. One company suspended its operations in the United States completely after about 18 months of operations, with a 10-year building-leasing contract unsettled. The second company became involved in several intellectual patent lawsuits and a legal investigation. Even though the company won the lawsuits and was praised as a national hero back home, the company withdrew its entire investment plan and the acquired land remains idle. An Internet search shows the company website in the United States does not exist anymore.

The “big splash” style leaves a fairly negative impression that Chinese companies come to the United States to make a big announcement to satisfy their “face” or make it as “bait” (L-3) for their home or host country’s government incentives but hardly achieved their plans or fulfilled their commitments. The “big splash” effect is exactly the outcome of a complete lack of cross-cultural adaptation. Both of the “big splash” companies in this study are actually quite successful in China or other markets; however, the companies did not understand the business practices, regulations, and legislation specific to the U.S. market before they entered the market. They simply transferred their business model and practices from China or other successful markets and wishfully believed that they could, as the CEO of the private company said in a CCTV interview, “provide the best products with the lowest price to American consumers and

change the consumption behavior of American consumers.” With little cross-cultural adaptation, both companies resulted in low economic and social fit and failed in the U.S. market quickly.

#### **4.3.2 Reluctant Adaptor**

One state-owned company and one private company reflected the pattern of Reluctant Adaptor. The resultant adaptors tend to be large companies; however, because of their resistance to adapt to the environment, they were in no way close to achieving the goals of their ambitious investment plans. The state-owned company had achieved two to three percent of market share after more than 10 years of operation in the United States. The privately owned company built a large assembly facility; however, it was quite empty, according to a local news report. Employee turnovers were high in both companies, particularly among American workers. One marketing executive commented about the state-owned company in a public online forum:

I must warn anyone considering to work here of the company’s lack of professionalism, organization, and efficiency. You will be beat down mentally and emotionally due to the fact the company is a Chinese government-owned company and this is the culture of most Chinese SOEs.

Both companies can remain in the U.S. market longer due to strong financial support from their headquarters. They can perhaps finally slowly adapt to the host environment after years of operation and learning and achieve functional fitness eventually, but it will take them a lot longer than they would like it to. The private company recently hired an American executive. Yet, the risk of business failure is still high if the executives cannot drive changes within the company because of a high level of control from their headquarters.

#### **4.3.3 “Step by Step”**



Two companies in this study were taking a “step by step” approach as a market entry and development strategy to achieve both economic and social fitness in the market. They followed the conventional international market entry strategy that started from a sales representative office and built networks gradually. The companies were from mainland China and Hong Kong. Starting from the conventional process of opening a sales office first, both companies entered the U.S. market with a conservative exploration approach. However, through learning and adaptation, they expanded their sales network and later built warehouses with the development of their operations. Both companies focused on product quality, global branding, local employee development, and relationships with their business partners through commitment and trust, and actively engaged with local community events, such as participating in charity events with the local community and business association events. Both companies also struggled with certain levels of communication challenges and cultural conflicts with their headquarters, but they both have achieved their goals of market growth in the United States.

#### **4.3.4 Prudent Adaptor**

Not every foreign company has to go through a long-term adaptation process. Companies can adapt to a new environment quickly with prudent preparation and strategic planning. Three companies, two based in mainland China and one from Taiwan, show the pattern of Prudent Adaptor. With prudent preparation for cross-cultural adaptation and extensive due diligence before entering the U.S. market, these three companies present a high degree of functional fitness in the U.S. market. All three companies embraced the host cultural environment and leverage the knowledge from their global employees. They were well prepared to adapt to the foreign environment and started their adaptation process from the first day in the foreign market.

One of the companies from mainland China is a small, global-born company that focused on international markets from the beginning of its start-up, and the other one is a large public company entering the U.S. market through a merger and acquisition. As a start-up, the global-born company was able to obtain contracts from major distributors in the United States quickly, and their product was introduced by BBC news in the United Kingdom. The large Chinese company went through an initial cultural clash from the M&A integration. Later, inspired by the more-experienced U.S. partners, the company put more focus on the speed of product development, inventory turnover, and the decision-making process. Today, the company is heavily influenced by the democratized Western practice and has become one of the most famous global brands and obtained number one market share globally in its sector.

The Taiwanese company, in particular, represents a wonderful case of global branding. At the beginning of its entering into the international market, the company created a new brand name conforming to international tastes, and the brand has been marketed internationally since. Their advertisements have a strong American style and a distinct American flavor to create an American brand image. Besides committing to superior product quality and service, the company sponsors both famous American professional sports teams and “grass-root” athletics for ongoing advertising and publicity. The Americanization strategy makes the brand an international brand and enables the company to localize in the United States without an association with a brand originally from Taiwan. Their brand is now ranked number nine globally overall in the industry and number one for certain specialty products and is well recognized among American consumers as a premium brand.

Accordingly to the described networking relationships from the interview data, I illustrate the host social network of “Big Splash” and “Prudent Adaptor” in Figure 6. The “Big Splash”

often has strong relationships with its headquarters and the local government. It has weak bonding with its clients but lacks of connection with structural holes, such as local law firms, business associations, and conferences, etc. The social network of “Big Splash” is sparse and unbalanced. There is little information sharing among the actors, which results a lower level of cross-cultural adaptation for “Big Splash”. On the contrary, the “Prudence Adaptor” does not seek for a close relationship with the local government and is less controlled by its headquarters; however, it has a more complex and dense network connecting to various structural holes (non-business partners such as local business associations, conferences, and law firms) and key actors (business partners such as clients and suppliers). It is able to establish a bonding relationship with both the clients and local community, and create connections with new clients through its structural holes. The “Prudence Adaptor” has a higher level of reciprocity and centrality in its network, which leads to a higher level of cultural learning among actors to enhance its cross-cultural adaptation.

Based on the discussion of four patterns of cross-cultural adaptation at the firm level, I propose the following:

**Proposition 8:** Organizational cross-cultural adaptation leads to the functional fitness of firms, which is represented through the degree of economic and social fit at their host markets.

**Table 8 The Summary of Case Comparison**

	“Big Splash”	Reluctant Adaptor	“Step by Step”	Prudent Adaptor
Cases	5, 8	6, 7	3, 4	1, 2, 9
Ownership	State owned enterprise and private	State owned enterprise and public	Both private	Public and private
HQ location	Mainland China	Mainland China	Hong Kong and Mainland China	Mainland China and Taiwan
Key Characters	The companies transferred their successful business model to a new market, made ambitious investment plan, however were lack of knowledge of the host market and culture and failed quickly within two years.	The companies were reluctant to adapt to local market however were able to sustain because of strong financial support from home. The companies may eventually adapt after long time operating in the market.	The companies utilized conventional exploratory approach to enter the new market. The companies established the sales office first, built the network and learnt the host market and culture during expansion.	The companies conducted necessary due diligence and had knowledge about the host market before entering. The companies also leveraged local resources and global talents to achieve their desired overseas performance.

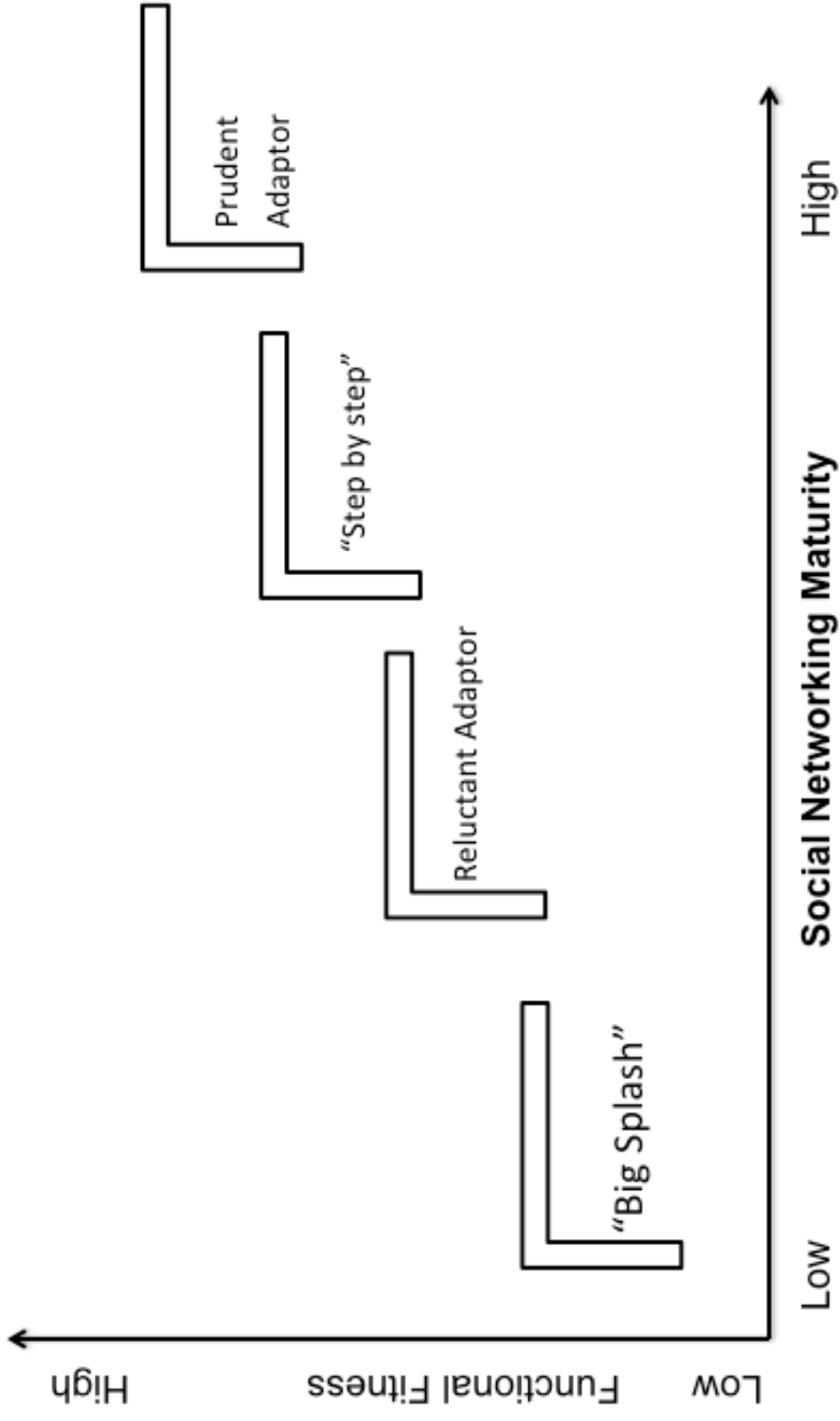
**Social Network Maturity**

Diversity of host ties	The companies seldom participate local events to make connection with different types of organizations.	The companies participate limited local events but often required HQ approval.	The companies actively engage in the local community events, conferences, and forums for learning opportunity.	The companies actively engage in the local community events, conferences, and forums for learning opportunity.
Connection to structural soles	The companies had limited connection with players who could share cultural	The companies have limited connection with players who could share	The companies have connection with a variety of non-business related	The companies have connection with a variety of non-business related

	knowledge and bridge them to key players.	cultural knowledge and bridge them to key players.	organizations, such as local charities and scholarships.	organizations, such as local charities and scholarships.
Network centrality	The companies had good relationship with government but did not make connection with key business players.	The companies are able to connect directly to the key players, such as agents and distributors.	The companies are able to connect directly to the key players, such as agents and distributors.	The companies are able to connect directly to the key players, such as agents and distributors.
Strength of the host ties	The companies had very weak relationships with other organizations, particularly weak with the local community.	The companies can maintain some good relationship with their partners, but weak with the local community.	The companies maintain good relationship with both their partners and local community.	The companies maintain good relationship with both their partners and local community.
HQ control	Everything is controlled and managed at HQ.	The HQ control is extreme tight and there is a low level of subsidiary autonomy.	Subsidiary leaders are able to achieve a relatively high level of autonomy after several years of managing.	Subsidiaries have high level of autonomy for decision-makings.
Subsidiary leadership	The leader of case 5 tried to make operational change, however could not made fundamental change to turn the business around. The leader of case 8 had little knowledge for the host market and got into legal trouble due to pricing conspiracy.	The subsidiary leaders closely follow the orders from HQ and make little fundamental cultural change. Both companies are also trying to hire employees and executives locally.	Both leaders are open to changes, caring for their employees, engaging with their local communities, and persistent to drive cultural changes in their respective subsidiaries	Leaders are open to changes, caring for their employees, engaging with their local communities, and persistent to drive cultural changes in their respective subsidiaries

Degree of cross-cultural Adaptation	Low	Low	Medium - High	High
<b>Functional Fitness</b>				
Economic fit	Both companies closed their operation in the United States in two years.	Case 6 has only 2-3% market share after 10 years, while the facility of case 7 has been empty.	Both companies achieved their desired performance after three years and continue to grow.	Case 1 is currently number 1 in the industry in the global market after a decade of global expansion. Case 2 entered into the new market quickly as a new start-up. Case 9 is number 9 in the industry and number 1 in certain niche market, and has been in the U.S. market for more than 30 years.
Social fit	Both companies made very negative impression to the host community and market.	Both companies do not make good impression to the host market.	Both companies have a friendly relationship with local community and their business partners.	The companies enjoy doing business in the host market and consider their partners or the host community their family and friends.

Figure 5 The Patterns of Organizational Cross-Cultural Adaptation



**Table 9 Observed Features of Adaptation**

<b>Features</b>	<b>“Big Splash”</b>	<b>Reluctant Adaptor</b>	<b>“Step by Step”</b>	<b>Prudent Adaptor</b>
Strategic plan with global vision	Low	Medium	Medium	High
Reliance on government	High	Medium	Low	Low
Innovation	Low	Low-medium	Medium	High
Subsidiary autonomy	Low	Low	Low-medium	High
Leadership cultural intelligence	Low	Low	Medium-High	High
Employee commitment	Low	Low	Medium	High
Global image	Low	Low	Medium	High
Cultural learning	Low	Low-medium	Medium	High



**Table 10 Selected Interview Quotes of low/high cross-cultural adaptation**

Features	High Adaptation	Low Adaptation
Strategic Plan with global vision	<p>“We’re kind of trying to rework how we’re communicating globally on a marketing level and we’re trying to standardize a lot of that so we’re trying to work more closely.”</p> <p>“It’s a top-down strategy from the top to become a global company. The leader has a clear vision to make the company as a global company.”</p> <p>“What I see (the company) is truly a global company with one culture. (It) is not a Chinese company but a global company. It’s a very clear vision and mission from the top.”</p>	<p>“They took on a very big real estate space, is that midtown Atlanta right at the Atlantic Station. So, they had a very large space and a very prominent location. And unfortunately, they made that business decision prior to having a really solid business model.”</p> <p>“In the MiddleEast, the company is extremely successful but the problem is they applied that same business model to the US Market.”</p> <p>“I don’t think (the company) had a focus. Many Chinese companies have this problem that they don’t focus on their core business and try to do whatever seems to make money.”</p>
Reliance on government	<p>We don't interact with government official for our daily business. We only invited them for our opening and that is it. (No audio recording)</p>	<p>“[The company] thought government of (the state) could influence American buyers to go to their showroom. However, big corp have buyers and they go everywhere to source product.”</p> <p>“I think [the company] coming here got wrong idea or false impression from the welcoming of the government. Government can help them to get license or permit to start the business, but they can't help them to get business.”</p> <p>“[The company] has a relationship with the provincial government and the provincial government looked within its province and selected key small to medium businesses that were interested in increasing their global footprint. And through the agreement with the province, [the company] in a sense represented these companies.”</p>

<p>Innovation</p>	<p>“R&amp;D is critical because we must consider the whole package... That’s how you give customers the best user experience and rich applications. Our belief is that if you want to be the most innovative, you must leverage the best talent. And that talent and new technology come from everywhere, and different countries and different markets have different demands and requirements. So having global R&amp;D centers is very important.”</p>	<p>“The product design is more like a reverse engineer. The production continued to be delayed for launch and missed Thanksgiving and Christmas.”</p> <p>“The owner spent a lot on entertainment, on large size tradeshow booth, which has no products to display, and on unnecessary real estate property, but not willing to spend a couple thousand dollars more on product development and innovation.”</p> <p>“The HQ want us to sell the product before they design the product. When they started the business, they didn't even have products ready for the market. I designed two products from my garage and we finally made some sales. They have such mentality to make sales before we even develop the product by saying that "we can make them"”</p>
<p>Subsidiary Autonomy</p>	<p>“We don’t need headquarters’ approval for that...Some people would not like to take the responsibility to make decision. For me, when I feel timing is right and good for the business, I will make the decision and my boss would not ask about it. But of course he will ask if I make decision for non-business related.”</p>	<p>“Someone in China involve in decision making and approve the graphic design. All ad need to be approved by HQ.”</p> <p>“Marketing department barely has any power, they have no saying of what products to sell in the U.S. They are never engaged in product development. They are only told what new products are going to come and prepare for that.”</p> <p>We report everything back to HQ and everything needs to be approved. Example, the marketing director needed to give \$4000 to Wal-Mart account for flyers. She needed to explain to HQ why and how and also needed to predict the traffic and such to justify the spending. (No audio</p>

Leadership Cultural Intelligence	<p>“I think that is driven by (the president’s) acceptance.”</p> <p>“He’s been very open to suggestions from me to move the company forward. He always will be and I just felt very strongly that we needed to do this, a team of best put it together and it was based on what people felt here in this office.”</p>	<p>recording)</p> <p>“The management team coming from China does not know much about the market, the society and the country. The current general manager has two years of MBA in UK. But getting a MBA overseas is very different from working or living in a foreign country. There is no much knowledge about the foreign society after two years of schooling.”</p> <p>“In short, open your mind to cultures other than Chinese culture. This, and the leaders' ethnocentrism, is the root of the problem.”</p>
Employee Commitment	<p>“Hopefully, I’ll be here until just to retire, when I’m 65 or whatever the age will be but hopefully, I’ll progress up in the maybe another 5 years, 10 years I’ll become the Marketing Director and really be an important part of standardizing the global image and strengthening (our company) as a brand globally and hopefully in 5 or 10 years, (Our company) will no longer be in number 9 but maybe move in to the top 5 tire brand and I want to be a crucial part in doing that.”</p>	<p>“You will be lied to about earning a promotion if you prove yourself. This will not happen. In fact, you will be beat down mentally and emotionally due to the fact the company is a Chinese government-owned company and this is the culture of most Chinese SOE's.”</p>
Global Image	<p>“In order to move forward as a global power in the tire industry, we need to have that same image across all locations.”</p> <p>“We’re trying to kind of unify or standardize that brand image, there’s more communication. We just formed a Global Marketing Committee to try and really unify that communication process.”</p> <p>“I kind of look at myself as an asset to the Sales Department, I need help the Sales team now to be able to go out and</p>	<p>“They are perceived as a Chinese brand, Chinese company, but mentioned less about their products. Right now, there are only 1 product development manager, 1 marketing director (who just left), and two sales VP, one Executive Assistant are American, the rest are Chinese.”</p>

make sales and it'll make it easier on them if (the company) is a stronger brand globally, they can go to different locations and be able to make sales because of that.”

## Cultural Learning

“It's just really got people to think about how other different cultures think about things. For instance like in the workplace, arriving on time to work and I do see a little bit of cultural difference because Hispanic and Asian ... The program was based on the different cultures in the world representative and how they think about different things like that. So, it's just got you thinking it's not just about the Asian culture but the Hispanic culture and all different kinds.”

“I heard the conversations that were going on, “I didn't think about that” so it's just got people to think and [unclear] you want them to do. It's not just about how they think about something; it's how everybody thinks matter.”

“Be frank, respect and compromise” to deal with cultural issue”

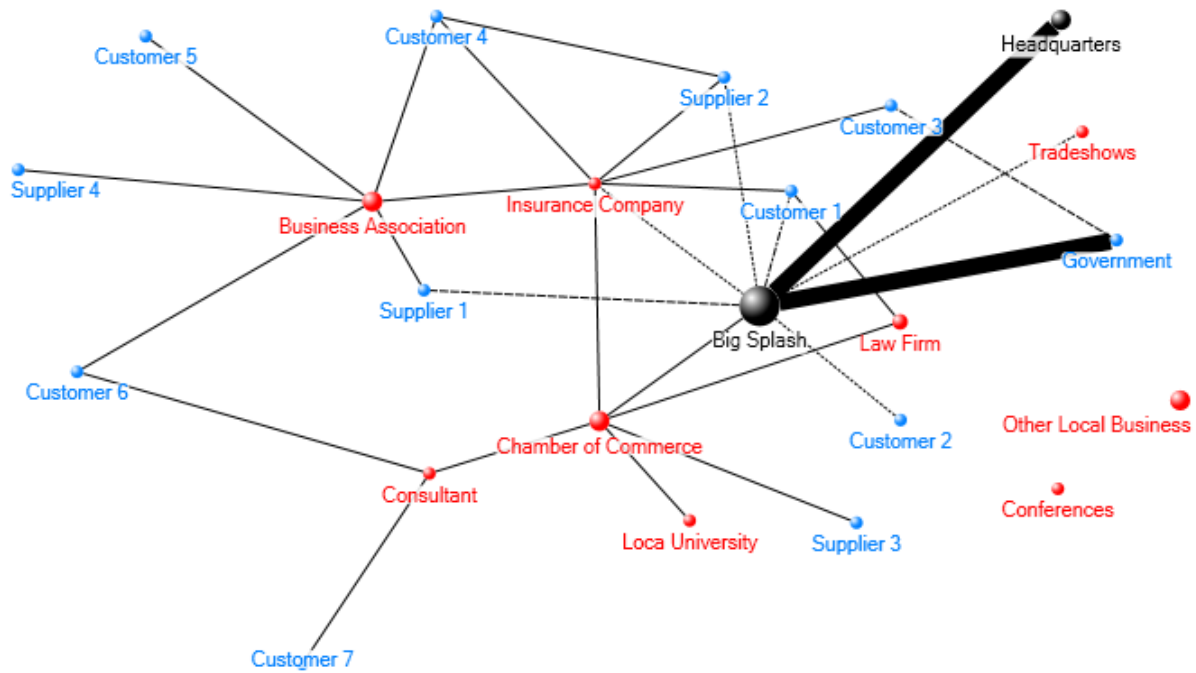
“在当地办厂能传播中国制造业的文化，用我们制造的物美价廉的东西，传递了我们在为消费者省钱的观念” (Local manufacturing factories (in foreign markets) can spread Chinese culture. With inexpensive things we make, we are passing a concept of saving money for consumers.)

“Speaking English is not enough, for a better integration, we have to speak Chinese.”

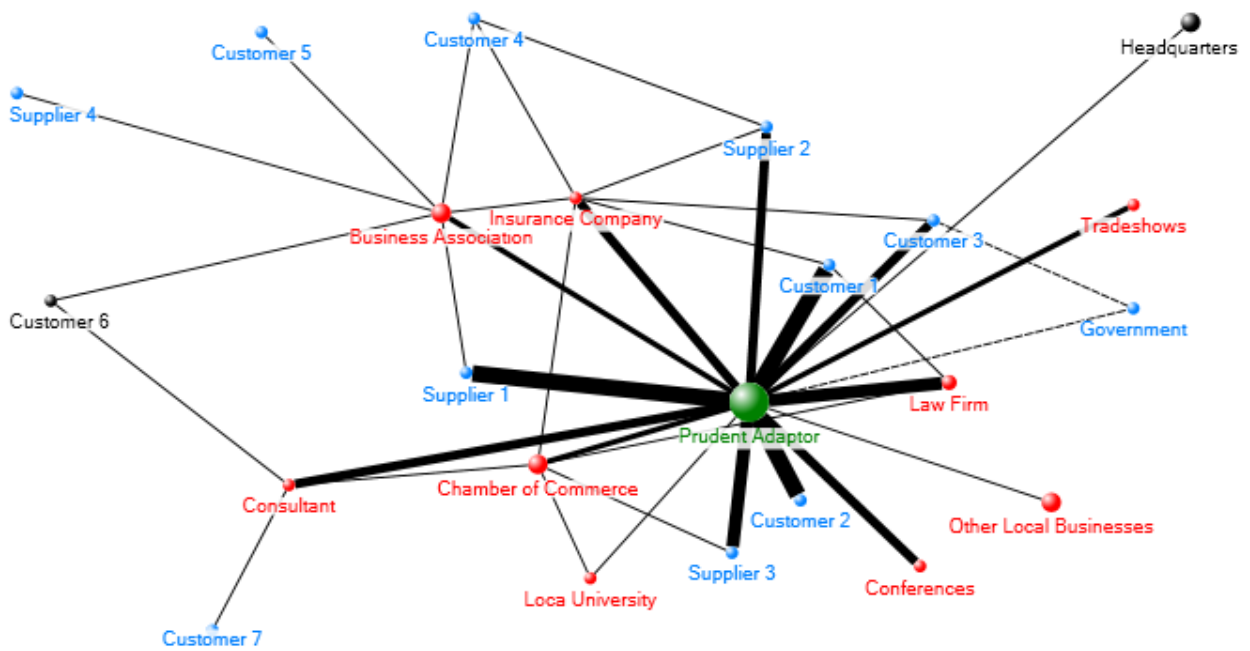
“Working in a huge Chinese company, with Chinese, for Chinese, is a great experience for anyone who want to improve his cultural understanding.”

**Figure 6 Illustration of Social Network of Adaptors**

**Figure 6.1 Social Network of “Big Splash”**



**Figure 6.2 Social Network of Prudent Adaptor**



#### **4.4 Boundary Conditions Of Cross-Cultural Adaptation**

The multilevel and multidimensional concept of cross-cultural adaptation at the firm level suggests that MNCs will involve a certain degree of adaptation in order to fit into a new cultural and institutional environment. Being in a new cultural environment does not automatically constitute a demand for change (Shaules, 2007). At the individual level, for instance, older generations of Chinese immigrants living in Chinatown might not need cross-cultural adaptation because they do not interact with the host environment outside of Chinatown for their living. Under certain circumstances, firms may not need to adapt to their foreign host environment, or only require a low level of adaptation, while still achieving desired performance. Based on my interviews, I identified two boundary conditions, or adaptive demands, to drive firms that are adapting cross-culturally.

##### **4.4.1 The Multilevel Cultural Misfit**

As previous mentioned, culture is a hierarchy of levels that consists of various levels, including global culture, national cultures, organizational cultures, group cultures, and then the individual level (Erez & Gati, 2004). Firms operating overseas are exposed to cultural pressures from different levels, and a misfit can exist at any level of culture. The multilevel cultural differences suggest the situation of cultural misfit where illegitimacy and inefficiency appear when a level of beliefs, values, or practices is not endorsed or shared by other levels of cultures. For instance, a firm can have an organizational culture similar to the one of their business partners; however, it may still operate in a fashion not approved by the societal culture. Operating overseas, firms deal with the cultural difference from individual values and beliefs of their foreign workforces, from organizational culture and management practices of their alliances, and from the institutional and social norms of the host market. Extant literature, in particular, cultural distance

literature, has usually been separately focused on the national cultural level (Hofstede, 1980; Hofstede et al., 2010; House et al., 2004; Schwartz & Bilsky, 1990), the organizational level (Pun et al., 2000; Rashid et al., 2004; Schein, 2010) or the institutional level (Gaur et al., 2007). Table 8 summarizes the evidence provided by the interviewees on the differences between Chinese and American companies at the individual, organizational, and societal levels, including the concept of relationship and trust at the individual level; the organizational cultures or business practices toward employee development, communication, customer orientation, social responsibility and innovation at the organizational level (Tsui et al., 2006); and the beliefs of the role of government and legal practices at the societal level.

The multilevel cultural misfit provides a unique explanation of poor organizational performance caused by the misfit among culture at the macro-national level and management practices at the meso-organizational and micro-individual levels (Erez & Earley, 1993; Erez & Gati, 2004). Beyond merely confirming the cultural differences between Chinese and Americans identified by extant literature (Pun et al., 2000), the findings from this study provide empirical evidence to support the concept of culture as a dynamic and shared meaning system formed at a hierarchy of cultural levels from individual to global levels (Erez & Earley, 1993; Erez & Gati, 2004). The findings offer compelling evidence showing that a misfit among various levels of cultures can cause functional challenges and require a cultural adaptation for the embedded organization. The findings also extend the idea from Roth et al. (2011) of a cultural misfit at the individual level, which occurs when individuals' values and beliefs are counter to those widely shared in their current cultural environment, and result in individual ineffectiveness. Such a cultural misfit at the macro-national level, meso-organizational level, and micro-individual level

(Erez & Earley, 1993; Erez & Gati, 2004) enlightens the situation that firms that are effective at home can fail or struggle with their overseas operations.

#### **4.4.2 Foreign Market Competitiveness**

One of the conditions of individual cross-cultural adaptation is that the newcomers depend upon the host environment for meeting their personal and social needs (Kim, 2000). The interviewees described that the degree of competitiveness in the U.S. market propelled their respective need for adaptation. Here I use three companies to illustrate how competitiveness motivates adaptation.

First, the automotive parts company from Taiwan demonstrates a case of cross-cultural adaptation through its branding strategy in order to introduce a new brand in the global market. Instead of using its previously established brand name in Southeast Asia, the company built a new brand with an international image valued by global consumers. This case is consistent with Zaheer's (1995) argument that when a company has a very strong global brand image and is well-known, it can leverage its brand's competitive advantage to influence foreign market customers. However, companies without an established brand reputation in the host market will need a process of cross-cultural adaptation in order to fit into the new market. Several other Chinese companies in the study also mentioned the various paths to building their domestic brands in the new U.S. market.

Second, the large Chinese company that entered the U.S. market through the M&A process went through an initial cultural clash from the integration. Later, inspired by the more-experienced U.S. partners, the company put more focus on the speed of product development, inventory turnover, and the decision-making process. Today, the company is heavily influenced by the democratized Western practice in building a global identity. When foreign companies hold a



technology or management advantage, they might be less likely to adapt to the host environment; instead, they can transfer their superior management practices to the host market to overcome cultural challenges (Zaheer, 1995). For instance, when Japanese companies entered the United States in the 1980s, they implemented their management concepts and practices of Total Quality Management, Just-In-Time, and Continuous Process Improvement in their American plants and influenced the quality improvement culture for the whole manufacturing industry in the United States. However, as this case illustrates, it was the opposite for companies entering a foreign market relying on the local technology and management experience. I believe the situation is typical for companies emergent from emerging markets such as China, who have less internationalization experiences and less advanced managerial practices.

In the third case, the CEO of a Chinese wind energy company said:

To American companies, customer service is the most important concept. In such a competitive market environment, it is very difficult to compete solely on product and to show you have a better product than others, and it is difficult to differentiate yourself by the technology and the price. But you can compete on customer service, communication, and client relationship. (C-2)

With such a concept, he was preparing to equip his start-up company to meet the local standards and requirements not only for their products, but also their business practices, management style, and customer service. Cross-cultural adaptation on customer service may not be crucial for companies who hold leverage over their customers and “represent significant income and growth to (their customers) that will be very costly to replace” (L-2). On the contrary, companies that face higher intensity in competition (Cui et al., 2006) in the host market will heavily depend upon their interaction and social bonding relationship (Berry, 1995) with the host

environment. Such companies would be more motivated to adapt in order to build the necessary relationships. Thus cross-cultural adaptation is also “more important for B2B business” (L-2) where a social relationship is essential to establish trust and commitment between business partners. The interviewees also reported that the first step of adaptation for Chinese companies was to learn “the way of doing business” similar to their American business partners. By “the way of doing business,” they meant not only routine business practices, but also management styles that encompass transparency and integrity.

**Table 8 Key Differences between Chinese and American Business Culture**

<b>Level of Cultures</b>	<b>Chinese</b>	<b>American</b>
<b>Individual Level</b>		
- Relationship	Guanxi – Personal network to get things done	Networking – Social capital for informational and social resource
- Trust	Affective, personal trust	Cognitive, systematic trust
<b>Organizational Level</b>		
- Employee development	Hierarchical system with low level of empowerment and autonomy	Mutual trust and respect with high level of empowerment
- Communication	Low transparency, top-down communication	High transparency, diversified communication
- Customer orientation	Relationship based, less structured marketing and sales process	Customer driven, established distribution channel, centralized procurement process
- Social responsibility	Short-cut solution, superficial tasks	Long-term commitments
- Innovation	Investment in real estate; pushing sales before new product development	Investment in R&D, human capital, and brand
<b>Societal Level</b>		
- Role of government	High level of dependence	Low level of dependence
- Legal practices	Rare, rule-by-men	Common, rule-by-law

## **5 CHAPTER FIVE – CONTRIBUTIONS AND IMPLICATIONS**

### **5.1 Contribution to Theory**

With the globalization of the market and competition, standardization has been widely utilized as a global expansion strategy to achieve overseas performance but also has been debated in both academic and practical circles (Cavusgil et al., 1993; O'Donnell & Insik, 2000). This study offers a multilevel and multidimensional framework of cross-cultural adaptation at the firm level and suggests that cross-cultural adaptation can be a mechanism for MNCs to fit into a new cultural and institutional environment. Beyond cultural integration (Buono & Bowditch, 1989; Stahl et al., 2005) with their business partners and conformity to local practices for legitimacy (Kostova & Roth, 2002; Zaheer, 1995), the dynamics of cross-cultural adaptation offers a relational perspective and emphasizes an extensive learning of the values, norms, practices, formal or informal protocols, and unspoken rules from the foreign environment. By deliberating on the reciprocal interactions of learning and alignment processes between individual employees and organizations, my framework incorporates both individual and organizational adaptations to resolve inconsistencies and conflicts within the internal environments specific to MNCs (Kostova et al., 2008). In addition, the process underlines MNCs' participation in socially integrated and complex inter-organizational relationships (Denk et al., 2012), and considers both internal and external social networks as the contextual drivers of cross-cultural adaptation, therefore adding sophistication to prior strategies of mitigating LOF (Luo et al., 2002; Petersen & Pedersen, 2002). My finding of four patterns of adaptors implies that organizational cross-cultural adaptation can essentially influence the mentality and identity of an organization as a global company and

therefore enhance its survival, growth, and competitiveness—its *functional fitness*—in the host market.

Second, this study offers an explanation of the link between social networks and cultural learning at the firm level. Organizations seek a diversified network to reduce uncertainty and expand knowledge, skills, and information source. Researchers have noticed the role of social networks at the organizational level; however, the function of network diversity is more debatable. Previous empirical studies show both positive and negative effects from alliance network diversity (Goerzen & Beamish, 2005). The diversity of alliance network is beneficial for innovation, rate of growth, managerial performance, and market influence, while from a transaction cost point of view, given the increased costs to manage an increased number of unfamiliar alliances, a diversified alliance network can reduce productivity and increase production cost. The contradictory effects from alliance network diversity indicate the underlying reasons relating to cultural and social integration (Goerzen & Beamish, 2005). From this study, I find that network ties can provide organizations with host cultural information through increased diversity of host networks and presence of structural holes, and that network ties can also offer emotional and social support through enhancing centrality and strength of host ties. My findings propose new insights into the contradictory results of alliance network diversity. Previous empirical studies focused on the business alliance networks that were directly associated with business functions, such as product development, marketing, and sales. However, from the cultural adaptation perspective, the diversity of host ties includes those non-business related networks, such as local communities, conferences, and business associations, which often play the role of structural holes to facilitate the relationship between foreign firms and the host network. Those diversified ties provide foreign firms with supplementary and broader learning sources to understand local cultural and

institutional standards, such as local licensing requirements, labor laws, partnership norms, and local customer preferences, and which therefore help them fit into the host environment. Thus, the framework of cross-cultural adaptation extends the analysis scope of the social networks of an organization from business alliance networks to non-business connections and considers those non-business network ties as having a crucial impact on the competency of a foreign company.

Third, I propose the novel concept of functional fitness for an organization to overcome challenges from the foreign environment, which includes both the economic fit and the social fit (DiMaggio & Powell, 1983; Thornton et al., 2012). In particular, the social fit highlights that MNCs not only need to achieve operational excellence to remain competitive in a foreign market, but also need to achieve social recognition in the foreign market. However, many MNCs focus on their economic fit while overlooking their social fit in foreign markets, which can eventually lead to their failure overseas. In addition, instead of reacting to obtain legitimate status, the functional fitness of a company implies a proactive attitude to response to cultural and institutional differences. Functional fitness should be a more desired status for MNCs to mitigate the pressure from their foreign cultural and institutional environments.

Fourth, beyond merely confirming the cultural differences between Chinese and Americans identified by extant literature (Pun et al., 2000), the findings from this study provide empirical evidence to support the concept of culture as a dynamic and shared meaning system formed at a hierarchy of cultural levels from individual to global (Erez & Earley, 1993; Erez & Gati, 2004). The findings provide a unique explanation for poor overseas organizational performance due to a misfit between various levels of culture and provide compelling evidence showing why misfits between various levels of cultures can cause functional challenges and require a cultural adaptation for the embedded organization. The finding extends the idea from Roth et al. (2011) of cultural

misfit at the individual level, which occurs when individuals' values and beliefs are counter to those widely shared in their current cultural environment, and result in individual ineffectiveness. Such cultural misfit at the macro-national level, meso-organizational level, and micro-individual level (Erez & Earley, 1993; Erez & Gati, 2004) enlightens the situation that occurs when firms that are effective in their home country fail or struggle with their overseas operations. The concept of multilevel cultural misfit sheds light on the debate of the impact of cultural distance on foreign operation performance based on Kogut and Singh (1988) index and Euclidean distance indices (For reviews, see Drogendijka and Slangen (2006); Slangen and Tulder (2009)). The multilevel culture difference implies that both individual and organizational values and beliefs also need to fit to their cultural and institutional environment in order to function effectively. This finding suggests that a foreign company would not perform well if its behaviors and values are not endorsed by its host culture and institutional norms and beliefs. The finding of multilevel misfit also offers an opportunity to establish a sophisticated multilevel cultural distance measurement to allow firms to correctly assess the level of cultural challenge they are facing in their foreign markets.

Last, the research context of Chinese firms operating in the United States not only provide new insights for multinational companies originating from emerging markets to the developed market, but also provides findings indigenous to Chinese culture. Through this study, I find that many Chinese managerial behaviors are not fully explained by existing cultural dimensions and are even contradictory to the conventional views of Chinese culture. For example, Hofstede (Hofstede, 1980; Hofstede et al., 2010) found that Chinese culture is very high on long-term orientation, yet from my interviews, I observe Chinese companies making extremely short-term decisions, such as substitution with inferior product materials for cost savings and investment in real estate rather

than innovation and human capital. Chinese culture is consistently found to focus on relationships (Hofstede et al., 2010; House et al., 2004; Schwartz, 1999), yet the Chinese companies display behaviors leading to arms-length transactional relationships rather than long-term social bonding relationships, such as aggressive sales behavior in tradeshows trying to make immediate sales, rather than looking for business partners. Chinese traditionally have the thought “when in Rome, do as the Romans do”; however, I saw high resistance of cross-cultural adaptation from Chinese managers and leadership. Future study can address those contradictory behaviors and understand the drivers contributing to such Chinese business practices.

## **5.2 Limitations and Future Research**

First, the cross-cultural adaptation underlines an evolving process over time. It can take an organization some time, perhaps years, to achieve a higher level of cross-cultural adaptation. The network perspective can also extend longitudinally through studying the process of change within a group over time (Wasserman & Faust, 1994) and is a unique theoretical framework to analyze a process of change in organizational context. The current study does not examine the longitudinal process within an organization, therefore we have limited knowledge about the major events triggering the adaptation process. Future study can adopt the process approach (Van De Ven, 2007) to examine the development of the process and explain how the sequence of events in the cross-cultural adaptation unfolds over time.

Second, although I identified the role of the relationship between headquarters and subsidiaries in cross-cultural adaptation, I did not examine whether and how the adaptation in the foreign market can also influence the cultural changes at the headquarters and in other subsidiaries. Since subsidiary leaders function as structural holes to coordinate between the headquarters and other subsidiaries, cross-cultural adaptation at subsidiaries can also influence the cultural changes



at their headquarters slowly and indirectly. Future study can include interviewees from the headquarters to further examine the change process at the headquarters.

Last, although the cross-cultural adaptation is an applicable mechanism to any MNCs that are dealing with the challenge to fit into foreign environments, the study in the context of Chinese firms operating in the United States may include some concept specific to the market. Future studies can integrate both qualitative and quantitative approaches to provide additional empirical evidence and to confirm the transferability of these findings to other settings.

### **5.3 Managerial Implications**

Why do so many companies succeed domestically but fail in foreign markets? MNCs have long recognized the importance of cultural factors in international business, but the cases of overseas failures have continuously showed up in newspaper headlines. Although my data came from Chinese companies operating in the United States, I believe that the cross-cultural adaptation model is relevant to any international companies operating in foreign markets. It is essential for companies to examine the cultural and institutional environments before and during their entry to a new market, to evaluate their capability to cope with the cultural challenges and to take appropriate actions to adapt to the new environment. Extending the well-known practice of cultural integration (Stahl et al., 2005), the approach of cross-cultural adaptation offers substantial implications to guide global companies to successfully establish a functional and reciprocal relationship with their foreign host's cultural and institutional environments. First, foreign companies should not limit themselves to only building social relationships with their business alliances. The social networks with non-business-related individuals and organizations from the host markets often provide access to sensing and learning local culture, norms, and conducts. Such social relationships with local communities, organizations, and business partners can offer foreign companies informational,

financial, friendship, and social support when in need. Particularly, foreign companies who care about the host community and environment will provide their local employees a sense of belonging. Subsidiary employees, particularly expatriates, should go outside of their social networks of compatriots to immerse themselves in the host's culture and experience local food, arts, and sports. Such efforts can improve their cross-cultural communication competency (Kim, 2005) and sensitivity to the meanings of the social norms, which in turn leads to more enjoyment in the new cultural environment.

Second, given the potential problems resulting from headquarters control, MNCs should provide a higher level of trust and empowerment to their foreign subsidiaries. It is important to note the role of subsidiary leadership in contributing to the adaptation process. A subsidiary leader with profound host culture knowledge, including social behaviors and business practices, can significantly influence the efficiency of the focal company's adaptation to local culture. The empowerment of subsidiaries will offer opportunities and resources for adjustments of administration policies, adoption of local business conducts, and improvement of employee commitment.

From the data, I also see that companies are often overconfident in dealing with cultural issues and often disregard the necessity for cultural learning, particularly when they have prior international experience. An executive from one of our "prudent adaptor" companies spoke that he was not sure if their success in China could be replicated overseas. However, using swimming as an analogy, he said that someone who could swim in the river could also swim well in the ocean with more confidence because knowledge can be transferred. This may be true if the swimmer only swims in the shallow water near the beach. However, if the swimmer ventures into the deeper ocean, he or she would encounter a different environment with possible attacks from strong

currents, storms, or sharks. Operating in a new cultural environment, a company should always assess the possible cultural challenges from the new market, whether its existing knowledge can be transferred, and whether its current ways of doing business can fit into the new cultural and institutional environment. Companies can definitely fail with a “big splash” if they overlook the cultural challenges from the host market.

Last, the process of cross-cultural adaptation occurs at multiple levels and dimensions. The process suggests that companies can be better at certain areas but weak in others; thus it requires consistency and alignment among levels and dimensions. The framework of cross-cultural adaptation can assist companies in identifying their areas to be improved. Companies should also recognize that cross-cultural adaptation takes long-term effort and many years to achieve. Thus, it would require patience and persistence from foreign companies to go through the evolving process. The multilevel and multidimensional cross-cultural adaptation can explain the case of both Home Depot and Huawei. Both companies are competitive in their home market. However, Home Depot in China needs to adapt its business model to be compatible with the local consumption culture, while Huawei needs to develop an organizational value fitting into the host and global values in order to establish a healthy social relationship with its global community and to truly transform itself into a company with a global identity for long-term growth. Table 11 summarizes the key theoretical findings and the managerial impacts.

**Table 11 Summary of Key Findings**

<b>Theoretical Findings</b>	<b>Managerial Implications</b>
<p>Cross-cultural adaptation involves transformation of the organization’s administration, operation, and organizational value at the organizational level, which lead to the functional relationship with its host environment.</p>	<ol style="list-style-type: none"> <li>1. Foreign companies can adjust their administration policies, adopt local business practices, and develop an organizational culture with global values.</li> <li>2. The adaptation will lead to an efficient operation, balanced and diverse workforce, and established global identity.</li> </ol>
<p>The cross-cultural adaptation process is reflected through individuals at the cognitive and affective aspects, and through organizations at relational aspect. It is a reciprocally evolving process between individuals and organization.</p>	<ol style="list-style-type: none"> <li>1. Cross-cultural adaptation incurs at both the individual and organizational level and requires alignment and congruence between the organizational culture and individual values.</li> <li>2. Employees can improve their communication and cultural learning, which in turn improves their psychological well-being.</li> <li>3. Foreign companies can identify the key players in the market, enhance their social relationships with their local community and business partners, proactively engage communication, and establish long-term relationships with their partners.</li> </ol>
<p>Social networks in the host environment can provide informational and social support to facilitate the progress of cross-cultural adaptation through improved diversity and strength of host ties, enhanced network centrality, and connection to structural holes.</p>	<p>Foreign companies can learn about local cultural and business conduct in order to adapt to and fit into the local host environment through expanding and building relationships with local business partners, trade organizations, and communities.</p>
<p>The quality of relationship between headquarters (HQ) and subsidiaries impacts the level of cross-cultural adaptation.</p>	<p>A high level of cross-cultural adaptation requires low HQ control.</p>

## 5.4 Conclusion

The cases of Home Depot and Huawei indicate that being a successful company in the home country with advanced technology, operational capability, and financial resources will not guarantee success in foreign markets. The media criticisms of Huawei also show that Huawei has a weak or incorrect social network with the host environment; therefore the company was not able to obtain necessary social support from the host. Operating in foreign environments, organizational cross-cultural adaptation will enable MNCs to fit in well in the host environment and to achieve desired operational and financial objectives in the foreign markets. As Burt (1992b) indicates that network structure is not used to predict attitude or behaviors directly, but to predict similarity between attitudes and behaviors, I chose social network theory to explain the dynamics of cross-cultural adaptation from a relational perspective. Through the structure of social networks within organizations and between organizations and their host environment (Borgatti et al., 2009; Burt, 1992b; Tichy et al., 1979), the cross-cultural adaptation of an organization underlines the required social capital capability to respond to the pressure from foreign environments; therefore the proposed framework can complement the broader concepts of institutional theory (Scott, 1995), dynamic capabilities (Teece et al., 1997), and organizational adaptation theory (Burgelman, 1991; Ford & Baucus, 1987; Hrebiniak & Joyce, 1985). Bridging the streams of literature in cross-cultural adaptation and social network theory, this study extends the theoretical depths of research on organizational sociocultural integration by investigating the interactions between firms and their external environments. Practically, the firm-level, cross-cultural adaptation framework provides managerial implications for companies facing challenges from their host's cultural and institutional environment in their overseas operation. Finally, to conclude this study, I would like to use the quote from Coca-Cola chairman and CEO Muhtar Kent talking about their successful market entry

in India: “The key to the success has been learning to see the market as it is, not as we wished it to be.”

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