THE IMPACT OF NATIONAL CULTURE IN MNC's HOME COUNTRY
ON THE STRATEGY MAKING PROCESS
IN THEIR OVERSEAS SUBSIDIARIES:
A COMPARISON BETWEEN
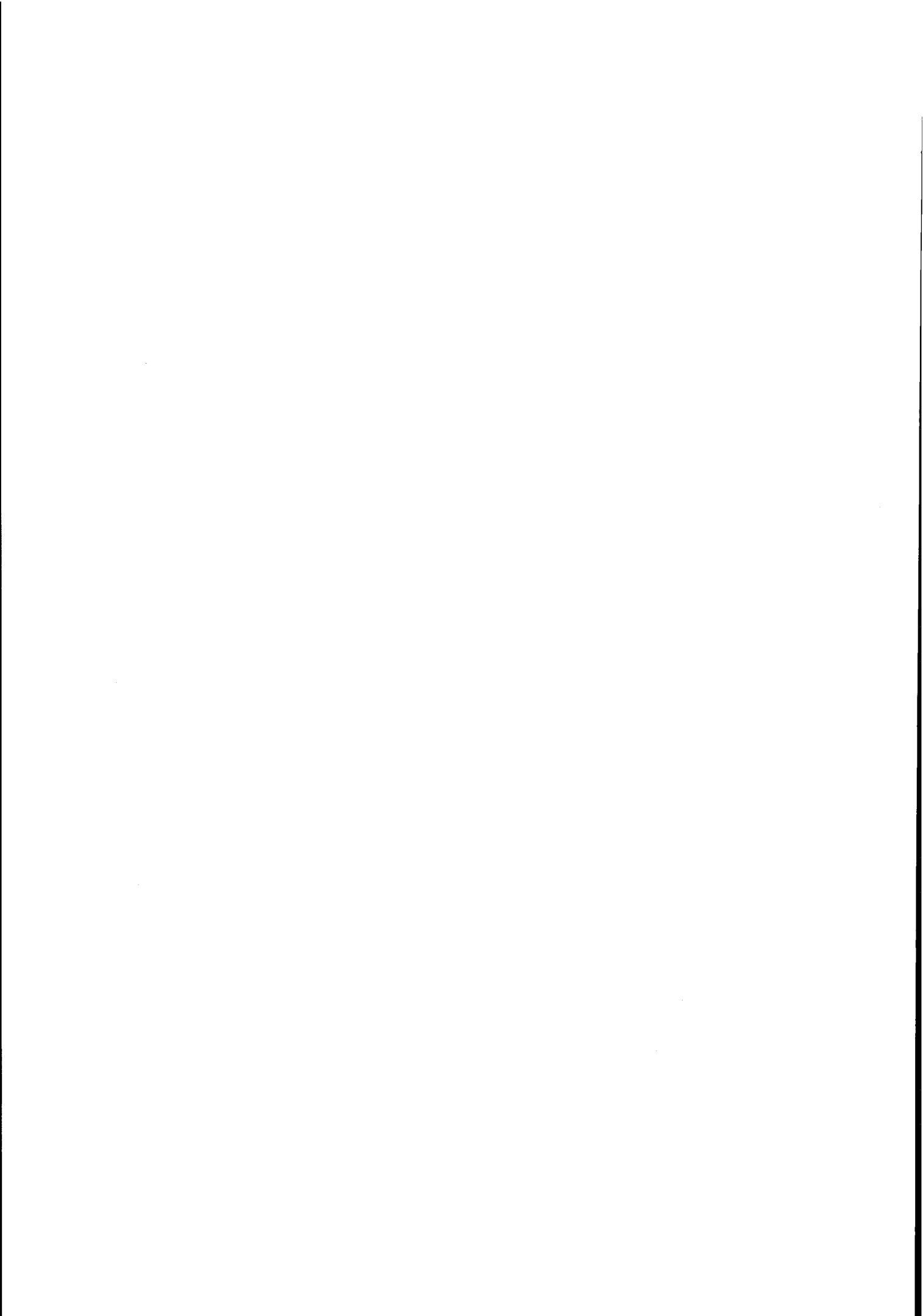## DUTCH AND JAPANESE COMPANIES
IN THAILAND

Keatkhamjorn Meekanon

Stellingen

1. Future research on strategy making processes in subsidiaries of MNC's should take into account aspects of national culture, esp. the aspect of uncertainty avoidance and power distance (chapter 9 of this dissertation).

2. Future research on the relationship between national culture and the strategy making process in subsidiaries of MNC's should test quantitatively the hypotheses about the influence of uncertainty avoidance and power distance by means of esp. multiple regression analysis and multiple discriminant analysis (chapter 10 of this dissertation).

3. Future research on strategy making processes in subsidiaries of MNC's should investigate esp. the role of national cultures in the involvement of Headquarters and Regional Head Offices in these processes.

4. Subsidiaries of a MNC from a country with a national culture resembling the Dutch national culture in terms of the five dimensions developed by Hofstede, can be expected to practice a strategy making process like the subsidiary of a Dutch MNC

5. The results of the research reported in this dissertation should be part of the training of future international managers.

6. The presence of subsidiaries of foreign MNC's in Thailand makes an essential contribution to the development of the Thai economy, esp. in terms of employment and well-being of Thai people.

7. Strategy making processes in Dutch and Japanese companies in Thailand are the most appropriate contribution to the capture of the lion's share in Thai market (chapter 2 of this dissertation).

8. In strategy making processes organisations as well as their managers have to consider that any strategy has only a limited time span of validity.

Keatkhamjorn Meekanon,
The impact of national culture in MNCs' home countries on the strategy making process in their overseas subsidiaries: A comparison between Dutch and Japanese companies in Thailand
June 18, 2002, Wageningen.

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Keatkhamjorn Meekanon
Maastricht, The Netherlands
May 2002

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Abbreviations

AEX = Amsterdam Stock Exchange

BIBF = Bangkok International Banking Facility

BoA = Bank of Asia

BOI = Board of Investment

BOT = Bank of Thailand

BT = A part of JB before merger

BV = Besloten Venootschap met Beperkte Aansprakelijkheid (Limited Company)

CEO = Chief Executive Officer

CVM = Competing Value Model

CVS = Confucius Value Survey

DA = Dutch Airline

DB = Dutch Bank

DCE = Dutch Consumer Electronics Company

DKB = Dai-Ichi Kangyo Bank

EIU = Economist Intelligent Units

EU = European Union

FDI = Foreign Direct Investment

F/X = Foreign Exchange

GM = General Manager

GMC = General Management Committee

GSB = Globalised System of Banking

GTF = General Trading Firms (Sogo Shosha)

HBO = Higher Vocational College

HQs = Headquarters

HR = Human Resources

HRD = Human Resource Development

HRM = Human Resource Management

IATA = International Air Transport Association

IBRD = International Bank for Reconstruction and Development

IDV = Individualism-collectivism

IMF = International Monetary Fund

IPC = International Production Centre

IT = Information Technology

JA = Japanese Airline

JB = Japanese Bank

JCE = Japanese Consumer Electronics Company

JETRO = Japan External Trade Organisation

JIT = Just-in-time

KK = Kabushiki Kaisha (Joint Stock Company)

LTO = Long-term v Short-term Orientation

M&A = Merger and Acquisition

MAS = Masculinity-femininity

MB = A part of JB before merger

MBO = Management by Objectives

MD = Managing Director

MNC = Multinational Corporation

NHM = Nederlandsche Handel Maatschappij (The Netherlands Trading Society)

NSO = National Sales Organisation

NV = Naamloze Venootschap (Public Limited Company)

OR = Ondernemingsraad (Work Council)

PDI = Power Distance

Plc = Public Limited Company

PIBF = Provincial International Banking Facility

PR = Public Relation

R&D = Research and Development

RHO = Regional Head Office

SCAP = Supreme Command of Allied Power

SMP = Strategy-making Process

SWOT = Strength, Weakness, Opportunity and Threat

TDRI = Thailand's Development and Research Institute

THAI Airway = Thai International Airway

TQM = Total Quality Control

UAI = Uncertainty Avoidance

VOC = Verenigde Oostindische Compagnies (Dutch United East India Company)

VP = Vice President

VSM = Value Survey Module

YSB = Yokohama Species Bank

CHAPTER 1:

AN INTRODUCTION TO THIS STUDY

1.1 Introduction

Thailand has already opened its economy to foreign investors for a long time. Foreign investment has for long taken part in the development of Thai economy. These investors mainly come from Western Europe, North America and East Asia. Thus, companies in Thailand are owned not only by Thai government and businessmen, but also by foreign investors. Most foreign-based companies in Thailand belong to world-wide operating multinational corporations (MNCs). Dunning (1992) affirmed that MNCs had two distinctive features: (1) organised and co-ordinated multiple value-adding activities across national borders, and (2) internalised cross-border markets for the intermediate products arising from these activities. Before expanding their activities across national boundaries, these MNCs normally starts up their business in their country of origin. The country of origin regularly becomes their home country in which their headquarters or parent companies usually are located. The countries in which these MNCs invest, operate and set up their subsidiaries are called host countries. Because most decision powers and financial resources lie in the home country, these MNCs are merely national companies with transnational operations (Hu, 1992; Yip, Johansson & Roos, 1997).

Even if the subsidiaries of foreign-based companies have been registered as foreign branches or representative offices that are incorporated as Thai companies, many Thai outsiders perceive them as foreign companies. From their perception, observation and information of these companies, they usually compare these subsidiaries on the basis of their home-country nationalities with Thai companies and notice differences after comparison. In addition, although Thai executives run most of these companies at operational levels, Thai staff of these subsidiaries often experience alien characteristics, such as foreign management, behaviours and procedures. The display of foreign management in the overseas subsidiaries may reflect home-country national characteristics including national culture. One way to compare the foreign management in these subsidiaries is using the national culture to explain the difference in their strategy-making process (SMP) as one of their managerial behaviour.

This study will compare three Dutch and three Japanese companies in Thailand in terms of SMP. All six companies are the subsidiaries of globally well-known Dutch and Japanese MNCs. All of them are also well-known in Thailand. These companies are chosen from three industries, namely consumer electronics, banking sector and airline industries.

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1.2 Problem statement

This study is aimed at comparing SMPs in the subsidiaries of MNCs from different home countries to discover whether and to what extent home country's national culture makes a difference to the SMPs of subsidiaries in a given host country. The comparison between MNCs' subsidiaries from different home countries in different host countries, such as a comparison between Dutch companies in France and Japanese companies in Germany is not sensible. To exclude the influence of the host country, the subsidiaries from two home countries are chosen to compare in a given country. To create a neutral background culture for both groups of subsidiaries, this study assumes that the host-country culture has the same influence on the SMPs in the subsidiaries of MNCs as suggested by Kelly and Worthley (1981) and Kelly, Whatley and Worthley (1987). However, the comparisons of SMPs in the overseas subsidiaries of MNCs from the different home countries has led to inconclusive results, because of the following shortcomings:

1) The theoretical development for comparing the SMPs in MNCs from different home countries in a given host country is still weak (Bhatt & Miller, 1983; Miller, 1984; Fukuda; 1988; Heller, 1988; Nowak, 1989; Redding, 1994; Chen, 1995).

2) Because most researchers tend to use a simplistic research design, especially the quantitative survey for gathering data excessively, their research results are likely to generate hasty generalisation and prediction from the incoherently observed phenomena in various countries (Bhatt & Miller, 1983; Tung, 1986; Fukuda, 1988; Nowak, 1989; Redding, 1994; Chen, 1995; Early & Singh, 1995; Cray & Mallory, 1998). To solve the methodological shortcomings of this problem, some researchers called for the more use of qualitative research (Nath, 1986, 1988; Heller, 1988; Khin, 1988; Yeh, 1989; Redding, 1994; d'Iribarne, 1997); others asked for the more sophisticated analysis of quantitative research (Hofstede, 1984c; Miller, 1984; Tung, 1986).

3) Because the definitions of culture and SMP are insufficiently clear, most researchers face difficulty in understanding which part of SMP is dependent on and which part of SMP is independent of the national culture of home countries (Miller, 1984; Heller, 1988; Serror, 1988; Nowak, 1989; Earley & Singh, 1995; Cray & Mallory, 1998).

4) Most researchers tend to locate their studies in industrialised countries. The location of studies in a developing country like Thailand is underrepresented (Fukuda, 1988; Chen, 1995).

5) Because most researchers from Western Europe, North America and Japan, where the home countries of many MNCs are, conduct most

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research into the comparison of SMPs, non-western, non-Japanese and host-country outlooks are often ignored (Bhatt & Miller, 1983; Kiggundu, Jørgensen & Hafsi, 1983; Miller, 1984; Khin, 1988; Orum, Feagin & Sjoberg, 1991; Neuman, 1997).

6) Even though the environment both within and outside MNCs around the world becomes more multicultural, few international managers and expatriates are aware of cultural difference between home and host countries. They often underestimate the cultural influence on SMP in their countries.

7) Thai employees often think and feel that strategic behaviours in foreign-based companies in Thailand are alien to themselves, but they lack knowledge of cultural difference and foreign characteristics in these companies. Even if they are aware of this difference, they do not understand how national culture in MNCs' home country influences the foreign companies they are working for.

1.3 General purpose of the study

This study is meant to contribute to the development of a strategic management theory and research methodology with respect to the systematic comparison of SMPs in companies originated from two or more countries. To investigate the impact of national culture in MNCs' home countries on their overseas subsidiaries in terms of SMP, this study chooses Dutch and Japanese companies in Thailand as the research sites. To compare SMPs in Dutch and Japanese companies by taking the national cultures of the Netherlands and Japan into account, a synthesis of Hofstede's model (1984a) of national culture and Wheelen and Hunger's descriptive model (1995) of SMP is developed as a reference model for this comparative study. To come up with a valid conclusion, this study develops an embedded multiple-case study design within a comparative framework.

This study is also aimed at helping scholars, practitioners, international managers, expatriates and local workforce to understand the cultural influence on strategic behaviours in MNCs. To formulate a better strategy, top executives in these parent companies have to understand the SMP in subsidiaries from a host-country perspective. The international managers and expatriates need to understand this cultural influence in order to improve their strategy for their overseas subsidiaries. The local workforce will have the roadmap for working with the foreign companies in their country.

1.4 Scope of the study

This study employs a host-country approach by comparing the SMPs of Dutch and Japanese companies in Thailand. Thailand is chosen as the host country for this study, because the author is familiar with the uniqueness of Thai culture. Thai culture is assumed to have the same influence throughout both Dutch and Japanese subsidiaries. This study is restricted to the number of researchable organisations. To enhance generalisability through diversified organisations, Dutch and Japanese companies are selected from three industries comprising consumer electronics, banking and airlines. The information in these industries is abundant. The author can gain an access to key informants and other gatekeepers in both Dutch and Japanese companies in these industries.

Foreign companies in Thailand comprise Western Europe-based, North America-based and East Asia-based subsidiaries. North American affiliates are excluded from this study, because there have already been a lot of comparative studies about them in Thailand. Dutch and Japanese companies are selected on the basis of (1) theoretical argument, (2) the ranking in foreign direct investment in Thailand and (3) their success in Thai market. The national cultures of the Netherlands and Japan are in opposition to each other in every dimension according to Hofstede's (1984a, 1991) model of national culture (See Table 3.1 in section 3.4 and Table 6.1 in section 6.4). The national cultures of other European countries such as the UK, France and Germany are not contrasting to the national culture of Japan in every dimension.

In terms of foreign direct investment, both Japan and the Netherlands are the number one and two foreign investors in Thailand respectively for the past few years (See Table 1.1).

Table 1.1: Foreign direct investment from top-6 major countries in terms of investment approved by Thailand's Board of Investment (Unit: Million Baht)

Country	1998	1999	2000 (Jan-Jul)	Total
Japan	54,113	27,042	58,446	139,601
The Netherlands	88,066	22,481	3,478	114,025
USA	18,646	46,351	16,096	81,093
UK	31,380	3,919	3,557	38,856
Taiwan	10,029	7,910	13,068	31,007
Singapore	10,647	7,003	8,763	26,413

Source: adapted from Thailand's Board of Investment (2000)

Since ABN-AMRO Bank took over Bank of Asia in Thailand in 1998, Dutch investment has raised its share in Thai banking sector. Likewise, Dutch retailing companies, especially SHV Holding (Makro) and Royal Ahold (Top supermarket) have aggressively expanded their business in Thailand recently. Owing to the increasing investment in both sectors, the Netherlands has recently become the second largest foreign investor in Thailand. Meanwhile, Japanese MNCs have long been the major source of investment in Thailand for almost four decades. Japan is still the largest foreign investor in Thailand.

To understand why both Dutch and Japanese companies are so successful in Thailand despite their completely different national culture, Dutch and Japanese cultures will be compared on the basis of five dimensions in Hofstede's model in Chapter 3. Using Wheelen and Hunger's model as a reference model, the comparison between Dutch and Japanese SMPs under the influence of the national cultures of the Netherlands and Japan will be discussed in Chapter 4. The findings from the comparison between the SMPs of Dutch and of Japanese companies in Thailand will be discussed in Chapter 9.

1.5 Major research questions

Explicit strategy making originates in the US four decades ago. The evolution of strategy making throughout the world started from an inward-looking approach when the global economic situation was quite stable after the Second World War to an outward-looking approach when the new environment is more volatile. Strategy making within many big US firms has evolved through four stages from basic financial planning to strategic management (See Wheelen & Hunger, 1995, p 4). In many big Japanese firms, strategy making has developed through six phases from individual project planning to long-term vision during the last 50 years (See Kono, 1992, p 36-39). Nonetheless, many large Dutch firms started adopting the concept of corporate strategy since 1980 (See section 4.2 in Chapter 4). Wheelen and Hunger's model is easy to understand and to apply to the comparison of SMPs between firms from different countries.

From the above discussion, the central research question of this study is:

> To what extent do the national cultures of Dutch and Japanese MNCs' parent companies in their home countries intervene in SMPs of their Thai subsidiaries?

The main research question is divided into the following four research questions, according to the phases of SMP in the reference model:

1) From the perspective of the national culture of the Netherlands and Japan, how do the top executives in Dutch or Japanese companies scan the environment differently from their counterparts in Japanese or Dutch companies in Thailand?

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2) From the perspective of the national culture of the Netherlands and Japan, how does the strategy formulation of Dutch or Japanese companies differ from that of Japanese or Dutch companies in Thailand?

3) According to the national culture of the Netherlands and Japan, how does the strategy implementation of Dutch or Japanese companies differ from that of Japanese or Dutch companies in Thailand?

4) According to the national culture of the Netherlands and Japan, how do the Dutch or Japanese companies evaluate their own performance differently from their Japanese or Dutch counterparts in Thailand?

1.6 Significance of the problem and the justification for this investigation

To understand why SMPs in the overseas subsidiaries of MNCs from different home countries varies is the theoretical aims. To take part in the call for more and more comparative management studies into MNCs is the methodological aim. To help researchers, practitioners, international managers, expatriates and local workforce to understand the cultural influence on strategic behaviours in MNCs is the practical aim. The comparative approach can contribute to the sensitivity to and the appreciation towards global diversity through understanding the uniqueness of culture, belief and systems (Nath, 1988). The outcome of this study is expected to make a contribution to:

1) Developing the model of the comparative analysis of SMPs in MNCs' subsidiaries when taking national culture of MNCs' home countries as an influencing factor into account.

2) Collecting comprehensive data from a qualitative approach. This is a reply to the call for more uses of qualitative approaches or a combination of many research methods (Kiggundu et al, 1983; Hofstede, 1984a, 1991; Nath, 1986, 1988; Fukuda, 1988; Heller, 1988; Khin, 1988; Yeh, 1989; Redding, 1994; Chen, 1995; Chapman, 1997; d'Iribarne, 1997).

3) Improving the clarity of the definitions of culture and SMP. The research findings will be helpful in understanding which part of SMP is dependent on and which part of SMP is independent of the national culture of MNCs' home countries for further in-depth investigations into the comparisons of SMPs in MNCs from different home countries.

4) Counterpoising a tendency to pursue research in industrialised countries. This comparative research will explain how Dutch and Japanese companies develop their corporate strategy in an industrialising country, such as Thailand. It is expected to generate additional data from a developing country.

5) Adding a non-western insight from a host country like Thailand. Both researchers and practitioners in Western Europe, North America and Japan, where the home countries of many MNCs are, might better understand comparative and strategic management from this perspective.

6) Enhancing the awareness of cultural difference among MNCs' top executives, international managers and expatriates. The top executives and corporate strategists in MNCs' headquarters around the world might gain an insight into their own operations in industrialising countries.

7) Enhancing knowledge of cultural difference among Thai employees. The findings of this study are expected to help Thai employees to understand how national culture of MNCs' home countries influences the foreign companies they are working for, so that they can adjust themselves to the work in these companies.

1.7 The body and procedure of this study

The organisation of this dissertation is characterised in Figure 1.1. The dissertation starts with an introduction to the investigation with the research questions and the significance of the investigation in Chapter 1. A survey into the state-of-the-art theoretical issues of SMP, corporate performance and culture is conducted in Chapter 2. This survey also covers both the causality between national culture and SMP and the relationship between SMP and corporate performance. The integration of Hofstede's (1984a, 1991) model of national culture, Wheelen and Hunger's (1995) prescriptive model of strategic management and Quinn and Rohrbaugh's (1983) competing value model (CVM) is used to depict the impact of national culture on SMP in the same chapter. As the reference model in this study, this integrated conceptual framework becomes a comparative strategic management model on the basis of the three theoretical issues, namely SMP, culture and performance. Chapter 3 compares Dutch and Japanese cultures on the basis of the five dimensions in Hofstede's model with the support of extant literature on Dutch and Japanese cultures. Chapter 4 generates conceptual propositions on the basis of the review on Dutch and Japanese management which relate national cultures and SMP.

The rationale behind methodological development and the criteria for justifying the quality of research findings for comparative management is mentioned in Chapter 5. Chapter 6 describes the comparative case study with embedded multiple-case design as a research strategy. To assert generalisation, the selection of cases uses the most diverse case designs as suggested by Ragin (1987) on the basis of MNCs' home countries and comparable industries. Chosen are Dutch and

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Japanese companies from three industries: (1) consumer electronics, (2) banking and (3) airlines.

Figure 1.1: The structure and procedure of this investigation
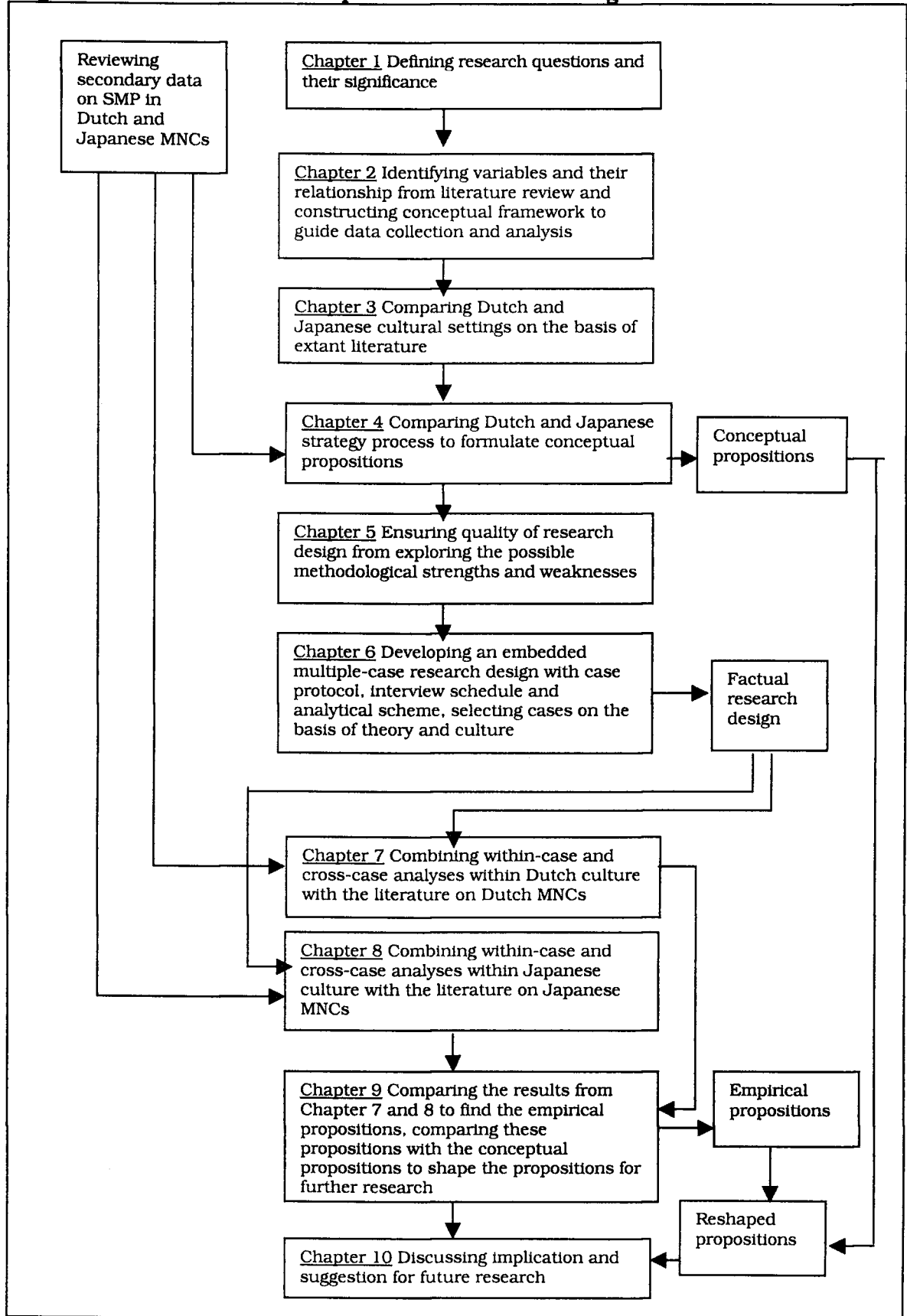
To detect the commonalities and differences among Dutch companies under investigation, the results of cross-case analysis within Dutch culture is combined with the literature on Dutch MNCs after the data captured from Dutch companies in Thailand are analysed in within-case analysis for each Dutch company in Chapter 7. So are those of cross-case analysis within Japanese culture in Chapter 8. The results from both Chapter 7 and Chapter 8 are compared on the basis of both the reference model in Chapter 2 and the pattern matching with replication logic for cross-cultural, cross-case analysis in order to formulate the empirical propositions in Chapter 9.

To formulate propositions for the future research, these empirical propositions are compared with the conceptual propositions derived from the review on Dutch and Japanese SMPs in the light of national culture in Chapter 4. The proposition formulation is used to refine the reference model. This refined model becomes a comparative strategic management model for comparing the SMPs in MNCs' subsidiaries in the future research. Chapter 10 discusses the significance of the integrative model for comparing SMPs developed from the interaction between the reference model and empirical evidence in Chapter 9. This chapter also discusses the possible application of the model to the future research, the validity of the model and theoretical and practical implications for the research findings. Finally, this chapter recognises the limitations of the study and make a recommendation for conducting the future research from these limitations.

CHAPTER 2:

CONCEPTUAL BACKGROUND

2.1 Introduction

The comparison between the strategy-making processes (SMPs) of MNCs from two or more home countries has become increasingly popular since the 1980s, because both researchers and practitioners in the field of international business have gained a lot of insights from these comparative analyses. This study employs a host-country approach by investigating the SMPs of Dutch and Japanese companies in Thailand. In response to the theoretical deficiencies in comparative research on SMPs in the past (ie, Capon, Christodoulou, Farley & Hulbert, 1987; Kotabe & Omura, 1989; Kotabe, 1990; Kotabe & Okoroafo, 1990; Krieger & Solomon, 1992; Morris & Pitt, 1993; Doyle, Saunder & Wong, 1995; Murray, 1996), this study develops a reference model for comparing SMPs in MNCs' subsidiaries when taking the national culture of MNCs' home countries into consideration. This study is also aimed at building constructs that can reduce difficulties with conceptualising and operationalising culture and SMP for comparing SMPs across cultures.

To build a reference model for investigating the impact of the national cultures of the Netherlands and Japan on the SMPs in Dutch and Japanese companies in Thailand, this chapter discusses three main theoretical constructs: (1) SMP, (2) corporate performance and (3) culture. Section 2.2 deals with diverse theoretical and methodological orientations towards SMP, the alternative between prescriptive strategy content and descriptive strategy process and the reference model used to define strategy. A comprehensive survey of literature on strategic management is impossible. Many models of SMP might escape from this review unintentionally. As a reference model that can cover common strategic activities in a firm, Wheelen and Hunger's (1995) prescriptive model of strategy mainly is used to describe the SMP. This section also explores the concepts of performance in terms of definitions; appropriateness and choices on the basis of Competing Value Model (CVM) developed by Quinn and Rohrbaugh (1983). It finally explains the relationship between SMP and corporate performance. Section 2.3 inquires into the concept of culture and the justification for choosing national culture for this investigation. As the most popular model of delineating national culture, Hofstede's (1984a) five dimensions are explored to find the possibility of the relationship between national culture and SMP. Section 2.4 examines the impact of national culture on SMP. The survey on the application of Hofstede's model to research into the cultural impact on SMP is conducted. After reviewing the three main conceptual constructs, section 2.5 integrates them into the reference model of this study. This model comprises five dimensions of Hofstede's

model, four steps in SMP of Wheelen and Hunger's model and the explanation of performance under the CVM. Section 2.6 draws a conclusion.

2.2 Strategy making process (SMP)

To understand strategy-making process (SMP) in the Dutch and Japanese companies in Thailand under this study, the theoretical concepts of SMP are discussed in terms of approaches to SMP, corporate performance and the impact of SMP on corporate performance. The discussion on diverse theoretical approaches to SMP leads to the selection of the reference model for this study. The explanation of corporate performance brings about understanding the importance of performance in SMP. The relationship between SMP and corporate performance is discussed accordingly.

2.2.1 The approach to SMP Since Ansoff (1965) began to articulate the need for corporate strategy; the notion of strategy has been a focal point of the field of strategic management since its inception. Corporate strategy has long been regarded as a linkage between firms and their environment. It nowadays has a central place in the way in which top executives think of themselves, their firms and their role in their firms in the long run with respect to their environment (Knight & Morgan, 1991). Because the *raison d'être* of corporate strategy is the firms' continuity and growth, most top executives regard strategy as the capstone of managerial activities where they play an important role in determining the firm's direction.

The word 'strategy' originates from the Greek 'strategos (the art of general)'. Because of this origin, literature on strategic management commonly uses military terminology to depict organisational manoeuvres (Noorderhaven, 1995; Schneider & Barsoux, 1997). Owing to the difference between warfare and business, military terms are not applicable to corporate strategy in every situation. Soldiers use strategy for the decisive and ultimate conquest when their enemies are destroyed, subdued or surrendered. Firms cannot use strategy in this way. The most widely accepted notion of corporate strategy is an alignment between corporate internal distinctive competencies and external environments, the process by which top executives develop and define the competitive strategy, organisational structure and long-term goals (Hitt & Ireland, 1985; Rhyne, 1986; Nath, 1988; Summer et al, 1990; Snow & Thomas, 1994; Noorderhaven, 1995; Camillus, 1997; Calori, 1998; Hoskisson, Hitt, Wan & Yiu, 1999).

As this field has grown for almost four decades, the newly developed models have become more complex and diversified. Without a unifying paradigm and underdeveloped theory building, strategic management has not yet achieved a scientific status (Shrivastava & Lim, 1989; Summer et al, 1990; Thomas & Pruett, 1993; Sanchez & Heene, 1997; Calori, 1998). Owing to diverse theoretical and

methodological approaches towards strategic management, an exhaustive survey of literature on this field is impossible. Because strategic management theories stem from many disciplines inherited with their own specific paradigms, units of analysis, assumptions and research biases (Snow & Thomas, 1994), Mintzberg, Ahlstrand and Lampel (1998) classified strategic management theories into ten schools of thought (See Table 2.1)

Table 2.1: Ten schools of strategic management

Schools of thought	Assumptions	Basic paradigm	Unit of analysis	Research biases
Design	Process of conception	None	Case study, individual firm	Universality of best practice
Planning	Formal process	Engineering	Strategic planning	Predictability
Positioning	Analytical process	Industrial Organisation	Industry, Economic marketplace	Market position of the firm
Entrepreneurial	Visionary process	Economics	Personalised visions	Grand vision, leadership, charisma
Cognitive	Mental process	Psychology	Strategist's mind	Personal conception of strategy
Learning	Emergent process	Psychology and education	Organisation learning	Incrementalism
Power	Process of negotiation	Political Science	Conflicting groups in organisation or organisation	Organisational politics and conflicts
Cultural	Collective process	Anthropology	Collective and co-operative behaviour	Entrenched continuity and organisational uniqueness
Environmental	Reactive process	Biology and political sociology	Ecological variables	Passitivity and adaptiveness
Configuration	Process of transformation	History	Organisational biography	Corporate biography

Source: adapted from Mintzberg et al (1998)

From Table 2.1, this classification does not clearly represent all models of strategic management. Some models do not fit any of these ten schools. Because these ten schools are inherited with certain assumptions and research biases, they cannot be used as a general reference model for comparing SMPs in MNCs from two or more different home countries. To focus on the approaches to SMP more narrowly, the inquiries into this arena fall into two dimensions: (1) content and process and (2) prescription and description. Strategy content describes what strategic and managerial decisions are taken. Strategy process describes how these decisions are made. Prescription deals with how strategy should be made. Description focuses on how strategy is made. Since the beginning of the 1990s the research into this arena has shifted its focus on strategy from the prescriptive content

to the descriptive process because of the four following reasons (Mintzberg, 1990; Knight & Morgan, 1991; Rajagopalan, Rasheed & Datta, 1993; Noorderhaven, 1995; Schwenk, 1995; Schneider & Barsoux, 1997; Calori, 1998; Mintzberg et al, 1998):

1. Descriptive process models can capture the dynamic nature of environment. An increasingly dynamic environment has made prescriptive content models difficult to cope with the real-world situation in the 1990s. The environment changes frequently. So do strengths, weaknesses, opportunities and threats. Strategy with an overemphasis on content cannot account for the erratic celerity and the direction of change (Knight & Morgan, 1991; Camillus, 1997).

2. Descriptive process models can grasp the complexity of the real-world situation. Prescriptive content models cannot help corporate planners to grasp the real situation comprising complicated and intertwined variables. Furthermore, information is limited for strategists' comprehensive analysis of the environment and an exhaustive exploration of all alternative strategies is impossible. As embedded in the classical model, the inclination towards a process of conception rather than a process of learning causes this pitfall (Mintzberg, 1990; Rajagopolan et al, 1993; Bowman & Asch, 1987; Noorderhaven, 1995).

3. Descriptive process models can scrutinise both the content and process sides of strategy concurrently. The separation of corporate planners from line managers is equal to the detachment of formulation (content) from implementation (process). Strategy without implementation is not a strategy. Because strategy is an interrelation between thinking and action, the separation of this interrelation into formulation and implementation is illogical. Strategy behaves not as a set of detached steps, but as a fluid of interrelated actions. The descriptive process model can depict the flow of and the interrelation between thinking and action in formulating and implementing strategy, but the prescriptive content models cannot do (Bowman & Asch, 1987; Mintzberg, 1990; Thomas & Pruett, 1993).

4. Descriptive process models can explain the rationale behind the choice of strategies and strategic behaviours in firms before top executives make a choice. The final decision cannot demonstrate how the decision is made. To know why some strategies are more successful than others are, how strategy process is done must be known (Wright, Lane & Beamish, 1988). Strategy process mediates between the firms and their environment and thereby influencing the result. This is the way to improve the SMP in the firms. Prescriptive content models do not describe the real process in the organisations.

As a general reference model to describe SMP in firms, Wheelen and Hunger (1995) developed a prescriptive process model of strategic management for teaching as a textbook. They originally intended to use this model to teach how strategic

management should be done, not what is actually done in many firms. They divided SMP into four following basic elements: (1) environmental scanning, (2) strategy formulation, (3) strategy implementation, and (4) evaluation and control (See Figure 2.1).

Figure 2.1: Strategy-making process loop
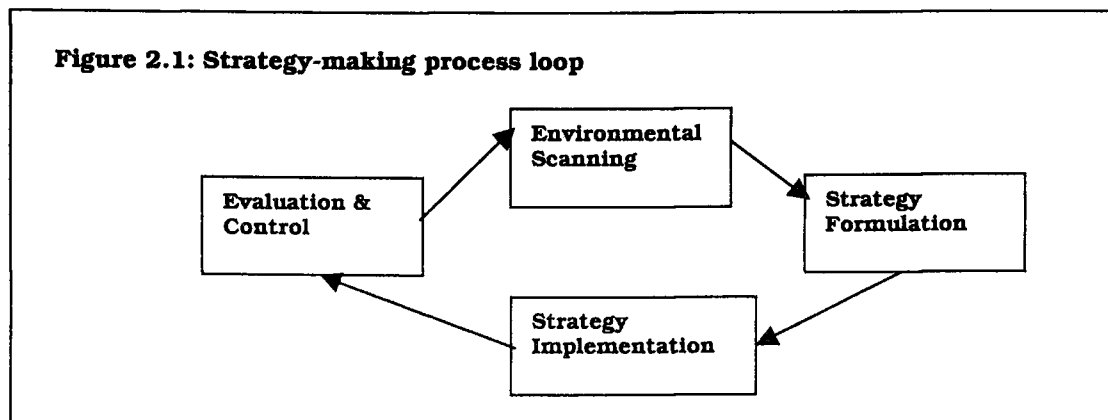
Environmental scanning is the first step of SMP. Its main task is to find the relevant strategic issues. Both external agencies and firms can scan the environment. Before formulating any corporate strategy, top executives scan these strategic issues within their firms' environment both internally and externally according to their values. This activity is a psychological process of human being. How they formulate their corporate strategy depends on how they interpret, diagnose and categorise these strategic issues (Dutton & Duncan, 1987; Dutton & Jackson, 1987; Thomas & McDaniel, 1990; Thomas, Clark & Gioia, 1993). Consequently, top executives' values are likely to influence their scanning process. External environment consists of both task and societal environments outside the firms and is not under the short-run control of the top executives. Internal environment constitutes strategic issues inside the firms and is under their short-run control. They have to collect the strategic issues and analyse them accordingly. As a result, they often categorise these external strategic issues into 'threats' and 'opportunities' according to the issues' positive or negative connotations (Jackson & Dutton, 1988). On the same basis, they frequently classify internal strategic issues into 'strengths' and 'weaknesses'. This classification needs criteria.

Strategy formulation is the development of long-range plans for the effective management of environmental opportunities and threats in the light of corporate strength and weaknesses (Wheelen & Hunger, 1995). This is the second step after the environmental scanning. Top executives define the focus of their strategy formulation. They have to set the goals for their firms before finding a mean to achieve these goals. Because strategy is the aggregate of numerous strategic decisions, its formulation is a decision-making process. In this step, corporate élites and strategists generate and evaluate possible alternatives, make

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decisions from these alternatives and then integrate all the decisions into firm's strategy (Fredrickson, 1986). This integration is the process of strategy formulation. Sometimes, these decisions need the legitimisation from other parties, such as employees.

Strategy implementation is the mechanics of putting strategies and policies into practice through the development of programmes, budgets, and procedures (Wheelen & Hunger, 1995). This step comes after the firms' strategy is formulated. Strategy cannot achieve its goals without implementation. It can be implemented through the operation of business functions and the allocation of the firms' internal resources. This allocation mostly means budget setting. Because the firms' strategy and structure are interrelated, the structure sometimes must be restructured in accordance with the strategy, and functional policies and programmes must be drawn up to facilitate strategy implementation. The firms have to set rules and procedures. To put all strategies and policies into effect, the human resource management, such as recruitment and training and workforce mobilisation is needed. Strategy without the execution carried out by people achieves nothing.

Evaluation and control are the comparison of the firms' activities between their actual performance and desired performance (Wheelen & Hunger, 1995). Without this comparison, there is no basis for judging the firms' performance. Top executives must establish criteria for evaluation and control. These criteria must be consistent with the firms' strategy. They might be qualitative, quantitative, past-oriented and future-oriented. They are used for corrective action and problem solving. The process of evaluation and control consists of measuring the firms' performance, such as profitability, return on investment and so on. Some firms benchmark their performance against other firms' performance.

The four stages in this model are not only the steps that every firm is expected to do, but also the steps that many large firms throughout the world, especially MNCs are doing in the real-world situation. After all, each firm carries on each step uniquely. The details of each step are varied from country to county, because each firm has the different sets of threats, opportunities, strengths and weaknesses. Even so, the division of SMP into these four steps facilitates the comprehension of how strategy is made in the several types of firm.

Hence, this study uses Wheelen and Hunger's model as a benchmark to compare the SMPs in the subsidiaries of MNCs from different home countries. It will not prescribe how Dutch and Japanese companies should formulate their strategy for Thai operations, but it will depict how SMPs will be done in both of them. It will not use the model prescriptively because of two main weaknesses of prescription:

1. The prescriptive models assume that managers choose options and actions from their sensible analysis. The particular viewpoint of these managers is ambiguous. Their judgement alone cannot explicate all the rationale behind a decision, because their emotions also play a considerable role in making a decision. The prescriptive models often overlook the emotional part of SMP (Brunsson, 1982; Knight & Morgan, 1991; Rajagopolan et al, 1993; Schoemaker, 1993; Noorderhaven, 1995; Camillus, 1997; Calori, 1998).

2. The prescriptive models make an effort to predict a scenario in order to plan accordingly. The prediction about future is extremely difficult. Unless the situation is foreseeable, corporate planners might take more time to find out the best strategy. In effect, they cannot do so because the environmental change is occasionally discontinuous and perplexing. The prescriptive models cannot cope with unforeseen issues and discontinuities (Noorderhaven, 1995; Camillus, 1997). Uncertainty often affects strategic behaviours, because top management has to deal with the unpredictability of the environment by formulating strategy.

In conclusion, Wheelen and Hunger's model is not merely the suggestion how corporate strategy should be made, but also the description of what corporate strategy is exactly made in the real world. Therefore, it can be a reference model for comparing the SMPs of Dutch and Japanese companies in Thailand in reality.

2.2.2. Corporate performance A firm as an organisation is a purposeful system. Each firm needs to attain certain goals. The concept of corporate performance is the focus of strategic management (Venkatraman & Ramanujam, 1986), because corporate performance is the way to identify what a firm wants to achieve. The conceptualisation and measurement of corporate performance has still been controversial because research into SMP defines corporate performance from different perspectives (Chakravarthy, 1986; Lubatkin & Shrieves, 1986; Venkatraman & Ramanujam, 1986). This definition and measurement tends to be unique to each firm (Buenger, Daft, Conlon & Austin, 1996).

Quinn and Rohrbaugh (1983) developed the Competing Values Model (CVM) covering both the complexity of choices encountering managers and the consequence of concern across organisations concurrently after they found the two major dimensions underpinning the notion of organisational effectiveness on the basis of conflicting goals and tensions. The first dimension is a tension between an internal focus on the well-being and development of its staffs in the organisation and an external focus on the well-being and development according to the outside

environment. Internal focus is orientated towards the maintenance of the socio-technical system, whereas external focus is orientated towards the competitive position of the overall systems (Pounder, 1999). The second dimension distinguishes organisational preference for structure and reflects a contradiction between control and flexibility. Flexibility is related to decentralisation and differentiation, and control is related to centralisation and integration (Pounder, 1999).

When these two dimensions are put together, a spatial model emerges from a multidimensional scaling analysis with four quadrants representing the four value systems: (1) human relations model, (2) open system model, (3) internal process model and (4) rational goal model (See Figure2.2).

Figure 2.2: Competing Value Model (CVM)

Towards Decentralisation, Differentiation

Flexibility

Human Relations Model   **Open System Model**

Means: Cohesion; morale
Ends: Human resource development; value of human resources; quality

Means: Flexibility; readiness; external evaluation
Ends: Growth; interaction with environment

Towards Maintenance of the Socio-technical system

Internal focus

Output Quality

External focus

Towards Competitive Position of the Overall System

Means: Information management; communication
Ends: Stability; control

Means: Planning-goal-setting
Ends: Productivity; efficiency, profitability

Internal Process Model   Control   **Rational Goal Model**

Towards Centralisation Integration

Source: adapted from Quinn & Rohrbaugh (1983) and Pounder (1999)

The human relation model emphasises internal flexibility in order to develop staffs' solidarity and morale. The open system model highlights external flexibility and depends on readiness and adaptability in order to gain growth. The internal process model accentuates internal stability and use information management, information processing and communication for stability and control. The rational goals model underscores external control and depends on planning and goal setting

in order to gain productivity and efficiency (Quinn & Rohrbaugh, 1983; Buenger et al, 1996; Pounder, 1999).

From the above four models, Quinn and Rohrbaugh (1983) listed 17 items of measuring organisational effectiveness as follows:

Productivity: This aspect of corporate performance deals with behaviour that reflects the extent to which it is concerned with the quantity or volume of what a firm produces.

Efficiency: This aspect of corporate performance deals with behaviour that reflects the extent to which it is concerned with a firm's cost of operation.

Quality: This aspect of corporate performance deals with behaviour that reflects the extent to which it is concerned with the quality of what a firm produces.

Conflict-cohesion: This aspect of corporate performance deals with behaviour that reflects the extent to which it is concerned with interpersonal relationships, teamwork and sense of belonging in a firm.

Morale: This aspect of corporate performance deals with behaviour that reflects the extent to which it is concerned with staffs' morale in a firm.

Flexibility-adaptation to environment and innovation: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to readily alter or adapt its structure in response to changing demands.

Readiness: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's readiness to adapt to change.

Information management-communication: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to distribute timely and accurate information needed by its members to do their jobs.

Growth: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to secure external support, acquire resources and increase its capabilities.

Planning-goal Setting: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to set goals and objectives and systematically plan for the future.

Human resource development: This aspect of corporate performance deals with behaviour that reflects the extent to which a firm is responsive to the individual needs of its staff. It also deals with the extent to which the institution facilitates participation in decision-making. Likewise, this aspect is concerned with behaviour relating to recruitment, training and development of staff in a firm.

Stability: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to maintain its continuity, especially under periods of pressure or threat.

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Control: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to control the flow of work and direct the behaviour of its members.

Interaction with the environment: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to acquire scarce resources and influence the environment.

External evaluation: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to maintain external legitimacy through a network of external contacts and co-operation with other firms.

Values of human resources: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's concern for its staff, such as developing individual plans, participation, empowerment, listening and being supportive and feedback to individual and groups.

Profitability: This aspect of corporate performance deals with behaviour that reflects the extent of a firm's ability to maximise its profit.

Thus, corporate performance is a complicated concept with these 17 operationalisations. Most firms in the world cannot or have never measured their corporate performance by all these 17 items.

The issue of the corporate performance of Dutch and Japanese companies in Thailand is even more complicated. The concept of corporate performance in MNCs' subsidiaries differs from that in autonomous firms because the subsidiaries have relationships with their parent companies. Subsidiary performance depends on what the parent companies want to attain. Generally speaking, MNCs have their different goals in establishing subsidiaries in different host countries. Their parent companies usually measure their subsidiary performance against these goals. They may assess their newly established subsidiaries on the basis of growth or market share and its well-established one on the basis of ROI (Birkinshaw & Morrison, 1995; Andersson, Forsgren & Pedersen, 2001). Thus, it is impossible to compare the performance of Dutch companies with that of Japanese companies in Thailand from a home-country perspective. From a host-country perspective, this comparison might be difficult if these Dutch and Japanese companies do not intend to compete with each other.

2.2.3 The impact of SMP on corporate performance Regardless of the economy's general level of efficiency, the enhancement of corporate performance is the aim of strategic management. A good SMP presumably enhances corporate performance for a firm's continuity (Hrebiniak & Snow, 1982; Venkatraman & Ramanujam, 1986; Rajagopalan et al, 1993). The effort to demonstrate the linkage between SMP and performance has long been the dominant research agenda in strategic management. Generally, most research concludes that the firms employing

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some kinds of strategic management often outperform those that do not (Rhyne, 1986; Wheelen & Hunger, 1995). Hence, the relationship between SMP and corporate performance does exist.

However, most research can only identify what types and orientations of strategy affect corporate performance (Snow & Hrebiniak, 1980; Hitt & Ireland, 1985; Smith, Guthrie & Chen, 1989). These studies can only confirm that strategy content as a result of SMP certainly determines corporate performance, but cannot identify the direct relationship between SMP and corporate performance. Even so, this relationship implies that the linkage between SMP and corporate performance does exist as demonstrated in Figure 2.3.

Figure 2.3: The relationship between SMP and corporate performance

SMP	Corporate Performance
Environmental scanning	Cohesion; morale; human resource development; values of human resources; quality; flexibility; readiness; external evaluation; growth; interaction with environment; information management; communication; stability; control; planning & goal-setting; productivity; efficiency; profitability
Strategy formulation	
Strategy Implementation	
Evaluation & Control	

2.3 Approaches to culture

The concept of culture has been used across various disciplines of social science, such as sociology, anthropology, ethnology, psychology and management. No research in these fields has been able to reach a consensus on defining the concept since the genesis of social science. Thus, culture is a term of practically indefinite application that originally might be comprehended to mean everything as products of human beings as distinct from all that is a part of nature. Furthermore, culture itself normally affects the researchers who define it. So far, the concept has been the most problematic one in many studies of culture itself (Ronen, 1986; Hofstede, 1991; Nasif, Al-Daeaj, Ebrahimi & Thibodeaux, 1991; Berry, Poortinga, Segall & Dasen, 1992; Boyacigiller, Kleinberg, Phillips & Sackmann, 1996; Brannen, 1996; Payne, 1996; Zander, 1997).

Because the concept of culture is complicated, the more reviews on this notion, the more approaches, concepts and definitions will be discovered (Pot, 1998). After Kroeber and Kluckhohn (1952) reviewed literature on the concept of culture, they listed 162 definitions and added their own definition that 'culture consists of

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patterns, explicit and implicit, of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (ie, historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning element of future action' (p 181). Plenty of researchers have added more definitions of and perspectives on culture every single day since the above review. Even if the definition of culture is unclear, most management researchers use culture as explanatory or independent variables in their explication of managerial and strategic behaviours.

To define culture more precisely, Berry et al (1992) suggested the three following criteria: (1) culture should not be confined only to the concrete or tangible products of human life, (2) culture is not civilisation, and (3) culture is not the same as society. Hofstede (1984a) gave the best definition of culture that satisfies these criteria. He defined culture as 'the collective programming of mind distinguishing the member of one human group from another (p 21)' and 'culture is a human collectivity and personality is a human individuality (p 21)'. He believed that norm was rarely changed by direct adoption of outside values, but rather through a shift in ecological conditions: technological, economical and hygienic (p 23). His model of national culture is by far the most popular paradigm applied to many investigations into the relationship between national culture and SMP. Yates and Culter (1996) reviewed articles in the main international academic journals. They discovered that since 1980 more and more researchers have applied Hofstede's model as a conceptual framework to their investigations into the relationship between culture and management. According to their review of articles, this model is distinctive because of its simplicity, quantitative evaluation, dimensional independence, applicability from macro to micro levels of analysis, and validity across a heterogeneous array of subjects.

Hofstede (1984a) developed his model from the large-scale survey with 116,000 questionnaires of worldwide IBM in 53 countries during the 1970s. This survey is regarded as a seminal work in the field of international management. The questionnaires from this survey became Value Survey Module (VSM) afterwards. Initially, he found the four dimensions from an exploratory factor analysis. Later, in collaboration with Bond (Bond & Hofstede, 1988; Hofstede & Bond, 1988; Franke, Hofstede & Bond, 1991; Hofstede, 1991), the fifth dimension was added to this model and VSM was modified accordingly. According to this model, national culture can be decomposed into the five following dimensions.

Individualism-collectivism is a measure of the extent to which the members of a society identify themselves as either an individual or a member of a

group. Unlike in an individualistic society, social relations are likely to be more profound, more perpetual and more involuntary in a collectivistic society (Triandis, Bontempo, Villareal, Asai & Lucca, 1988). The discrimination between an in-group and an out-group is clearer in the collectivistic society than in the individualistic one. The top executives from the collectivistic society tend to be more comfortable with sharing information with their peers than their counterparts from the individualistic society (Chow, Harrison, McKinnon & Wu, 1999). The top executives from the collectivistic society tend to prefer making a decision more collectively than their counterparts from the individualistic society (Butler, 1991; Haiss, 1991; Harrison, McKinnon, Panchapakesan & Leung, 1994; Jackson, 2000).

Power distance is a measure of the extent to which the members of a society accept that power in institutions and organisations is distributed equally (Hofstede, 1985b; Merchant, Chow & Wu, 1995). Whereas a large power distant society tends to keep hierarchy and power concentration intact, a small power distant society is likely to approve equality and power distribution among its members. The centralisation of authority in the companies from the large power distant society is high (Haiss, 1991; Harrison et al, 1994; Wong & Birnbaum-More, 1994; Jain & Tucker, 1995; Builtjens & Noorderhaven, 1996). The firms in the large power distant society tend to centralise their decision-making authority, formalisation and operations, whereas their counterparts in the small power distant society tend to decentralise these activities. Power distance is also positively related to the respect for authority and hierarchy in an organisation. Unlike their counterparts from the small power distant society, the managers from the large power distant society are unlikely to share information with their subordinates (Chow et al, 1999), and they tend to use their personal authority to manage and motivate their subordinates (Chow, Kato & Merchant, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997).

Uncertainty avoidance is a measure of the degree to which the members of a society feel comfortable with uncertainty and ambiguity (Hofstede, 1991). People in a strong uncertainty-avoiding society are likely to be anxious when they face unstructured, equivocal or erratic situations, but people in a weak uncertainty-avoiding one tend to feel relatively comfortable in such situations. Unlike their counterparts from the weak uncertainty-avoiding society, the top executives from the strong uncertainty-avoiding society tend to be pessimistic when facing the uncertain situation (Schneider & De Meyer, 1991; Jain & Tucker, 1995) and to be conservative when choosing a new direction for their firms (Shane, 1995; Geletkanycz, 1997). The top executives from the weak uncertainty-avoiding society tend to be more optimistic and open-minded for a new idea.

Masculinity-femininity is a measure of the degree to which the members of a society are orientated towards either the role of men or that of women (Hofstede, 1991, 2001). Masculinity reflects male general characteristics, such as assertiveness, ambition, competitiveness and performance. Femininity represents female common personalities, such as sympathy, concern for quality of life, jealousy and nurturing. The managers from a masculine society tend to stress performance appraisal and reward system and base rewards on performance. These managers are supposed to encourage their subordinates to work harder and use coercion rather than persuasion for motivating their subordinates. In contrast, the managers from the feminine society tend to emphasise job enrichment and to improve the working environment and to base reward allocation on needs. These managers are supposed to sympathise with their subordinates and prefer persuasion to coercion for motivating their subordinates.

Long-term v short-term orientation is a measure of the degree to which the members of a society are orientated towards either short-term or long-term goals on Confucian principle (Bond & Hofstede, 1988; Hofstede & Bond, 1988). People in a long-term-oriented society tend to be thrifty, industrious and education-orientated. People in a short-term-oriented society tend to be generous, relaxed and face-saving. The financial performance of a firm is more related to short-term performance, whereas top executives' rating of corporate success is more related to long-term performance (Farmer & Richman, 1965; Hrebiniak & Snow, 1982; Chakravarthy, 1986). The managers from the short-term-oriented society tend to underline financial performance, such as profitability as their primary goal and their criterion for evaluation and control (Harrison et al, 1994; Merchant et al 1995). They tend to consider loss-making as an immediate concern. On the other hand, the managers from the long-term oriented country are assumed to base their corporate success on customer and employee satisfaction, market share, growth, and the quality of products and service in their companies. They are unlikely to consider loss-making as an immediate concern for their success in the long run.

Schwartz's (1992) and Trompenaars' models (1993) are alternative models for investigating the relationship between national culture and SMP. Some dimensions in both models are correlated with certain dimensions in Hofstede's model. Unlike Hofstede's model based on *a posteriori* constructs, *a priori* structures of Schwartz's and Trompenaars' models are unsuccessfully replicated despite having more dimensions. In spite of its long-time existence and frequent application, some researchers still have criticised the Hofstede's model. These critiques are the following seven misapprehensions:

1. The conceptualisation of the dimensions is too poor to explicate a cultural context. Some definitions of these dimensions are inadequately conceptualised, such as Confucian dynamism or long-term v short-term orientation. These dimensions must depict the cultural context more explicitly. Some other dimensions may not be found for the time being (Yeh, 1989; Mead, 1990; Smith, 1996; Johnson & Lenartowicz, 1998). This scepticism about the conceptualisation has been brought up with the possibility to modify this model with the potential dimensions in the future research when long-term orientation dimension has been found from Chinese Value Survey (CVS) (Hofstede, 1991). Hofstede (1998b) himself appreciated any candidates for the new dimensions that may enrich the delineation of the cultural context.

2. Some dimensions may correlate with each other (Yeh & Lawrence, 1995; Johnson & Lenartowicz, 1998). At this moment it is too soon to confirm this precaution. Many countries are still excluded from the survey that constructs this model. The further investigations into the leftover countries will confirm whether this correlation exists or not.

3. The narrowness of his work's population of IBM employees means the score might not be generalisable to whole population. The research design and the measurement of dimensional indices might be inadequate. The respondents in the IBM survey belong not only to the middle class of their respective societies rather than the upper, working or peasant classes, but also to a single MNC with a single corporate culture in a single industry (Jaeger, 1986; Yeh, 1989; Mead, 1990; Søndergaard, 1994; Smith, 1996; Todeva, 1999). This critique is unjustified because the several successful replications of the survey with different samples assert the model's generalisability (Shackleton & Ali, 1990; Hoppe, 1993; see Søndergaard, 1994; Lowe, 1996; Smith & Schwartz, 1997). Some kinds of sub-group within a country, such as ages, professions and educational levels do not affect the generalisability. The purpose of this narrowness is to match sample on the basis of cross-culturally functional equivalence (Lowe & Oswick, 1996; Hofstede, 1998b).

4. The indices of the five dimensions of the countries under Hofstede's survey ignore the effect of intra-cultural variation. Subgroups within a country, such as regions and ethnic groups are likely to affect the scores' variation within the country (Singh, 1990; Huo & Randall, 1991; Au, 1997; Cray & Mallory, 1998). This suspicion can be eliminated by applying this model to a study of different sub-cultural groups within the country. The result from these studies will be used to establish the indices of the five dimensions representing these sub-groups. If a country is very ethnically homogenous, the scores in the model are highly likely to represent the central tendency of the majority of people's behaviours and values in that country.

5. The model is most firmly based on a structural functionalist paradigm. This misconception is a major advantage, rather than a disadvantage of this model, because the indices in the model can be operationalised as the independent variables in investigations into the association between culture and other dependent variables. The dimensions appear to have some predictive capability, so that the model is applicable to causality (Westwood & Everett, 1987; Soeters & Schreuder, 1988; Harrison, 1992, 1993; Cray & Mallory, 1998).

6. Because VSM might be based on inferred values, the meaning of each factor must be checked independently in each country. The survey results usually cannot interpret some cultural contexts. The survey ought not to be the only way. Qualitative research methods, especially ethnography and case study research can delve into the context of the survey findings for the better interpretation of these dimensions (Yeh, 1989; Søndergaard, 1994; Lowe & Oswick, 1996; Chapman, 1997; d'Iribarne, 1997; Hofstede, 1998b).

7. The dimensions may be artefacts of period between 1968-1973 when his data were analysed. Because the scores are now more than 25 years old and many cultures have changed since then, the scores may change and have an invalid numeric ranking (Søndergaard, 1994; Smith, 1996; Earley & Gibson, 1998). The several successful replications of the survey make this argument invalid despite their long-time existence (Shackleton & Ali, 1990; Hoppe, 1993; see Søndergaard, 1994; Shane, 1995; Lowe, 1996; Smith & Schwartz, 1997; Hofstede, 1998b).

Apart from national culture, corporate, business and professional cultures may be an alternative independent variable for depicting strategic behaviours in both Dutch and Japanese companies in Thailand. If national culture is 'the collective programming of mind which distinguishes the members of one nation from another', corporate culture is 'the collective programming of mind which distinguishes the members of one organisation from another (Hofstede, 1991, p 262)'. In the same veins, business culture can be defined as 'the collective programming of mind which distinguishes the members working in one industry from another', while professional culture can be defined as 'the collective programming of mind which distinguishes the members of one profession from another'.

Corporate culture is the shared perception of practices among the persons who work in the same company. With regard to MNCs, it is supposed to ensure all employees' mental uniformity throughout these MNCs' world-wide operation. To maintain both corporate identity and internal consistency, corporate culture such as practices, perspectives, rituals, symbols and heroes is likely to be instilled into all employees at their adulthood. These MNCs tend to inculcate corporate culture into

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their employees through human resource management (HRM) policy, such as the careful selection of recruits and the socialisation of their recruits. If these recruits fit the company, the process of their socialisation is easier. The values of corporate founders tend to become the values of all corporate members in these MNCs through the socialisation. Corporate culture is prone to be crystallised as the mission statement of these MNCs (Hofstede, 1985b, 1991, 1998a, 1998b, 1999; Laurent, 1986; Kirkbride & Shae, 1987; Schneider, 1988; Hofstede, Neuijen, Ohavy & Sanders, 1990; Rosenzweig & Singh, 1991; Hofstede, Bond & Luk, 1993; Rosenzweig & Nohria, 1994).

Each company has different corporate culture because of the role of the founders, the strong leaders who change firms' direction, the administrative heritage of each company, the stages of corporate development and the nature of the product (Schneider & Barsoux, 1997). The personal values of the corporate founders are likely to be driven by the national cultures of these founders. These values usually become a part of corporate culture. Thus, national culture shapes corporate culture. German or Japanese companies tend to share some similarities according to their national culture to some degree even if these companies have their own idiosyncrasy according to their corporate culture (Schneider & Barsoux, 1997). However, national culture is more embedded in values, whereas corporate culture is more embedded in practices (Hofstede, 1985b, 1991, 1998a, 1998b, 2001). Thus, national culture is more deep-rooted than corporate culture.

Business culture is the common practices widely understood among the persons who work in the same industry according to the certain conditions that each industry has. These conditions comprise the nature of decision-making in such industry, product and market characteristics, regulation and technology (Schneider & Barsoux, 1997). MNCs operating in the same business tend to carry out some similar strategies and policies to a certain degree under these conditions. Advertising is culturally different from banking (Schneider & Barsoux, 1997). Every advertising firm emphasises creativity, whereas every bank underlines prudence and conservatism in dealing with risks. A person obtains business culture when he or she works in a particular industry and has to comply with its industrial norms. Even if business culture tends to be unique to the same industry, it is unique neither to different companies within the same industry, nor to different professions within the same industry. Business culture is also driven by national culture (Schneider & Barsoux, 1997). For MNCs operating in the same industry, national culture explicates the uniqueness of each country of origin. Corporate culture depicts each company for its individuality. Professional culture delineates each function and occupation for its norm.

Professional culture is a set of shared values, norms and perspectives among a group of people who consider themselves to be engaged in the same occupation, such as accountants, soldiers, physicians (Hofstede, 2001). Doctor may learn to be meticulous in surgery, whereas lawyers may learn to be aggressive at least in court (Schneider & Barsoux, 1997). People can differ on their values and beliefs by profession. There are many professional cultures even within the same company according to its corporate functions. Professional culture can be a sub-set of corporate culture. People who work in different departments can have professional conflicts with each other, such as the conflict between marketing and production department. Marketing department wants more product designs to satisfy customers' need, but production department wants fewer designs to save costs. An individual acquires professional culture through the socialisation in the school, apprenticeship or university and training in the company (Raelin, 1986; Schneider & Barsoux, 1997; Hofstede, 2001). Some countries are closely linked with particular professions, whereas some industries value certain professions (Schneider & Barsoux, 1997). For instance, the US is famous for MBA graduates, the UK for accountants and Germany for engineers. Health care industry values doctors, but pharmaceutical industry values scientists. Thus, professional culture can be varied from company to company according to corporate culture, from country to country according to national culture and from industry to industry according to business culture. Raelin (1986) considered professional culture as the opposite of factors that are the awkward by-products of corporate culture. They can be unified with the values of national culture.

It is difficult to separate national, corporate, business and professional cultures from each other. When a person starts to work with a company, he or she is socialised with corporate culture according to the company, business culture according to the industry where the company operates and professional culture according to his or her job (Raelin, 1986). These three cultures also tend to be combined with the national culture of this person. Hence, national, business, professional and corporate cultures are interrelated and overlapped with each other as expressed in Figure 2.4. However, corporate, business and professional cultures are not the choice for explicating the SMPs in this study because of the three reasons.

Firstly, from a host country perspective, the difference in SMP among foreign-based companies according to nationality or home country is mentioned as the interesting research objective in several comparative inquiries into SMPs between MNCs from two or more different home countries in their subsidiaries in a given third country (Capon et al, 1987; Kotabe & Omura, 1989; Kotabe, 1990; Kotabe & Okoroafo, 1990; Doyle, Saunder & Wong, 1995; Murray, 1996), when one

recognises that the top executives of MNCs' subsidiaries are not always the natives of the home countries.

Secondly, young people by their education and upbringing are indoctrinated with values according to the national culture of their country first at their earliest age. Also at later stages in their life development, they still are confronted with national cultural conditions (eg join the army as a soldier).

Thirdly, corporate, business and professional cultures, as a consequence of the socialisation at the adolescence and adulthood cannot uproot the national culture of home countries as a result of the indoctrination from the childhood that is assumed to be persistent for a longer time (Laurent, 1986; Hofstede et al, 1990; Hofstede, 1984a, 1991, 1998a, 1998b; d'Iribarne, 1994).

Figure 2.4: The diagram of overlapping cultures
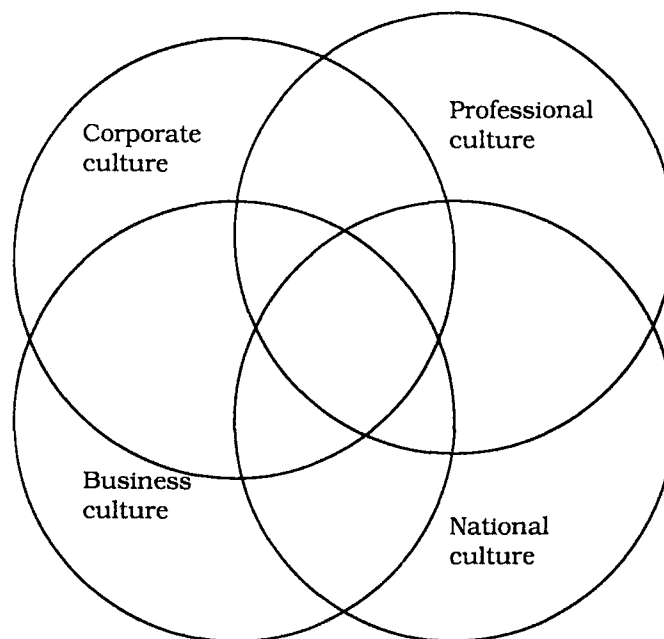
Values may be changed in form, such as the transformation of social institutions, but not changed in essence, especially at sub-conscious level. Values reflect an unobservable part of human behaviour, whereas practices are an observable one, so they are not subject to anyone's plan, but subject to their own logic. Sorod (1991) confirmed that national culture exerted more influence on managerial values than corporate culture did from her study of American companies in Thailand.

2.4 The impact of national culture on SMP

SMP is subject to both rationality and irrationality of the persons who manage companies. In turn, rationality is subject to cultural logic and irrationality is subject to cultural subjectivity. Because SMP is subject to the cultural logic of the decision-makers or corporate strategists in the companies, the concept of SMP being dynamic is more suitable for understanding the impact of national culture on such SMP *per se*.

SMP could be better understood as cultural subjectivity when taking national culture into account (Faucheux, 1977; Horovitz, 1978; Redding, 1982; Schneider, 1989; Schneider & Barsoux, 1997). National culture may influence country-specific advantages that lead to the competitive advantages of strategy (Shan & Hamilton, 1991; Van den Bosch & Van Prooijen, 1992). In his several articles, Hofstede (1984b, 1987a, 1987b, 1993, 1994a, 1994b, 1996) affirmed that both management theories and SMP were not universally applicable, but culturally constrained. When studying both theories and the strategies, the national culture of the theorists and strategists must be considered as their biases.

The national culture of MNC's country of origin is prone to have a certain influence on their overseas subsidiaries globally. Many study based on Hofstede's model confirmed that MNCs' subsidiaries still have the organisational structure and behaviour similar to their headquarters (HQs) (Soeters & Schreuder, 1988; Yeh, 1991; Wong & Birnbaum-More, 1994; Lau & Ngo, 1995). To prove that the national culture of MNCs' home country influences the strategic behaviours of such MNCs, some researchers have applied this model to their empirical inquiries into the impact of national culture on SMP. These inquiries are shown in Table 2.2.

Table 2.2: The application of Hofstede's model to strategy process

Literature	Description	Findings
Wong-Birnbaum-More (1994)	An inquiry into culture, context and structure in Hong Kong banks	Power distance is positively related to centralisation and formalisation
Jain and Tucker (1995)	An inquiry into the impact of national culture on strategic constructs in North American and Japanese MNCs	Power distance and Uncertainty avoidance is positively related to concentration of key functional decision. Uncertainty avoidance is positively related to long-term performance measures.
Builtjen and Noorderhaven (1996)	An inquiry into the impact of national culture on strategic decision-making in the Netherlands and the Philippines	Power distance is positively related to the level of final decision authorisation. Long-term orientation is positively related to the duration of decision process.
Chow et al (1996)	An inquiry into the use of organisational control and their effect on data manipulation in Japan and the US	Uncertainty avoidance is positively related to tight procedural controls.

To characterise the relationship between national culture and SMP, the linkage between the five dimensions, namely power distance, individualism-

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collectivism, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation, and the four steps of SMP consisting of environmental scanning, strategy formulation, strategy implementation and evaluation and control.

2.4.1 *Environmental scanning.* As national firms with international operations, MNCs had to encounter their typical problems under the influence of their home countries before their overseas expansion. The national cultures of MNCs' home countries influence the interpretation and perception of social interaction and strategic issues among MNCs' top executives in the HQs and the expatriates in overseas subsidiaries when seeking markets across borders (Sallivan & Nonaka, 1988; Schneider, 1989; Haiss, 1991; Schneider & De Meyer, 1991; Hu, 1992; Jain & Tucker, 1995; Yip et al, 1997; Ebrahimi, 2000).

The main objective of environmental scanning activities is to collect and classify uncertainty and risk as strategic issues into threats and opportunities (Dutton & Duncan, 1987; Dutton & Jackson, 1987; Jackson & Dutton, 1988; Wheelen & Hunger, 1995). Because strategic issues comprise the unpredictability and fluctuation of the environment under which decision-making takes place (Haiss, 1991), top executives need to scan the environment. In relation to the perception of uncertainty and strategic issues, uncertainty avoidance is likely to be associated with environmental scanning. 'Manager in different countries differ in their perception of uncertainty (Schneider & De Meyer, 1991, p 310)'. With regard to uncertain, uncontrollable and problematic environment, the managers from a strong uncertainty-avoiding country are prone to interpret strategic issues as threats, but their counterpart from a weak uncertainty-avoiding country are prone to interpret strategic issue as opportunities (Sallivan & Nonaka, 1988; Schneider & De Meyer, 1991; Jain & Tucker, 1995). To cope with pessimism about unstructured situations, the managers from the strong uncertainty-avoiding country tend to have the more clear-cut criteria for classifying and structuring information, and institutionalise and routinise their environmental scanning unlike their counterparts from the weak uncertainty-avoiding country (Hofstede, 1984b; De Wit & Meyer, 1999).

Power distance is likely to be related to the information sharing between the top executives and their subordinates in a company. The managers from a large power distant country tend to share information with their subordinates, but their counterparts from a small power distant country are unlikely to do so (Chow et al, 1999). The subordinates in the large power-distant country are prone to expect their superior to consult them before making a decision, but their counterparts in the small power-distant country are not.

Individualism-collectivism is also likely to be associated to the extent to which the top executives in MNCs tend to share more information with other parties, such as employees, partners, suppliers, customers and even competitors (Chow et

al, 1999). The companies from a collectivistic country tend to rely on their network of relationship for gathering information much more than their counterparts from an individualistic country do. Difference in perception and interpretation brings about different strategy formulation (Thomas & McDaniel, 1990), because the top executives need to respond to all strategic issues they perceive by making a strategic decision.

2.4.2 Strategy formulation. To solve their domestic problems, MNCs' top executives and corporate strategists as human adopted a particular viewpoint after they perceive and interpret strategic issues under the influence of their national culture. They tend to develop business strategy before their international expansion under the influence of societal contexts and some kinds of social interaction in their home countries. The national culture of MNCs' home countries is likely to influence MNCs' top executives' priority in response to the environment they perceive and interpret for their strategy formulation. They tend to carry on their problem-solving style to their world-wide operation (O'Connell & Zimmerman, 1979; Erez & Earley, 1987; Tse, Lee, Vertinsky & Wehrung, 1988; Ali, 1989, 1993; Axlesson, Cray, Mallory & Wilson, 1991; Haiss, 1991; Hu, 1992; Ralston, Gustafson, Elsass, Cheung & Terpstra, 1992; Ralston, Gustafson, Cheung & Terpstra, 1993; Hitt, Dacin, Tyler & Park, 1997; Yip et al, 1997).

Individualism-collectivism might describe the extent to which top executives prefer to make a decision on their own, in conjunction with their colleagues and subordinates or in conformity with a group expectation (Butler, 1991; De Wit & Meyer, 1999). The strategic behaviours in the companies from a collectivistic country might seem insensible and unfathomable to those who are brought up in an individualistic country where self-interest is the utmost motivation (Hofstede, 1984b; Haiss, 1991; Smith, 1992). The managers from the collectivistic country tend to make a decision under the influence of their peer group and subordinates, but their counterparts from the individualistic country tend to do so under the influence of their self-interest (Harrison et al, 1994; Jackson, 2000). This dimension may explain how decisions are made either collectively or individually. Thus, individualism might be positively related to the degree of individual responsibility for a making strategic decision in a company. Collectivism, in contrast, might be positively related to the degree of collective responsibility for making a strategic decision in a company.

Hofstede (1984a, 1991) tried to use power distance to describe the degree of centralisation and hierarchy in a company. He believes that the company from a large power distant society tends to be more hierarchical and centralised than the one from a small power-distant society. Several empirical studies confirmed that power distance is positively related to the centralisation of decision-making

authority and the level of formalisation in a company (Jain & Tucker, 1995; Builtjen & Noorderhaven, 1996).

Long-term v short-term orientation affected the way top executives and corporate strategists think about strategy (De Wit & Meyer, 1999; Hofstede, 2001). The corporate strategists from a short-term-oriented culture tend to plan for the foreseeable future, set short-term goals such as profit and prefer predictability, whereas their counterparts from a long-term-oriented culture do not (Harrison et al, 1994). As a primary goal, the corporate strategists from the short-term-oriented culture tend to emphasise profit from the past-oriented or current projection. On the other hand, the corporate strategists from the long-term-culture tend to plan for the corporate survival in the long run. They are unlikely to emphasise profit as a primary goal. They tend to use future oriented projection for the strategy formulation.

2.4.3 Strategy implementation. When MNCs expand their operation abroads, they often welds an influence on their overseas subsidiaries by introducing some home country practices to host countries regardless of local conditions according to their world-wide problem solving and strategy. Under their strategy, they have to organise their world-wide structure to determine the relationship between their HQs and subsidiaries. They have a broad policy framework for its HQs and subsidiaries in order to formulate appropriate strategy as their world-wide reaction to the force of local markets. The use of expatriates, especially from the home countries tends to reinforce this influence. These expatriates tend to bring the home-country practices to the subsidiaries when they take up their overseas assignment. (Hofstede, 1984a; Ronen, 1986; Mead, 1994; Calori, Lubatkin, Very & Veiga, 1997; Yip et al, 1997; Tregaskis, 1998; Todeva, 1999).

Power distance is positively related to the centralisation of operation in a company (Harrison et al, 1994; Wong & Birnbaum-More, 1994). This centralisation determines the organisational structure (Hofstede, 1991). The firms from a large power-distant country tend to centralise their operation with a hierarchical structure. The firms from a small power-distant country tend to decentralise their operation with a flat organisational structure. Hofstede (1984a, 1991) argued that power distance is positively correlated with respect for hierarchy. The companies from the large power-distant country tend to develop new employees through the vertical relationship in their corporate hierarchy unlike their counterparts from the small power-distant country. The managers from the large power-distant country tend to use their personal authority to mobilise their subordinates through the vertical relationship in the corporate hierarchy, whereas their counterparts from the small power-distant country tend to use a discussion to do so (Chow et al, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997).

Uncertainty avoidance is positively associated with the extent to which a company chooses and develops its products and markets carefully (Shane, 1993, 1995). Unlike their counterparts from a weak uncertainty avoiding culture, the top executives and corporate strategists from a strong uncertainty avoiding culture tend to refrain from unconventional ideas when formulating strategy and developing products and markets. Uncertainty avoidance is also positively related to the top executives' commitment to the *status quo* (Geletkanycz, 1997). The managers from the strong uncertainty-avoiding country tend to be more averse to novelty and less open to experimentation with new or untested initiatives, whereas their counterparts from the weak uncertainty-avoiding country do not.

2.4.4 Evaluation and control. The national culture of MNCs' home countries is prone to influence MNCs world-wide planning processes and control systems (Hofstede, 1984a; Snodgrass & Grant, 1986; Birnberg & Snodgrass, 1988). The randomness of the long-term future must be admitted and familiarised. In fact, long-term v short-term orientation can predict a tendency to emphasise the short-term or long-term performance measurement for evaluation and control (Harrison et al, 1994; Merchant et al, 1995). Unlike their counterparts from a short-term-oriented country, the managers from a long-term-oriented country are unlikely to be pressurised to attain short-term results, such as profit and other financial goals. Unlike their counterparts from the short-term-oriented country, the managers from the long-term oriented country tend to base their main criterion for evaluation and control on a future-oriented projection, such as future sales, market share. They are unlikely to emphasise profit as the main criteria for evaluation and control.

Power distance is positively related to the degree of using personal authority through the vertical relationship in the corporate hierarchy for evaluation and control in a company. In terms of respect for corporate hierarchy, the managers from a large power-distant society tend to use their personal authority for corrective action, but their counterparts from a small power-distant society are prone to use a discussion for corrective measures (Chow et al, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997).

From the above discussion, the relationship between national culture in the five dimensions and SMP in the four steps is illustrated in Figure 2.5. This relationship paves the way for the application of Hofstede's model to investigating the impact of national culture on SMP. To build the reference model for this study in Figure 2.6, this relationship will be integrated with the relationship in Figure 2.3.

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Figure 2.5: The relationship between national culture and SMP

National Culture	SMP
Power Distance	Environmental scanning
Individualism-collectivism	Strategy formulation
Uncertainty avoidance	Strategy implementation
Masculinity-femininity	Evaluation & control
Long-term v short-term orientation	
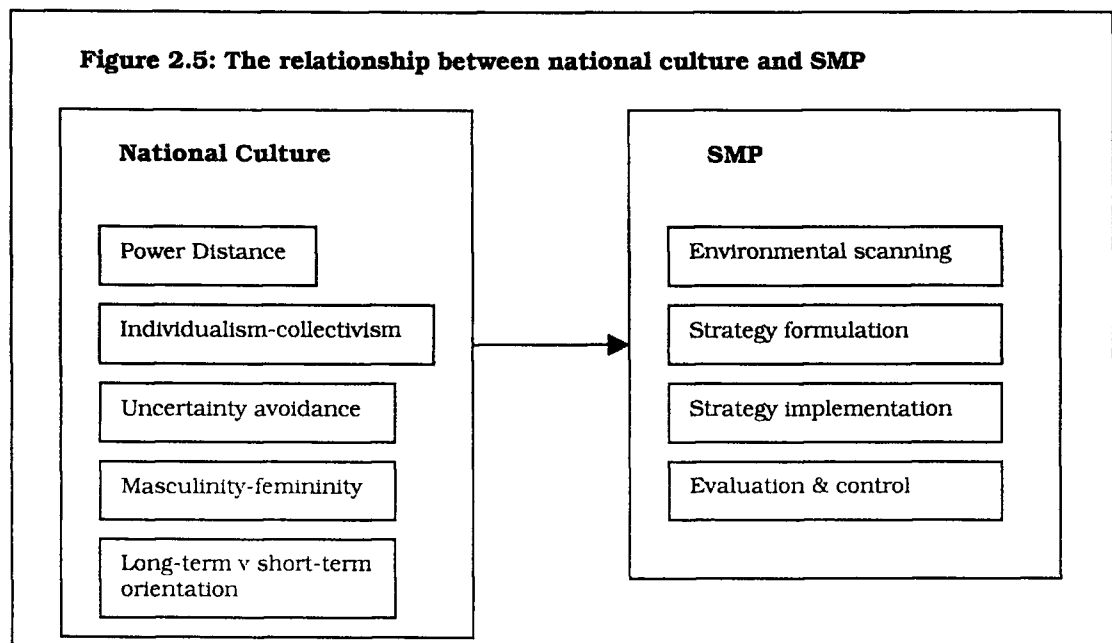
2.5 The reference model for this study

Although many inquiries into the relationship among national culture, SMP and corporate performance do exist, they suffer from the inconsistent conceptualisation and the controversial empirical findings. A variety of strategic management models provide no basis for both comparing SMPs in MNCs from two or more home countries and inquiring into the behavioural variables that have an impact on strategic variables. The couple of the models of national culture cannot provide a concrete basis for predicting the relationship between national culture and SMP alone. They simply compare national cultures, neither strategic nor managerial behaviours under the influence of different national cultures. Corporate performance alone has no meaning unless it is related to SMP. To compare the SMPs of the Dutch and the Japanese companies in Thailand in the light of the national cultures of the Netherlands and Japan, the model combining the impact of national culture on SMP and the impact of SMP on corporate performance is needed.

The reference model for this study needs to include a model of national culture, a model of strategic management and a model of corporate performance. To solve the problem of conceptualising national culture, Hofstede's model is chosen as the most widely accepted model for studying the relationship between culture and the aspects of management. Wheelen and Hunger's model is selected as a benchmark for comparing the SMPs of Dutch and Japanese companies in Thailand in the four steps. Most firms around the world widely recognise these four fundamental steps when they are dealing with strategic management. CVM provides the quite extensive lists of corporate performance.

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Figure 2.6: An integrated model for comparing SMPs

National Culture	SMP	Corporate Performance
Power Distance	Environmental scanning	Cohesion; morale; human resource development; values of human resources; quality; flexibility; readiness; external evaluation; growth; interaction with environment; information management; communication; stability; control; planning & goal-setting; productivity; efficiency; profitability
Individualism-collectivism	Strategy formulation	
Uncertainty avoidance	Strategy implementation	
Masculinity-femininity	Evaluation & control	
Long-term v short-term orientation		

A combination of the two linkages in Figure 2.3 and Figure 2.5 become the integrated model for comparing SMPs is shown in Figure 2.6. This reference model is used to compare both extant literature on Dutch management and that on Japanese management in Chapter 4 and to collect evidence of the Dutch and the Japanese cases in Chapter 7, 8 and 9.

2.6 Conclusion

After reviewing literature on SMP, corporate performance and culture, this chapter ends up with the reference model for investigating the impact of national culture on the SMPs of the Dutch and the Japanese companies in Thailand. As the focus of this study, the theories of SMP can be classified into ten schools of though on the basis of different theoretical and methodological perspectives. Approaches to SMP fall into two dimensions (1) content and process, and (2) description and prescription. This study uses the prescriptive model of strategic management (Wheelen & Hunger, 1995) to describe the SMPs of the Dutch and the Japanese companies in Thailand in terms of cultural subjectivity. This model can be used as a benchmark for the comparison between Dutch and Japanese SMPs because most companies around the world regardless of their nationality nowadays adopt the four steps of SMPs. The measures of corporate performance appraisal are discussed on the basis of Competing Value Model (CVM) of Quinn and Rohrbaugh (1983). In general, a good strategy must generate good corporate performance.

SMP as strategic behaviours are not essentially objective, but culturally constrained by the subjective perception and the interpretation of the top executives and the managers who grew up in the particular cultural settings. After discussing some definitions of culture that are frequently used in comparative management

research, Hofstede's definition of national culture is chosen because of its concise and precise meanings. The concepts of corporate, business and professional cultures are not chosen because they are not significant in a host-country approach even if they are overlapped with national culture. To study the cultural differences in SMPs between MNCs from the Netherlands and those from Japan, Hofstede's model of the five cultural dimensions is selected on the ground that it is the most rigorous way to examine the cultural impact on SMP. This model suggests such a relationship with the support of the subsequent empirical findings in Table 2.2. Many researchers have succeeded in using this model to predict some strategic behaviour.

The result of a synthesis of Hofstede's model of national culture, Wheelen and Hunger's model of SMP, and Quinn and Rohrbaugh's CVM becomes the integrated reference model for comparing the SMPs of Dutch and Japanese companies in general in Chapter 4. This comparison will be used for formulating the conceptual propositions in this study. This study will base the comparison between the impact of Dutch culture on SMP in Dutch companies in Thailand and that of Japanese culture on SMP in Japanese companies in Thailand on the reference model for pattern-matching logic in the within-culture, cross-case analysis in both Chapter 7 for Dutch culture and Chapter 8 for Japanese culture, and in the cross-cultural, cross-case analysis in Chapter 9. Nonetheless, because not all dimensions in national culture can predict the four stages of SMP, only the relevant dimensions are used to describe the SMPs of each Dutch company in Chapter 7 and of each Japanese company in Chapter 8 before a comparison of SMPs between Dutch and Japanese companies in Chapter 9.

CHAPTER 3:

THE COMPARISON BETWEEN DUTCH AND JAPANESE CULTURAL SETTINGS

3.1 Introduction

This chapter discusses both Dutch and Japanese cultures through a national characteristic approach before characterising them in terms of the five dimensions in Hofstede's model, namely individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation. To discover the possibility of the model's prediction, both cultures, then, are compared on the basis of the five dimensions. This discussion, characterisation and comparison are based on extant literature on both Dutch and Japanese cultures and management.

Section 3.2 discusses the history of the Netherlands in the light of the influence of the seas, merchant traditions, Calvinism, consensus and *verzuiling*. These five influences are interrelated and combined to be the mainstream Dutch national characteristics in section 3.3. These Dutch characteristics are used to depict Dutch culture in the five dimensions according to Hofstede's model in section 3.4. Section 3.5 examines the history of Japan in the light of the influence of the rice culture, feudalism, *bushido*, and neo-Confucianism. These five influences are intertwined and integrated to be the typical Japanese national characteristics in section 3.6. These Japanese characteristics are used to delineate Japanese culture in the five dimensions according to Hofstede's model in section 3.7.

Section 3.8 is the comparison between Dutch and Japanese cultures in all five dimensions with corroboration from extant literature on Dutch and Japanese cultures and management. The characterisation of both Dutch and Japanese cultures on the basis of Hofstede's model provides the possibility of each dimension to predict the SMPs of the Dutch and the Japanese companies in Thailand with the criteria for the formulation of the conceptual propositions in section 4.4 when comparing the SMPs in Dutch and Japanese companies under the guidance of the reference model from section 2.5. To find this possibility, the characterisation of both cultures is based on literature on the impact of national culture on SMP as discussed in section 2.4. Section 3.9 arrives at a conclusion.

The characterisation of Dutch culture in this chapter will be applied as the criteria for predicting the tentative SMP of Dutch companies in Thailand in Chapter 7. The characterisation of Japanese culture will be applied as the criteria for predicting the tentative SMP of Japanese companies in Thailand in Chapter 8. Only the pertinent dimensions will be used for this prediction with respect to environmental scanning, strategy formulation, strategy implementation, and evaluation and control.

3.2 Dutch historical context

A good Dutchman, at least, intuitively understands the institutional density of the Netherlands, but he or she does not appreciate any attempt by foreigners to learn Dutch culture and language (Lawrence, 1991). The Dutch are very protective of their culture, society and institutions that reflect the 'Dutchness'. The substance of the Dutch psyche is incomprehensible without the acknowledgement of Dutch history characterised by the four major intertwined factors: the seas, merchant traditions, Calvinism and *verzuiling*.

The seas defined the Netherlands as a trading nation. As a transhipment place, overseas trade brought the Netherlands its prosperity and the Golden Age in the seventeenth century. However, the seas also brought the Netherlands its threats, too. Because the Netherlands has reclaimed lands from the seas for centuries, the Dutch have to fight the danger of inundation perennially. To build dykes, they had to organise co-operation among heterogeneous groups with the development of a decentralised structure. Neither absolutist rulers nor bureaucratic élites, but peer groups made a collective effort to contain the inundation. This effort needed a lot of compromises. Even if the government nowadays is responsible for inundation, the consensual spirit from the effort to protect the Dutch by building the dykes remains prevalent in the Dutch society (Lawrence, 1991; van Iterson & Olie, 1992; Olie, 1996; van Iterson, 1997a, 1997b, 2000).

The Netherlands has been liberated from feudalism since the twelfth century long before most countries in Europe (van Iterson, 1997a, 1997b, 2000). Because the Dutch aristocracy has lost much influence and kept low profile for a long time, the class of merchants or the bourgeoisie had dominated polity in the Netherlands much earlier than their counterparts in other European nations. The western part of the Netherlands where many Dutch ports have long been situated is still the economic hub nowadays. The Netherlands underwent the industrial revolution relatively late around 1880 and its industrial gap with other European countries was closing by 1914 (Lawrence, 1991; van Iterson & Olie, 1992). Before 1880, only banking, insurance and finance had been flourished in the Netherlands (van Iterson & Olie, 1992; De Goey, 1999). *Verenigde Oostindische Compagnie* (VOC—Dutch United East Indies) had dominated the Dutch overseas trade from the seventeenth century until it was liquidated in 1793 (van Iterson, 1997a, 1997b; De Goey, 1999). Even after 1914, the Netherlands has retained its original strengths in logistic business, trade finance and agriculture (Lawrence, 1991; van Iterson & Olie, 1992).

Calvinism has been both the religious and ideological cornerstone of the Dutch society when the Netherlands (then 'United Seven Provinces') fought against the Catholic Spanish court in the Eighty-Year War (1568-1648). The leader of this revolt, Willem the first is the *primus inter pares*, not the absolute ruler. This

principle later applied to the head of *VOC*. Calvinism inspired this struggle for sovereignty and religious freedom, and promoted merchant tradition at the same time. It underscores thrift, sobriety, tolerance and reality while refraining from glamour and splendour. Nowadays, it is still the core of Dutch culture and exerts a lot of influence on Dutch everyday life (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; van Iterson & Olie, 1992; Olie, 1996; Pot, 1998).

Even if Calvinism emerged as the dominant religion after the revolt, it never had the sole status as a state religion. Separation of church and state is essential according to Calvinism. Because Calvinism preaches religious tolerance, it existed and competed side-by-side with Roman Catholic and other several Protestant denominations. To protect themselves as collective actors, many Dutch institutions, such as political parties, trade unions, schools and professional associations have been organised along the formal religious (Roman Catholic, several Protestant denominations, humanistic) and ideological (liberal, socialist, communist) allegiances. This phenomenon is called *Verzuiling* (pillarisation) *Verzuiling* has had a strong influence on both the institutions and the aspects of Dutch social life until recently when some pillars merged with each other in order to gain more bargaining power, such as the merger between Catholic and Protestant parties. *Verzuiling* has lost much of its rudimentary sense because of these mergers. This phenomenon is called *Ontzuiling* (depillarisation). However, *Ontzuiling* just reduces the number of pillars and coincide with the secularisation of the Dutch society. In the past, each pillar did not co-operate with others. Because the Dutch current pattern of segregation of groups at the bottom and coalitions of élites at the top between different doctrinal lines, the Dutch society has still been structured vertically, not horizontally. These coalitions need a compromise and reinforce Dutch consensual spirit. From the above phenomena, the Dutch do not tend to adhere to a rigid standpoint (Lawrence, 1991; van Iterson & Olie, 1992; King, 1993; Hampden-Turner & Trompenaars, 1994; Olie, 1996; van Iterson, 1997a, 1997b, 2000).

3.3 Dutch national characteristics

The seas had an influence on Dutch merchant traditions and consensual spirit. Because the Dutch had to protect themselves from inundation by building dykes, they needed to have a consensual spirit and care for each other, for especially the weaker. Without any absolute ruler, the decentralisation of the society, co-operation and egalitarian norms are developed (van Iterson & Olie, 1992; van Iterson, 1997a, 1997b, 2000).

Merchant traditions make the Dutch respect the difference between persons when bargaining for an accord. To reach a consensus, the Dutch like to convince each other by facts and figures in the process of bargaining and exchanging

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information among several parties. The relationship between employees and employers is business-like and economically calculative in the Netherlands. Either party can terminate such a relationship if either one finds a better deal elsewhere on the basis of a reciprocal advantage. These traditions lead to lack of personal authority and loyalty in the Netherlands. The emphasis on equality causes informality to be important as well as formality. Because the merchants have long dominated the Netherlands since its foundation, the Dutch tend to emphasise egalitarianism and respect for differences between persons unlike other feudalistic countries in medieval Europe. These traditions in the Netherlands cause the Dutch to be more flexible. To sustain their commercial interests, the Dutch try to avoid conflicts at all costs (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; van Iterson, 1997a, 1997b, 2000; Keizer, Noorderhaven, Benders & Stam, 2000).

Because of Calvinistic virtue, the Dutch normally understand individuality in terms of individual accountability and contribution to the society without the sense of scintillation, self-importance, self-interest and eccentricity according to their well-defined positions in the society. Under the influence of Calvinism, conformity is more important than individual excellence in the Netherlands, so it often constrains creativity, spontaneity and inspiration. Because the Dutch prefer conformity to distinction among people, they believe in neither individual nor institutional excellence. Personal ambition is normally expressed through charity (Hofstede, 1985a; Lawrence, 1991; van Iterson & Olie, 1992; King, 1993; Hampden-Turner & Trompenaars, 1994).

Because of *verzuiling*, the Dutch society is vertically structured and minimally hierarchical. The coexistence of different doctrinal lines leads to the consensual spirit in the Dutch society. For unity through diversity, a mutual accommodation and a comprehension among different confessional pillars in the society require a lengthy process of decision-making when a consensus among these pillars is crucial. As long as such an idea and such a way do not cause any conflicts in the society, the Dutch are likely to tolerate different ideas and ways of life. The Dutch can readily accept the coexistence of the new system with the old one. Because the Dutch are aware of the co-existence of religious allegiances in their society, they are ready to admit that several truths may coexists. Tolerance of both dissimilar opinions and a long process for reaching a consensus is important for the social unity (d'Iribarne, 1989; Lawrence, 1991; van Iterson & Olie, 1992; Hampden-Turner & Trompenaars, 1994).

3.4 Dutch culture in the five dimensions

Under the influence of the seas, merchant traditions, Calvinism, and *verzuiling*, Dutch culture can be classified into the five dimensions of Hofstede's model, namely individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity and short-term v long-term orientation.

3.4.1 Individualism-collectivism. As well as other Western cultures, Dutch culture is inclining towards individualism. The affirmation is strong through many aspects of Dutch life under the influence of Calvinism. The Dutch tend to evaluate a person on the basis of individual accountability and justify a person for his or her work in and contribution to the society as an individual, separate that person from his or her deed and not to confuse things with that person. They tend to respect differences between persons. The sense of 'us' (insider) against 'them' (outsider) is weak and lack of a personal opinion is a sign of a weak character in the Netherlands. Despite *verzuiling* in the Netherlands, the Dutch have not got a strong and emotional sense of the affiliation to their confessional lines (Hofstede, 1983a; d'Iribarne, 1989; Keizer et al, 2000).

Dutch business culture does not presuppose friendship and tries to separate work from private life. Everyday interdepartmental conversation during the execution of projects among employees at the same level is uncommon in most Dutch companies. The relationship between employees and employers is business-like and economically calculative in the Netherlands. Either party can terminate such a relationship if either one finds a better deal elsewhere on the basis of a reciprocal advantage. Loyalty to a company in the Netherlands emanates from perquisites or fringe benefits, job security and career path, not from emotional ties with the company. Generally, the Dutch companies do not need employees' allegiance (Hofstede, 1983a; d'Iribarne, 1989; van Iterson & Olie, 1992; Hampden-Turner & Trompenaars, 1994; Keizer et al, 2000).

To reach a consensus, the Dutch like to convince each other by facts and figures in a process of bargaining and exchanging information among several parties and respect differences between persons. Still, Dutch consensus requires only one person to make or take a decision when a difference of opinion becomes a deadlock in a discussion. This person has to be responsible for his or her own decision. The decision-making authority and responsibility are clear in most Dutch companies (Hofstede, 1983a; d'Iribarne, 1989; Keizer et al, 2000).

3.4.2 Power distance. Dutch culture is predisposed towards small power distance. The assertion of equality is strong through many aspects of Dutch life. Because the Netherlands is the only country in Western Europe that has long been under the minimal influence of feudalism, its social class division is not evident and its egalitarian values have prevailed since its foundation. Under the influence of

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verzuiling, the Dutch society is minimally hierarchical and horizontally structured. Both inequality and respect for authority are unacceptable in the Netherlands. The Dutch tend to dislike both status difference and vertical relationship, often equate power difference with power abuse and try to minimise all disparity in daily life. Social status stems from achievement, not ascription in the Netherlands. The Dutch are likely to negatively assess age and have no respect for older persons reflecting equality, not status difference. There is almost no personal authority and loyalty in the Netherlands (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; van Iterson, 1997a, 1997b, 2000).

Most Dutch firms tend to decentralise their decision-making authority and operation. Most Dutch managers tend to devolve their authority on their subordinates. Most Dutch firms are unlikely to develop their new employees through the vertical relationship in the corporate hierarchy. Most Dutch managers are unlikely to have personal authority and loyalty from their subordinates. Because most Dutch bosses and subordinates can discuss with each other as equals no matter what positions they are in the corporate hierarchy, Most Dutch top executives tend to use a discussion to convince their subordinates for mobilisation and corrective action. Most Dutch managers cannot guide a consensus into the way they want (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; van Iterson & Olie, 1992; Hampden-Turner & Trompenaars, 1994; van Iterson, 1997a, 1997b; Keizer et al, 2000).

3.4.3 Uncertainty avoidance Dutch culture is leaning towards weak uncertainty avoidance. The need for order and certitude is weak in the Netherlands where the coexistence of different doctrinal allegiances is the fact of life. The Dutch are likely to tolerate different opinions in the society and accept the concept of unity through diversity readily. They can accept the coexistence of the new system with the old one, and admit that several truths may exist side by side (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; Keizer et al, 2000).

Dutch consensus is based on a lengthy process of bargaining and exchanging information. The Dutch tend to be familiar and comfortable with unstructured situations during their lengthy negotiation for an agreement. When the Dutch executives encounter the unstructured situations, they are unlikely to classify information and institutionalise a data-gathering procedure for their companies. Most Dutch companies tend to admit to unconventional ideas when they formulate corporate strategy and develop new markets and products (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; Keizer et al, 2000).

3.4.4 Masculinity-femininity. The Netherlands tend to be a feminine country because its citizens tend to be modest, sympathetic for the weaker and conscious of life quality and environment. The Netherlands is a moderately

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competitive society. Assertiveness, strong ambition, competitiveness and the idea of 'a winner takes all' are somewhat socially unacceptable. Sex role segregation is weak. The expression of macho or aggression standing for manliness is offensive. Both condemnation and swearing are socially inadmissible in the Netherlands. Hence, the Dutch always restrain their emotional expression if not necessary (Hofstede, 1983a, 1985a; Lawrence, 1991; King, 1993; Hampden-Turner & Trompenaars, 1994).

Owing to the Dutch norms of sympathy for the weaker, most Dutch companies rarely dismiss or lay off their employees on the ground of improving themselves, but they prefer to be reorganised instead. The Dutch bosses are supposed to sympathise with their subordinates. They prefer a persuasion to coercion for motivating their subordinates. They often hesitate to justify and compare their subordinates' performance. Most Dutch companies are often hesitant to develop a training programme for high-flyers, to identify recruitment criteria and to train people for a job, but they prefer to implant the values of solidarity, equality, relationship motivation, humility, low profile of the country, compromise and team job enrichment into their employees. Dutch reward systems are usually based on positions rather than on performance (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; King, 1993; Hampden-Turner & Trompenaars, 1994).

The Dutch work to live. They scarcely express their ambition and tend to overlook their career planning, management development and demand for improving remuneration. The Dutch are unenthusiastic to work overtime for additional earnings and to accept any professional assignment beyond their normal job description even if such a work is well paid. If they have nothing to do at the office, they go home (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; King, 1993; Hampden-Turner & Trompenaars, 1994; Keizer et al, 2000). Dutch culture in general and Dutch business culture in particular subtly signifies femininity.

3.4.5 Long-term v short-term orientation. The Dutch approach to business is more short-term-oriented. The Dutch predilection for short-term orientation may reflect in their proclivity for 'return on investment' rather than 'return on favours'. The Dutch objective of doing business is to reach an acceptable result by an optimally efficient course. The relationship among most Dutch firms does not cover a diversity of transaction and the market relations among these firms tend to be short-term. The relationship between most Dutch firms and their partners is prone to be unstable, short-term and equivocal (Hofstede, 1983a; van Iterson & Olie, 1992; Keizer et al, 2000).

Under the influence of this dimension, most Dutch top executives tend to expect an immediate result from the strategy implementation. Most Dutch firms tend to set goals on the basis of a past-oriented projection. Dutch firms tend to base

their performance measures on past-oriented goals, such as profit and other financial goals (Weimer, 1995).

3.5 Japanese historical context

Most Japanese firmly believe that their country is culturally unique, so only the two groups of people exist in the world: (1) *ware ware nihonjin* (we, Japanese) and (2) *gaikoku-jin* (foreigners). A good Japanese perceptively understands the cultural idiosyncrasy and the rigidity of the country, so he or she has a strong conviction that foreigners have never fully comprehended Japanese people and culture. The essence of the Japanese psyche is unfathomable without the recognition of Japanese history, especially during Tokugawa regime (1603-1868) when most Japanese norms and value system were fully developed. Japanese history is characterised by ancient agrarian traditions (rice culture), feudalism, *bushido* (the way of the warriors) and neo-Confucianism, a syncretistic amalgam of Confucianism, Zen Buddhism and Shintoism, and (Fukuda, 1988; Whitehill, 1991; Hill, 1995; Lewis, 1996).

Rice culture was imported from China and Korea to Japan around 100 BC. Since then, rice paddy cultivation demanded collective action to harvest the rice crops. The intimate collaboration among these families for this action in the village was important. The social classes of landowners and peasants also started to evolve in this period. When the landowner became more influential, the peasants became serfs under their rules. Unlike most countries in East Asia, Japan had undergone a long period of feudalism before Meiji Restoration in 1868. To protect their fiefs, they started to employ military specialists that became *samurai* (warriors) in 1016. Moreover, to protect the clans of landowners' wealth, a strong tradition of *ie* (household) was developed. *Ie* was not restricted to consanguinity in these clans, but it embraced competent members through adoption and marriage. The clans used competence as a criterion for adopting outsiders. This implies the high value of individual competence in Japan. When Minamoto Yorimoto established the first Japanese Shogunate in Kamakura in 1192, the military class stood at the top of the social hierarchy, except the royal and aristocratic families in the imperial court in Kyoto. These samurai seized control of lands from the landowners and became the feudal lords themselves in Japan. This military class comprising many clans often fought to seize control of lands and power. A shogun became the head of government. Even if these clans were very powerful, they were nominally submissive to the Emperor. During the warring states in Japan (1467-1573), the new feudal lords called *Daimyo* emerged. These *daimyo* were finally brought under the tight control of Tokugawa Shogunate in 1603 with the neo-Confucian ideology. The tight control kept on and strengthened traditional dependence on collectivity,

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group identification and the hierarchical society. For tax collection, every five families in the village were organised as a *gonin-gumi* for co-operative tasks during the regime. Under this system, the well-being of each person relied on both the solidarity and the affluence of the family, in turn, both of them rested on other families (Fukuda, 1988; Whitehill, 1991; Whitley, 1992; Chen, 1995; Gannon et al, 1996).

A samurai was supposed to conform to *hagakure* or *the Code of Bushido*. He had to be loyal to his lord without question until he died. He was supposed to demonstrate masculine assertiveness and honour. When a samurai lost in a battle in the past, he preferred death to humiliation. *Hara-kiri* was his way to express honour (Hofstede, 1983b; Whitehill, 1991; Sullivan, 1992; Hill, 1995). During the Tokugawa period, a samurai who was competent would be promoted to a higher rank in both central and local governments depending on to which fiefs he belonged (Whitley, 1992). Because the samurai were the highest class outside the imperial court, they were supposed to set an example for the respectful and the ethical behaviours to the lower classes, such as peasants, merchants and so on. Because this role model permeated though all classes in Japan, *kata*, the unwritten code of conduct, has been developed within the Japanese hierarchical society where everybody is expected to play a proper role (*bun*) according to their statuses and ages, such as the way of eating, proper attires and so on (Hofstede, 1983b; Misawa, 1987; Namiki & Sethi, 1988; Whitehill, 1991; Gannon et al, 1996).

To sustain the centralised hierarchical structure, Tokugawa regime introduced neo-Confucianism from China to be a state ideology. The Japanese version of neo-Confucianism blends Shintoism, Zen Buddhism and Confucianism reinforced *hagakure* and the vertical relationship in Japan. Filial piety is the core of the Confucian doctrines comprising duty and deference between father and son, husband and wife and among older and younger siblings. According to Shintoism, the Japanese used to believe that they were all descendants from Jimmu Tenno, the First Emperor of Japan who was the son of the Sun Goddess. The concept of filial piety could readily be broadened to the loyalty to village headmen, *daimyo*, The Shogun, The Emperor and ultimately Japan. Unlike the Chinese filial piety to family, the Japanese one had to be deferential to the loyalty to the broader groups respectively with the concept of *Kazokushugi* (familism) (Fukuda, 1988; Whitehill, 1991; Sullivan, 1992; Hill, 1995; Gannon et al, 1996).

Japan became an industrialised country relatively late around 1880s when the government transferred big companies to *Zaibatsu* (a group of family-owned holding companies). Its industrial gap with the West was closing around 1930s. Many pre-industrial Japanese characteristics are prevailing nowadays (Whitehill, 1991; Whitley, 1992; Chen, 1995).

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3.6 Japanese national characteristics

Ancient agrarian traditions had an influence on Japanese group formation and consensual spirit. Japanese feudalism evolved out of these traditions. When the landowners started waging war against each other, the military class emerged with *bushido* and the class system. To reinforce this class distinction, Tokugawa regime introduced neo-Confucianism as a state ideology (Whitehill, 1991; Gannon et al, 1996).

Agrarian traditions make the Japanese have a strong commitment to the group with a strong sense of 'us' against 'them'. To reach a consensus, the Japanese like to have all group members share both goals and information. They tend to use a peer pressure to convince each other. The relationship between employers and employees is cordial and collectively emotional in Japan. Both parties are unlikely to terminate such a relationship even if either one finds a better deal elsewhere (Fukuda, 1988; Namiki & Sethi, 1988; d'Iribarne, 1989; Whitehill, 1991; Hill, 1995).

Amae, a feeling of dependence, is the essence of Japanese spirit. Because of *amae*, the Japanese generally have a strong desire to be both passively loved and safeguarded from the real-world situation. The Japanese have to fulfil any obligation because the *amae*-based relations make them carry burdens of obligation. With this strong sense of mutual obligation, the Japanese abide by 'return on favour'. The obligation comprises *on, giri* and *ninjo*. *On* reinforces the hierarchical relationships in Japan. When a superior bestows an invaluable favour for his or her inferior, the recipient of this favour will have debt of gratitude (*giri*). In other words, the recipient has to carry the obligation that must be repaid (*on*). From the standpoint of the inferior, this obligation (*on*) will have never been completely repaid for the recipient's life because it is a heavy debt (*giri*). *On* not simply was a basis for the *oyabun-kobun* (father-son-like) relationship during Tokugawa period, but also is the one for the *senpai-kohai* relationship between bosses as mentors and subordinates in most Japanese companies nowadays. The authority of Japanese leaders or bosses stems from *on-giri*. However, within collectivity, *giri* is a shared and reciprocal obligation that must be repaid sooner or later with a mathematical equivalence to the received favour. It is a mutual obligation among equals. *Ninjo* means 'human feelings' going beyond a combination of sympathy and empathy. These human feelings are extemporaneously occurred in the intimate relationship, and can be only felt and understood by the perceptiveness of involved persons. *On, giri* and *ninjo* are interrelated concepts based on *amae*. A failure to fulfil *on, giri* and *ninjo* can undermine the social integrity of the offender (Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Chen, 1995; Hill, 1995).

Feudalism had characterised Japan for a thousand years. The emphasis on hierarchy causes formality and ritual to be important. Social mobility in Tokugawa Japan was less fluid than in their contemporary China and Korea. This feudalism causes the Japanese to be procedure-oriented by conforming to *kata* and *bun* and emphasises conformity. The Japanese are unlikely to tolerate deviant behaviours and ways of life. They are cautious to avoid the new system replacing the old one together (Whitley, 1992; Gannon et al, 1996; ICT, Inc, 2000).

Bushido reinforces *kata* and *bun* for proper roles in the society according to different social classes, ages, statuses and sexes. It causes many Japanese men to show their assertiveness, competence, machismo, courtesy and self-discipline. They are supposed to be loyal to their boss. *Bushido* strengthens social hierarchy, conformity and loyalty in Japan (Hofstede, 1983; Whitehill, 1991; Gannon et al, 1996). Neo-Confucianism reinforces mutual obligations in agrarian traditions, social hierarchy in Tokugawa Japan and loyalty in *hagakure*. Under the influence of neo-Confucianism, the Japanese tend to be dutiful. They tend to have a strong commitment to their society, organisation and family. They are obedient and courteous. A sense of individuality and privacy is often subservient to a sense of belonging to a group (Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Gannon et al, 1996)

3.7 Japanese culture in the five dimensions

Under the influence of ancient agrarian traditions (rice culture), feudalism, *bushido* (the way of the warriors) and neo-Confucianism, a syncretistic amalgam of Confucianism, Zen Buddhism and Shintoism, Japanese culture can be decomposed into the five dimensions of Hofstede's model, namely individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity and short-term v long-term orientation.

3.7.1 Individualism-collectivism. Japanese culture is inclining towards collectivism. The emphasis on allegiance to a group is solid through many facets of Japanese life. The Japanese tend to evaluate a person on the principle of collective responsibility and justify he or she as a member of a group for his or her work in or contribution to the society. It is difficult to differentiate between personal and collective contributions in Japan. The Japanese tend to ostracise a person who deviates from the other members in the group. The sense of 'us' (insiders) against 'them' (outsiders) is very strong in Japan. Lack of a personal opinion is not a sign of a weak character in Japan where such an opinion is not supposed to deviate from the collective opinion. The Japanese tend to have a strong and emotional sense of affiliation to their group, such as the classmates in the same school or university or the colleagues in the same section or department (Hofstede, 1983b; Fukuda, 1988;

Namiki & Sethi, 1988; Misawa, 1989; Whitehill, 1991; Whitley, 1992; Chen, 1995; Hill, 1995).

The relationship between employees and employers is cordial and collectively emotional in Japan. Either party is unlikely to terminate such a relationship even if either one finds a better deal elsewhere. Most Japanese companies need employees' commitment on the basis of a mutual obligation. The Japanese are supposed to give priority to their in-groups in business. Loyalty to a company in Japan stems not only from career advancement, job security and perquisites or fringe benefits, but also from emotional ties with the company (Hofstede, 1983b; Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Whitley, 1992; Chen, 1995; Hill, 1995).

Most Japanese companies tend to rely on their network of relationship for gathering information. Japanese business culture presumes friendship and often mixes work with private life. Most Japanese top executives tend to share information with other parties as a part of their personal life. Everyday interdepartmental conversations among employees at the same level during the execution of projects are common in most Japanese firms. Japanese consensus is based on sharing both goals and information among group members. It requires all persons in a group to take a decision with collective responsibility. The decision-making authority and responsibility are vague and shared in most Japanese firms (d'Iribarne, 1989; Keizer et al, 2000).

3.7.2 Power distance Japanese culture is orientated towards moderate power distance. The veneration of hierarchy and authority is solid through many facets of Japanese life. Japan is the only country in East Asia that had undergone a long period of feudalism under the strong influence of neo-Confucianism. Japan is a hierarchically structured society where inequality and respect for authority is accepted. Even though social status in Japan emanates from a combination of many factors, the Japanese always respect older and higher-status persons (Hofstede, 1983b; Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Whitley, 1992; Chen, 1995).

Most Japanese companies tend to centralise their decision-making authority and operation because of the co-existence of the veneration of authority and the consultation with subordinates in the corporate hierarchy through consensual decision-making. Most Japanese managers are unlikely to delegate their authority to their subordinates. Most Japanese firms tend to develop their new employees through the vertical relationship in the corporate hierarchy. Most Japanese managers and their subordinates tend to respect the corporate hierarchy. Most Japanese top executives tend to use their personal authority to mobilise their subordinates to work and take corrective action (Hofstede, 1983b; Namiki & Sethi, 1988; Whitehill, 1991; Keizer et al, 2000).

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3.7.3 Uncertainty avoidance Japanese culture is leaning towards strong uncertainty avoidance. The need for order and certitude is strong in Japan where everything is tied up with procedures. Under *kata*, the unwritten code of conduct, the Japanese do not tolerate personal deviation from the norms of the society. Japan is one of the most homogenous societies in the world. It is hard for the Japanese to accept the concept of unity through diversity. To avoid disturbing harmony in the society, the Japanese are circumspect about both the new system replacing the old one altogether and a quick admission of the new truth. When the new idea is introduced to the society, it has to undergo a compatibility test. If proven to be beneficial, it would gradually gain acceptance among the Japanese. If not, it would be gradually discarded (Hofstede, 1983b; Namiki & Sethi, 1988; ICT, Inc, 2000; Keizer et al, 2000).

Japanese consensus is tied up with procedures. Most Japanese executives tend to be pessimistic about and uncomfortable with unstructured information. They are likely to classify information and institutionalise a data-gathering procedure for their companies. Most Japanese companies are unlikely to admit unconventional ideas when they formulate strategy and develop news products and markets (Hofstede, 1983b, 1991; Whitehill, 1991; Whitley, 1992).

3.7.4 Masculinity-femininity Under the influence of *bushido*, Japanese society tends to be masculine. Japan is an extremely competitive society where the Japanese believe in institutional excellence. Under *hagakure*, the samurai were supposed to demonstrate their masculine assertiveness and honour that created ideal sex role segregation and extreme masculinity. The expression of manliness is appreciative in Japan. *Hara-kiri* was the way to express honour when a samurai or soldiers lost in a battle in the past. Most Japanese parents often pressurise their children to study hard for a placement in prestigious universities. When these children fail an entrance examination for such a placement, some of them sometimes commit suicide (Hofstede, 1983b; Whitehill, 1991).

In spite of the emphasis on group and collective responsibility, individual performance is highly appreciated. During Tokugawa period, if a samurai was competent, he would be promoted to a higher rank in both central and local governments depending on to which fiefs he belonged. In pursuit of collective goals, ability to co-operate, services to the group and competence are criteria for individual evaluation. Each group member is supposed to pressurise each other for better results (Whitley, 1992; Chen, 1995; Hill, 1995; Keizer et al, 2000).

Because of the strong appreciation of individual performance in Japan, Most Japanese bosses usually do not sympathise with their subordinates whose failure seems to threaten the group welfare. To discipline their subordinates, they can enforce their authority through their positions. To motivate their subordinates, they

tend to use either coercion or pressure rather than a persuasion. They often expect a long working day from their subordinates. They are supposed to encourage their subordinates to work harder. In pursuit of corporate goals, the Japanese evaluate their subordinates' performance and often pressurise their colleagues for better decision. To find their future leader, Most Japanese companies use the leadership in their union enterprises (Whitehill, 1991; Hill, 1995).

The Japanese live to work, not work to live. They do not care much about their quality of life. Some of them work too hard and die of overwork or *karoshi*. Many Japanese see work as a process of fulfilling an obligation to the society and to oneself as a social being, so they are in business not only to make money, but also to serve the society. To fulfil this obligation, they are compelled to work overtime. According to Zen Buddhism, work is moral act and hard work is an end in itself (Whitehill, 1991; Sullivan, 1992).

3.7.5 Long-term v short-term orientation. The Japanese approach to business is more long-term-oriented. The Japanese proclivity for long-term orientation may reflect in their preference for 'return on favour' over 'return on investment'. The Japanese objective of doing business is to reach an optimal result by an acceptable course. The relationship among most Japanese firms covers a diversity of transaction and the market relations among these firms tend to be long-term. The relationship between most Japanese firms and their partners tends to be stable and long-standing (Fukuda, 1988; Whitehill, 1991; Kono, 1992; Keizer et al, 2000).

Because the Japanese have a future-orientated time span, Most Japanese companies usually assess their scheme in terms of tentative future benefits as a result of the current implementation and do not often expect immediate results. Most Japanese firms tend to set goals on the basis of a future-oriented projection. They tend to base their performance measures on future-oriented goals, such as future sales, market share (Whitehill, 1991; Kono, 1992).

3.8 The comparison between Dutch and Japanese cultures in the five dimensions

The substance of the Dutch mentality emanates from the seas, merchant traditions, Calvinism, *verzuiling* on the one hand. The essence of the Japanese psyche stems from ancient agrarian traditions, feudalism, *bushido* and neo-Confucianism on the other hand (Hofstede, 1983a; Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; Hill, 1995; Lewis, 1996; Olie, 1996; van Iterson, 1997a, 1997b, 2000). The comparison between Dutch and Japanese cultures can be done on the basis of the five dimensions in Hofstede's model, namely individualism-collectivism, power

distance, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation. Derived from different cultural roots, both Dutch and Japanese cultures are in opposition to each other in all five dimensions. Whereas Dutch culture is inclining towards individualism, small power distance, weak uncertainty avoidance, femininity and short-term orientation, Japanese culture is leaning towards collectivism, medium-to-large power distance, strong uncertainty avoidance, masculinity and long-term orientation. The scores in Table 3.1 demonstrate the inclination of both cultures.

Table 3.1: Hofstede's scores of the Netherlands and Japan

Country	IDV	PDI	UAI	MAS	LTO
The Netherlands	80	38	53	14	44
Japan	46	54	92	95	80

Source: adapted from Hofstede (1991)

3.8.1 Individualism-collectivism The affirmation of individuals is strong through many aspects of Dutch life whereas the emphasis on allegiance to the group is solid through many facets of Japanese life. Under the influence of Calvinism, the Dutch usually justify a person for his or her work in and contribution to the society as an individual. In contrast, the Japanese justify a person as a member of a group for his or her work in and contribution to the society. It is difficult to differentiate between personal and collective contributions in Japan. The Dutch respect differences between persons, but the Japanese often ostracise a person who deviates from the other members in the group. The Dutch evaluate a person on the basis of individual accountability, but the Japanese do so on the principle of collective responsibility. The sense of 'us' (insiders) against 'them' (outsiders) is very strong in Japan, but not in the Netherlands. Lack of personal opinion is a sign of a weak character in the Netherlands, but not in Japan where a personal opinion is not supposed to deviate from the collective opinion. Despite *verzuiling* in the Netherlands, the Dutch have not got a strong and emotional sense of affiliation to their confessional lines, but the Japanese generally have a strong and emotional sense of affiliation to their group, such as the classmates in the same school or university or the colleagues in the same section or department (Hofstede, 1983a, 1983b; Fukuda, 1988; Namiki & Sethi, 1988; d'Iribarne, 1989; Misawa, 1989; Lawrence, 1991; Whitehill, 1991; Hampden-Turner & Trompenaars, 1994; Warner, 1994; Hill, 1995; Keizer et al, 2000).

Collectivism is likely to be positively related to the extent to which top executives tend to share more information with each other and other parties, such

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as employees, partners, suppliers, customers and even competitors (Chow et al, 1999). Most Japanese companies tend to rely on their network of relationship for gathering information, but most Dutch companies do not. The Dutch decision-making process is based on bargaining and exchanging information among several parties, whereas the Japanese one is based on sharing both information and goals among the group members (d'Iribarne, 1989; Whitehill, 1991; Hedlund & Nonaka, 1993; Keizer et al, 2000). Individualism-collectivism is likely to affect the top executives' preference for making a decision either collectively or individually (Hofstede, 1984b; Butler, 1991; Haiss, 1991; Smith, 1992; Harrison et al, 1994; Jackson, 2000). The decision-making authority and responsibility are clear in most Dutch firms where the person who makes a decision is individually responsible, but vague and shared in most Japanese firms where all involved persons make a decision with collective responsibility (d'Iribarne, 1989; Keizer et al, 2000).

3.8.2 Power distance The assertion of equality is strong through many aspects of Dutch life, whereas the veneration of hierarchy and authority is solid through many facets of Japanese life. Because the Netherlands is the only country in Western Europe that has long been under the minimal influence of feudalism, the Dutch society is vertically structured with *verzuiling* and minimally hierarchical. In contrast, because Japan is the only country in East Asia that had undergone a long period of feudalism under the strong influence of neo-Confucianism, the Japanese society is hierarchically structured. Both inequality and respect for authority is accepted in Japan, but not in the Netherlands. The Dutch like neither status difference nor vertical relationship. Social status stems from achievement in the Netherlands, but not in Japan where it emanates from a combination of many factors. The Japanese have to respect to older or higher-status persons whereas the Dutch often assess ages negatively and have no respect for older persons (Hofstede, 1983a, 1983b; Fukuda, 1988; Namiki & Sethi, 1988; d'Iribarne, 1989; Lawrence, 1991; Whitehill, 1991; Whitley, 1992; Hampden-Turner & Trompenaars, 1994; Chen, 1995).

Large power distance is positively related to the degree of the centralisation and the formalisation in a company (Harrison et al, 1994; Wong & Birnbaum-More, 1994; Jain & Tucker, 1995; Builtjen & Noorderhaven, 1996). The centralisation mainly deals with the decision-making authority and the operation. Most Dutch top executives tend to devolve their authority on their subordinates, whereas their Japanese counterparts are unlikely to do so (Namiki & Sethi, 1988; Keizer et al, 2000). Most Dutch firms tend to decentralise their decision-making authority and operation, but most Japanese firms tend to centralise both of them.

Large power distance is positively related with the degree of respect for hierarchy in a company, but negatively related with the degree of egalitarianism

(Chow et al, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997). Most Dutch managers and their subordinates can discuss with each other as equals, but most Japanese managers and their subordinates have to respect the corporate hierarchy (Hofstede, 1983b; Namiki & Sethi, 1988; Lawrence, 1991; Whitehill, 1991; Keizer et al, 2000). Most Dutch top executives tend to use a discussion to convince their subordinates for mobilisation and corrective action, whereas most Japanese top executives tend to use their personal authority to mobilise their subordinates to work and take corrective action.

   3.8.3 Uncertainty avoidance The need for order and certitude is strong in Japan, but not in the Netherlands where the coexistence of different doctrinal allegiances is the fact of life. Because of this coexistence, the Dutch readily tolerate different opinions in the society. In contrast, Under *kata*, the unwritten code of conduct in Japan, the Japanese do not tolerate personal deviation from the norms in the society. Because of their cognisance of difference among persons or institutions, the Dutch can easily accept the concept of unity through diversity. On the other hand, because Japan is one of the most homogenous countries in the world, the Japanese are hard to accept the concept of unity through diversity. The strong merchant traditions in the Netherlands cause the Dutch to be more flexible and tolerant. The Dutch are ready both to accept the coexistence of the new system and the old one and to admit that several truths may coexist. In contrast, to avoid disturbing harmony in the society, the Japanese are circumspect about both the new system replacing the old one altogether and a quick admission of the new truth (Hofstede, 1983a, 1983b; Namiki & Sethi, 1988; d'Iribarne, 1989; Lawrence, 1991; ICT, Inc, 2000; Keizer et al, 2000).

   Strong uncertainty avoidance is positively related with anxiety with unstructured situation and pessimism most top executives perceive from the environment (Schneider & De Meyer, 1991; Jain & Tucker, 1995). Because most Dutch managers tend to be more optimistic and comfortable with such unstructured situations (Keizer et al, 2000), they are unlikely to structure information and institutionalise a data-gathering procedures for most Dutch companies (Pahud & Mortange & Aller, 1996). In contrast, most Japanese managers tend to be more pessimistic about and uncomfortable with unstructured information (Keizer et al, 2000). They are assumed to classify information and institutionalise a data-gathering procedure for most Japanese companies (Kono, 1984, 1992).

   Strong uncertainty avoidance is positively associated with the extent to which top executives and corporate strategists refrain from unconventional ideas when formulating corporate strategy and developing products and markets (Shane, 1993, 1995; Geletkanwycz, 1997). Most Dutch companies tend to admit the new ideas and system that are unconventional when they develop products and markets,

but most Japanese companies are unlikely to do so. Most Japanese companies tend to have a stronger commitment to the *status quo* than most Dutch companies.

3.8.4 Masculinity-femininity The Dutch society is leaning towards nurturing and caring the others, whereas the Japanese one is inclined towards assertiveness and competitiveness. The Dutch are always sympathetic towards the weaker, but the Japanese are not sympathetic towards this weaker if his or her weakness threatens the group's welfare. Sex role segregation is strong in Japan under the influence of *bushido* but it is weak in the Netherlands. The expression of manliness is offensive in the Netherlands, but appreciative in Japan. The Dutch believe in neither individual nor institutional excellence, but the Japanese believe in institutional excellence. The Japanese are happy if their children can study in a prestigious university, but the Dutch are indifferent to the same event (Hofstede, 1983a, 1983b, 1985a; Lawrence, 1991; Whitehill, 1991; King, 1993; Hampden-Turner & Trompenaars, 1994).

The Netherlands is a moderately competitive society whereas Japan is an extremely competitive society that no weak people can survive. The Dutch work to live because they are, at least, conscious of their life quality, but the Japanese live to work because they do not seem to care about their life quality. The Dutch are unwilling to work overtime for additional earnings but the Japanese are compelled to work overtime as a process of fulfilling an obligation to the society (Hofstede, 1983a; d'Iribarne, 1989; Lawrence, 1991; Whitehill, 1991; Sullivan, 1992; King, 1993; Hampden-Turner & Trompenaars, 1994; Keizer et al, 2000).

Most Dutch companies are often hesitant to develop a training programme for high-flyers, but their Japanese counterparts use the leadership in their own enterprise unions to find their future leaders. The Dutch managers are supposed to sympathise with their subordinates and prefer a persuasion to coercion for motivating their subordinates, but their Japanese counterparts are supposed to encourage their subordinates to work harder and use more coercion than persuasion for motivating their subordinates. Most Dutch managers often hesitate to justify and compare their subordinates' performance, whereas their Japanese counterparts evaluate their subordinates' performance in pursuit of collective goals. In general, the Dutch do not pressurise their colleagues for a better decision, but the Japanese do. Consequently, Dutch culture is orientated towards femininity, whereas Japanese one is predisposed towards masculinity. This argument affirms the scores of both Dutch and Japanese cultures in Hofstede's model (Hofstede, 1983a, 1985a; Lawrence, 1991; Whitehill, 1991; King, 1993; Hampden-Turner & Trompenaars, 1994; Hill, 1995).

This dimension does not justify delineating SMP because it is mainly dealing with interpersonal relationships in a company. It better explains the acceptable

practices and capability than what an individual manager should use to solve conflicts and motivate his or her subordinates to work. This dimension is not germane to devising strategy for the company.

     3.8.5 Long-term v short-term orientation In their approach to business, the Dutch are more short-term-oriented, whereas the Japanese are more long-term-oriented. The Dutch prefer 'return on investment' to 'return on favour', but the Japanese prefer the other way round. The Dutch objective of doing business is to reach an acceptable result by an optimally efficient course, whereas the Japanese one is to reach an optimal result by an acceptable course. The Dutch expect more immediate results from the policy implementation than the Japanese do. The relationship among most Dutch firms does not cover a diversity of transaction and the market relations among these firms tend to be short-term and equivocal. In contrast, the relationship among most Japanese firms covers a diversity of transaction and the market relations among these firms tend to be steady, stable and longstanding. Thus, Dutch culture is leaning towards short-term orientation, but Japanese culture is inclining towards long-term one. This discussion supports the scores of both Dutch and Japanese cultures in Hofstede's model (Hofstede, 1983a; Fukuda, 1988; Whitehill, 1991; Kono, 1992; van Iterson & Olie, 1992; Keizer et al, 2000).

     Long-term v short-term orientation is likely to be related with the way top executives and corporate strategists think about the expectation from the strategy implementation when they formulate corporate strategy (Harrison et al, 1994; De Wit & Meyer, 1999; Hofstede, 2001). Most Dutch top executives are likely to expect an immediate result from the policy implementation (Weimer, 1995; Yamada, 1999). Most Dutch firms tend to set goals on the basis of a past-oriented projection. In contrast, most Japanese top executives are likely to expect a long-term result from the policy implementation (Kono, 1984, 1992; Chen, 1995). Most Japanese firms tend to set goals on the basis of a future-oriented projection.

     Long-term v short-term orientation is likely to affect the tendency to emphasise short-term or long-term performance measures (Harrison et al, 1994; Merchant et al, 1995). Under the influence of this dimension, Japanese companies tend to base their performance measures on a future-oriented projection, such as future sales, market share. In contrast, most Dutch companies tend to be pressurised to attained short-term results, such as profit and other financial goals for their performance measures.

3.9 Conclusion

     This chapter starts with the characterisation of Dutch culture from the history of the Netherlands. Because of the Netherlands' location near the seas, overseas trade has been vital for the Dutch economy for centuries. Merchant

traditions became dominant in the early Dutch history. Because the Netherlands has reclaimed the lands from the seas for centuries, the Dutch has had to put a lot of effort to build dykes to protect themselves. This effort required a consensual spirit. When the Dutch revolted against the Spanish rule in 1568, they adopted Calvinism for their liberation. Calvinism reinforced the merchant traditions and preached the tolerance of different doctrinal allegiances. This tolerance led to segregation of the society along the confessional lines. This vertical segregation is called *verzuiling*. The influence of the seas, merchant traditions, Calvinism and *verzuiling* are interrelated and combined to be Dutch national characteristics, such as consensus, compromise, conflict avoidance, proceduralism, thrift, flexibility, tolerance, conformity, egalitarianism, individualism, sympathy for weakers, unity through diversity and modesty. According to Hofstede's model, Dutch national characteristics are orientated towards individualism, small power distance, weak uncertainty avoidance, femininity and short-term orientation.

From the history of Japan, Japanese culture is characterised by rice culture imported from China and Korea. The feudalism in Japan had evolved out of the ancient agrarian society. After undergoing several civil wars for centuries, the military class or *samurai* emerged with *the code of bushido* or *hagakure*. *Hagakuge* strengthened the hierarchical structure of the Japanese feudalistic society and Japan became a competence-oriented society with strong differentiation of sex role. The stratification of the social classes in Japan created *kata*, the unwritten code of conduct and *bun* that have governed the proper role of the Japanese according to their different ages, statuses and genders for centuries. To sustain and to centralise their regime, Tokugawa Shogunate introduced neo-Confucianism to Japan as a state ideology. Neo-Confucianism reinforced *hagakure* and the hierarchical society in Japan. The influence of the ancient agrarian traditions, feudalism, *bushido* and neo-Confucianism are intertwined and integrated to be Japanese national characteristics, such as loyalty to the group, consensus, compromise, conflict avoidance, procedure orientation, intolerance, conformity, hierarchy, competence, ambition and assertiveness. Japanese national characteristics are predisposed towards collectivism, large power distance, strong uncertainty avoidance and long-term orientation.

To find their possible linkages with SMP in the four stages, namely environmental scanning, strategy formulation, strategy implementation and evaluation and control in Chapter 4, both Dutch and Japanese cultures are compared in terms of the five dimensions in Hofstede's model namely, power distance, individualism-collectivism, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation. Literature on Dutch and Japanese management and cultures corroborates this possibility. The characteristics of both

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Dutch and Japanese cultures fit the description that both cultures are in opposition to each other in terms of the five dimensions.

CHAPTER 4:

THE FORMULATION OF CONCEPTUAL PROPOSITIONS

4.1 Introduction

After the reference model was developed from the integration of Hofstede's (1984a) model of national culture, Wheelen and Hunger's (1995) reference model of strategic management and Quinn and Rohrbaugh's (1983) Competing Value Model (CVM) in Chapter 2, the extent to which both Dutch and Japanese cultures have an impact on strategy making process (SMP) in both Dutch and Japanese companies in Thailand in general is scrutinised and compared on the basis of the model in this chapter. The conceptual propositions for this study are formulated on the basis of the model with corroboration from existing literature on Dutch and Japanese cultures in Chapter 3. As an interaction between theory and evidence, these conceptual propositions will be used for the analogy, the falsification and the corroboration with the subsequent empirical propositions emerging from the comparison between the evidence collected from the Dutch and that from the Japanese companies in Thailand in Chapter 9. The result of this interaction will become a refined model for depicting the extent to which the national cultures of the Netherlands and Japan have an influence on the SMPs of the Dutch and the Japanese companies under this study. This formulation is presumed to be a linkage between the national cultures of the Netherlands and Japan and the SMP of Dutch and Japanese MNCs. The presumption of this linkage under the model is discussed in this chapter.

According to Hofstede's model, the national culture is decomposed into individualism-collectivism, power distance, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation. All the five dimensions are used to predict SMP concerning environmental scanning, strategy formulation, strategy implementation, and evaluation and control according to Wheelen and Hunger's model. Each dimension of Dutch culture is used to predict each step of the SMP of the Dutch MNCs in section 4.2. By the same token, each dimension of Japanese culture is used to depict each stage of the SMP of Japanese MNCs in section 4.3. To find the possibility of the pertinent predictions of the SMPs of both Dutch and Japanese MNCs, the SMPs in both cultural settings are compared in section 4.4.

For the depiction of the SMPs of Dutch MNCs in section 4.2 and that of Japanese MNCs in section 4.3 and the comparison between both of them in section 4.4 according to Wheelen and Hunger's model, environmental scanning is explicated in terms of strategic issues and information-gathering, environmental analysis, criteria to justify strategic issues into opportunities, threats, strengths and

weaknesses. Strategy formulation is depict with regard to focus, goal-setting, alternative generation, strategic decision-making, legitimisation of such a decision and strategic planning. Strategy implementation is delineated with respect to programme-setting, policy-making, budget-setting, corporate rules and procedures, organising, staffing and workforce mobilisation. Evaluation and control is explained with reference to criteria establishment, performance assessment and corrective action. This comparison becomes a basis for formulating the conceptual propositions in this chapter. The predictions become a presumed linkage between national culture and SMP in the form of the conceptual propositions. Section 4.5 reaches a conclusion.

4.2 SMP in Dutch MNCs

After the Second World War, most Dutch MNCs paid little attention to the American concept of corporate planning even during the oil shock in 1973. They flourished during the 1960s and 1970s simply because of post-war high growth rate instead of efficiency and professionalism. The concept of corporate strategy has become accepted in the Netherlands since the 1980s, but the Dutch version is slightly different from the US one owing to two following reasons. Initially, because of the Work Council Act of 1971 entitles the work council (OR-*Ondernemingsraad*) to have the four rights, to consent, to consult, to know information and to initiate a proposal, The Dutch top executives need to take the OR's opinion into consideration. Under this law, the co-determination between top executives and employees in a company is a must. Secondly, because the Dutch Civil Code compels both supervisory and executive boards to consider the interests of the company's all stakeholders, the top executives of most Dutch MNCs usually take more factors into account before making a strategic decision or formulating strategy (Lammers, Meurs, Mijs, 1987; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994).

Because the Dutch MNCs are embedded and originated in the Netherlands, Dutch culture has an impact on the SMP of most Dutch MNCs inevitably. The SMP of most Dutch MNCs can be assessed in terms of environmental scanning, strategy formulation, and evaluation and control. Dutch culture presumably has an influence on these strategic elements.

4.2.1 Environmental scanning Albeit the Dutch law stipulates the compulsory co-determination between the Dutch top executives and the OR, the managerial discretion in most Dutch MNCs remains high. However, the Dutch top executives must consider the interest of their firms' all stakeholders. Because the Dutch MNCs have to give priority to employees, their top executives only scan the possible sensitive issues and the tentative results of intended strategies and policies when encountering employees (Teulings, 1987; Lawrence, 1991).

Most Dutch top executives gather strategic issues and information by themselves. Most Dutch MNCs do not have the planning department or president's office to scan the environment separately. Their institutionalisation of environmental scanning is generally weak. To compensate for the top executives' subjectivity and their weak institutionalisation, they tend to employ external consultants in addition to their own environmental assessment. They tend to assess the external environments in an *ad hoc* fashion; for example, when a new investment is under consideration, or when a menacing political event occurs. They do not develop information sharing among their departments, but develop a network of individual informal contacts throughout their companies. They do not share information with their partners, suppliers, customers and competitors (Teulings, 1987; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; Pahud de Mortanges & Allers, 1996).

To analyse the environment, most Dutch top executives often rely on subjective methods and common sense, especially unstructured qualitative methods for scanning the environment (Lawrence, 1991; Pahud de Mortange & Aller, 1996). Their criteria for categorising the strategic issues into threats, opportunities, strengths and weaknesses are unclear.

Most Dutch MNCs are hesitant to analyse the environment continuously and to include their appraisals in the strategic decision-making process. Their decision to assess the environment is usually motivated by either a proposal for a new investment or a looming political threat. In this case, they, sometimes, employ external consultants and researchers to analyse the situation for them (Pahud de Mortange & Aller, 1996).

4.2.2 Strategy formulation Under the Dutch Civil Code, the supervisory board of the Dutch MNCs can make a strategic decision in the company crisis or when the executive board has a problem of legitimacy. The final decision is usually the responsibility of the executive board because the intervention of the supervisory board is minimal. Despite having the high discretion from the supervisory board, shareholders, government, banks, institutions investors, the executive board cannot formulate strategy on the basis of self-interest and arrogance. The executive board has to adapt the strategy to the form and the timing of the implementation for reconciliation with employees' demand owing to the Dutch norms of consensus and the legal stipulation. In spite of the enforcement of the Work Council Act of 1971, rank-and-file employees contribute little to the strategic decisions (Teulings, 1987; d'Iribarne, 1989, 1997; Lawrence, 1991; van Iterson & Olie, 1992; Olie, 1996; van Iterson, 1997a, 1997b, 2000; Keizer et al, 2000).

To set corporate goals, the Dutch top executives try to orientate the decision-making process in their companies towards workable and satisfactory solutions and

set objectives for operational planning as realistic as possible. In American view from a masculine society, most Dutch MNCs' goals for their strategy look modest (Teulings, 1987; See Hofstede, 1991; Lawrence, 1991). Because no confrontation is welcomed in the boards' meeting, the inner circle of the directors reaches a compromise internally (Teulings, 1987; d'Iribarne, 1989, 1997; Olie, 1996; Pahud de Mortanges & Allers, 1996; van Iterson, 1997a, 1997b, 2000; Keizer et al, 2000). The goal-setting in most Dutch MNCs is past-oriented because the higher the past profitability, the greater importance is assigned to the attainment of that goal. They usually determine their goals on the basis of the current and projected environment. Because of the preference for a consensus in most Dutch MNCs, most Dutch top executives want to arrive at a consensus on the goal they desire to attain in the following years (Lawrence, 1991; Weimer, 1995; Pahud de Mortanges & Allers, 1996). Before a meeting with the OR, the executive directors have to bargain among themselves for the goals and the strategies internally (Teulings, 1987; d'Iribarne, 1989, 1997; Olie, 1996; Pahud de Mortanges & Allers, 1996; van Iterson, 1997a, 1997b, 2000; Keizer et al, 2000).

To generate tentative solutions, the executive directors argue for and against these solutions through the internal bargaining. The board must come up with the most favourite solution that will be put into a formal plan or a proposed decision. To minimise the employees' and public opposition and maximise social legitimacy, such a proposal will embrace the employees' and public benefits (Teulings, 1987; d'Iribarne, 1989, 1997; Lawrence, 1991; Olie, 1994, 1996; van Iterson, 1997a, 1997b, 2000).

In most Dutch MNCs, the decision-making authority is decentralised. Individual responsibility for making a decision is clear and a person in charge must take a decision. Because the executive board is responsible for making a strategic decision, most strategic decisions are taken in the boardrooms rather than on the work floor. The president of the executive boards seldom uses his or her ultimate power to make a decision against the will of other directors. He or she is just *primus inter pares*. Even if the OR has the right to initiate a proposal, Most Dutch top executives do not encourage their middle managers to take the initiative for a new project through the OR. The OR itself seldom initiates the proposal to reorganise the companies (Teulings, 1987; d'Iribarne, 1989, 1997; Lawrence, 1991; Olie, 1996; Pahud de Mortanges & Allers, 1996; van Iterson, 1997a, 1997b, 2000; Keizer et al, 2000).

To legitimise their strategic decisions, the Dutch top executives have to accommodate the employees' demand. Because the nature of the top-down dissemination of corporate goals and decisions throughout the company contradicts the Dutch norms of consensus and participative management, the executive board

has to duly inform, consult and, if necessary, soothe the employees in the meeting with the OR. As preparing grounds for the further process of exchanging ideas and information and as a preventive way of legitimising their strategic decisions, the executive directors have to present their decisions and goals to the employees in the meeting (Teulings, 1987; d'Iribarne, 1989; Lawrence, 1991; Olie, 1994; Pahud de Mortanges & Allers, 1996; van Iterson, 1997a).

The confrontation between the top management and the employees represented by the OR can both damage the legitimacy of the top management and incur the costs of stoppage during the decision-making process. Furthermore, the OR can step legally in the strategic decision-making process of the companies (Teulings, 1987; Lawrence, 1991). With regard to the strategy formulation in most Dutch MNCs, most Dutch top executives dislike a bit of sober concentration on significant details of marketing and strategy, performance monitoring and accountability for devising strategy. They prefer their common sense to the rationale behind the strategy formulation. They tend to avoid the top-down nature and the sobriety of SMP unrealistic to assure corporate success (d'Iribarne, 1989; Lawrence, 1991; van Iterson, 1997b).

4.2.3 Strategy implementation After making a strategic decision and setting corporate goals, each department or division has to achieve the common goals with its own accountability in most Dutch MNCs, because everybody has a well-defined position in most Dutch companies. This position should be respected (Teulings, 1987; Keizer et al, 2000). When most Dutch top executives encounter external reprehension, non-compliance and unforeseen outcomes, their response is to alter strategy implementation. Most Dutch MNCs pursue cost leadership as a main strategy when operating globally for the economies of scale. They choose and develop products or market less carefully because they are less afraid of the risk of failure. They prefer acquisition to green-field investment. Most of them except Dutch banks tend to pursue multinational strategy with a multi-domestic structure (Lawrence, 1991; Hampden-Turner & Trompenaars, 1994).

Recruitment and selection, performance appraisal and remuneration, and training and development are the key components of Dutch HRM. As far as recruitment and selection are concerned, to mould their employees into their complex corporate structure, most Dutch MNCs often recruit new graduates from both universities and HBOs (Higher Educational Institutions) en bloc. They normally prefer internal promotion to external recruitment from other companies. To recruit new employees, they often employ psychological and aptitude tests and prefer the best and the brightest despite their pride in their egalitarianism. Dutch prefer technical to personal criteria for recruitment and do not think of new recruits

beyond several years (Lawrence, 1991; King, 1993; Heijltjes, Witteloostuijn & Sorge, 1996).

The Dutch MNCs sometimes recruit employees with a few years' experience from the smaller firms. Under this circumstance, generalist managers cannot be easily developed in the small firms. Thus, only the Dutch MNCs can rotate their workforce both geographically and internationally in order to develop generalist managers (Lawrence, 1991; King, 1993; Heijltjes et al, 1996).

Training is seen as personal development because the Dutch do not like to be different. Human resource managers in most Dutch MNCs prefer a consensus strategy to a leadership quality for training their recruits. Most Dutch MNCs prefer to take a long time to train their newcomers, but they do not develop their new employees through the vertical relationship in the corporate hierarchy (Lawrence, 1991; King, 1993; Heijltjes et al, 1996).

Employee development, notably an in-house training programme plays a crucial role in most Dutch MNCs because the executives in these Dutch MNCs believe that the Dutch government's vocational education system does not suffice their demands. The training programme is orientated towards specialists even if some generalists can be found at middle and top levels in the company. By virtue of Dutch management, generalism is more apparent among most Dutch senior managers. However, the in-house training programme is prone to be company-specific (Lawrence, 1991; King, 1993; Heijltjes et al, 1996).

To mobilise their workforce, most Dutch managers are reluctant to appraise employees' performance. Both the managers and subordinates in the Dutch MNCs must get ready to explain and justify their behaviours as equals. Most Dutch subordinates like to be consulted by their boss. The Dutch managers at all levels are supposed to be problem-solving and task-oriented but considerate and nurturing at the same time. They are presumably neither decisive nor self-consciously resolute. They must achieve their different goals through bargaining, persuasion and a light of touch. Because they tend to be more restrained and conditional and prefer to convince and persuade their subordinates, persuasion power and expertise are primary bases for their authority. Most Dutch managers are unlikely to pressurise their subordinates for better results in the decision-making process (d'Iribarne, 1989; Lawrence, 1991; Olie, 1994; Heijltjes et al, 1996; van Iterson, 1997b; Vunderink & Hofstede, 1998; Keizer et al, 2000). It can be said in Dutch 'hij is handig' for the good quality of the Dutch managers (Lawrence, 1991; van Iterson & Olie, 1992; King, 1993; Olie, 1996).

4.2.4 Evaluation and control To establish the criteria for evaluation and control, the top executives and managers in most Dutch MNCs lay a relatively high emphasis on book value-based and profitability-related financial goals for evaluation

and control. The goal-setting in most Dutch MNCs is past-oriented because the higher the past profitability, the greater importance is assigned to the attainment of their goal in the current year. Because most Dutch top executives take more factors into account, Dutch strategy focuses more on the most realistic performance than on maximising it. Goals for evaluation, such as profits, sales, and expenses—and so on in most Dutch MNCs are typically measurable. Everything is articulated beforehand. Once a consensus is reached, accountability is crucial (Lawrence, 1991; Weimer, 1995; Yamada, 1999; Keizer et al, 2000).

To assess corporate performance, individual accountability is the unit of appraisal in most Dutch MNCs. Most Dutch top managers do not base their follow-up of a plan on trust and delegation, but on what they and their lower-level managers agreed beforehand as a gentleman's agreement. In their HQs, the supervisory board, not shareholders evaluate the performance of the executive board (Douma, 1997; Yamada, 1999; Keizer & et al, 2000).

With regard to corrective action, if managers cannot attain the goals, they must be accountable for what they agreed beforehand. Sometimes, the Dutch MNCs sack their country managers, usually the local one if their subsidiary performance is unsatisfactory (Douma, 1997; Yamada, 1999; Keizer & et al, 2000). As a result of the co-determination. Most Dutch MNCs tend to base their evaluation and control system on negotiation, not top-down determination. This system has evolved out of the basic values and the structure in pre-industrial era (Lawrence, 1991; van Iterson, 1997b). In conclusion, most Dutch MNCs expect rather immediate results and do not evaluate their quality and performance over a long period. The most important stakeholders for the continuity of most Dutch MNCs are customers (Lawrence, 1991; Weimer, 1995; Keizer et al, 2000).

4.3 SMP in Japanese MNCs

After the Second World War, most Japanese MNCs adopted the American concept of corporate planning. With little respect to the external environment, this planning seemed to be competitive. Members of staff group in the president's office devised corporate plans. During the period of miraculous economic growth before 1973, most Japanese top executives had believed that planning had not been vital for corporate survival. After the oil shock in 1973, these executives realised that they could no longer rely on the government's macro plan, but they had to rethink about more feasible corporate goals and strategy. To draw up the more effective, qualitative and complex set of corporate plans, many Japanese MNCs decided to separate the corporate planning department from the president's office. This department has been responsible for most Japanese MNCs' future and survival by helping them to get through the more volatile environment since the late 1970s.

Under the mission statement, this department has to determine both long-term and more specific short-term goals (Whitehill, 1991; Kono, 1992).

Even if the Japanese Commercial Code does not compel the board of directors or the top executives to represent the interest of the company's all stakeholders, the directors are supposed to consider the interest of such stakeholders as a whole including employees, suppliers and so on (Whitehill, 1991; cf van Iterson & Olie, 1992). As a result, most Japanese top executives usually take more factors into account before devising strategy or making a strategic decision. In general, they give priority to lenders and employees over other stakeholders in their corporate strategy (Aoki, 1991; Chen, 1995).

Because the Japanese MNCs are embedded and originated in Japan, Japanese culture has an impact on the SMP of most Japanese MNCs inevitably. The SMP of most Japanese MNCs can be evaluated in terms of environmental scanning, strategy formulation, strategy implementation, and evaluation and control. Japanese culture presumably has an influence on these strategic elements.

4.3.1 Environmental scanning Because the managerial discretion in most Japanese MNCs is high, pressure from the shareholders does not affect environmental scanning in most Japanese MNCs (Whitehill, 1991; Whitley, 1992; Chen, 1995). However, the Japanese top executives are supposed to consider the interest of their firms' all stakeholders, especially banks and employees (Aoki, 1991; Chen, 1995)

To promote strategic thinking, to collect strategic information, to determine goals and policies, to co-ordinate and integrate the strategic plans of operating units, to gather strategic issues and information and to follow up the execution of the plan, most Japanese MNCs set up the planning department or the planning group in the president's office. Most of them set up this department in response to the oil shock in 1973. Because of the existence of this department, most Japanese MNCs seldom employ external consultants for scanning the environment. Thus, their institutionalisation of environmental scanning is generally strong (Whitehill, 1991; Kono, 1992; Pahud de Mortanges & Allers, 1996).

Most Japanese MNCs rely on a network of information both outside and inside their companies. Information sharing in most of them is very extensive. Most Japanese top executives often share knowledge and information with their peers and subordinates internally. Externally, most Japanese MNCs can share information with their partners, suppliers, customers and even competitors. Hence, the information gathering and the strategic assessment of industrial intelligence in most Japanese MNCs are very thorough and extensive (Nonaka, 1988; McMillan, 1989; Whitehill, 1991; Hedlund & Nonaka, 1993; Lewis, 1996).

To analyse the environment, Japanese top executives tend to rely on a combination of quantitative and qualitative methods with their intuition. The criteria for classifying strategic issues into threats, opportunities, strengths and weaknesses are clear in most Japanese MNCs. Their planning departments commonly classify strategic information by its contents into, (1) information on the situation, (2) knowledge and (3) information on ideas. After the Japanese top executives obtain the categorised information from the planning department, they establish the premises by identifying and continually revising corporate goals and philosophy, scanning all environmental constraints, assessing past performance, forecasting future problems, benchmarking with competitors to identify strengths and weaknesses, projecting competence and specifying opportunities and threats (Kono, 1984, 1992; Nonaka, 1988; Katzenstein, 1991; Whitehill, 1991; Hedlund & Nonaka, 1993; Chen, 1995; Pahud de Mortanges & Allers, 1996).

Albeit their environmental scanning is strongly institutionalised, most Japanese MNCs are unwilling to diagnose the environment constantly and to incorporate their evaluation into the strategic decision-making process. Hence, the decision to assess the environment is characteristically motivated by a proposal for a new investment in most of them in an *ad hoc* fashion (Kono, 1992; Pahud de Mortanges & Allers, 1996).

4.3.2 Strategy formulation As strategists, most Japanese top executives promote corporate value, set goals and vision, and determine the new direction of the company. The main tasks of the top executives are to step in the companies' crisis, to change the companies' direction through strategic development, to promote loyalty within the companies and to maintain high-level external relations with other companies and the government (Namiki & Sethi, 1988; Nonaka, 1988; Kono, 1992; Hedlund & Nonaka, 1993; Chen, 1995). The boards of directors as top management are the most important body for making a strategic decision in most Japanese MNCs. The final decision is the responsibility of the boards (Whitehill, 1991; Kono, 1992; Keizer et al, 2000).

The goal-setting in most Japanese MNCs is future-oriented. To set corporate goals, most Japanese top executives clarify strategic issues by determining goals from the premises. Most Japanese MNCs specify the gaps for devising corporate strategy and making a strategic decision between the projected future performance under present strategy and policy and the determined future performance under the presumed current situation. These gaps are the bases for devising corporate strategy and making strategic decisions. Most Japanese MNCs emphasise long-term goals over short-term ones. Most of them emphasise a market share as a goal for evaluation and control. Because the market share had been a priority until recently, some Japanese MNCs employ excellent strategies without much regard to profits.

These MNCs became less profitable and went bankrupt (Kono, 1984, 1992; Smothers, 1990; Stalk & Weber, 1993; Chen, 1995).

To generate tentative solutions, most Japanese executive directors try to minimise differences between dissimilar viewpoints through *nemawashi* before a meeting in the boards. As a result, they start to exchange information from somewhat similar opinions and the meeting become ritual. The Japanese MNCs do not need a legal framework and an institution to govern its decision-making process. Their decisions are based on information sharing and peer pressure (Namiki & Sethi, 1988; Hedlund & Nonaka, 1993; Chen, 1995; Keizer et al, 2000).

In most Japanese MNCs, the decision-making authority is centralised. Their top management essentially makes the final decision. However, individual responsibility for making a decision is vague. To free each director from full responsibility, the directors make a strategic decision in the name of the board. It is very difficult to identify who really make a decision as an individual because most Japanese directors seldom make a decision against the will of others (Lincoln, 1989; Whitehill, 1991; Kono, 1992; Keizer et al, 2000).

To legitimise their strategic decisions, most Japanese top executives need to embrace all inputs from their subordinates and colleagues through the consensual decision-making or *ringiseido*. *Ringiseido* literally means 'the way of reverential inquiry'. It can be summarised into the seven following stages (Misawa, 1987; Fukuda, 1988; Namiki & Sethi, 1988; Lincoln, 1989; Whitehill, 1991; Whitley, 1992; Chen, 1995).

1. Either top executives define problem and pass down their initial ideas to the lower rank managers, or such managers themselves want to find a solution when they encounter a problem.

2. After either receiving instruction from the top management, or desiring to present a solution, these middle managers begin to diffuse the original ideas to the involved persons both in their own units and others through calling a meeting for discussion.

3. To sound out more ideas and rule out any discords, more meetings may be called for a discussion and consultation. In this stage, the participants in such meetings concurrently analyse the problem and work out alternatives.

4. After a number of meetings, an intra-unit and inter-unit consensus is reached among the concerned persons. The grounds for a proposal are prepared.

5. The middle managers diffusing the inaugural ideas and their colleagues throughout the same unit write up the proposal or *ringi-sho* outlining problems with the problem-solving scheme in details.

6. This *ringi-sho* is circulated both vertically and horizontally to all involved persons throughout the companies for comments and approval. Upon receipt of the *ringi-sho*, each responsible manager attaches a sheet of comments and affixes a seal of approval to the back of the proposal.
7. Eventually the *ringi-sho* is passed up to the top management for formal approval. After the final authorisation, this *ringi-sho* is recorded as a company document.

With regard to strategy formulation in the Japanese MNCs, most Japanese top executives tend to use their intuition and vision rather than the rationale behind the strategy formulation. Normally, they tend to avoid detailed SMPs unable to assure corporate success (Kono, 1984; Nonaka, 1988; Smothers, 1990; Katzenstein, 1991; Whitehill, 1991; Hedlund & Nonaka, 1993; Stalk & Weber, 1993; Chen, 1995).

4.3.3 Strategy implementation After making a strategic decision and setting corporate goals, all departments or divisions have to achieve the common goal as a part of most Japanese MNCs (Whitehill, 1991; Chen, 1995).

To implement their strategic choices, to set programmes and to make policy, most Japanese MNCs tend to pursue evolutionary strategy to achieve a long-term goal when operating globally. Most Japanese MNCs employ global strategy with a centralised operation. The Japanese pattern of strategy is an evolutionary series of strategies. Japanese MNCs' strategy has evolved out of a strategic combination of many strategies, namely knowledge-based, alliance-based, productivity-based and time-based strategies. Most Japanese MNCs employ a knowledge-based strategy to add value to their products, an alliance-based strategy to form strategic alliance with their partners, suppliers and customers, and a productivity-based strategy to enhance product quality and a production process. Because most Japanese manufacturing MNCs launch new products faster than their rivals, most of them are able to pursue a time-based strategy (Smothers, 1990; Katzenstein, 1991; Hedlund & Nonaka, 1993; Stalk & Webber, 1993; Chang, 1995; Chen, 1995).

With respect to staffing, most Japanese MNCs have two types of employees: (1) a core workforce, especially male university graduates and (2) a special workforce, including women, part-time and temporary workers, mid-career recruits and foreigners. Unlike the special workforce, the core workforce in most Japanese MNCs enjoys special privileges and employment security. The core employees are the most crucial manpower in most Japanese MNC because they are seen as members of corporate family. Most Japanese MNCs safeguard job security only for the core workforce, male university graduates against the economic recession (Namiki & Sethi, 1988; Whitehill, 1991; Whitley, 1992).

With regard to direct recruitment, most Japanese MNCs often recruit graduates right away from universities for their white-collar workforce and leavers promptly from high schools en masse for their blue-collar workforce. Just as in many countries, the most prominent MNCs select the best and the brightest from the most famous universities in Japan. Most Japanese MNCs prefer these flesh graduates simply because they can indoctrinate and socialise these newcomers with commitment to the corporation, a broad comprehension of the corporate mission and all corporate culture and values. Job mobility between companies seldom occurs in Japan because mid-career recruits can neither fit easily in the corporate family nor assure their new bosses of their fidelity. Most Japanese MNCs prefer internal promotion to external recruitment. Under the system of lifetime employment in Japan, the employees' long-term potential and devotion are essential. The employment of wrong persons causes these MNCs so dearly because they can neither sack nor rectify them, but have to pay them until their retirement. They think of new recruits beyond several years. They prefer personal to technical criteria for their recruitment. The human resource department not merely requires all prospective core employees to sit a scholastic aptitude test to prove their academic performance, but also scrutinise their biography and family background to assure that these candidates have a stable and law-abiding personality. For recruitment, personality is more important than capability and speciality (Whitehill, 1991; Whitley, 1992; Chen, 1995).

On-the-job training by rotation in most Japanese MNCs operates under seniority-based mentor system or *senpai-kohjoh*. Under on-the-job training system, they develop new employees through the vertical relationship when these employees rotate to different departments. On-the-job training plays a crucial role in most Japanese MNCs, but it is company-specific and functional, not primarily emotional. A senior or boss acts as a role model for a junior or subordinate who is inexperienced. The training programme is orientated towards multi-specialist through job rotation in most Japanese MNCs. Within the company, this rotation promotes: (1) *tamoko seido* (multiple skills), (2) *jinmyaku* (a personal web of human being), (3) the interdepartmental co-ordination, (4) information sharing and communication between departments and (5) corporate loyalty. It also facilitates a consensus in *ringiseido* and minimises interdepartmental conflicts and resistance to organisational change (Misawa, 1987; Namiki & Sethi, 1988; Aoki, 1991; Katzenstein, 1991; Whitehill, 1991).

When an employee rotates throughout the organisation, he or she is able to forge the vertical ties in various departments, to develop a broader perspective through a multi-specialist experience before his or her next career advancement, and to handle a variety of different tasks. The Japanese leadership training

emphasise vision and intuition. Good attention to human resource, ability to see the future, group identity, intuition, holistic problem-solving skills, technical literacy, integration of work and private life, courtesy in business and a comprehension of employees' expectation are the essential calibre of good Japanese managers (Nonaka, 1988; Katzenstein, 1991; Whitehill, 1991; Hedlund & Nonaka, 1993).

To mobilise their workforce, most Japanese managers usually use their personal authority to motivate their subordinates. Under seniority-based mentor system, they use *on* and *giri* to build the loyalty from their subordinates. When their subordinates are loyal to them, they will have their personal authority (Fukuda, 1988; Namiki & Sethi, 1988; Whitehill, 1991; Chen, 1995).

4.3.4 Evaluation and control To establish the criteria for evaluation and control, the top executives and the managers in most Japanese MNCs specify the gap between the projected future performance under the current strategy and the determined future performance under the assumed current situation. The goal-setting is future-oriented in most Japanese MNCs, because their executives tend to adhere to the future projection. There are various levels of reviewing strategy such as, self-control, and a follow-up by the corporate planning department and a follow-up by top management. The projects in most Japanese MNCs are usually reviewed in two ways. One is the review of the projects under way and the accumulated costs compared with those of the plan. The other one is on a periodic or comprehensive plan. To emphasise the change of the company, both types of review focus on figures. The review normally falls into four areas: (1) basic goals, such as sales, profit and capital structure, (2) product-market strategy, such as product mix, (3) structure plans, such as investment and (4) productivity plans, such as labour productivity and return on assets. Thus, their corporate goals comprise measurable and non-measurable ones (Kono, 1984; Smothers, 1990; Stalk & Weber, 1993; Chen, 1995).

To assess corporate performance, the management control system is centralised, but the follow-up process tends to be weak in most Japanese MNCs. Most of them tend to delegate the follow-ups of a plan to operating departments on the basis of trust. Most Japanese top managers tend to trust their lower-level managers, because of lifetime employment. They seldom conduct a strict follow-up of plans, because remuneration does not crucially reflect short-term performance. As a result, most Japanese MNCs base their evaluation and control on trust. The quality and performance is reflected in evaluation over a long period, but not in a frequent change of bonus (Kono, 1984, 1992).

The follow-up of actual performance is either an amount of variance or a ratio of actual results over planned numbers. The ratio is easier to comprehend.

The variance can be classified into volume variance and price variance. When the Japanese MNCs review the trend of performance for the past several years, they evaluate the plan whether it was too easy or not. The performance assessment of departments differs from the follow-up of corporate strategy because this assessment considers both the operational performance and the execution of corporate strategy. The department or a group is the unit of appraisal in most Japanese MNCs (Kono, 1992).

For corrective action, most Japanese managers often use their personal authority to ask their subordinates to improve corporate performance. In conclusion, most Japanese MNCs expect less immediate results from the strategy implementation. Japanese strategy focuses more on attaining the satisfactory performance than on maximising it (Kono, 1984; Smothers, 1990; Stalk & Weber, 1993; Chen, 1995).

4.4 Comparison between Dutch and Japanese SMPs

After the Second World War, both the Netherlands and Japan underwent a long period of economic reconstruction. Both Dutch and Japanese economies had robust growth during the 1960s-1970s when neither Dutch nor Japanese MNCs adopted the concept of corporate strategy. Most Japanese MNCs realised the importance of corporate strategy amid the oil shock in 1973. They set up the planning department subsequently for formulating corporate strategy. Much later in the 1980s, most Dutch MNCs began to pay more attention to this concept when competition is escalated into the global scale.

The SMPs of both Dutch and Japanese MNCs are similar and dissimilar in many ways. Because both Dutch and Japanese MNCs have already adopted the concept of strategic management, the comparison between the SMPs in both of them can be done with respect to environmental scanning, strategy formulation, strategy implementation, and evaluation and control.

4.4.1 Environmental scanning Both Dutch and Japanese scanning behaviours are similar in certain ways. Albeit the managerial discretion in both Dutch and Japanese MNCs is high, both of them tend to give priority to employees. The top executives in both of them often take factors from all perspectives before devising a plan as realistic as possible. The executives in both of them tend to assess the external environment in an *ad hoc* fashion when the new investment is concerned (Kono, 1992; Pahud de Mortgages & Allers, 1996). Even though both of them are hesitant to analyse the environment continuously and to include their appraisal in the strategic decision-making process, they have some different scanning behaviour according to their different scores in individualism-collectivism

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and uncertainty avoidance of both Dutch and Japanese cultures in Hofstede's model (See Figure 4.1 and Figure 4.2).

Figure 4.1: Environmental scanning in Dutch companies

External consultants and researchers are employed when needed.

Strategic issues & information gathering

Environmental analysis

External

Criteria to classify strategic issues into threats & opportunity, strengths & weaknesses

Opportunities & threats

Internal

Strengths & Weaknesses

Ritual:
-No planning office (UAI in CP2)
-Employ more consultants
-Share less information with employees & other parties (IDV in CP1)

Value:
-Common sense
Ritual:
-Subjective & unstructured information (UAI in CP3a, CP3b)

Values: Dutch companies don't have clear-cut criteria to differentiate between threats & opportunities (UAI in CP3a).

Figure 4.2: Environmental scanning in Japanese companies

External consultants and researchers are employed when needed.

Strategic issues & information gathering

Environmental analysis

External

Criteria to classify strategic issues into threats & opportunity, strengths & weaknesses

Opportunities & threats

Corporate planning or president's office

Internal

Strengths & Weaknesses

Rituals:
-Planning office (UAI in CP2)
-Employ fewer consultants
-Share more information with employees & other parties (IDV in CP1)

Value:
-Intuition
Rituals:
-Classified & structured information (UAI in CP3a, CP3b)

Value: Japanese companies have more clear-cut criteria to differentiate between threats & opportunities (UAI in CP3a).

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With regard to the proclivity for individualism-collectivism in the Netherlands and Japan, both Dutch and Japanese MNCs are different in their scanning behaviours. Individualism-collectivism is likely to affect the degree of information-sharing in a company (Chow et al, 1999). Most Japanese MNCs rely on a network of knowledge both outside and inside their companies (Nonaka, 1988; McMillan, 1989; Whitehill, 1991; Hedlund & Nonaka, 1993; Lewis, 1996). Most Japanese top executives often share information with their colleagues and subordinates internally. Externally, most Japanese MNCs can share strategic information with their partners, suppliers, customers and even competitors.

In contrast, most Dutch top executives do not share information with their colleagues and subordinates even if they develop a network of informal contacts throughout the companies internally (Teulings, 1987; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; Pahud de Mortanges & Allers, 1996).

> CP1: Collectivism is positively related to the extent to which top executives in MNCs tend to share more information with their employees, partners, suppliers, customers and even competitors

With regard to their differences in uncertainty avoidance in the Netherlands and Japan, both Dutch and Japanese MNCs are also different in their scanning behaviours. Strong uncertainty avoidance is positively related to the need to control the environment (Sallivan & Nonaka, 1988; Schneider & De Meyer, 1991; Jain & Tucker, 1995; De Wit & Meyer, 1999). Thus, strong uncertainty avoidance is positively related to the need to institutionalise environmental scanning in response to pessimism. Most Japanese MNCs have the planning office to collect and analyse strategic issues for the use of their top management. They seldom use external agencies for scanning the environment (Whitehill, 1991; Kono, 1992; Pahud de Mortanges & Allers, 1996). On the other hand, most Dutch MNCs do not have the planning office. Most Dutch top executives tend to use their common sense (Lawrence, 1991). To compensate for the weak institutionalisation of their environmental scanning, most Dutch MNCs use external agencies frequently (Pahud de Mortanges & Allers, 1996).

> CP2: Strong uncertainty avoidance is positively related to the degree of institutionalisation of environmental scanning in MNCs.

Strategic information is often classified into opportunities and threats. Under the influence of uncertainty avoidance, top executives may have their own perception, interpretation and classification of strategic issues when they encounter and perceive uncertainty. With regard to their differences in uncertainty avoidance in the Netherlands and Japan, both Dutch and Japanese top executives might differ in their perception, interpretation and classification of the strategic issues. Strong uncertainty avoidance is positively related to the degree of pessimism, whereas weak

uncertainty avoidance is positively related to the degree of optimism perception (Sallivan & Nonaka, 1988; Schneider & De Meyer, 1991; Jain & Tucker, 1995). This relationship implies that most Dutch top executives tend to perceive and interpret the strategic issues as opportunities rather than threats, but most of their Japanese counterparts tend to do so on the other way round. Under the influence of their pessimism, most Japanese top executives tend to feel that they need more control over the environment. To cope with their perceived uncertainty, they tend to ask the planning department to classify and structure the strategic issues (Kono, 1984, 1992; Chen, 1995). On the other hand, most Dutch top executives tend to feel more comfortable with uncertainty. They tend to feel no need to classify and structure the strategic issues (Lawrence, 1991; Pahud de Mortanges & Allers, 1996)

CP3a: Strong uncertainty avoidance is positively related to the degree of classification of strategic issues into threats, opportunities, strengths and weakness
CP3b: Strong uncertainty avoidance is positively related to the degree of information structuring in MNCs.

4.4.2 Strategy formulation Both Dutch and Japanese top management as an executive board and a board of directors respectively are the most vital body for making a strategic decision in both Dutch and Japanese MNCs. The managerial discretion in both of them is high. Albeit the shareholders of both of them rarely interfere with the decision-making of their top management, the top executives in both of them have to take all stakeholders' concerns into their consideration and not to make a decision on the basis of their self-interest. Even if the final decision is the responsibility of both Dutch and Japanese top executives, both of them have seldom made a decision against the will of their colleagues and subordinates.

Both Dutch and Japanese MNCs tend to use a consensual decision-making process to formulate their corporate strategy and legitimise their choices of strategic decisions. Most Dutch MNCs legitimise such a decision through the co-determination between top management and the OR, whereas most Japanese MNCs do so through *nemawashi* and *ringi* in *ringiseido*. Consensus is required at all levels in both of them (Keizer et al. 2000). Nonetheless, the way to reach a consensus on devising corporate strategy in both of them are different according to their different scores in long-term v short-term orientation, individualism-collectivism and power distance of Dutch and Japanese cultures (See Figure 4.3 and Figure 4.4).

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Figure 4.3: Strategy formulation in Dutch companies

Process

```
Focus of          Goal-setting      Alternative       Making a
strategy                            generation        strategic
formulation                                           decision
```

Legitimisation

Ritual: Negotiation
with OR and trade
union for
legitimising
strategic decisions

Strategic
planning

Ritual:
-The executive
board does.
-Individual
responsibility
for making a
decision is clear
(IDV in CP5a).
-Decision-
making
authority is
decentralised
(PDI in CP6).

Value:
-Common sense
Ritual:
-Avoid top-down
dissemination

Ritual: The
executive board
with minimal
intervention
from the
supervisory
board

Ritual:
-Adhere goals
to the past
profitability
(LTO in CP4)
Value:
-Short-term
goals

Ritual:
Internal
bargaining
among
executive
directors

Figure 4.4: Strategy formulation in Japanese companies

Process

```
Focus of          Goal-setting      Alternative       Making a
strategy                            generation        strategic
formulation                                           decision
```

Legitimisation

Ritual: *Ringi* &
Nemawashi with
other staff in
organisation for
legitimising
strategic decisions

Strategic
planning

Ritual:
-The board of
directors does.
-Individual
responsibility for
making a
decision is vague
(COL in CP5b)
-Decision-
making
authority is
centralised
(PDI in CP6).

Value:
-Intuition
Ritual:
-Avoid details

Ritual:
The board
of directors

Ritual:
-Project future
performance to
specify the gap
and goals (LTO
in CP4)
Value:
-Long-term goals

Ritual:
Pass down
a new
project to
middle
managers to
write a
proposal

Long-term v short-term orientation is likely to influence what top executives expect from the strategy formulation of their firms. Long-term orientation is positively related to the long-term expectation of such executives, whereas short-term orientation is positively related to the short-term expectation (Harrison et al, 1994; De Wit & Meyer, 1999; Hofstede, 2001). On the basis of the current and projected environment, most Dutch top executives tend to determine corporate goals for the foreseeable future. The goal-setting for strategy formulation in most Dutch MNCs is past-oriented because most of them base the attainment of their corporate goals on the past profitability (Weimer, 1995; Douma, 1997; Yamada, 1999; Keizer et al, 2000). In contrast, most Japanese MNCs tend to specify the gaps between the projected goals under the current strategy implementation and the determined goals in the assumed current situation. They base their strategy formulation and strategic decisions on these gaps. The goal-setting for the strategy formulation in most Japanese MNCs is future-oriented (Kono. 1984, 1992; Smother, 1990; Stalk & Weber, 1993; Chen, 1995).

> CP4: Long-term orientation is positively related to the degree of future-oriented projection in setting corporate goals.

Individualism-collectivism is likely to affect top executives' preference for making a strategic decision either collectively or individually (Hofstede, 1984a; Butler, 1991; Haiss, 1991; Harrison et al, 1994; Jackson, 2000). This dimension is likely to depict political and bargaining power in the decision-making process. Albeit the Dutch executive boards and the Japanese boards of directors have the real power to make a strategic decision. the responsibility for each director in the boards themselves is quite different. Individual responsibility for making a decision is clear in most Dutch MNCs where a person in charge must take a decision (Lawrence, 1991; van Iterson & Olie, 1992; Keizer et al, 2000). On the other hand, individual responsibility for making a decision is vague in most Japanese MNCs. It is very difficult to identify who really make a decision as an individual, because the directors make a strategic decision in the name of the boards. This collective decision frees each director from full responsibility as an individual (Whitehill, 1991; Kono, 1992; Keizer et al, 2000). In conclusion, strategic decisions tend to be made by an individual in most Dutch MNCs rather than by a group in most Japanese MNCs. Thus, individual responsibility for making a decision is clearer in most Dutch MNCs than in most Japanese MNCs.

> CP5a: Individualism is positively related to the degree of individual responsibility for making strategic decision in MNCs.
> CP5b: Collectivism is positively related to the degree of collectivistic responsibility for making strategic decision in MNCs.

Large power distance is likely to influence the degree of the centralisation of decision-making in a company (Jain & Tucker, 1995; Builtjen & Noorderhaven, 1996). The decision-making authority in most Dutch MNCs is decentralised. The nature of top-down dissemination of strategic decisions throughout the company run counter the Dutch norms of consensus and participative management (Teulings, 1987; Lawrence, 1991; van Iterson & Olie, 1992; Keizer et al, 2000). In contrast, the decision-making authority in Japanese MNCs is centralised. The decision-making process in the *ringi* system is not delegated, but diffused. Most Japanese top executives essentially make the final decision (Namiki & Sethi, 1988; Lincoln, 1989; Whitehill, 1991; Keizer et al, 2000). Hence, the decision-making authority is more centralised in most Japanese MNCs than in most Dutch MNCs.

> CP6: Large power distance is positively related to the degree of centralisation of decision-making authority in MNCs.

4.4.3 Strategy implementation After making a strategic decision and setting corporate goals, each department or division has to achieve the common goal with its own accountability in most Dutch MNCs and as a part of the company in most Japanese MNCs (Teulings, 1987; Whitehill, 1991; Chen, 1995; Keizer et al, 2000). Everybody has a well-defined position and this position should be respected in most Dutch MNCs, but not necessarily in most Japanese MNCs. Nonetheless, both Dutch and Japanese MNCs share some commonality in their strategy implementation. Because the norms of consensus prevail in both the Netherlands and Japan, interdepartmental conflicts are low in both Dutch MNCs and Japanese MNCs. With their more collectivistic orientation, most Japanese MNCs also instil their employees with commitment to the company, a broad comprehension of the corporate mission and all corporate culture and values.

Because both Dutch and Japanese MNCs prefer internal promotion to external recruitment, job mobility is rare both in the Netherlands and in Japan. In both of them, an in-house and on-the-job training programme plays a crucial role, but it tends to be company-specific. Nevertheless, the way to implement corporate strategy in both of them differs according to their different scores in uncertainty avoidance and power distance of Dutch and Japanese cultures (See Figure 4.5 and Figure 4.6).

Decision-making often deals with uncertainty and risk. Because strong uncertainty avoidance is positively related to the degree of pessimism, it is positively related to the extent to which top executives refrain from risky and unconventional strategy (Shane, 1993, 1995). Most Dutch MNCs are unlikely to choose and develop products or markets carefully because they are unlikely to be afraid of the risk of failure. They prefer acquisition that is quite risky to green-field investment that is

quite cautious (Lawrence, 1991; Hampden-Turner & Trompenaars, 1994). In contrast, most Japanese MNCs tend to pursue evolutionary strategy, such as green-field investment because they tend to be afraid of the risk of failure (Smother, 1990; Chang, 1995). They are likely to choose and develop products and markets carefully.

> CP7: Strong uncertainty avoidance is positively related to the extent to which MNCs choose and develop products and markets more carefully.

Large power distance is positively related to the degree of the centralisation of a company (Wong & Birnbaum-More, 1994; Harrison et al, 1994). This centralisation determines the structure, the flow of information and the decision-making throughout the company. With regard to their differences in power distance, the degree of centralisation is different in both Dutch and Japanese MNCs. Most Dutch MNCs tend to pursue multinational strategy with a multidomestic structure when operating globally (Lawrence, 1991; Hampden-Turner & Trompenaars, 1994). They tend to decentralise the flow of information throughout their world-wide operation. On the other hand, most Japanese MNCs tend to employ global strategy with a centralised structure when operating globally (Ronen, 1986; Yip et al, 1997). They tend to centralise the flow of information throughout their world-wide operation.

> CP8: Large power distance is positively related to the degree of centralisation of operation when MNCs pursue corporate strategy globally.

Power distance is likely to influence the way top executives motivate and mobilise their workforce, because it is related to the continuum between egalitarian and hierarchical values. Large power distance is positively correlated with respect for hierarchy and the use of personal authority through the corporate hierarchy (Hofstede, 1984a; Chow et al, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997). Both bosses and subordinates in the Dutch MNCs must be ready to explain and justify their behaviour as equals. Most Dutch bosses have to use a discussion to motivate and mobilise their workforce. They do not have personal authority to do so (d'Iribarne, 1989; Lawrence, 1991; Olie, 1994; Heijltjes et al, 1996; van Iterson, 1997b; Vunderink & Hofstede, 1998; Keizer et al, 2000). On the other hand, both bosses and subordinates in the Japanese MNCs must respect the corporate hierarchy. Most Japanese bosses can use their personal authority to mobilise and motivate their workforce through the vertical relationship in the company (Misawa, 1987; Namiki & Sethi, 1988; Aoki, 1991; Katzenstein, 1991; Whitehill, 1991).

> CP9: Large power distance is positively related to the extent to which top executives in MNCs employ their personal authority through vertical relationship in the corporate hierarchy to mobilise their workforce.

Figure 4.5: Strategy implementation in Dutch companies

| Strategic choice Programme-setting/ Policy-making | → | Budget -setting | → | Corporate rules & procedure setting | → | Organising | → | Staffing | → | Mobilising workforce |

Value:
-Risk-taking attitude
Ritual:
-Flexible to alter strategy implementation
-Cost-leadership
-More acquisition
(UAI in CP7)

Ritual:
Multidomestic structure
(PDI in CP8)

Value:
-Think of new recruits for immediate future
Ritual:
-Non-vertical relationship in training
-Generalist

Ritual:
Persuasion power
(PDI in CP9)

Figure 4.6: Strategy implementation in Japanese companies

| Strategic Choice Programme-setting/ Policy-making | → | Budget -setting | → | Corporate rules & procedure setting | → | Organising | → | Staffing | → | Mobilising workforce |

Value:
-Risk-avoiding attitude
Ritual:
-Evolutionary strategy
(UAI in CP7)
-Combination of many strategies
-More green-field investment

Ritual:
Global structure
(PDI in CP8)

Value:
-Think of new recruits for long-term future
Ritual:
-Vertical relationship in training
-Multi-specialist

Ritual:
Personal authority from vertical relationship
(PDI in CP9)

4.4.4 Evaluation and control are rather dissimilar in both Dutch and Japanese MNCs. Albeit both of them avoid maximising performance that are unable to assure their corporate success, both of them deal with this avoidance differently.

To avoid the top-down nature and the sobriety of SMP, most Dutch MNCs focus on attaining the most realistic performance. To avoid details of SMP, most Japanese MNCs focuses more on attaining satisfactory performance. With respect to both Dutch and Japanese cultures, the way of evaluation and control in both Dutch and Japanese MNCs differ according to their different scores in long-term v short-term orientation and power distance (See Figure 4.7 and Figure 4.8).

Long-term v short-term orientation is likely to predict a tendency to emphasise either short-term or long-term performance measures (Harrison et al, 1994; Merchant et al, 1995). Dutch top executives lay a relatively high emphasis on book value-based and profitability-related financial goals for evaluation and control. They tend to base the attainment of their performance measure on the past profitability. Even if the managerial discretion is high in most Dutch MNCs, most Dutch top executives tend to feel pressurised to attain short-term result (Lawrence, 1991; Weimer, 1995; Yamada, 1999; Keizer et al, 2000).

In contrast, most Japanese top executives tend to base the attainment of their performance measures on the gaps between the future projection under the current strategy implementation and the determined goals in the assumed current situation. Because they are not pressurised to attain short-term results, they put a relatively low emphasis on book value-based and profitability-related financial goals for evaluation and control (Kono, 1984; Smothers, 1990; Stalk & Weber, 1993; Chen, 1995).

CP10a: Short-term orientation is positively related to the degree of emphasis on profitability as criteria for evaluation and control in MNCs.
CP10b: Long-term orientation is positively related to the degree of emphasis on profitability as criteria for evaluation and control in MNCs.

Power distance is positively correlated with the use of personal authority through the corporate hierarchy for corrective action (Chow et al, 1996; Offermann & Hellmann, 1997; Schermerhorn & Bond, 1997). As a result of the co-determination, most Dutch MNCs base their evaluation and control on negotiation, not top-down determination (Douma, 1997; Yamada, 1999; Keizer et al, 2000). Because everybody is supposed to be equal in most Dutch MNCs, most Dutch top executives tend to use a discussion and persuasion rather than their personal authority for corrective action. On the other hand, most Japanese managers often use their personal authority to ask their subordinates to improve corporate performance for corrective action (Kono, 1984; Smothers, 1990; Stalk & Weber, 1993; Chen, 1995). Because everybody needs to respect the corporate hierarchy in most Japanese MNCs, most Japanese top executives are unlikely to discuss with their subordinates as equals for corrective action (Keizer et al, 2000).

CP11: Large power distance is positively related to the extent to which top executives in MNCs use their personal authority through vertical relationship in the corporate hierarchy for corrective actions.

Figure 4.7: Evaluation and control in Dutch companies

```
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│ Criteria     │ ───▶ │ Performance  │ ───▶ │ Corrective   │
│ establishment│      │ assessment & │      │ action       │
│              │      │ benchmarking │      │              │
└──────────────┘      └──────────────┘      └──────────────┘
```

Ritual:
-Financial goals
-Past-orientated
criteria
(STO in CP10a)
-Gentlemen's
agreement

Ritual:
Gentlemen's
agreement on
individual
accountability

Ritual:
-Co-determination
by discussion
(PDI in CP11)
-Dismissal
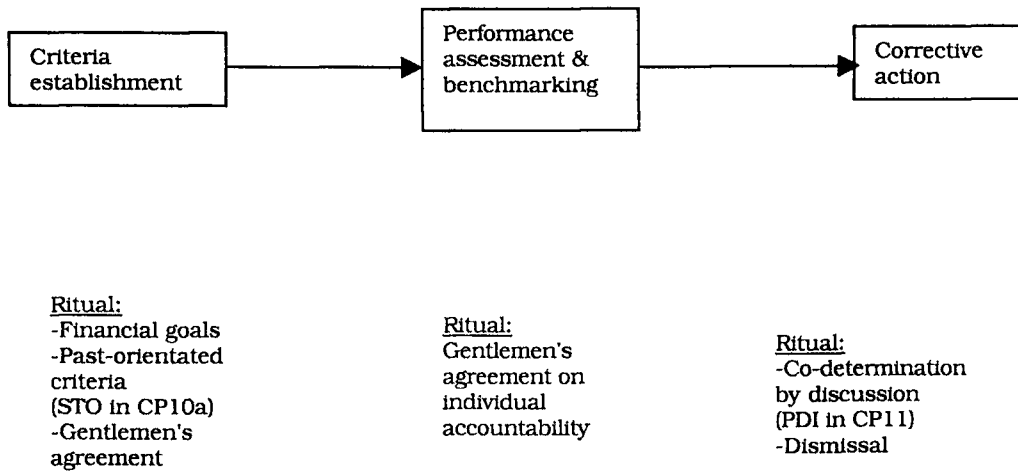
Figure 4.8: Evaluation and control in Japanese companies

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┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│ Criteria     │ ───▶ │ Performance  │ ───▶ │ Corrective   │
│ establishment│      │ assessment & │      │ action       │
│              │      │ benchmarking │      │              │
└──────────────┘      └──────────────┘      └──────────────┘
```

Ritual:
-Combination of
many goals
-Future-
oriented criteria
(LTO in CP10b)

Ritual:
-Trust-
based
control
-Follow-up
plan

Ritual:
Personal
authority
(PDI inCP11)
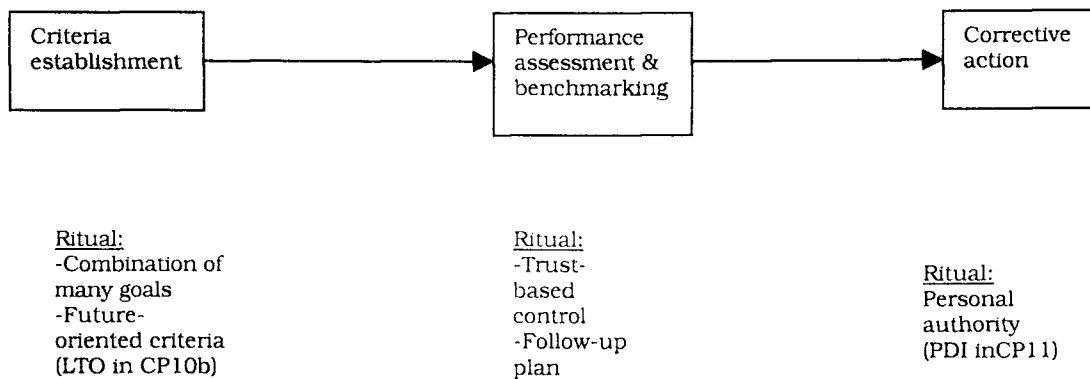
In addition, the relationship between environmental scanning and power distance suggested in section 2.4.1 is not supported by literature on Dutch and Japanese SMPs in this chapter. Neither is the relationship between strategy

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formulation and long-term v short-term orientation implied in section 2.4.2. Even if this literature on Dutch and Japanese SMPs supports the relationship between strategy implementation and uncertainty avoidance in terms of a tendency to pursue conventional strategy, it does not support this relationship in terms of a commitment to the status quo. Literature on the relationship between national culture and SMP does not support any relationship between any steps of SMPs and masculinity-femininity as in section 2.4. Neither does literature on Dutch and Japanese SMPs. However, the empirical evidence in Chapter 9 might support these relationships.

4.5 Conclusion

The SMPs of both Dutch and Japanese MNCs consisting of environmental scanning, strategy formulation, strategy implementation and evaluation and control in relation to the five dimensions, namely power distance, individualism-collectivism, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation is discussed in this chapter. The comparative strategic management model from section 2.5 as a consequence of the integration of Wheelen and Hunger's strategic management model and Hofstede's model of national culture is used as a reference model for this discussion. This model is used to depict and compare the SMPs of both Dutch and Japanese MNCs according to existing literature on Dutch and Japanese SMP.

With regard to Dutch MNCs, the institutionalisation of environmental scanning in most Dutch MNCs is normally weak. Most Dutch top executives tend to rely on common sense and do not analyse strategic issues continuously. Most of them tend to set corporate goals and make a strategic decision among themselves before proposing their decision to the OR for legitimisation. After this legitimisation, each department or division had to achieve the common goals with its own accountability. The employees in all levels in most Dutch MNCs use negotiation and persuasion to reach a consensus on attaining corporate goals during the phase of strategy implementation. Most of them tend to use financial criteria for evaluation and control. The individual accountability for what is reached in such a consensus is a unit of appraisal in most of them. Most Dutch top executives tend to use discussion for corrective action.

With respect to Japanese MNCs, the institutionalisation of environmental scanning in Japanese MNCs is typically strong. Most Japanese top executives tend to rely on a network of information between their companies and other parties and their intuition. The criteria for categorising strategic issues are clear in Japanese MNCs. To set corporate goals, most Japanese top executives project the future performance under the current strategy. To legitimise their strategic decisions, the

Japanese top executives ask their middle managers to initiate a new project through *ringiseido*. After this legitimisation, all departments or divisions have to achieve the common goals as a part of the companies. Most Japanese MNCs use both measurable and non-measurable criteria for evaluation and control. However, the follow-up process tends to be weak because it is based on trust. Most Japanese top executives tend to use their personal authority for corrective action.

Under the reference model, the depiction of Dutch and Japanese SMPs indicates that the SMP of most Dutch MNCs is different from that of most Japanese MNCs. Then, the model is also applied to the comparison between the SMPs of the Dutch and that of the Japanese MNCs. The five dimensions in Hofstede's model are used to explain the difference between the SMPs in both cultural settings. Some dimensions can explain this difference, but others are not. According to extant literature on Dutch and Japanese SMPs, both Dutch and Japanese MNCs prefer to reach a consensus on their strategic decision-making processes even if both Dutch and Japanese cultures are in opposition to each other in every dimension in Hofstede's model. However, both of their consensual decision-making processes differ from each other in many ways.

The assumed causality from the comparison is a tentative basis for formulating the conceptual propositions in this chapter. However, some relations between national culture and SMP are comparable in both Dutch and Japanese MNCs, but the others are not. Only analogous relations are used to match the SMPs in both Dutch and Japanese MNCs. The presumed causation between both Dutch and Japanese cultures, and the SMPs in both Dutch and Japanese MNCs generates 11 conceptual propositions for both corroboration and falsification with the empirical data. The interaction between the conceptual propositions in this chapter and the empirical propositions emerging in Chapter 9 are used as a basis for redefining this model and reshaping the propositions for the future research. However, extant literature on Dutch and Japanese SMPs can verify neither the constructs in Quinn and Rohrbaugh's CVM, nor the impact of Dutch and Japanese SMPs on the corporate performance of both Dutch and Japanese MNCs.

CHAPTER 5:

RATIONALE BEHIND METHODOLOGICAL DEVELOPMENT

5.1 Introduction

Research into the domain of comparative management is usually much more complex and difficult than that into the other areas of management studies. Before conducting research into this domain, the deficiencies of this kind of research must be discussed beforehand. The most serious problem with this kind of research is the attribution of the findings to the operationalisation of culture as an independent or exploratory variable. This problem often leads to the threats to the quality of a research conclusion. Nonetheless, it is impossible to avoid a comparative research design when the author has to inquire into the impact of culture on SMPs of MNCs from different home countries.

A good research design must be able to guarantee the quality of research findings. Because this study is comparative research, more factors need to be considered for eliminating methodological deficiencies as many as possible. To develop a good research strategy, the factors complicating comparative research design are investigated. To assure the application of a comparative approach to this study, the advantages and limitations of this approach are discussed in section 5.2. Because the shared frame of reference between Dutch and Japanese cultures does not exist, an emic-etic distinction is discussed in section 5.3. For internal validity, an emic approach emphasises depicting both cultures in their full complexity. For external validity, an etic approach underscores the comparison between both cultures. To compare both Dutch and Japanese cultures meaningfully and to delve into each culture concurrently, this comparative study must satisfy both nomothetic and idiographic modes as discussed in section 5.4. A nomothetic mode highlights the theory building. An idiographic mode emphasises the causal analysis within each culture. In section 5.5, the alternatives between small-N and large-N samples determine the choice between qualitative and quantitative research designs. The small-N study delves into few cases. The large-N study decomposes many cases into variables for statistical analysis. To design research into comparative management that can satisfy the requirement of the emic-etic distinction, nomothetic and idiographic modes and the alternatives between small-N and large-N studies, the advantages and the limitation of both qualitative and quantitative methods in comparative research are compared in section 5.6.

Because comparative research into two or more different cultures is more complicated than research into one culture, the criteria for judging the quality of comparative research are scrutinised in section 5.7. These criteria comprise, construct validity, internal validity, external validity and reliability. The criteria for

comparative research are generally more susceptible to cross-cultural issues than those for research on one culture. The rationale behind methodological development will lead to a good comparative research design for this study in Chapter 6. Section 5.8 draws a conclusion.

5.2 Advantages and limitations of comparative approach

Explicit comparative research is appropriate for this study of the effect of Dutch or Japanese culture at systemic level on SMPs in the Dutch and the Japanese companies in Thailand at sub-systemic level of phenomena. Comparative research on management might embrace advancement in comparative sociology. However, most comparative sociology focuses on nations and societies as an object of study, whereas comparative management focuses on firms within different national contexts (Nowak, 1989; Ragin, 1989). Normally, the intra-nation studies are unnecessary for this kind of research (Kohn, 1989).

Comparative research has three advantages. Initially, unlike research on one unit, it can identify cross-cultural similarities and differences. It often encourages the authors both to ask questions challenging to their own cultural assumptions and traditions, and to look beyond superficial similarities or differences owing to his deeper beliefs, values and relationship, so as to minimise his cultural bias when conducting comparative research into other cultural settings. If the author applies the same concept to different cultural settings, he will easily detect his hidden biases (Ragin, 1987; Wright, 1996; Neuman, 1997).

Secondly, comparative research can detect deficiencies in a research design and improve a research quality. It can tease out what SMP means to a Japanese perception in comparison with a Dutch one. A wide range of concepts developed for explaining the same phenomena in different cultural settings in comparative research enhances the measurement in a research design and the conceptualisation. It is maximally useful when it resolves a controversy over interpretation (Kohn, 1989; Heartley, 1994; Neuman, 1997).

Finally, comparative research can improve theory elaboration because comparative research raises new questions by either eliminating or offering alternative explanations for causality (Neuman, 1997).

'Theory elaboration depends on testing by comparison: data from each case used to assess ('test') some theoretical apparatuses. At the same times, theory elaboration leads to more fully specified constructs, it allows us to proceed with explaining similarities and differences among collectivities and the processes that create, maintain and change patterned behaviour (Vaughan, 1992, p 181)'.

To improve a theory, Neuman (1997) affirmed that comparative research can only apply, but not test the theory and its generalisation is limited. This argument

is invalid, because testing is not generating the relevant variables in theory-building. It allows the possibility of historical generalisation. It can both verify and modify a theory, because it generates empirical constructs in contrasts to the discovery, the interpretation and the transformation of theoretical constructs. In general, it can test the limits of such a theory (Ragin, 1987; Nowak, 1989; Vaughan, 1992).

Notwithstanding, comparative research on organisations has three weaknesses. Firstly, its epistemological poverty is the main cause of the imperfection of such research. The isolation of culture from other variables is rare. Descriptive and vague conceptualisation causes difficulty in comparative research. Much epistemological and methodological development is needed. Secondly, it is more time-consuming and difficult than research into one culture, because its comparability is hardly attainable and its interpretation is more complex. Thirdly, it is prone to use theoretical rather than random sampling, because the randomisation across cultures is misleading when comparing two or more cultural settings where equivalence is a priority.

5.3 The implication of an emic-etic distinction in comparative management

It is impossible to judge the quality of a research design in comparative management without the grasp of the distinction between emic and etic. This distinction is by far one of the most controversial issues in comparative management research because it complicates the research design. The comparability of the relatively dissimilar national cultures of the Netherlands and Japan is problematic because both countries have their own history and identity. An emic approach is an investigation into a Dutch or Japanese phenomenon under Dutch or Japanese definitions respectively. Meanwhile, an etic approach is an inquiry into a culture-general phenomenon under the definitions of the universally law-governing explanation across Dutch and Japanese cultures (Ronen, 1986; Ragin, 1987; Peng, Peterson & Shyi, 1991; Berry et al, 1992; Cavusgil & Das, 1997b).

This fundamental dilemma is how to describe the SMP in Dutch culture to the Dutch meaningfully without losing the ability to compare with the SMP in Japanese culture and vice versa. Because the shared frame of reference between both cultures does not exist, SMP in its full complexity can only been understood within each culture in which it occurs. According to the research design, an emic approach is intimately associated with its internal validity, but an etic one is closely related with its external validity (Ronen, 1986; Berry et al, 1992). To understand both Dutch and Japanese cultural settings profoundly and compare both settings meaningfully, the comparison between Dutch and Japanese SMPs must embrace both etic and emic elements.

5.4 Nomothetic v idiographic modes

Sjoberg, William, Vaughan and Sjoberg (1991) opposed both to the establishment of the universal laws (nomothetic) on the one hand, and to the historical approach assuming no cross-cultural generalisation (idiographic) on the other hand with regard to comparative research. However, both orientations are aimed at identifying the lawful relationship and the causal explanation. A good comparative research design must satisfy both nomothetic and idiographic requirements. From an emic-etic perspective, the emic approach leads to a qualitative method of the descriptive idiographic orientation, while the etic approach brings about a quantitative method of the empirical nomothetic orientation (Ronen, 1986; Redding, 1987; Berry et al, 1992).

Nevertheless the leading research paradigm in comparative management has been that of the quantitative survey. Most researchers in this field have chosen to operate within the dominant functionalist paradigm that is nomothetic. To assert the generalisation throughout both cultures, the nomothetic mode has overemphasised the commonality between Dutch and Japanese cultures. It does not allow the author to understand SMPs under Dutch or Japanese definitions. It might obscure the diversity across both cultures. Some characteristics of both Dutch and Japanese cultures, such as Dutch and Japanese preference for a consensus seem to be similar, but derived from different historical backgrounds that often limit the validity of the world-wide generalisation. Because replication from one culture to another is unlikely, this mode alone cannot depict the discrepancy between both cultures and their deviation from the law-governing universality (Redding, 1987; Nowak, 1989; Ragin, 1989; Chapman, 1997).

The idiographic mode can delineate such a discrepancy and deviation. A cased-oriented comparison in a given society under this mode helps the author to understand the complexities of a given company, but a cross-cultural survey cannot do (Nath, 1986). However, this mode alone cannot compare both Dutch and Japanese cultures meaningfully, because the local variables in each cultural system remain under the definitions of both Dutch and Japanese contexts. If a comparison does not satisfy the nomothetic condition, the author cannot summarise theoretically similarities and dissimilarities throughout this comparison especially in the case of a diverse comparison. Moreover, under the idiographic condition, the concepts and mentality of the author ingrained with his cultural beliefs complicate the comparison and his interpretation more. However, these concepts and mentality can also undermine the rigour of the nomothetic mode (Ronen, 1986; Ragin, 1987; Redding, 1987; Hofstede, 1991; Rosenzweig, 1994).

5.5 The implication of small-N v large-N samples

Not only the choices between the nomothetic and the idiographic modes, but also the alternatives between large-N and small-N samples in each culture determine the options between qualitative and quantitative research designs. Albeit both small-N and large-N studies are aimed at testing a general argument, both of them are different in many ways. A small-N one is an intensive case study able to detect complexity by comparing configurations holistically and analysing all similarities and differences among cases in such a study totally, whereas a large-N one is an extensive cross-national survey applying a multivariate analysis under the positivistic tradition. Because the number of cases is kept minimal, the small-N study might obscure diversity when the cases are used for theory elaboration through overlooking the uniqueness of each case. On the contrary, the large number of cases in the large-N study causes the cases to loose their identities as they are decomposed into variables for studying relations between variables, so similarities and differences among the whole case are ignored (Ragin, 1989).

The large-N study can only satisfy the nomothetic-etic mode because each case cannot be studied in its full complexity under its own definitions. Only the universality across all cases, not all idiosyncrasies within each case are applicable to the large-N one. In contrast, the small-N study can satisfy both idiographic and nomothetic mode concurrently because each case can be studied in its full complexity. Both commonality across all cases and idiosyncrasy within each case are possible for a comparison of the small-N one. With recognition of the diversity and causal heterogeneity, this study will use the small-N one with the qualitative method.

5.6 Case-oriented v variable-oriented comparisons

Ragin (1987) divided comparative research into two approaches: (1) a case-oriented method, and (2) a variable-oriented method. The case-oriented method apprehends the comparison of relatively few cases chosen cautiously for elaborating theoretical reasons. It typically scrutinises many dependent and independent variables in different configurations in a limited number of cases. It is related to small-N samples, but not directly related to an idiographic mode because it might be conducted under a pre-specified conceptual model. Data are often in the form of documents, observations and transcripts. Its analysis proceeds with extracting themes or generalisation from evidence and organising data to interpret the meanings of the findings (Ragin, 1989; Neuman, 1997). This type of research is qualitative.

Table 5.1: A comparison between qualitative and quantitative comparative researches

Qualitative method	Quantitative method
Advantages	**Shortcomings**
1) It allows an interaction between theory and evidence. This interaction can reconceptualise the impact of national culture on SMP (Ragin, 1987; Orum et al. 1991; Sjoberg et al, 1991; Wright, 1996; Neuman, 1997, Berg, 1998).	1) It cannot allow an interaction between theory and evidence, because its narrow specific questions about the current situation that need individual déjà vu of immediate preference tend to deduce cultural commonality. Some information may lie outside the narrow focus of hypotheses (Heller, 1988; Wright et al, 1988).
2) Its holistic nature can capture the more dynamic reality of national culture and SMP (Ragin, 1987; Orum et al. 1991; Sjoberg et al, 1991; Snow & Thomas, 1994; Wright, 1996).	2) It cannot grasp the holistic and dynamic nature of national and SMP in the real-world situation.
3) It can capture the complexity and contradiction of national culture and SMP (Ragin, 1987; Wright et al, 1988; Sjoberg et al, 1991; Wright, 1996; Berg, 1998).	3) It often fails to capture the complexity and contradiction of national culture and SMP, because the relationship between national culture and SMP is complexly combinatorial (Ragin, 1987; Brannen, 1996).
4) It allows data triangulation through using multiple sources of data (Wright, 1996).	4) It does not allow the use of multiple sources for data triangulation.
5) It reduces preconceived biases from *a priori* hypotheses with contradictory realities. Detailed comparisons suspend premises on equivalence of cases and condition to enhance flexibility (Ragin, 1987; Eisenhardt, 1989; Parkhe, 1993; Heartley, 1994; Wright, 1996).	5) It cannot reduce theoretical biases from *a priori* hypotheses for testing. Axiomatic deduction and the narrow focus of hypotheses often constrain reframing the preconceptions (Eisenhardt, 1989; Parkhe, 1993).
6) The more details of cases under study produce richer data and more meaningful findings (Wright et al, 1988; Heartley, 1994; Wright, 1996; Neuman, 1997).	6) The disintegration of cases into variables under investigation often makes research findings less meaningful.
7) It provides an insight into socio-linguistic patterns in Dutch and Japanese societies because the meanings attached to particular Dutch and Japanese behaviours depend on what concepts mean to the Dutch and Japanese and how these behaviours are linked (Sjoberg et al, 1991).	7) It cannot be used as a test of meanings attached to particular Dutch and Japanese behaviours and the effects of Dutch or Japanese culture, but as an observation under Dutch and Japanese conditions (Scheuck, 1990).
8) It does not need randomisation for statistical inference.	8) It cannot randomise the sample owing to theoretical strictures on comparable cases (Ragin, 1987).
9) It can observe the most central relationship among inaccessible and unsusceptible phenomena.	9) It cannot test the most central relationship among inaccessible and unobservable phenomena (Wright et al, 1988).
10) It does not need careful operationalisation and standardisation for the replication.	10) Its careful operationalisation and standardisation often inhibit the replication (Sjoberg et al, 1991).
11) It can satisfy both nomothetic and idiographic modes by seeking commonality among cultures, whereas not overlooking each cultural depiction in its own term.	11) It does not generally satisfy the idiographic mode, but only the nomothetic one.

Table 5.1: A comparison between qualitative and quantitative comparative researches (continued)

Qualitative method	Quantitative method
Shortcomings	**Advantages**
1) It often includes the author's biases because the author cannot detach himself from his research setting (Sjoberg et al, 1991; Snow & Thomas, 1994; Neuman, 1997). However, he can be honest when he tells readers about data-gathering procedure and his perspective on evidence (Neuman, 1997). 2) Its generalisation is limited, so that it can apply but not test a theory (Ragin, 1987; Wright et al, 1988; Orum et al, 1991; Neuman, 1997). Nonetheless, comparison means replication that is the best way to develop a theory (Neuman, 1997). 3) To build a theory, it puts more emphasis on specifying factors in different cases than on assessing the comparative importance of those factors. Unless an expected factor is found, it may be improper (Vaughan, 1992). Still, it must aim at sensitising concepts, not at operationally defined concepts (Sjoberg et al, 1991). Some researchers are sceptical of its rigour (Eisenhardt, 1989; Parkhe, 1993). 4) It is inapplicable to plenty of cases because an inquiry into a hundred of cases in a holistic fashion is impossible (Ragin, 1987). 5) It can be decimated by the uncontrollable practices (Wright et al, 1988).	1) It better excludes the author's biases through statistical inference, but not altogether. The way of posing questions still determines research findings. Complete objectivity is unattainable, but quantitative researchers often believe that they can attain it. 2) Its generalisation is broader, but dependent on the sample size. 3) It can test a theory through statistical analysis. It lays an emphasis on assessing the comparative significance under the nomothetic mode. 4) It is applicable to plenty of cases by decomposing the cases into variables. After that, these variables are tested to find the relationship among themselves (Ragin, 1987). 5) It is detached from the uncontrollable real world of SMP. This makes an inquiry into cultural causality clearer and less spurious, but often unrealistic.

The variable-oriented survey is based on a hypothetico-deductive fashion under the nomothetic mode. Its data are often in the form of numbers. This type of research is quantitative. To assert its generalisation from statistical inference, it must be pursued in a large scale requiring the large-N samples.

Both types of comparative research have their strengths and weaknesses owing to their epistemological roots. The qualitative method puts more emphasis on the research, but the quantitative one lays more emphasis on the data analysis (Wright, 1996). Before choosing one of both types, both the theoretical and practical strengths and weaknesses of each method is assessed in Table 5.1. As Ragin (1987) suggested, because the number of pertinent cases in this study is too small to allow the use of statistical analysis, the qualitative method that is insensitive to normal

distribution in place of the quantitative method is employed in this study. Furthermore, the qualitative method satisfies both nomothetic and idiographic modes, whereas the quantitative method fits only the nomothetic one.

The qualitative method can better solve the dilemma between emic and etic perspectives. It might test and support Hofstede's model, because it can rectify both theoretical and methodological misconceptions stemming from the large-scale cross-national survey of Hofstede (Bradshaw & Wallace, 1991; Wright, 1996).

5.7 Criteria for judging the quality of research design

The quality of the research findings is the most important issue for conducting this study. Research with high quality must produce a valid and reliable conclusion. Rigour is a set of criteria for justifying the quality of the research findings. Nonetheless, the rigour of the qualitative method is hard to achieve because of the combinatorial and holistic nature of explanation in this method. Random sampling, generalisability, and reliable and valid measurement are not applicable to this method. Trustworthiness is a more pertinent terminology for this method (Ragin, 1987; Miles & Huberman, 1994; Padgett, 1998).

The two main methodological issues in this study, the design of the study and the analysis of the research findings, should be addressed carefully, so as to safeguard the conclusion against any rival explanations threatening to the study's trustworthiness. A good research design must produce a valid and credible conclusion. A good data analysis must follow a reliable and auditable procedure. To facilitate readers' comprehension, the terminology for judging the quality of research findings in an experimental design, namely construct validity, internal validity, external validity and reliability are applied to this study (Ragin, 1987; Yin, 1993, 1994).

5.7.1 Construct validity is dealing with the objectivity, the perception and the comparability between Dutch and Japanese cultures in this study. To explain Dutch and Japanese patterns of SMP accurately, all constructs in the reference model must be conceptually comparable. To capture Dutch and Japanese evidence correctly, all research instruments must be effectively translatable. From a positivistic viewpoint, the author's subjectivity is likely to influence the research conclusion under this qualitative study. The author might be unaware of his biases. To ensure relative neutrality and reasonable freedom from these biases, he must, at least, articulate the existing inevitable biases as much as possible. Objectivity is intimately linked with replicability, but neither of them is the same thing. Only the objective and comparable instruments for both cultures can minimise these biases and produce the valid results (Yin, 1993, 1994; Miles & Huberman, 1994; Johnson, 1996; Berg, 1998).

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With regard to an emic-etic dilemma, construct validity of this study can be undermined by the following nine threats (Cook & Campbell, 1979; Maxwell, 1996; van de Vijver & Leung, 1997; Padgett, 1998): (a) lack of knowledge of others' way of seeing thing, (b) level of equivalence, (c) researchers' subjectivity and preconceptions, (d) reactivity, (e) respondents' biases, (f) confounding levels of constructs and constructs, (g) historical equivalence, (h) mono-operation bias and (i) mono-method bias (See Appendix I).

5.7.2 Internal validity is dealing with national culture as the only major explanation for the SMP in this study. National culture is not necessarily the best explanation for different findings, but this study must be able to prove that. In general, the intellectual community is socially sceptical of the sincerity of the author. His integrity is extremely important in this qualitative case study because a question of trust, a lack of cross checks and different kinds of bias can undermine the credibility of the research findings. However, this research design is not totally immune to alternative explanations caused by some extraneous variables. To avoid a blunt conclusion that there is the causality between culture and SMP, the author acknowledges that some other extraneous factors may determine SMP and he cannot totally exclude these factors from his study. Because some events are not directly observable, a careful inference drawn from observation is crucial. In general, this study must be internally valid before it can be externally valid (Ronen, 1986; Heller, 1988; Yin, 1994; Neuman, 1997).

There are twelve main threats to internal validity of this study (Cook & Campbell, 1979; Adler, 1984; Hofstede, 1984a; Ronen, 1986; Ragin, 1987; Maxwell, 1996): (a) incorrect level of analysis, (b) problems of contradictory findings, (c) ambiguity about the direction of causality, (d) Galton's problem, (e) methodological simplicity, (f) history, (g) maturation, (h) testing effect, (i) instrumentation, (j) selection, (k) mortality, (l) interactions with selection (See Appendix I).

5.7.3 External validity is dealing with how far results from the study are generalisable is the focal point of external validity. These results, at least, must be generalisable throughout all Dutch and Japanese cases under this study. Are they applicable to other Dutch and Japanese companies in Thailand? Are they possible to apply to other foreign-based companies that have the national cultures similar to that of either Dutch or Japanese culture? The application of research findings to other settings is very crucial for a theoretical explanation. The transferability between the findings from each case in each culture can ensure the generalisability, and in turn the valid causality (Miles & Huberman, 1994; Yin, 1994).

The main criticism of the case-oriented method is limited generalisability. Most qualitative methods are both causally analytic and historically interpretative, but their findings are not often immediately generalisable beyond the study. Case study

often implies idiosyncrasy. However, the qualitative method relies on analytical, not statistical generalisation. To understand the causal relationship between national culture and SMP, causal generalisation is more important than historical interpretation. This is the generalisation to the reference model (Ragin, 1987; Walton, 1992; Yin, 1994; Stake, 1998).

The selection of cases and cultures is more stringent in comparative management research than in research into one culture. Matching cases on the basis of theoretical strictures is more common and plausible, because randomisation hardly verifies differences between cultures. To enhance generalisability, the criterion for enumerating cases is equivalence, not sameness. Because some items are cross-culturally comparable, but others are not, matching on one variable may lead to mismatching on other variables. This criterion is sometimes uncontrollable (Heller, 1988; Wright et al, 1988; Nasif et al, 1991; Berry et al, 1992; Tayeb, 1994; Johnson, 1996; Cavusgil & Das, 1997b).

There are four main threats to external validity from the stringent criteria for this study (Cook & Campbell, 1979; Ragin, 1987): (a) a degree of similarity among cases, (b) a degree of diversity among cases, (c) limited generalisation to modal instances and (d) limited generalisation to target instances (See Appendix I).

5.7.4 Reliability is the ability to repeat the initial study by employing the same research process within a reasonable timeframe. The same research procedures and instruments must produce the same findings even with different researchers. As a prerequisite for rigorous research, the purpose of reliability is to minimise the errors and the subjectivity in this study. The basic paradigms and the analytic constructs in the reference model have to be articulated (Miles & Huberman, 1994; Yin, 1994). However, reliability is hardly attainable in the qualitative method. To ensure reliability in comparative management research, all kinds of equivalence must be established. All instruments must achieve comparability across cultures. Because this study is conducted under the influence of the author's Thai cultural biases, the issues of reliability related to the data-capturing process would be suspected if researchers from other countries replicate this study in the future.

To enhance reliability, all research questions must be clear and all features of a research design must be congruent with these questions. All research procedures, and the author's role and status within the research sites must be recorded in a written form, so that other inquirers can examine and repeat this study in the future. A failed replication in a different culture often misleads to cultural differences and their subsequent interpretation. The reiterated study must be carried out in the same set of cultures as in this study before its extension to another culture that has never been explored. Otherwise, the reliability of such a replication is questionable. If these

procedures are well articulated, the successful replication of the research is possible (Wright et al, 1988; Kohn, 1989; Orum et al, 1991; Yin, 1994).

The inaccuracy or incompleteness of data is another threat to reliability. If the captured data are inaccurate and incomplete, they can cause misinterpretation. Data must be gathered across the complete range of proper cases, times, interviewees and so on posited by the research questions. To ensure data accuracy and completeness, every time the author captures the data, he must be aware of his own bias, and informants' bias, deceit and knowledgeability. The data must be recorded and transcribed carefully and correctly. To ensure easy retrieval, the data will be categorised and codified systematically. The revisit to the research sites and the review on case reports by well-informed peers can minimise this problem (Miles & Huberman, 1994; Yin, 1994).

5.8 Conclusion

To compare the SMPs of Dutch and Japanese companies in Thailand, the development of good comparative research is pivotal. Comparative management facilitates the comprehension of similarity and dissimilarity in managerial behaviours, especially SMP among companies in different countries. Albeit research into comparative management has lots of methodological drawbacks, it has three advantages. It can identify cross-cultural similarities and differences in the first place. Secondly, it can improve a research design by detecting deficiencies when comparing two or more natural settings. Ultimately, it enhances theorisation when discrepancies arise from these different settings. Before developing good comparative research, the implication of an emic-etic distinction, nomothetic-idiographic modes and small-N v large-N samples are discussed. Because the quantitative method, such as a cross-national survey cannot depict SMP accurately and deeply, and because this method can satisfy only an etic distinction and a nomothetic mode with a large-N sample, the qualitative method, such as a case-oriented comparison is chosen for this study. Notwithstanding, the quality of cross-cultural research is hardly attainable owing to methodological problems of comparing two cultural settings in this study.

No matter what kind of research, the quality of research findings is the most important issue in conducting good research. The research with high quality must produce a valid and reliable conclusion. Rigour is a set of criteria for justifying the quality and trustworthiness of research findings. In the same vein, cross-cultural research needs such rigour. To draw more attention to the qualitative methodology in comparative management, the criteria for assessing the quality of comparative research are discussed here. Nonetheless, the rigour of the qualitative method in comparative management is harder to achieve than that of the quantitative one

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because of the combinatorial and holistic nature of explanation in qualitative method. Normally, random sampling, generalisability, and reliable and valid measurement are rarely applicable to the qualitative method (Ragin, 1987; Miles & Huberman, 1994; Padgett, 1998). To facilitate the readers' comprehension, the terminology pertinent to an experimental design, which is also often applied to other research design is used as an ideal type here. The four criteria for judging the quality of qualitative research into comparative management comprise construct validity, internal validity, external validity and reliability (Yin, 1993, 1994). To assure the quality of research findings in comparative management, all four criteria must be attained. If the research findings have high quality, the research design must at least achieve a high degree of trustworthiness. Construct validity assures cross-cultural objectivity and comparability. Internal validity ensures the credibility of the research findings that there is no rival explanation. External validity asserts the generalisation of the research findings to the whole population for theory building. Reliability affirms the verification of the research findings in the future. If cross-cultural research attains these four criteria at acceptable level, it is likely to be trustworthy. The rationale behind methodological development in this study will be used to develop an embedded multiple-case study in Chapter 6 as a research strategy for this study.

CHAPTER 6:

RESEARCH METHODOLOGY

6.1 Introduction

In reply to a call for more rigorous comparative management theory, this study falls into explanatory theory-building. It is not a mere description, but it is an effort to explain how far the national cultures of the Netherlands and Japan affect the SMPs of the Dutch and the Japanese companies in Thailand. To build a sound explanatory theory, a sound research design is needed. After considering the methodological issues involving comparative research into the Dutch and the Japanese companies in Chapter 5, an embedded multiple-case study as a research design is developed in this chapter in response to all criteria for assessing the research quality in Chapter 5.

Because the case-oriented comparison as a qualitative method is time-consuming and inherited with some methodological pitfalls, the choices between using and not using a reference model to guide this study is discussed in section 6.2. After choosing to use the model for this study, the unit of analysis in this study is discussed in terms of explanatory and observational units in section 6.3 in order to avoid the problems of incorrect levels of reference and analysis. As a basis for comparing the cases under this study, all conceptual definitions in the reference model are operationalised in section 6.4 according to the five dimensions of national culture in Hofstede's model, the four steps of SMP in Wheelen and Hunger's model and Competing Value Model (CVM) of Quinn and Rohrbaugh. To come up with the embedded multiple-case study in section 6.6, the alternatives between a single and multiple cases within each culture is discussed on the basis of the unit of analysis and the generalisability within each culture in section 6.5. To forge a link between theorisation and methodological development, theoretical and cultural criteria are used to enumerate all six cases under this study in section 6.7. The criteria are the countries of origin, namely the Netherlands and Japan and three types of industry, namely consumer electronics, banking and airline.

To satisfy the principle of data triangulation, the data from the four sources, namely secondary data, archival records, documentation and interviews must be captured. The data-gathering process is discussed in section 6.8. Section 6.9 examines the use of instrumentation for data collection, data management and data analysis in this study. In section 6.10, the data analysis is discussed in the following seven steps: (1) data management, (2) a within-case analysis, (3) a within-culture cross-case analysis, (4) a comparison between the within-culture cross-case analysis and extant literature, (5) a cross-cultural cross-case analysis, (6) a

comparison between the cross-cultural cross-case analysis and extant literature and (7) member checking. Section 6.11 reaches a conclusion.

6.2 The use of a reference model in a case-oriented comparison

There has been a debate among management researchers and qualitative methodologists in major international academic journals as to whether case study research should start with either *a priori* theoretical preconceptions or a clean theoretical slate (Parkhe, 1993; Miles & Huberman, 1994; Yan & Gray, 1994; Teagarden et al, 1995). Because the relationship between theory and research comprises both deductive and inductive elements, most case-oriented comparisons lie between pre-structured and unstructured designs. Scientific knowledge has been built in both ways, but it must possess 'a large body of secure and objective knowledge that can be applied to any situation (Walton, 1992, p 122)'. So far social science including comparative management have not yet reached a scientific status. Most theories in social science are not generalisable throughout the world. Paradigm shifts have occurred occasionally.

Theory building from qualitative induction or grounded theory method has higher staying power than one from a hypothetico-deductive fashion. Because the conventional wisdom of qualitative research is one that only induction elaborates a meaningful theory, the pre-structured designs must be kept to a minimum. The theory must evolve out of patterns found in cases in the course of investigation. It must be grounded in the data, because the concepts evolving out of these data can generate new constructs or variables. In fact, the case-oriented comparison must develop a theory, not test it (Eisenhardt, 1989; Vaughan, 1992; Brannen, 1996; Wright, 1996).

The other camp of qualitative researchers disagree on this point because they contended that the case-oriented comparison must, at least, test and account for applicable cultures and susceptible variables specified by the previous studies. The result from this test might further explicate conceptualisation. Because it is impossible to commence an investigation without some ideas of its tentative findings, the case-oriented comparison should be built on an established knowledge or at least a rudimentary framework. Initially, the comparative inquirers need a reference model to clarify the theoretical domain of research constructs including any emic nuances in the employed concepts and to assess intercultural difference. The model's domain assumptions cannot constrain the examination of the relationship and the patterns. Because a case analysis must focus on connections and causes yielded to schematic methodological treatment from its underlying paradigm, a reference model must be established beforehand and then intercultural differences can be assessed. Without a common reference model, cross-cultural or

cross-case comparability is unlikely to be established. The reference model can guide both the interpretation of empirical data and the parallel demonstration between the model and such cases. It prevents the case-oriented comparison from overwhelming data, pondering and getting out of hand, because such data are schematically captured according to its pre-specified constructs (Ragin, 1987; Wright et al, 1988; Nowak, 1989; Sjoberg et al, 1991; Walton, 1992; Yin, 1993, 1994; Heartley, 1994; Miles & Huberman, 1994; Wright, 1996; Cavusgil & Das, 1997b).

Theoretically, the case-oriented comparison involves, at least, two cultures or two cases. As a comparative analysis, this study involves Dutch and Japanese cultural settings. Dutch and Japanese cases must be comparable. The use of the reference model establishes equivalence across all Dutch and Japanese cases under the nomothetic-etic mode. Nonetheless, the model may force the author to bend data out of Dutch and Japanese cultural contexts and force these data to fit its built-in preconceptions and a theoretical fix for comparability. This is the danger of forcing-fit of data. The cases become less receptive to Dutch and Japanese cultural idiosyncrasies and move away from the idiographic-emic mode when the pre-existent constructs are kept to a minimum. Undeniably, such constructs affects the interpretation of Dutch and Japanese contexts both unintentionally and neglectfully (Vaughan, 1992; Miles & Huberman, 1994).

To have both comparability between Dutch and Japanese cultures and sensitivity to idiosyncrasies of each culture, this study must lie between the nomothetic-etic and idiographic-emic extremes. A model in a very loose fashion should guide this comparison. As the comparison goes on, the author looks for the data that would disprove the assumptions, so as to counterpoise his or her preconceived idea. Normally, the unique data collected from chosen cases draw the researcher away from the reference model evaluated in the light of findings. An analogy between the model and the findings can challenge, change or undermine the model itself. The initial reference model may not be the same as the last one, because it might be transformed, reinterpreted and contradicted, and its constructs might be configured. During the process of the comparison, the collected data reshape the propositions under the model. In conclusion, propositions, not full-blown hypotheses are the starting point. The case-oriented comparison must both test and elaborate the reference model concurrently. A synthesis of induction and deduction is indispensable for a theory-building process (Ragin, 1987; Wright et al, 1988; Bradshaw & Wallace, 1991; Vaughan, 1992; Walton, 1992; Heartley, 1994; Miles & Huberman, 1994; Wright, 1996; Stake, 1998).

6.3 Unit of analysis

Does Dutch culture have the same effect on all Dutch companies in Thailand with respect to tested regularity? So does Japanese culture? These two questions are caution when unit of analysis is considered. Because the data analysis in the case-oriented comparison has several levels, both an incorrect unit of analysis and a mismatch between different levels of analysis may cause misinterpretation of research findings. From a nomothetic standpoint, every culture has an impact on any sub-systemic settings, such as companies and SMPs. However, the unit of analysis is associated not merely with relativism versus absolutism, but also with other domains' presumptions. To avoid the problems of incorrect levels of inference, the appropriate unit of analysis must be identified, but such identification is difficult. Usually, the type of unit of analysis is more important than the amount of such units (Serror, 1988; Nowak, 1989; Orum et al, 1991; Sjoberg et al, 1991).

On the basis of both data and theoretical categories, Ragin (1987) divided the unit of analysis into: (1) observational unit and (2) explanatory unit respectively.

Observational unit is used to collect and analyse data. It is closely related to both micro-level objects of this study and the locus of dependent variables. In this study, they are three pairs of Dutch and Japanese companies in Thailand where data about their SMPs are collected. These six companies are the appropriate units for observations, because they represent population sharing nationality and much commonality with the clear boundary (Serror, 1988).

Explanatory unit is used to explain the pattern of results. It is intimately related to both macro-level theoretical explanations for this study and the locus of independent variables. Because the distinction between nation or society and culture is unclear, nation versus culture as a unit of analysis has confused many researchers. The researchers who have applied Hofstede's model to their studies have employed national culture as a unit of analysis in order to distinguish national culture from both national contexts and sub-cultural phenomena. Because the national cultures of both the Netherlands and Japan is highly homogenous, both cultures involving shared value in both societies are pertinent units in explanation of this study (Nath, 1986; Ronen, 1986; Berry et al, 1992).

The relationship between both units must be causality. As explanatory units, the national cultures of the Netherlands and Japan must depict the patterns of SMP in the Dutch and the Japanese companies as observational units. If a Dutch or Japanese company is under the influence of Dutch or Japanese culture, the relationship between national culture at macro level and SMP in the company at micro level must be a causal explanation.

6.4 Operationalisation

On the basis of the reference model, all conceptual definitions must be operationalised in a way to establish the criteria or patterns for comparing cases and to the larger extent, the national cultures of MNCs' home countries under this study. These definitions are not always strictly measurable, but they must at least, become the focus of this study. This focus must, at least, be observable, explicable and applicable to this comparative study as the criteria or patterns. Thus, such operationalisation must be consistent with the constructs specified in the reference model.

According to Hofstede's model, the national cultures of the Netherlands and Japan, namely power distance (PDI), individualism-collectivism (IDV), uncertainty avoidance (UAI), masculinity-femininity (MAS) and long-term-short-term orientation (LTO) are operationalised in Table 6.1.

Table 6.1: The description of Hofstede's scores for The Netherlands and Japan in the five dimensions

Country	PDI	IDV	UAI	MAS	LTO
The Netherlands	Small	High	Weak	Low	Short-term
Japan	Moderate	Low	Strong	High	Long-term

From Table 6.1, the scores of national cultures of the Netherlands and Japan are in opposition to each other in every dimension. Even if these operational definitions are measurable, they are not aimed to measure both cultures *per se*. They are used as a validated criterion for comparing the national cultures of both countries. This criterion comprises rituals in SMP and values in the perception of chief executives in charge of the Dutch and the Japanese companies in Thailand.

According to Wheelen and Hunger (1995), SMP is operationalised in a way to provide strategy-making patterns for the comparison. The following operational definitions are not easily quantifiable, but they can be used to compare the different patterns among companies with different nationalities and industries.

Environmental scanning is operationalised in a way the top executives or members of staff in charge of this function in the Dutch or the Japanese company perceive, categorise, diagnose and interpret strategic issues as a process before formulating corporate strategy. This process comprises the formal long-term information-gathering, the informal routine information-gathering, the environmental analysis, the criteria to classify threats and opportunities, the general perception and the interpretation of the environment, and strengths and weaknesses. How Dutch and Japanese companies in Thailand scan the environment is the focus under this operational definition.

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Strategy formulation is operationalised as the process after the environmental scanning, but before the top executives and other persons in charge make a strategic decision according to their perceived environment. This process constitutes the focus of strategy formulation, goal-setting, alternative generation, strategic decision-making, the perception of strategic decisions and the dissemination of decisions and goals. How the Dutch and the Japanese companies reach a strategic decision, set their corporate goals and devise their corporate strategy is the focus under this operational definition.

Strategy implementation is operationalised as the strategies resulting from a strategic decision. This decision brings about a corporate structure and other strategic activities. These activities, in essence, are what the Dutch and the Japanese companies have done in a given period in order to achieve their corporate goals after such a decision is made. This process comprises programme-setting, policy-making, budget-setting, corporate rule and procedure establishment, organising, staffing and mobilising workforce.

Evaluation and control is operationalised in a way the top executives and other persons in charge assess their companies by themselves internally. The gap between actual and stated goals according to the corporate strategy is the criterion for such an evaluation. This process constitutes criteria establishment, performance assessment, benchmarking, corrective actions, interaction with the HQs and the RHOs, country managers' performance and loss-making endurance. How the Dutch and the Japanese companies evaluate their performance, take corrective action when the stated goals cannot be achieved and report their results to their RHOs or HQs is the central point under this operational definition.

Corporate performance is very difficult to be operationalised in a way to compare the results generated from the SMPs between the Dutch and the Japanese companies. According to CVM, conflict-cohesion, morale; human resource development, values of human resources, quality; flexibility, readiness, external evaluation, growth, interaction with environment, information management-communication, stability, control, planning-goal-setting are not quantifiable. Only productivity, efficiency and profitability are measurable. Even so, these three concepts can be operationalised in many ways. It is still difficult to define what to be measured, because the measurement depends on what company wants to achieve. Hence, this study cannot operationalise corporate performance as a result of the comparison between the Dutch and the Japanese companies.

6.5 Multiple or single case within each culture

At least, two cases have to be compared in this study. One is a Dutch company; another is a Japanese one. How the national cultures of the Netherlands

and Japan shape the SMP in both Dutch and Japanese companies respectively is a case. The alternative between a single and multiple cases that represent the whole culture must be evaluated before pursuing this study. The debate on advantages and shortcomings between multiple- and single-case designs has already been discussed in some literature on case study research (McClintock, Brannon & Maynard-Moody, 1979; Eisenhardt, 1989, 1991; Bradshaw & Wallace, 1991; Dyer & Wilkins, 1991; Walton, 1992; Heartley, 1994; Yin, 1994; Teagarden et al, 1995; Brannen, 1996; Wright, 1996; Berg, 1998; Stake, 1998). Some methodologists (Bradshaw & Wallace, 1991; Dyer & Wilkins, 1991; Brannen, 1996; Berg, 1998; Stake, 1998) advocated a single case for exploring a whole phenomenon; others (McClintock, Brannon & Maynard-Moody, 1979; Eisenhardt, 1989, 1991; Walton, 1992; Heartley, 1994; Yin, 1994; Wright, 1996) preferred multiple cases for building a theory. This debate over that literature missed some points, so these points are evaluated here.

A single case has three advantages. Initially, it is specifically useful for inductive theorisation as a basis for a hypothetico-deductive test. It is an intrinsically implicit comparison. Many inquirers employ it as an illustration of other cases, as an exploration before generalisation and as an early step in the theorisation. If it is properly pursued, it should not only fit the particular company under study, but also generally provide an insight into other similar companies (Bradshaw & Wallace, 1991; Parkhe, 1993; Teagarden et al, 1995; Brannen, 1996; Wright, 1996; Berg, 1998; Stake, 1998).

Secondly, it gains an insight into micro-level cultural phenomena. It does not seek commonality for generalities and analogies. It must be bounded, so that certain prominent features in this study, such as strategy process and other behavioural patterns can be recognised (Brannen, 1996; Stake, 1998).

Finally, it gains an insight into a new theoretical area. Telling the whole story in detail from a particular case can holistically be extended to: (a) the nature of the case, (b) historical backgrounds, (c) other contexts, such as economic, political, legal, (d) other cases through which this case is recognised, (e) those informants through whom the case can be known and (f) the physical setting (Brannen, 1996; Stake, 1998).

Nevertheless, a single case has its own flaws, because it cannot stimulate theory building even if it can prepare the groundwork for further theorisation. Generalisation is often restricted to a particular company. As usual, it focuses on telling the whole story in a narrative fashion rather than on building a theory. A single Dutch or Japanese company cannot represent the whole Dutch and Japanese cultures with respect to the patterns of their SMPs.

Because a replication of several cases enhances generalisability, multiple cases are better than a single case. The replication is used to assess the result of the original case. The researchers doing a case study rarely claim that their study deals only with particular circumstances. Because case-based generalisation is possible, multiple cases in a comparative framework are another strategy to build a theory. Multiple cases usually embody causality operating in microcosms and their logic can demonstrate a causal argument how general social force such as national culture shapes the SMP in a specific company (Orum et al, 1991; Walton, 1992; Stake, 1998).

According to Stake (1998), multiple cases, however, have two drawbacks. Originally, a direct comparison among collective cases diminished the opportunity to learn from the whole case. Likewise, preconceived coding schemes as a way of theorisation often inhibits a full comprehension of sufficient descriptive narratives.

Because a single-case design neither offers a better criterion for generalisation through replication logic (Eisenhardt, 1989, 1991; Yin, 1994), nor draws an analogy for explanation, it represents neither the whole Dutch nor Japanese culture. Because a multiple-case design can enhance external validity through analytic generalisation, it is a research strategy for this study.

6.6 Embedded multiple-case studies

Case study research is not a data-gathering technique *per se*, but it is a combination of a number of data-gathering procedures. If a biography or life history is a study of an individual life, a case study is a study of a single setting. Because this study consists of two levels of unit of analysis: (1) the national cultures of the Netherlands and Japan at explanatory level and (2) the Dutch and the Japanese companies in Thailand at observational level, Yin (1994) recommended an embedded multiple-case design for this kind of study. Each company from different industries is embedded in either Dutch or Japanese culture according to the home countries of their parent companies.

As a research strategy, the first step is to collect and analyse data of each case, so as to focus on the comprehension of SMP within a particular company. This step provides a profound insight into the complexities of national culture and SMP in each firm with its own specific chronological history through the analysis of each case (Ragin, 1987; Hamel, Dufour & Fortin, 1993). To be familiar with both Dutch and Japanese cultural settings, all secondary data, archival and documentary about social, historical, cultural or national contexts are studied in the second step (Neuman, 1997). Because McClintock, Brannon and Maynard-Moody (1979) proposed the application of a survey logic to case study research by constructing preconceived expectation of the research findings through multiple cases, the

pattern-matching under the guidance of the reference model is used to find commonality between the Dutch and the Japanese companies in the third step. This commonality is used as the equivalent criteria for the comparison between Dutch and the Japanese cultures. This survey logic and pattern-matching is used for a within-culture, cross-case analysis between the Dutch and the Japanese companies.

6.7 Selection of cases

Some researchers analyse causal mechanisms across a set of comparable cases for a focus on causality, not on generalisability; others use the most diverse comparison for a focus on generalisation not on causation. Because a case study must rest on analytical, not statistical assumptions, cases are chosen on conceptual, not representative grounds, and the number of cases is not determined by random sampling. On this basis, matching cases also enhance external validity. Perfect enumeration based on all variables is proved to be virtually impossible. Matching on one criterion may lead to mismatching on another. A trade-off between the level of control over certain factors and the control over other criteria has to be made. Thus, matching cases on some possible criteria is the best way to find some patterns providing the possibility of understanding complex issues and relationships owing to the combinatorial causation of SMP (Ragin, 1987; Tayeb, 1987; Berry et al, 1992; Parkhe, 1993; Miles & Huberman, 1994; Yin, 1994; Wright, 1996).

Case selection is important for this study. This selection is more stringent in a case-oriented comparison than in a case study of one country. Both Dutch and Japanese cultures are chosen because both of them are both mutually exclusive and in opposition to each other in every dimension of Hofstede's model. In previous comparative research, the selection of cultures is often based on convenience, not on theoretical criteria. Because both cultures are quite homogeneous, Dutch and Japanese companies can represent a culture's central tendency in both countries. Because the difference among subculture groups both in the Netherlands and in Japan is minimal, there is almost no important threat of subculture variation to this study (Nasif et al, 1991; Berry et al, 1992; Tayeb, 1994; Johnson, 1996; Cavusgil & Das, 1997b).

This study is a comparison between the SMPs of the Dutch companies and those of the Japanese companies in Thailand. As countries of origin, the Netherlands and Japan are chosen because they have (1) the same level of economic development, (2) the comparable investment in Thailand and (3) cultural difference in every dimension in Hofstede's model. Types of business must not be overlooked as a level of analysis. Because differences in SMPs are intimately linked to industry

sector contexts (Sorge, 1991), three Dutch companies are match up to three Japanese companies on the basis of types of business.

When causality is combinatorial, a limited variety of cases, not their numbers constrain rigour. To maximise a diversity of cases is to enhance research generalisability. Nonetheless, the diverse comparative strategy might overwhelm similarities among cases, because the more dissimilar the cases, the less the possibility that causally pertinent commonality is readily identifiable. Albeit a variety of cases can enhance the rigour in theorisation, an analysis of such cases is time-consuming. A sequential analysis of diversified cases can cause difficulty for the author in completing his study (Ragin, 1987; Vaughan, 1992).

To enhance external validity through diversity, both Dutch and Japanese companies in Thailand are chosen from the industries that are very different by their very nature, namely consumer electronics, shipping and music business in the first place. During the data-capturing process, the author encountered unforeseen fallback. The Dutch shipping company merged with the British one and the Canadian investors bought the Dutch music firm. The comparability of cases in shipping and music industry is no longer valid.

To minimise the influence of Thai culture on this study, consumer electronics, banking and airline industries are chosen. Because the products and service in these three industries need minimal adaptation to local markets, their exposure to Thai culture is presumably low. There are three comparable pairs of cases in three industries. Furthermore, these industries differ from each other to a considerable degree, so this selection fits the most diverse case design. As a basis for the comparison, the commonality among three Dutch and three Japanese companies is the nationality of parent companies. The commonality between each pair of a Dutch company and a Japanese one is types of industry. The enumeration of the six cases is shown in Table 6.2. From the perspective of Japanese consumers, the three Japanese companies comprising JCE, JB and JA are the best in consumer electronics, banking sector and airline industry. DCE and DA are only a consumer electronics company and an air carrier with Dutch nationality in both industries. DB is the best Dutch bank from the perspective of Dutch consumers.

Table 6.2: Case selection

Dutch consumer electronics (DCE)	Japanese consumer electronics (JCE)
Dutch banks (DB)	Japanese banks (JB)
Dutch airline (DA)	Japanese airline (JA)

The comparison between DCE and JCE is limited to the audio-visual products where the direct competition between both companies is strong with

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comparable product lines and services. The analogy between DB and JB is restricted to the corporate banking business where both banks are both competitors and partners in syndicate loans. The investigation into DA and JB is confined to the passenger business, the main business of both carriers. After all, to ensure the precision, the validity and the stability of case findings, and to exclude any contrasting cases from this study, triangulation logic behind both within- and between-case analysis is used to substantiate the findings (McClintock, Brannon & Maynard-Moody, 1979; Berry et al, 1992; Yin, 1993, 1994; Miles & Huberman, 1994; Wright, 1996).

6.8 Data gathering

The data are systematically collected from the companies under this study. Yin (1994) recommended the six sources of evidence: (1) documents, (2) archival records, (3) interviews, (4) direct observation, (5) participant-observation and (6) physical artefacts. Because all six data collection methods have their own advantages and limitations, the data must be gathered from several sources for corroborating the findings. Multiple sources provide a trade-off among several data-gathering techniques, because they reduce the risk that the findings will reflect the systematic biases or the disadvantages of each source. They can assure the author that empirical variations in subjects under study is a result of the subject attributes rather than data-gathering methods (Eisenhardt, 1989; Orum et al, 1991; Snow & Thomas, 1994; Yin, 1994; Maxwell, 1996).

The principle of using multiple sources is known as data source triangulation. To attain internal validity, it can reveal some discrepancies among data sources and give a better picture of finding from each side of a story. Because cultural biases are more apparent in the case-oriented comparison than in the variable-oriented survey, between-source validity is a check on the author's biases. To attain external validity, this principle increases a chance to build a more precise model. To build a theory, this triangulation must converge on a single answer. To enhance reliability, it clarifies meanings and verifies the replicability of an observation or an interpretation through the use of multiple perceptions. Thus, a good research design must include between- and within-method validity and reliability checks. Only triangulation cannot assure internal and external validity and reliability (Heartley, 1994; Snow & Thomas, 1994; Stake, 1995, 1998; Brannen, 1996; Wright, 1996; Padgett, 1998).

Theoretically, the different sources must not cause different observations, but multiple sources often induce an analytical diversity that make a conclusion difficult. The effect of artefacts in a research design might also cause a problem with triangulation and corroboration for the research findings (Kohn, 1989; Snow &

Thomas, 1994). To make a convergent and coherent conclusion, the logic of data triangulation is followed carefully. Moreover, to enhance construct validity, the chain of evidence with explicit links among the questions asked must be established, and the data collected and the conclusions drawn must be uncovered (Parkhe, 1993).

Nonetheless, archival records, documentation and interviews are the only three data sources used in this study. Direct and participant observations are the most uncontrollable and subjective sources. Some events such as attitudes, past memories, future speculations and intentions are not directly observable. The author's participation in the research sites may affect the events. Thus, both types of observation are unsuitable (Snow & Thomas, 1994). Incidentally, physical artefact is irrelevant because this study is not about archaeology or anthropology. Nonetheless, the secondary data collected from literature on Dutch and Japanese management and other sources are analysed beforehand.

6.8.1. Secondary data involves an inquiry into similarities and differences between Dutch and Japanese companies in terms of national culture, management style and SMP. This inquiry helps to establish all equivalence between Dutch and Japanese cases with regard to significance and pertinence cross-culturally. This equivalence is operational in a way resulting in the valid interpretation of data collected from the Dutch and the Japanese companies in Thailand under the influence of Dutch and Japanese cultures respectively. In this study, secondary data comprise (1) literature on Dutch and Japanese management concerning national culture and SMP, (2) the statistical data about Dutch and Japanese foreign direct investment (FDI) in Thailand and (3) the articles in periodicals about the Dutch and the Japanese MNCs under this study in particular.

Superficial similarities mask profound differences stemming from different historical contexts might cause misinterpretation (Ragin, 1987). To construe the research findings more effectively and to unmask such differences, this review facilitates the familiarity with both cultures, the identification of comparable instances of the same phenomenon and the analysis of the theoretically important similarities and differences among both of them (Ragin, 1987; Kohn, 1989; Rosenzweig, 1994; Tayeb, 1994; Malhotra, Agarwal & Peterson, 1996; Cavusgil & Das, 1997a). It gives an insight into all equivalence between both cultures. In this study, literature on Dutch and Japanese management revealed that both Dutch and Japanese managerial styles are consensual, but in a different manner owing to the unique history of the Netherlands and Japan. If this literature is not reviewed, this study might conclude that the Dutch and the Japanese prefer consensus in the same way.

The statistical data about Dutch and Japanese FDI and the list of Dutch and Japanese companies in Thailand reveal the number of these companies. These data also disclose the significance of both Dutch and Japanese business presence in Thailand. They are captured mostly from domestic sources, such as Bank of Thailand (BOT), Board of Investment (BOI), Ministry of Commerce, Japan External Trade Organisation (JETRO)'s Bangkok's office, Japan-Thai Chamber of Commerce, the Netherlands-Thai Chamber of Commerce, Bangkok Post and the Nation newspapers. The selection of the companies under this study is based on these data.

Literature on Dutch and Japanese MNCs is retrieved mainly from international sources, such as several academic journals, the Economist, Far Eastern Economic Review, Asiaweek, the Nikkei Weekly, Financial Times, Businessweek and so on. The sources of data also include electronic journals, such as Blackwell, MCB Press and Elsevier, databases from the Internet, such as UMI's Pro-Quest, Ebscohost and SearchBank, libraries and so forth.

6.8.2 Archival records deal with historical documents about the companies under this study, including chronological press coverage, books or articles about corporate history and historical corporate documents (Brannen, 1996). These documents are both internal and external. The internal sources are the chronological press coverage, annual reports, the companies' web-sites and other documents in the companies' archive. The legal documents and financial statements that the chosen companies have been required to submitted to the pertinent agencies under Thai laws are also the archival records. These documents are available at Ministry of Commerce and BOT. The external sources are the historical press coverage from Bangkok Post, the Nation, the Economist, Far Eastern Economic Review, Asiaweek, the Nikkei Weekly, Financial Times, Businessweek and so on. To be familiar with the companies under the study, their histories must be known beforehand. The archival records reveal the corporate history, the biography or autobiography of the company founders and some current top executives, the strategies that these companies made in the past and the evaluation of the companies and the industries in which they operate. Because 'most archival records were produced for a specific purpose and a specific audience (Yin, 1994, p 84)', they have to be modified, customised and systematically sorted out for this study. Archival records, such as organisational charts in the past, historical financial reports and companies' history are obtained from these companies' annual reports and websites. All these records are kept in separate files for each company.

6.8.3 Documentation deals with current and ongoing documents about the companies under this study, including both extra-organisational documents such as current press coverage of the companies, and intra-organisational documents such as

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current organisational charts (Brannen, 1996). After the background of the selected companies is known, the current and recent situation of these cases is obtained from these documents. The documents are used to substantiate the evidence from the archival records. They are used to obtain the general information and verify the facts of these companies before, during and after the subsequent interviews. In some cases, they can provide other particular details to support the information from the subsequent interviews. If some documents are contradictory rather than supportive, a further inquiry is pursued. These documents comprise the recent and current annual reports and the press releases from the companies' web-sites, financial reports and formal charters submitted to Department of Commercial Registration, Ministry of Commerce, the current organisational charts, the companies' brochures and other internal corporate documents. The concurrent studies and the articles about the cases in local, regional and international sources, such as Bangkok Post, the Nation, the Economist, Far Eastern Economic Review, Asiaweek, the Nikkei Weekly, Financial Times, Businessweek and so on are also documentation.

Some documents are confidential because they are very sensitive to the companies's survival and strategy. Thus, the gatekeepers and key informants cannot allow the author to use them. The current documents tend to be more confidential than the archival records because they are more related to the current situation and the immediate future of the companies. By the way, all collected documents are kept in separate files and systematically codified for each company.

6.8.4 Interviews can inquire deeply into the SMPs in the chosen companies. To gain access to the companies under the study, the personal network is very important. The author uses his personal network to find key informants, gatekeepers and respondents. Afterwards, both structured and unstructured interviews are used.

In the first place, the industry experts and the journalists who have long followed up the cases in each industry are interviewed in a conversational manner. Without any structure, the industry experts give broad information about the current situation, trend and competition in each industry where these companies are operating. This information also includes the strategy that each company employs. The journalists not only give the same information, but also clarify what they have followed up and written in the newspapers. This clarification verifies the documents and the archival records of each case.

To gain some more basic knowledge about the companies under the study cases internally, the gatekeepers and the other key informants are also interviewed in a conversational manner in the second step. This information provides the viewpoint of the insiders, especially at rank-and-file levels in the companies. This viewpoint is used to counter the standpoint of top executives. This internal

information is used to corroborate the external information from the press coverage, the journalists, the industry experts, the documents and the archival records.

Finally, the principal interviewees in this study are the chief and the other top executives who take part in the SMP of Thai subsidiaries of Dutch and Japanese MNCs. The nationality of interviewees is not limited to Dutch and Japanese. Some interviewees are Thai. Because they have a very limited time, the structured interview takes only one hour for each interviewee with open-ended questions in a conversational manner. To obtain the permission from these executives, anonymity and confidentiality are promised.

Monolingual research should be avoided and it is better to interview foreigners or expatriates in their native languages (Wright, 1996). Fortunately, all Thai executives and informants are interviewed in Thai. Unfortunately, all Dutch and Japanese expatriates prefer to be interviewed in English. If a face-to-face interview is not possible, a telephone conversation and an e-mail inquiry are used to obtain data. The interviews were tape-recorded unless the interviewees objected. To reduce a time lag in the course of data collection, all interviews were conducted during the three months between March 2000 and May 2000.

6.9 Instrumentation

Because this study uses only the three sources of data, namely, documents, archival records and interviews, these sources need instrumentation to gather data. All data collected from all six companies are kept in separate files for each case. For reliability checks, a case protocol for each company uniformly records the research procedures for all companies. It is used for thorough and systematic documentation to enhance external reviewers' confidence (Parkhe, 1993; Yin, 1994). To assure the uniformity of data across all Dutch and Japanese cases, the interview schedules in this study arrange all questions in accordance with the reference model for structured interviews with the top executives. Some questions are composed for the particular cultural and corporate situation, or the interviewees' position in the companies (Douglas & Craig, 1983), but most questions are essentially the same across all six cases when they are not sensitive to the positions, the types of industry and the uniqueness of both Dutch and Japanese cultures.

Because most data and evidence in this study are not quantifiable, these data and evidence are managed in a way to facilitate data analysis and interpretation. Data management and analysis also need instrumentation. A pre-structure case report minimises data overload by arranging the data and the evidence in the format according to the constructs in the reference for the further analogy with other cases. This format pinpoints the main characteristics of each company. This report is mainly used for a within-culture, within-case analysis. An

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explanatory effects matrix organises all constructs according to the logic of causality in the model. This matrix is chiefly used for a within-culture, within-case analysis. Because this matrix links the data to the model, its results are used to compare with the results from the other matrices in comparative tables. The tables arrange the data and the evidence for a within-culture, cross-case analysis according to the matrices of all six cases (See Table 7.1-7.5 in Chapter 7 and Table 8.1-8.5 in Chapter 8). These tables can detect both similarity and dissimilarity for generating the empirical propositions for this study in Chapter 9.

6.10 Evidence analysis and interpretation

This study employs an embedded multiple-case design to explain the causality between national culture and SMP. This study has to ensure idiosyncrasy of each case, to identify the commonality and the patterns within each culture, and to detect the underlying similarities and differences between both cultures under the guidance of the reference model. Its comparative analysis and its interpretation comprise the following seven steps: (1) data management, (2) a within-case analysis, (3) a within-culture, cross-case analysis, (4) a comparison between within-culture, cross-case analysis and extant literature on Dutch and Japanese MNCs, (5) a cross-cultural, cross-case analysis, (6) a comparison between the cross-cultural, cross-case analysis and the reference model and (7) member checking. The procedure of evidence analysis and interpretation is shown in Figure 6.1

6.10.1 Data management is important because the interpretation of events must be significant and coherent. All data were decoded and translated by the author. To facilitate data retrieval, data reviews and data codification, all captured data are kept in separate files for each company. However, the qualitative data collected for this study are enormous. To avoid any confusion, these data are categorised, codified and written down in a pre-structure case format. Because this study uses *a priori* conceptual framework as the reference model, the pre-conceived constructs in consistence with the model are established as a basis for this categorisation and codification. These constructs are used to arrange these data in schemes, tables, diagrams and flowcharts that facilitate the comparison under the definition of the model and the research questions. With the application of these arrangements, each case relies on the conceptual propositions. With this application, internal validity is likely to be improved if the data analysis is proper, systematic and adequate (Ragin, 1987; Heartley, 1994; Miles & Huberman, 1994; Yin, 1994; Maxwell, 1996; Neuman, 1997).

Figure 6.1: The procedure of evidence analysis and interpretation
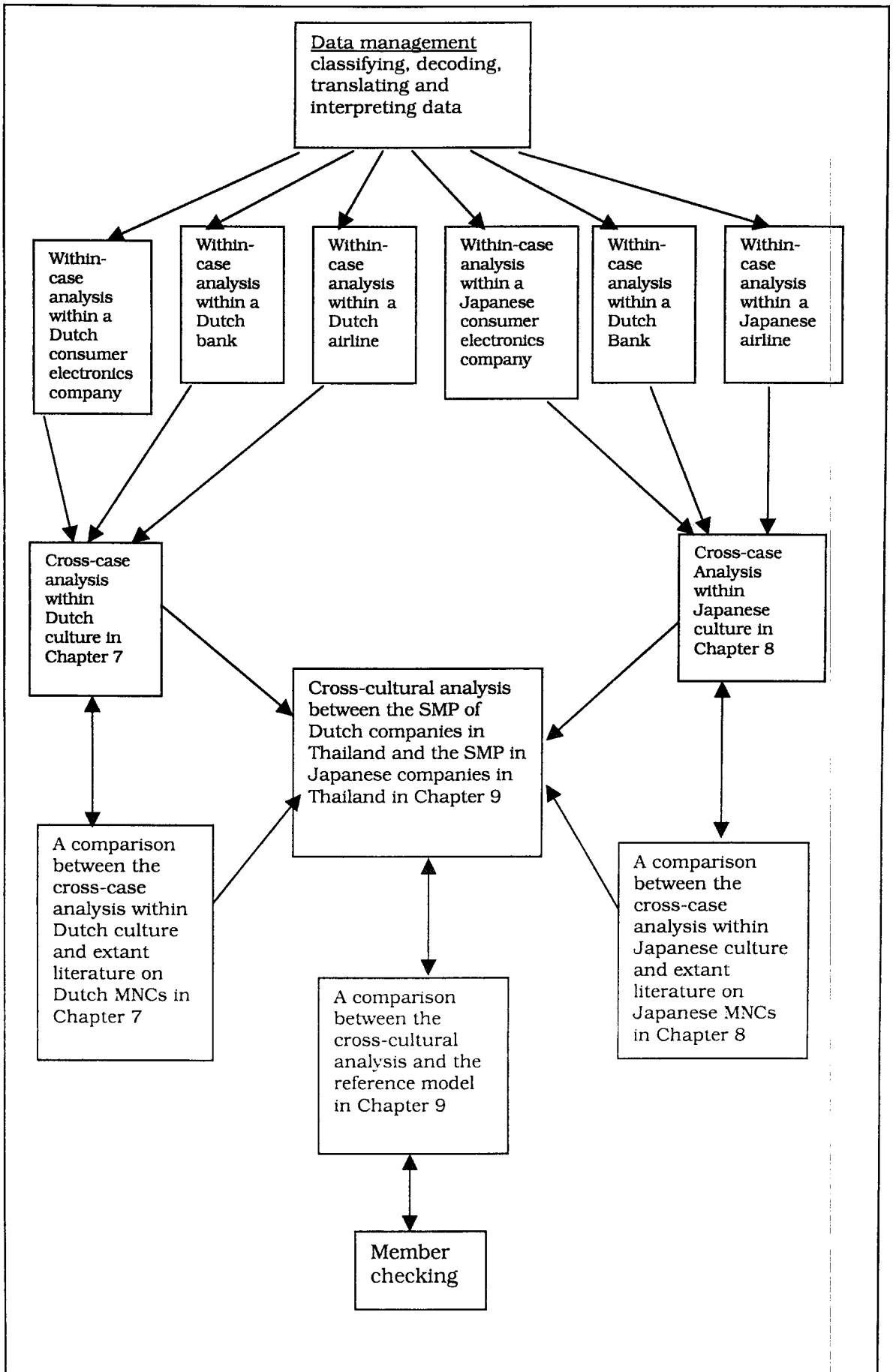
6.10.2 Within-case analysis must precede cross-case pattern-matching because the strategy patterns obtained from each company must be compared with construct patterns in the reference model. This analysis minimise the author's enthusiasm to make a comparison rather than to define the SMP in his analogy by building the explanations for this study, formulating the propositions, searching the evidence for 'why' behind the relationship between national culture and SMP and linking the data to the emergent theory (Ragin, 1987; Parkhe, 1993).

This analysis delves into each company for more detailed information of and a more profound insight into the relationship between national culture and SMP. Because this in-depth analysis often results in idiosyncrasies from each case with data overload minimising a theoretical comprehension (Eisenhardt, 1989; Vaughan, 1992; Walton, 1992; Parkhe, 1993; Neuman, 1997), an explanatory effects matrix is constructed to clarify a domain of conceptual terms for this within-case analysis.

For an individual company, all documents and all archival records are sorted out and rewritten chronologically. This write-up becomes each company's history. From each history, each event is classified and codified for the data management in compliance with the format. So are the transcribed interviews, both structured and unstructured. To guide the analysis through the logic of causality under the model, this matrix sorts out the data captured from the documents, the archival records and the interviews according to the pre-conceived constructs in the reference model (Miles & Huberman, 1994). By linking the viewpoints of the top executives, the key informants, the industry experts and the journalists with the documents and the archival records for each company, the triangulation of sources in the matrix ensures the validation of data (Miles & Huberman, 1994; Stake, 1995). To create pattern-displays within each case for further comparisons in the within-culture, cross-case analysis, and the cross-cultural, cross-case analysis respectively, a causal network for each case is built to identify independent and dependent variables, the relationship between both of them, SMP and patterns and the agents or actors in SMP (Miles & Huberman, 1994). To avoid unwitting force-fitting data to the reference model, Vaughan (1992) proposed two following safeguards (p 196-197):

1. Particularity in each case must be explained to delay confirmation.
2. Variation in the data can delay confirmation of the author's preconception.

6.10.3 Within-culture, cross-case analysis ensures the cultural validation that can be achieved only after the pattern-displays, such as the explanatory effects matrix and the causal network created from the within-case analysis. After the meaningful insight into the impact of national culture on SMP in each company takes shape, comprehension of SMP in each culture from pattern-matching and replication logic is the following step (Walton, 1992; Yin, 1994). Because this analysis bases the comparison between three companies from different industries within each culture on

the patterns emerging from the within-case analysis, a Dutch company is compared with the other Dutch companies. So is a Japanese company (Ragin, 1987; Yin, 1994). Each of three explanatory effects matrices of the Dutch and the Japanese cases are combined into the two cased-order effects matrices for each culture. Each of three causal networks of the Dutch and the Japanese cases are integrated into the two cross-case causal networks for each culture (Miles & Huberman, 1994).

The explanatory effects matrices make contrasts and comparisons among three cases in each culture under the guidance of the reference model. Under pattern-matching and replication logic, patterns and themes of each culture are noted. To identify the clearer strategy patterns, some constructs are clustered and partitioned. The cross-case causal network is a comparative analysis between all cases within each culture as a consequence of the matrices. After the integration of all cases into each culture, all causal streams for each case leading to the independent variables are isolated for the analysis. For pattern-matching, the variables in all cases with the same outcome in each culture are matched. The scenarios for similar and contrasting outcomes, patterns and themes are verified. To minimise the variation in the three cases in each culture, the idiosyncrasy in each case are subsumed into the commonality in each culture.

The strategy patterns emerging from an analogy between the cases within each culture provide a basis for establishing the modest empirical generalisation within each culture and the equivalent patterns for comparing both Dutch and Japanese cultures in the cross-cultural, cross-case analysis (Ragin, 1987; Vaughan, 1992; Walton, 1992; Yin, 1994; Miles & Huberman, 1994).

6.10.4 A comparison between within-culture, cross-case analysis and extant literature on Dutch and Japanese MNCs

The comparison between existing literature on Dutch and Japanese MNCs and the cross-case analyses within both Dutch and Japanese cultures is a strategy to understand the impact of both cultures on the SMP in both Dutch and Japanese companies in Thailand respectively. This literature gives an insight into the relationship between these Dutch and these Japanese companies and their parent companies in the Netherlands and Japan respectively. It examines the possible influence of the parent companies embedded in their national culture on their SMP in Thai subsidiaries. The incorporation of the characteristics of Dutch MNCs into the cross-case analysis within Dutch culture enhances an insight into SMP in each Dutch company in Thailand in Chapter 7. So does the integration of characteristics of the Japanese MNCs into the cross-case analysis within Japanese culture in Chapter 8. The integration on both sides provides a good basis for analogy in the cross-cultural, cross-case analysis. Within each culture, this strategy is to uncover the commonality and the discrepancy among the cases, and then assert the

generalisation across all cases (Parkhe, 1993). Hence, this comparison enhances external validity within each culture.

6.10.5 Cross-cultural, cross-case analysis validates the impact of national culture on SMP, so the comparative analysis between Dutch and Japanese cultures must be systematically illustrated. Without the shared frame of reference across cultures around the world, cross-national differences are more difficult to interpret than cross-national similarities. After strategic patterns within each culture are established from the within-culture, cross-case analysis, the analogy between the impact of Dutch culture on the SMP of the Dutch companies in Thailand and that of Japanese culture is feasible. These patterns easily detect cross-cultural commonality, but hardly find discrepancy across cultures. The superficial similarities might conceal some underlying differences. The apparent differences might be either real or artifactual. A knowledge of and familiarity with both cultures are crucial for construing the events. To generate the empirical propositions in Chapter 9 from the particular Dutch and Japanese SMPs, the cross-case causal networks within both cultures are compared and analysed. The pattern-matching logic is not applied to the cross-cultural, cross-case analysis.

6.10.6 A comparison between cross-cultural, cross-case analysis and the reference model Because the causality in the reference model and the research questions is clearly defined, a comparison between empirically based patterns and predicted ones is possible. If the patterns between empirical and theoretical outcomes coincide, the results can strengthen internal validity within each culture. The cross-cultural, cross-case analysis generates the empirical propositions that are compared with the conceptual propositions under the guidance of the reference model. From this comparison, if the empirical propositions support the conceptual propositions, both of them will converge on the propositions for the future research. If not, the conceptual propositions will be discarded, but the empirical propositions will become these propositions, too. The comparison between the cross-cultural, cross-case analysis and the reference model in Chapter 9 is an interaction between theory and empirical data. From this analogy, the relationship between national culture and SMP is redefined and the reference model is modified to capture the reality, because the new constructs might emerge from this interaction.

6.10.7 Member checking is a revisit to the respondents for verifying interpretation. The author revisits the chosen companies and re-examines all data through member checking when contradictions and discrepancies are found (Brannen, 1996; Padgett, 1998). Member checking can be easy if the data sources are in the personal network of the author, Thai government agencies and rank-and-file employees in the companies under this study. It can be difficult if the sources are the top executives who have a very limited time. In this study, the researcher

writes an e-mail to these executives and they are willing to answer the questions and clarify the contradictions and the discrepancies in the findings.

6.11 Conclusion

In reply to the rationale behind methodological development in Chapter 5 and the call for more rigorous research into comparative management, this study employs an embedded multiple-case study as a research design. After discussing the advantages and limitations of the choice between using and not using a reference model, this study uses the reference model developed in Chapter 2 as a guidance to prevent overwhelming data and stimulate pattern-matching for case analogies and analyses. To avoid the problem of incorrect levels of reference, the national cultures of the Netherlands and Japan are used as explanatory units of analysis, and SMPs in both Dutch and Japanese companies in Thailand are used as observational units of analysis. Because this study has two levels of reference, observational units of analysis are embedded in explanatory units of analysis. To capture the relevant evidence and data, and to depict the extent to which national cultures of the Netherlands and Japan have an impact of on the SMPs of these Dutch and these Japanese companies, all conceptual definitions are operationalised as namely, power distance, individualism-collectivism, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation, environmental scanning, strategy formulation, strategy implementation, evaluation and control and corporate performance.

Multiple cases represent the whole Dutch and Japanese cultures better than a single case. Six cases are chosen on the theoretical, not sampling basis. Three pairs of cases are matched on the basis of both home countries of parent companies, the Netherlands and Japan and types of industry. All six cases are located in Thailand. To enhance generalisability within Dutch and Japanese cultures, each pair of cases is selected from three diversified sectors, namely consumer electronics, banks and air carriers are. To capture data, secondary data analysis, archival records, documentation, interviews are the source of evidence.

To discover idiosyncrasy in each six case, the commonality among three Dutch and three Japanese cases and the comparability among the three matched pairs of cases, this study employs three levels of analysis, namely, a within-case analysis, a cross-case analysis within each culture and a cross-cultural, cross-case analysis in combination with both extant literature on Dutch MNCs and that on Japanese MNCs in terms of culture and management. If some scepticism is occurred, the member checking is conducted by revisiting the research sites. The result of the within-case analysis and the cross-case analysis within Dutch culture will be discussed in Chapter 7 and that within Japanese culture will be argued in Chapter 8. The outcome of the

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cross-cultural, cross-case analysis will be discussed in Chapter 9. The assumed linkage between national culture as a predictor at macro level and SMP as a dependent variable at micro level will be used to explain the evidence in Chapter 7, 8 and 9 and to formulate the empirical propositions in Chapter 9.

CHAPTER 7:

SMPS OF DUTCH COMPANIES IN THAILAND

7.1 Introduction

Dutch companies in Thailand, including the three Dutch cases under this study are part of the world-wide operation of Dutch MNCs. To guarantee the anonymity of the Dutch cases and all interviewees, DCE, DB and DA are designated for a Dutch consumer electronics firm, a Dutch bank and a Dutch air carrier in Thailand. The characteristics and the brief history of DCB, DB and DA are important to the comprehension of the SMP in their subsidiaries in Thailand. Their parent companies were found in different years in the Netherlands and entered Thailand in different years, too. The world-wide organisation of DCE, DB and DA partly determines their overseas subsidiaries and operations everywhere including their Thai operation. To understand the individuality of each Dutch company and the similarities and differences among these three cases, the comparison of characteristics among them is discussed in section 7.2 with regard to the years of their foundation both in the Netherlands and in Thailand, their flow of reports, their organisational structures, their legal statuses and the characteristics of their workforce as expressed in Table 7.1.

To discuss these idiosyncrasies, similarities and differences among the Dutch cases according to Wheelen and Hunger's model, section 7.3 compares the environmental scanning of DCE, DB and DA in Table 7.2 and describes it for DCE, DB and DA in Figure 7.1, 7.2 and 7.3 respectively. Section 7.4 compares the strategy formulation of DCE, DB and DA in Table 7.4 and explores it for DCE, DB and DA in Figure 7.4, 7.5 and 7.6 respectively. Section 7.5 compares the strategy implementation of DCE, DB and DA in Table 7.6 and describes it for DCE, DB and DA in Figure 7.7, 7.8 and 7.9 respectively. Section 7.6 compares the evaluation and control of DCE, DB and DA in Table 7.8 and explores it for DCE, DB and DA in Figure 7.10, 7.11 and 7.12 respectively. As a result from both the within-case analysis of each Dutch company in Figure 7.1-7.12 and the cross-case analyses within Dutch culture in Table 7.1-7.9, idiosyncrasies in each Dutch case and some commonalities and differences among all Dutch cases are discussed.

The similarities among the Dutch cases in terms of environmental scanning, strategy formulation, strategy implementation and evaluation and control is used as a basis for identifying the common SMP of the Dutch companies in Thailand. The Dutch SMP as a result of the cross-case analyses within Dutch culture in this chapter is used to compare with the Japanese SMP as a result of the cross-case analysis within Japanese culture from Chapter 8 in Chapter 9. This comparison is used to formulate the empirical propositions for the conclusion of this analysis. To reformulate the

propositions for the conclusion of this study and for the future research, the empirical propositions from this analysis is used to compare with the conceptual propositions from Chapter 4. The differences among them are used to elaborate the idiosyncrasies of each Dutch case and to discuss these idiosyncrasies in Chapter 10. Section 7.7 arrives at a conclusion.

7.2 The comparison of Dutch cases

To understand the similarity and difference among the Dutch cases, the profiles and characteristics of these cases are expressed in Table 7.1.

Table 7.1: The characteristics of Dutch companies in Thailand

Characteristics	Dutch consumer electronic (DCE)	Dutch bank (JB)	Dutch airlines (DA)	Remarks
Year of foundation in home country	1891 AD (Humes, 1993; Metze, 1993; Sluyterman & Winkelman, 1993; Bartlett & Ghoshal, 1998; de Goey, 1999)	1824 AD (Sijbrands & Eppink, 1994; Janssen, April 1995; de Goey, 1999)	1919 AD (Lawrence, 1991; Bangkok Post, 1999, September 20)	
Year of entry into Thailand	1952 AD (Thapanachai, 2000, January 26)	1991 AD as representative office; 1994 AD as full branch (Janssen, April 1995)	1929 AD (Bangkok Post, 1999, September 20)	
Type of business	Consumer Electronics	Bank	Airlines	
Legal status	Branch (NSO--in DCE' s term) (DCEI1*)	Branch (DBI1)	Branch (DAI1; DAI2)	
The number of staffs in Thailand	5,000 (DCEI1; DCEI2)	200 (DBI1; DBI2)	200 (DAI1; DAI2)	
The head of Thai organisation	The Chairman & Managing Director (DCEI1)	Branch manager (DBI1; DBI2)	General Manager (GM) (DAI1; DAI2)	
Report to	The Chairman & Managing Director & Regional head office (DCEI1)	Country manager & Regional head office (DBI1; Woo, 1998, September 11)	Regional head office (DAI1; DAI2)	
Regional Head Office	Asia-Pacific Regional Headquarters in Singapore	Asia-Pacific Regional Office in Singapore	Southeast Asian Head Office in Singapore & Asia-Pacific Head Office in Hong Kong	
Headquarters	Amsterdam, the Netherlands	Amsterdam, the Netherlands	Amstelveen, the Netherlands	
Nationality of Chairman	British (DCEI1)	N/A	N/A	No chairman for DB & DA
Nationality of CEO/MD	Thai (DCEI1)	Dutch (DBI1; DBI2)	Dutch (DAI1; DAI2)	
Nationality of CFO/FM	Dutch (DCEI1)	Dutch (DBI2)	Dutch (DAI1; DAI2)	
Who controls Thai operation	Dutch (DCEI1; DCEI 2)	Dutch (DBI1; DBI2)	Dutch (DAI1; DAI2)	
The number of expatriates from home country	1 Dutchman (DCEI1; DCEI 2)	3 Dutchmen (DBI2)	7 Dutchmen (DAI1; DAI2)	

Table 7.1: The characteristics of Dutch companies in Thailand (continued)

Characteristics	Dutch consumer electronic (DCE)	Dutch bank (JB)	Dutch airlines (DA)	Remarks
The number of third-country managers/staffs (not Dutch, not Thai)	1 (DCEI1; DCEI 2)	2 (DBI2)	0 (DAI1; DAI2)	DA used to have a third-country staff
The number of department/division	7 divisions (DCEI1; DCEI 2)	5 divisions (DBI1; DBI2)	7 divisions (DAI1; DAI2)	

*) These abbreviations refer to the respective interviewees.

All Dutch cases in this study are a part of three Dutch MNCs that have a world-wide operation in the three businesses, namely consumer electronics, banking and air carriers. The SMPs of these cases are restricted to corporate level in Thailand.

This investigation limits the activities in DCE only to the marketing operation for audio-visual products, those in DB only to the corporate banking and those in the DA only to the passenger service. All of them was established in the Netherlands and started their operation in Thailand in different years. All of them have a legal status of a branch of a foreign company.

7.2.1 DCE started its operation in Thailand in 1952 with a various range of lighting products, home appliances, audio-visual equipment and other professional products and systems available to Thai customers. Its parent company was founded in Eindhoven, the Netherlands on 5th May 1891 (Humes, 1993; Metze, 1993; Sluyterman & Winkelman, 1993; Bartlett & Ghoshal, 1998; de Goey, 1999; Thapanachai, 2000, January 26).

DCE set up its first manufacturing unit, the lamp factory at Bangna District, Bangkok, Thailand in 1960. The factory has produced high quality incandescent and fluorescent lamps since then. In 1973, it founded the television factory to produce all most up-to-date television sets ranging from 14 inch to 29 inch- screen sizes for Thai market.

In May 1986, His Majesty the King of Thailand awarded DCE the Royal Garuda in recognition of meeting stringent qualifications in rendering a service to the Royal Household and for a contribution to national development. DCE is the first foreign company in Thailand that receives this award. Only few Thai and foreign companies are entitled to use this Garuda, the national emblem of Thailand for all corporate purposes. The other multinational companies who receive this award include IBM, Unilever, and Royal Dutch Shell. It was a reward for 34 years of DCEs' generosity.

DCE is well-known for empowering its overseas subsidiaries. Its Thai staff, not Dutch expatriates predominantly run DCE in Thailand. All country managers are Thai, but the financial manager is Dutch according to DCE's world-wide financial control. DCE constitutes a commercial unit and several manufacturing

units with more than 5,000 employees. The commercial unit as National Sales Organisation (NSO under DCE's term) has seven marketing divisions comprising consumer electronics, lighting, domestic appliance and personal care, medical system, business electronics, semiconductors and components. Since September 1999, a Briton has succeeded a Dutchman as the chairman and managing director of DCE in Thailand. He acts as the governing body of this NSO. Under DCE's matrix reporting system, each general manager of the seven divisions reports to both the country chairman and each corresponding product group manager at the Asia-Pacific Regional Headquarters in Singapore as its RHO. These regional product group heads, in turn, report to the HQs' product divisions responsible for the world-wide policy of each product. With regard to the reporting system, financial control and general policy, the Dutch control Thai operation (Eppink & van Rhijn, 1988; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; Olie, 1996; Brouthers, K D & Brouthers, L E, 1997).

The globalisation of the world's market has made the multi-domestic structure of DCE ineffective. To fight Japanese consumer electronics giants, whose strategy and structure are more globalised, DCE has adopted more global strategy to its multi-domestic structure (Eppink & van Rhijn, 1988; Hampden-Turner & Trompenaars, 1994; Volbeda, 1997). DCE's world-wide reorganisation has affected Thai NSO since 1990.

DCE founded the luminaire factory at the Bangpoo Industrial Estate in the mid-1991. This factory manufactures a complete range of battens and luminaires. As an international production centre (IPC), the factory serves both Thai and regional markets. In 1993, its lamp factory relocated from Bangna District to the Bangpoo Industrial Estate. The factory manufactures a full range of lamps and lighting products to serve both Thai and regional markets.

7.2.2 DB is a result of many mergers between several Dutch banks in the past. Among these merged banks, the oldest one was established in 1824 as *Nederlandsche Handel Maatschappij* (NHM- The Netherlands Trading Society). DB opened a representative office in Thailand in September 1991. DB opened a Representative Office at 38, Convent Rd, Q House Convent, 13th Fl in Silom Bangrak managed by Clive M Albrecht. At the end of January 1992, Senior Executive Vice President of the International Division officially opened this office. In March 1993, Bank of Thailand (BOT) granted DB an off-shore banking licence of Bangkok International Banking Facilities (BIBF) effective from October 1993. Thailand has granted only 14 foreign bank full-branch licences since 1888 on the basis of one country, one licence. Because the licence for a Dutch bank had passed to Chase Manhattan through the acquisition of the Bangkok branch of *Nationale Handelsbank* from *Rotterdamsche Bank* in 31st December 1963, DB were not allowed

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to open a full branch until 1994 (Sijbrands & Eppink, 1994; Janssen, 1995, April; American Banker, 1998, October 22; de Goey, 1999; Soeteba, 2000).

Bank of America and Security Pacific Corporation merged in the US in 1992. This merger left over one full-branch licence in Thailand. DB decided to buy this licence on 3rd October 1994; otherwise, it had to wait until 1997 to see BOT would choose it for one of the five new banking licences. On 23rd September 1994, DB received a substitute full-banking licence from BOT instead of the original leftover one. Under this licence, DB has become the first foreign full-banking branch since 1st December 1994. In this year, BOT also granted DB a debt-underwriting licence and a debt-trading licence. In January 1995, DB received two Provincial International Banking Facility (PIBF) Licences to operate restricted branches in Chiang Mai and Rayong provinces (Janssen, 1995, April; Jirapisunkul, 1997, January 20; The Nation, 1997, March 10; Soeteba, 2000).

By 1997, DB had 100 employees in Bangkok branch. On 1st July 1998, DB agreed to acquire a 75% stake in the Bank of Asia (BoA), Thailand with 110 branches throughout the country. On 9th September 1998, the official signing ceremony took place in Bangkok (The Nation, 1997, March 10; Soeteba, 2000).

Under the matrix arrangement throughout Asia-Pacific, most employees in the line function in Thai branches have two bosses. The branch manager reports to New Growth Market Division and International Division at the HQs in Amsterdam and Chief Executive Officer Asia-Pacific at Asia-Pacific Regional Office as its RHO in Singapore and the country manager of Thailand. Since DB took over BoA in 1998, the country manager has moved from DB's Bangkok branch to BoA's head office. Because the country manager reports to BoA's vice president and, in turn, to BoA's president, the chain of command is quite complicated. BoA has charge of retail banking, while DB's Thai branches take charge of corporate banking (Woo, 1998, September 11, Soeteba, 2000).

The country manager acts as the governing body of Thai branches. The chief executive of corporate banking is Bangkok branch's manager. Both the country and the branch managers are Dutch. All three Thai branches employ 200 staff comprising Dutch, Thais and other nationalities. These branches have five divisions. Each head of divisions reports to the branch manager and their corresponding bosses at the RHO at the same time. In term of its reporting system, its financial control and its general policy, the Dutch control Thai operation for corporate banking.

7.2.3 DA is the world's first airline with the original name. It has continued to use this name since its foundation in October 1919. DA initiated the experimental flight from Amsterdam to Indonesia in 1924. This flight lasted for 55 days with the distance of 15,373 kilometres. During this flight, DA's aircraft landed

in Thailand for the first time in November 1924. Because DA decided to include Bangkok as a stopover in its Asian route network, the first aircraft for regular service landed at Don Muang Aerodrome, Bangkok on 20[th] September 1929. This was its first commercial presence in Thailand (Lawrence, 1991; Bangkok Post, 1999, September 20).

DA's legal status is a branch of a foreign company with 200 employees. The composition of staff is currently Dutch and Thai, but DA used to have a British manager in the past. The general manager (GM) in Thailand not only acts as the governing body and the chief executive for Thai operation simultaneously, but also oversees the operations in Indochina. Both GM and the financial managers are Dutch. To ensure the interdepartmental communication and to enhance the reliability in Thai operation, all heads of seven divisions are Dutch. All Dutch expatriates report to their corresponding managers at Southeast Asian Head Office as its RHO in Singapore and these managers report to their corresponding bosses at Asia-Pacific Head Office as its RHO in Hong Kong and their corresponding directors in the HQs in the Netherlands. GM in Thailand usually deals with Executive Vice President Passenger Sales for pricing. With respect to its reporting system, its financial control and its general policy, the Dutch control Thai operation. Because DA has been in Thailand for 71 years, DA has its own warehouse for cargo service, own accommodation and training centre for its crews and its trade union. DA is capable of providing maintenance service for other airlines in Thailand.

In 1997, DA became the first Loxcom's customer for a free-of-charge 3-minute pin phone card for using at Schiphol Airport. Loxcom is a Thai-Dutch joint venture. In 1998, DA set up Gate Gourmet Co, a subsidiary for catering service in Thailand. Likewise, DA and an American carrier shared the same space in Bangkok. DA operated mainly during the night while the American carrier did mainly during the day. In April, DA and Golden Exotic Co, Ltd, a Thai exporter of fruits and vegetable collaborated to set up the new perishable service centre in Bangkok for the perishable export goods. To cut operating costs and costs of office space by half, DA and the American carrier merged their airport office in Bangkok (Limchevawong, 1997, April 29; The Nation, 1997, April 29; Khompeera, 1998, September 26; Jirasakunthai, 1998, November 7, 1999, May 4; The Nation, 1999, February 4).

7.2.4 Similarity All Dutch cases have a legal status of a foreign branch in Thailand. DB and DA have approximately the same size and the same number of employees. All of them have to report to the RHOs located in Singapore at its first hand. The country managers in DCE have to report to the country chairman, the head of Thai NSO, whereas the branch manager in DB has to report to the country manager in Thailand. Thus, the report systems in DCE and DB are under the matrix arrangements. The HQs of all Dutch companies is located in Amsterdam

even if the HQs of DA is situated in Amstelveen nearby Amsterdam. The nationality of the branch manager of DB and the general manager of DA is Dutch. The nationality of all financial heads in all Dutch cases is Dutch, because these heads know both Dutch language and the Dutch accounting system. Their knowledge can ensure the financial uniformity throughout the world. The Dutch control Thai operation through financial means. All of them can employ third-country managers and staff in Thai branches even if DA does not do it currently. The number of divisions in all of them is between 5-7 divisions. The majority of employees in all of them are Thais.

7.2.5 Difference DB is the first among all Dutch cases found in the Netherlands, but the last one among them entering Thailand. DA is on the other way round. All of them are operating in three different industries. DCE has much more staff than DB and DA have. DA's GM reports only to its Southeast Asian Head Office in Singapore, in turn, report to its Asia-Pacific Head Office in Hong Kong and finally to its HQs in Amstelveen, not to other bosses in Thailand. DA's report system is not under the matrix arrangements. Only DCE currently has a British chairman. The nationality of country managers in DCE is Thai. The number of expatriates from the Netherlands is varied in all of them, but it is well below the limit under Thai labour law. In DCE, the country managers are the heads of Thai operation for each product group. In DB, the branch manager is the head of Thai operation for corporate banking. In DA, GM is the head of the operations in Thailand and Indochina.

Table 7.2: The environmental scanning in Dutch companies in Thailand

Environmental Scanning	DCE	DB	DA
Frequency of scanning	Almost everyday (DCEI1*)	Very often (DBI1)	Very often (DAI1; DAI2)
Long-term Information gathering	Internal and external audit units collect information twice a year (DCEI1)	Employ external consultants and researchers only in important case ie investment (DBI1)	Employ external consultants and researchers regularly (DAI1; DAI2)
Regular information for making strategy	Ask subordinates to do and buy from agencies (DCEI1)	Ask subordinates to collect extensive data from World bank, IMF, EIU, BOT and newspapers (DBI1)	Ask subordinates to collect extensive data from TDRI and BOT (DAI1; DAI2)
Environmental analysis	Use working group, but country manager analyses the strategic issues (DCEI1)	Branch manager analyses the strategic issues (DBI1)	Use working group, but country manager analyses the strategic issues (DAI1; DAI2)
Political risk assessment	Country manager does, but DCE avoid political involvement and litigation (DCEI1)	Branch manager does, but DB avoid political involvement and litigation (DBI1)	Political risk affects only sales, but DA avoid litigation (DAI1; DAI2)
SWOT & criteria	Theoretical and practical classification into threats and opportunities (DCEI1)	See threats and opportunities at the same time but more opportunities (DBI1)	See threats and opportunities at the same time but more opportunities (DAI1; DAI2)

Table 7.2: The environmental scanning in Dutch companies in Thailand (continued)

Environmental Scanning	DCE	DB	DA
Opportunities & Threats	Mixed up; opportunities: open economy; threats: strong competition, diversified distribution system, creative way to cut costs (DCEI1)	Depend on Thai government's policy whether favourable or not, especially liberalisation of banking sector (DBI1)	No visible threats, but less intensifying competition causes more opportunities (DAI1; DAI2)
Key success factors	Process, technology, imagination, human resource (DCEI1)	Good publicity and image, credibility, superior products, technology (DBI1; The Nation, 1997, July 14; Nivatpumin & Ingsrisawang, 1999, June 25)	Top-5 European airline, conservatism, partnership with an American airline, reliable service (DAI1; DAI2)
Main weaknesses	Unclear brand image and clumsy marketing (DECI2; CEJ1; CEJ2; Bangkok Post, 1998, June 11; Thapanachai, 2000, January 26)	DB can leave Thailand anytime if it will not see the long-term prospect any more (BJ2)	Low profile and unclear corporate image (AJ)
Changing Environment	Cause threats and opportunities concurrently (DCEI1)	Cause threats and opportunities concurrently (DBI1)	Cause more opportunities (DAI1; DAI2)
Trend of industry	More competition (DCEI1)	Expected economic recovery, long-term growth and political stability (DBI1; Woo, 1998; December 30; Kanoksilp, 1999 September 16)	Less competition (DAI1; DAI2)
Industry mobility and barrier	Intensifying competition (DCEI1)	The number of BOT's licence, protective policy for local banks and discriminatory regulation and capitalisation for foreign banks (DBI1)	Deregulation, merger and acquisition and strategic alliance (DAI1; DAI2)
Future	Good (DCEI1)	Good (DBI1)	Good, depending on forming an alliance (DAI1; DAI2)

*) These abbreviations refer to the respective interviewees.

7.3 The comparison of environmental scanning

All Dutch companies under this study have both similarities and differences in their environmental scanning in many aspects. All Dutch cases are compared in detail to find out these similarities and differences. The comparison of the environmental scanning in these Dutch cases is expressed in Table 7.2. The similarities in the environmental scanning among these Dutch cases are used as a basis for the cross-cultural, cross-case analysis with their Japanese counterparts in relation to the environmental scanning in section 9.2.1.

7.3.1 DCE has six product divisions in Thailand. Each division has its own country manager. These country managers are considered as the top executives who mainly make a strategic decision for National Sales Organisation (NSO) in Thailand. The environmental scanning process of DCE is depicted in Figure 7.1.

With regard to the informal routine information gathering, the country manager scans the environment almost everyday by asking his subordinates to gather regular information from newspapers, customers and government agencies. He sometimes buys information about the market from marketing research agencies in Thailand. He

always exchanges information with other country managers in Asia-Pacific region for the same product group. This information is external. DCE uses its own external and internal units to collect data twice a year in its formal long-term information gathering.

After gathering the information, the country manager analyses strategic issues and assesses political risks by himself. He organises a working group to help him to analyse these strategic issues internally. DCE has both theoretical and practical criteria to classify strategic issues into threats and opportunities. However, opportunities and threats are often mixed up. Thailand's open economy is a good opportunity, but causes strong competition as a threat concurrently. The diversified distribution system in Thai market causes both threats and opportunities at the same time. The creative way to cut costs and no barrier for entry causes many opportunities.

Figure 7.1: Environmental scanning (DCE)
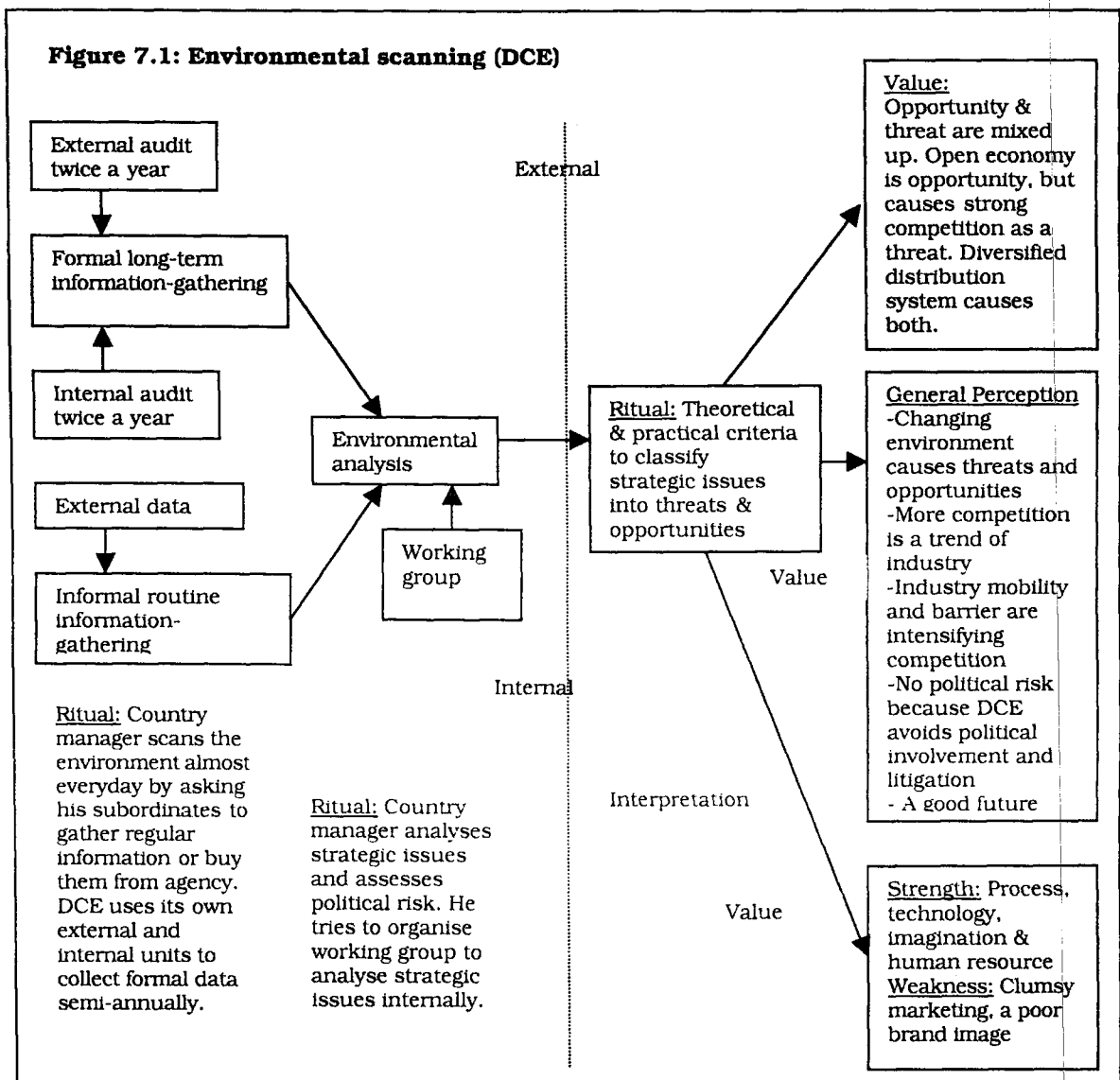
The country manager sees that the changing environment in Thailand causes both threats and opportunities. More competition is not merely the trend of Thailand's consumer electronics market, but also the mobility and the barrier of this

business. DCE perceives no political risk because it avoids political involvement and litigation at all costs. It sees a good future in Thailand.

DCE mentions process, technology, imagination and human resources as its key success factors. DCE has many cutting-edge products, such as shavers, steam irons and so on. It does not talk about its weakness. Most experts in the consumer electronics business in Thailand recognise clumsy marketing and a poor brand image as its weaknesses. It has a 'grandpa' brand image. Each product group has different positioning under the same brand name that confuses Thai customers.

7.3.2 DB has recently taken over a bank with more than 150 branches in Thailand. This acquired bank still continues using its old name, while DB's Thai branches uses DB's name. The acquired bank focuses on retail banking, whereas DB concentrates on wholesales banking. The branch manager is the top executive who mainly makes a strategic decision for Thai corporate banking operation. The country manager takes charge of both retail and wholesales banking. The environmental scanning process of DB is illustrated in Figure 7.2.

Figure 7.2: Environmental scanning (DB)

External consultant & researchers only in case of big or new investment

HQs

Formal long-term information-gathering

External data

Informal routine information-gathering

Internal data

Environmental analysis

External

Ritual

Internal

Criteria: See threats & opportunities at the same time, but more opportunities

Value

Interpretation

Value

Value: Opportunity & threat depend on Thai government policy whether favourable or not, especially liberalisation of banking sector

General Perception -Changing environment causes threats & opportunities -Economic recovery & long-term growth are a trend of industry. -Industry mobility and barrier are BOT's licence, policy & regulation for foreign banks -No political risk because DB avoid political involvement and litigation - A good future

Strength: Good publicity, superior products & technology Weakness: Short-term orientation

Ritual: Branch manager scans the environment very often by asking his subordinates to collect intensive data from IBRD, IMF, EIU, BOT & newspapers. He reports about strategic issues he perceives to HQs twice a year officially & quarterly informally. He uses this data for making a decision & devising strategy. Some information comes from credit risk departments.

Ritual: Branch manager analyses strategic issues, such as political situation, economic issues, risks & market condition.

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With respect to the informal routine information gathering, the branch manager scans the environment very often by asking his subordinates to collect intensive data from World Bank (IBRD), International Monetary Fund (IMF), Economist Intelligence Unit (EIU), Bank of Thailand (BOT) and newspapers. This information is external. Internal information comes from all credit risk departments at local, regional and global levels. DB employs external consultants and researchers only in case of a big or new investment such as acquisition in the formal long-term information gathering. He reports on the strategic issues he perceives to International Division/New Growth Market Division at the HQs twice a year officially and every three months informally. He uses this data for making a decision and devising strategy.

After gathering the information, the branch manager analyses these strategic issues, such as political situation, economic issues, risks and market conditions. DB sees threats and opportunities simultaneously, but more opportunities than threats. Its opportunities and threats depend on either favourable or unfavourable policies of Thai government towards the liberalisation of Thai banking sector in particular. If the government plans to limit the number of foreign banks in Thailand, he thinks it is a threat. If the government allows foreign banks to acquire local banks, it is an opportunity.

The branch manager sees that the changing environment in Thailand causes both threats and opportunities. Economic recovery and long-term growth are the trend of Thailand's banking sector. The mobility and the barrier for DB are BOT's licences, policies and regulations for foreign banks. DB perceives no political risk because it avoids political involvement and litigation at all costs. It sees a good and promising future in Thailand. He is very optimistic about Thailand in the long and the medium terms.

DB mentions good publicity, superior products and technology as its key success factors. It does not talk about its weakness. Most experts in Thai banking sector identify its short-term orientation as its weakness. They suspects that DB can pull out of Thailand at any time if things go wrong.

7.3.3 DA has the only one GM. He is the top executive who mainly makes a strategic decision for Thai operation. In terms of the informal routine information gathering, GM scans the environment very often by asking his subordinates to collect intensive data from Thailand's Development Research Institute (TDRI) and BOT. All data are written up into a report with an extensive list of references. This data collection is subject to the business plans of each department. This information is external. DA annually employs external consultants and researchers to collect strategic information for formulating strategy through regional meetings in the formal long-term information gathering. The environmental scanning process of DA is elucidated in Figure 7.3.

Figure 7.3: Environmental scanning (DA)

External consultant & researchers

→ Formal long-term information-gathering

External data

→ Informal routine information-gathering

Environmental analysis

Working group

External

Internal

Ritual

Criteria: See threats & opportunities at the same time, but more opportunities

Value

Value

Interpretation

Value:
No visible threat, but less intensifying competition causes more opportunities

General Perception
-Changing environment causes more opportunities.
-Less competition is a trend of industry.
-Industry mobility and barrier are deregulation, M&A, & strategic alliance.
-Political risk only affects sales. DA avoids litigation at all cost.
- A good future

Strength: Top-5 European airlines, conservatism, reliable service. Weakness: Low profile & an unclear image.

Ritual: GM scans the environment very often by asking his subordinates to collect intensive data from TDRI & BOT. This collection is subject to business plan of each department. He employs consultant & researchers to collect strategic information for formulating strategy as regional meeting.

Ritual: GM analyses strategic issues & assesses political risks. He organises working group to analyse strategic issues according to business plan of each department.

After gathering the information, GM analyses strategic issues and assesses political risks by himself. He organises a working group to help him to analyse these strategic issues according to the business plans of each department internally. DA sees threats and opportunities concomitantly, but more opportunities than threats. There is no visible threat, but less intensifying competition causes more opportunities.

DA sees that the changing environment in Thailand causes more opportunities. Because of more strategic alliances and mergers reducing the number of air carriers in the global airline industry, less competition is the trend of its business in Thailand. The mobility and the barrier for DA are deregulation, M&A and strategic alliance. Political risks only affect sales. DA avoids litigation at all costs. It sees a good future in Thailand, but it depends on its strategic alliance with other airlines.

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DA mentions a top-5 European airline, its conservatism, its partnership with an American airline and its reliable service as its key success factors. It does not talk about its weaknesses. Most experts in the airline industry specify its low profile, no effort in marketing and an unclear image as its weaknesses.

7.3.4 Similarity and difference From Table 7.3, all Dutch companies under this study share much commonality in their environmental scanning process. The HQs and the RHOs do not get involved with the environmental scanning process in all Dutch cases. All of them do not have the clear-cut criteria to differentiate between threats and opportunities even when the environment is changing. All of them use less internal data and review the situation on the *ad hoc* basis. The perception of Dutch cases is quite optimistic. This commonality among them might be related to uncertainty avoidance in Hofstede's model. This dimension is likely to be associated with the perception of risks. However, there are few differences among all of them. DCE has an internal audit unit because it has this unit in its world-wide operation. DB relies on its credit risk department for its internal information and the environmental analysis because its deals mainly with risks. Political risks cause the number of passengers to drop abruptly and DA's sales accordingly. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be described as Figure 9.2 in Chapter 9.

Table 7.3: The similarity and difference in the environmental scanning among 3 Dutch companies in Thailand

Environmental Scanning	Similarities	Differences
Frequency of scanning	All of them scan the environment very often in the informal routine information gathering.	
Long-term Information gathering	All of them employ external consultants and researchers when they need.	Only DCE has an internal audit unit to collect information twice a year and buy information from agencies.
Regular information for making strategy	All of them collect mainly external data.	Only DB relies on its credit risk department for some internal information.
Environmental analysis	The chief executives in all of them do. Only DCE & DA organise working group to support this analysis.	Only DB does not organise a working group to support this analysis.
Political risk assessment	The chief executives in all of them do. All of them avoid political involvement & litigation at all costs.	Political risks affect DA's sales.
SWOT & criteria	All of them perceive threats & opportunities at the same time, but more opportunities.	Only DCE uses theoretical and practical criteria.
Main weaknesses	DCE & DA share marketing & an unclear corporate image as main weaknesses.	
Changing Environment	All of them perceive opportunities & threats at the same time.	
Future	All of them perceive a good future.	

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7.4 The comparison of strategy formulation

All Dutch companies under this study have both similarities and differences in relation to their strategy formulation in many facets. All Dutch cases are compared in detail to detect these similarities and differences. The comparison of the strategy formulation in these Dutch cases is expressed in Table 7.4. The similarities in the strategy formulation among the Dutch cases are used as a basis for cross-cultural, cross-case analysis with their Japanese counterparts in relation to the strategy formulation in section 9.2.2.

Table 7.4: The strategy formulation in Dutch companies in Thailand

Strategy Formulation	DCE	DB	DA
Focus of strategy formulation	Thai NSO, but report to RHO for each product group, must be in line with regional strategy (DCEI1*)	HQs, RHO and Thai branch jointly formulate strategy for Thailand (DBI1)	Thai branch, but HQs controls pricing, budget is subject to sales (DAI1; DAI2)
Corporate goals	Profits, market share, brand image, top-3 brand in Thailand (DCEI1; Jitpleecheep, 1999, September 24, 1999, November 3; Paweewun, 1999, September 24; Rungfapaisarn, 1999, November 3). This goal is consistent with the regional goal (Jirapisankul, 1999, August 20; Rungfapaisarn, 1999, March 27).	Profits, customer satisfaction, top-5 bank in Thailand (DBI1). This goal is consistent with the regional goal (Granitsas, 1998, June 18; AFP, 1999, October 12; Birchall, 1999, October 12; Paramesawaran, 1999, October 12)	Profit (DAI1; DAI2)
Goal-settings	By consensus at RHO's meeting, depend on bargaining power of each country (DCEI1)	Propose plan to RHO for approval after consult with subordinates in the committee (DBI1)	By negotiation and sales (DAI1; DAI2)
Alternative generation	3 alternatives (DCEI1)	Many alternatives (DBI1)	Many alternatives (DAI1; DAI2)
Authorisation for decision-making	Thai managers, but report to RHO (DCEI1)	No devolution on single person, every decision needs a committee (DBI1; DBI2)	General manager, but report to RHO (DAI1; DAI2)
Consultation	Involved persons and subordinates (DCEI1)	Subordinates if decisions affect them (DBI1)	Trade union if decisions affect them (DAI1; DAI2)
Negotiation	With RHO for corporate goal (DCEI1)	Subordinates if decisions affect them (DBI1)	Trade union if decisions affect them (DAI1; DAI2)
Consensus	Need 70% vote (DCEI1)	Unanimity (DBI1; DBI2; Granitsas, 1998, June 18)	Need 51% vote (DAI1; DAI2)
Committee	Used (DCEI1)	Used (DBI1)	Not used (DAI1; DAI2)
Involved persons	5-8 persons in the committee (DCEI1)	3-5 persons in the committee (DBI1)	3-5 persons (DAI1; DAI2)
Perception of strategy	Satisfactory (DCEI1)	Satisfactory (DBI1)	Satisfactory (DAI1; DAI2)
Difference from HQs	Decision-making process is quicker in Thailand (DCEI1)	Decision-making process is quicker in Thailand (DBI1)	Decision-making process is quicker in Thailand (DAI1; DAI2)
Strategic document	Write down short-term plan, talk to involved person for long-term plan and confidential (DCEI1)	Write down all strategic decision, confidential (DBI1)	Write down all strategic decision, confidential (DAI1; DAI2)
Dissemination	Involved persons (DCEI1)	Involved persons (DBI1)	Involved persons (DAI1; DAI2)
Thai economic crisis	Affect strategy; some lay-off (DCEI1)	Opportunity, but dissolve some units (DBI1)	Affect outbound passengers, but offset by inbound passengers (DAI1; DAI2)

*) These abbriviations refer to the respective interviewees.

7.4.1 DCE has its branch in Thailand called 'National Sales Organisation (NSO)'. This NSO becomes more important, because Thailand has recently become DCE's key country by definition. With a gentleman's agreement, each country manager and the country chairman review the strategy for each product group twice a year. Thai NSO formulates the strategy for Thai operation, but report on it to the corresponding product group heads at the RHO for each product group. Thai strategy must be in line with the regional strategy in Asia-Pacific. Depending on the bargaining position of each country, the country manager sets goal by consensus at the RHO's meeting for each product group of each country with his own accountability. These goals are profits, market share, a good brand image and a top-3 brand in Thailand. They must be in line with the regional goals under a gentleman's agreement at the RHO.

Figure 7.4: Strategy formulation (DCE)

Process | Outcome

RHO

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision

Perception

Ritual: All his decisions are satisfactory, but the decision-making process in Thailand is faster than in HQs & RHO.

Dissemination of decisions & goals

Goals: profits, market share, brand image, top-3 brand in Thailand & in line with the regional goal under gentlemen agreement at RHO (Value)

Ritual: With gentlemen agreement, country manager & chairman review strategy twice a year. Thai NSO formulates strategy for Thai operation, but report to RHO for each product group. Strategy must be in line with the regional strategy.

Ritual: Country manager sets goal by consensus at RHO's meeting depending on bargaining power of each country.

Ritual: To achieve goals, country manager generates 3 alternatives before making decisions

Ritual: Country manager makes most strategic decisions alone, but report these decisions to RHO by phone & country chairman monthly. With top-down & bottom-up communication, some decisions need committee for 70% votes, consultation with involve person & subordinates. He negotiates with RHO about guideline. 5-8 persons participate in the committee.

Ritual: These decisions are disseminated to involved person write down only short-term plan, talk to involved persons for long-term plans. These documents are confidential. Level of secrecy is varied.

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To achieve the corporate goals, the country manager generates three alternatives before making a strategic decision. He makes most strategic decisions alone. He reports on his decisions by telephone to the RHO and the country chairman monthly. With top-down and bottom-up communication, some decisions need consultation with the involved persons and his subordinates through the committee. The number of the involved persons depends on situation. For decision-making, five to eight persons usually participate in the committee and 70% votes are needed. In general, DCE prefers a consensus to a majority decision. He negotiates with the RHO about guidelines for decision-making. The strategy formulation process of DCE is delineated in Figure 7.4.

All his decisions satisfy himself. Because Thai NSO is small with less involved persons, the decision-making process in Thailand is faster than that in the HQs and the RHO. These decisions are disseminated only to the involved persons. DCE writes down only its short-term plans. The country manager talks only to the involved persons for long-term plans. All strategic documents are confidential and their degree of secrecy is varied.

7.4.2 DB has some procedures and methods for ensuring the compliance of Thai branch with the strategy and the policy of its HQs (Sijbrand & Eppink, 1994). International Division at the HQs, Asia-Pacific Regional Office and Thai branch review strategy every year and formulate the strategy for Thai operation because some strategies need global information, some need regional one and the rest needs local one. DB has to deal with risks in these three levels. To come up with the corporate goals, the branch manager consults with subordinates in the committee in Thai branch. Then, he proposes these goals to and discusses with Chief Executive Officer Asia-Pacific in Singapore for approval. These goals are profits, customer satisfaction and a top-5 bank in Thailand. They must be in line with the regional goals in Asia-Pacific. The strategy formulation process of DB is described in Figure 7.5.

To achieve the corporate goals, the branch manager generates many alternatives before making a strategic decision, but he has to pass up some strategic decisions to the RHO. He runs many scenarios and takes many combinations of factors into account. Because no single person is allowed to make a strategic decision, every decision needs a committee for 100% vote. Only one opponent can halt the decisions. He needs to consult and negotiate with his subordinates in the committee if the decisions affect them. He has to have all his subordinates agree to what he is going to do. Three to five persons participate in the committee. The number of the involved persons depends on the situation. Depending on the scale of investment and loans, the branch manager needs approval from the HQs and the RHO.

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Figure 7.5: Strategy formulation (DB)

Process | Outcome

```
                                          HQs
                                                    RHO

  Focus of          Goal-          Alternative          Making a          Perception
  strategy    →     setting    →   generation      →    strategic
  formulation                                           decision
```

Perception

Ritual: All his decisions are satisfactory, but the decision-making process in Thailand is faster than in HQs & RHO.

Goals: profits, customer satisfaction & a top-5 bank in Thailand & in line with the regional goal. (Value)

Ritual: No single person makes strategic decisions. All the decisions need committee for 100% vote, consultation & negotiation with subordinates if the decisions affect them 3-5 persons participate in the committee. Depending on scale of investment & loan, branch manager needs approval from HQs & RHO.

Dissemination of decisions & goals

Ritual: HQs, RHO & Thai branch review strategy every year & formulate strategy for Thai operation because some strategies need global information, some need regional & the rest needs local

Ritual: Branch manager consults with subordinates in the committee in Thai branch comes up with goals & proposes goal to RHO for approval.

Ritual: To achieve goals, branch manager generates many alternatives before making decisions He runs many scenarios & take many combinations of factors into account.

Ritual: These decisions are disseminated to involved persons. Write down all strategic decisions. These documents are confidential.

All his decisions satisfy himself. Because Thai branch is small with less person, the decision-making process in Thailand is faster than that in the HQs and the RHO. These decisions are disseminated only to the involved person. DB writes down all strategic decisions and these strategic documents are confidential.

7.4.3 DA runs both cargo and passenger businesses in Thailand. Thai branch formulates strategy, especially the marketing plans for Thai operation after each branch submits data at the regional meeting, but its budgets are subject to the sales in the previous year. Passenger Sales Division at the HQs controls pricing policy in Thailand. On the basis of the sales in the previous years, GM negotiates an agreement for the goals at the RHO's meeting. This goal is profit. The strategy formulation process of DA is portrayed in Figure 7.6.

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Figure 7.6: Strategy formulation (DA)

Process   Outcome

HQs

Previous sales

RHO

Perception

Ritual: All his decisions are satisfactory, but the decision-making process in Thailand is faster than in HQs & RHO.

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision

Goals: profits (Value)

Dissemination of decisions & goals

Ritual: Thai branch formulates strategy for Thai operation after each branch submits data at regional meeting, but budget is subject to sales in the previous year & HQs controls pricing.

Ritual: Country manager negotiates about goals at RHO's meeting on the basis of previous sales.

Ritual: To achieve goals, country manager generates many alternatives before making decisions.

Ritual: Country manager makes strategic decisions, but has to report his decisions to RHO. The decisions need consultation & negotiation with trade union if the decisions affect them. The decisions need 51% votes. 3-5 persons participate in the decisions.

Ritual: These decisions are disseminated to involved persons. Write down all strategic decisions. These documents are confidential.

To achieve the corporate goals, GM generates many alternatives before making a strategic decision. He makes most strategic decisions, but has to report on his decisions to the RHO. He needs to consult and negotiate with the trade union if the decisions affect the employees. Sometimes, three to five persons participate in the meeting for making a decision and every decision needs at least 51% votes. DA does not need a permanent committee and consensus.

All his decisions satisfy himself. Because Thai branch is small with less involved person, the decision-making process in Thailand is faster than that in the HQs and the RHO. These decisions are disseminated only to the involved persons. DA writes down all strategic decisions and these strategic documents are confidential.

7.4.4 Similarity and difference From Table 7.5, all Dutch companies share much commonality in their strategy formulation process. All of them need only to, at most, report to their RHOs when they formulate strategy for Thai operation. Only RHOs have sufficient authority to approve the corporate goals. This commonality

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among them might be related to power distance in Hofstede's model. Power distance is likely to be associated with the degree of centralisation and formalisation. All of them need support for their decision-making and consultation only from the involved persons and the members of the committee. They disseminate their strategic decisions only to the involved person and the members of the committee. This similarity among them might be related to uncertainty avoidance in Hofstede's model. This dimension might be related to the demands for people's support for a consensus in strategic decision-making. However, there are few differences among all of them. The HQs only get involved only in the strategy formulation of the Dutch service companies, DB and DA. Before proposing the goals to its RHO, DB needs to consult with the committee in Thai branch. Only DA organise a non-permanent committee and DCE writes down only its short-term plans. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be depicted as Figure 9.4 in Chapter 9.

Table 7.5: The similarity and difference in the strategy formulation among 3 Dutch companies in Thailand

Strategy Formulation	Similarity	Difference
External relationship with HQs & RHO	All of them at least report to RHO when they formulate strategy. Thai strategy must be in line with regional strategy in all of them.	HQs, RHO and Thai branch jointly formulate strategy in Thailand in DB. HQs controls only pricing policy in DA strategy formulation.
Corporate goals	All of them use profit as primary goal. The goals in Thailand must be in line with regional goals.	
Goal-settings	All of them need discussions & approval at regional level & their RHOs approve goal.	Only DB need consultation with subordinates in the committee in Thai branch for setting goal.
Alternative generation	All of them need to generate at least 3 alternatives.	DB & DA generate more alternatives than DCE does.
Making strategic decisions	All of them need more than one person to make a decision. DCE & DB organise a standing committee Their chief executives need to consult & negotiate with involved person & subordinates	DA organises a non-permanent committee.
Perception of strategy	Decision-making in Thailand is faster in the Netherlands for all of these companies.	
Dissemination	All of them disseminate strategic decisions to the involved persons only & write down some strategic decisions & long-term plan. These documents are confidential to varied degree.	Only DCE writes down its short-term plans.

7.5 The comparison of strategy implementation

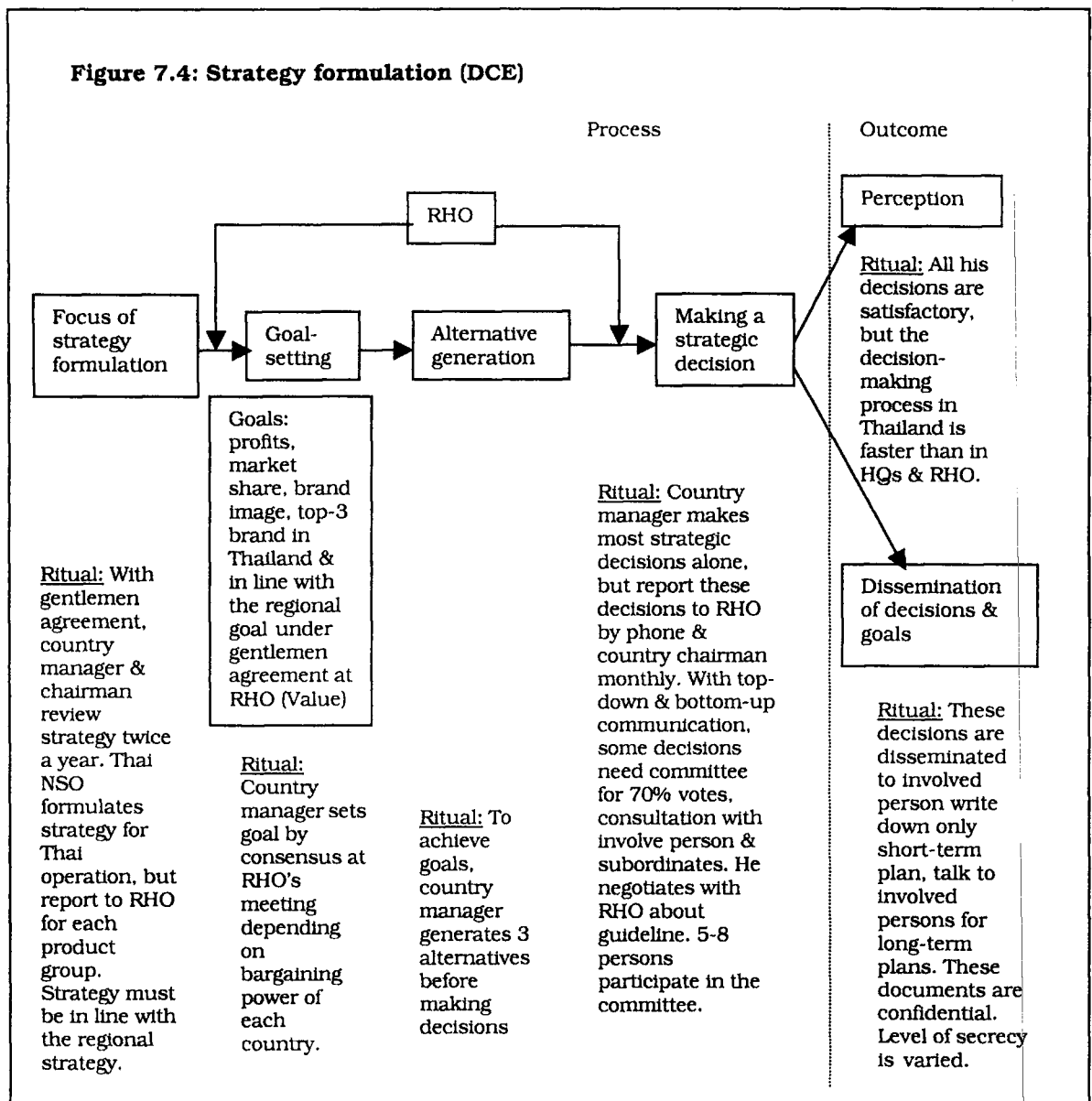All Dutch companies under this study have both similarities and differences in relation to their strategy implementation in many features. All Dutch cases are compared in detail to uncover these similarities and differences. The comparison of the strategy implementation in these Dutch cases is expressed in Table 7.6. The similarities in the strategy implementation among the Dutch cases are used as a basis

for the cross-cultural, cross-case analysis with their Japanese counterparts in relation to the strategy implementation in section 9.2.3.

Table 7.6: The strategy implementation in Dutch companies in Thailand

Strategy Implementation	DCE	DB	DA
Programme/Policy-setting	Country manager for his product group (DECI1*)	Branch manager and RHO (DBI1)	General manager (DAI1; DAI2)
Budget setting	Country manager with advice from financial manager (DECI1)	Branch manager proposes budget to the committee and presents it to RHO (DBI1)	General manager (DAI1; DAI2)
Budget and short-term plan approval	Country manager, but report to RHO (DECI1)	Branch manager mostly for marketing activities (DBI1)	General manager (DAI1; DAI2)
Corporate rules & procedure	Country manager (DECI1)	Branch manager (DBI1)	General manager (DAI1; DAI2)
Structural determination	Country manager with office lay-out (DECI1)	Branch manager (DBI1)	General manager (DAI1; DAI2)
Manpower management	Human resource managers (DECI1)	Human resource managers (DBI1)	Human resource managers (DAI1; DAI2)
Recruitment & training	Human resource department (DECI1)	Human resource department (DBI1)	Human resource department (DAI1; DAI2)
Special Techniques	MBO, TQM, JIT (DECI1)	No (DBI1)	TQM (DAI1; DAI2)
Mobilisation	Country manager (DECI1)	Branch manager (DBI1)	General manager (DAI1; DAI2)
HQs & RHO involvement	Report to RHO only (DECI1)	Little involvement, only supporting role (DBI1)	Sometimes in recruitment process, mostly pricing (DAI1; DAI2)

*) These abbreviations refer to the respective interviewees.

7.5.1 DCE After making a strategic decision, the country manager sets programmes and makes policies for his product group. To set budgets, he seeks advice from the financial manager about financial analyses before approving the budgets and the short-term plans. He reports on his approval to the RHO with all reasons because all financial matters must be reported to the RHO.

The country manager in corporation with a working group sets the corporate rules and procedures for his product group. He organises the corporate structure and the office layout by himself. He asks the HR manager to manage manpower, recruitment and training. DCE's HRM and HRD are highly localised in Thailand. The HQs and the RHO involve in recruiting DCE's top executives in Thailand.

DCE has never organised company-wide activities and training. With interactive communication in the committee, the country manager mobilises the managers and workforce in his product group through decisions in the committee.

DCE employs MBO, TQM and JIT as special techniques supported by corporate rules, procedures and training programme in HR department. The strategy implementation process of DCE is explicated in Figure 7.7.

Figure 7.7: Strategy implementation (DCE)
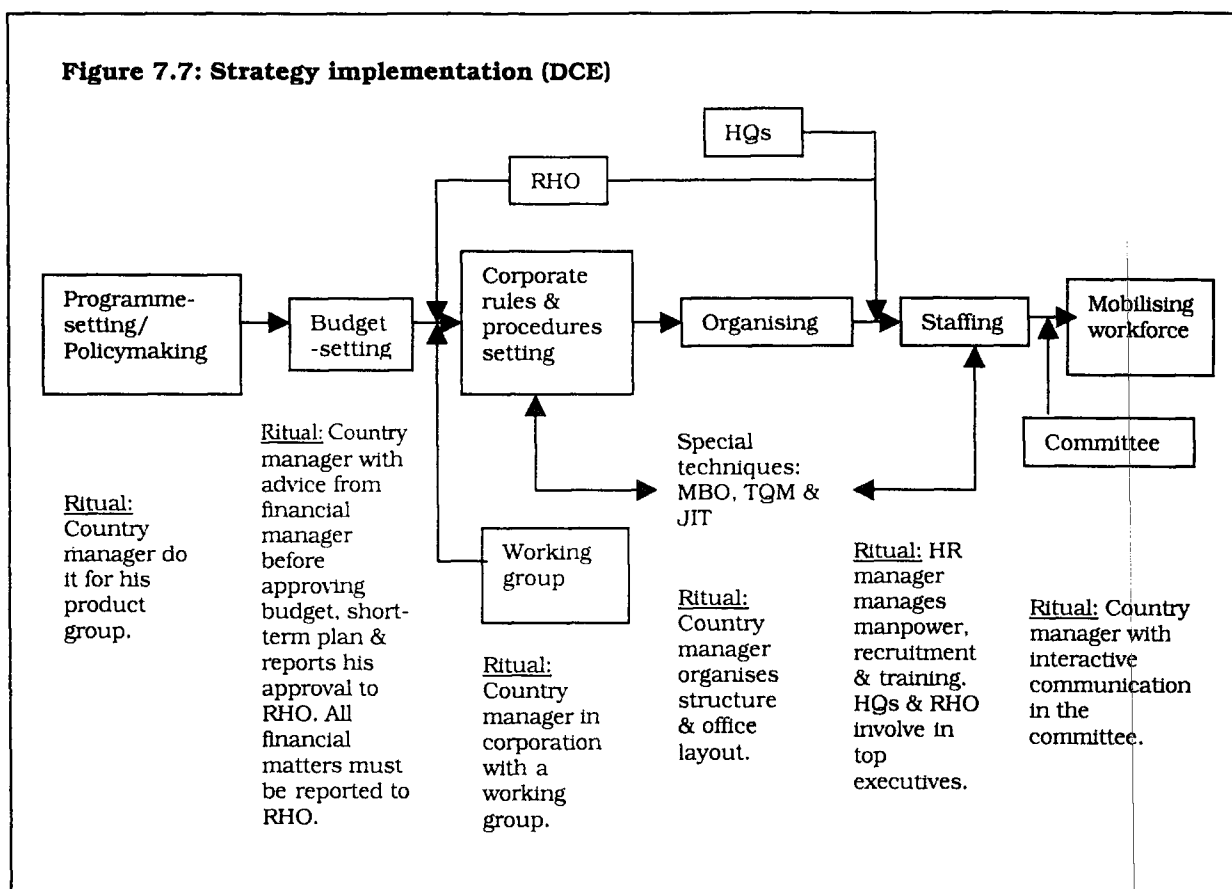
7.5.2 **DB** has a highly decentralised operational management and highly centralised risk management through a matrix structure (Sijbrands & Eppink, 1994). After making a strategic decision, the branch manager and the RHO jointly set programmes and make policies for Thai branch. To set budgets, the branch manager proposes the budgets to the budget council comprising the involved persons in Thai branch and then presents the budgets to the RHO. Depending on the scale of investment, the HQs and the RHO are involved in short-term acquisition and strategic change. He approves the budgets mostly for marketing activities and small-scale investments.

The branch manager sets corporate rules and procedures for Thai branch, but the general procedures must be in line with the regional policy. He organises the corporate structure and mobilises his workforce. He interviews all newcomers in Thai branch, but normally asks the HR manager to manage manpower, recruitment and training. The RHO supports some training. DB has a clear goal to recruit employees. It uses head-hunters and classified ads for recruitment. The strategy implementation process of DB is exemplified in Figure 7.8.

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Figure 7.8: Strategy implementation (DB)


```
                    ┌──────┐
                    │ RHO  │
                    └──────┘

┌──────────────┐   ┌────────┐   ┌──────────────┐   ┌───────────┐   ┌──────────┐   ┌──────────┐
│ Programme-   │   │        │   │ Corporate    │   │           │   │          │   │ Mobilising│
│ setting/     │──▶│ Budget │──▶│ rules &      │──▶│ Organising│──▶│ Staffing │──▶│ workforce │
│ Policymaking │   │-setting│   │ procedures   │   │           │   │          │   │          │
│              │   │        │   │ setting      │   │           │   │          │   │          │
└──────────────┘   └────────┘   └──────────────┘   └───────────┘   └──────────┘   └──────────┘
```

Ritual: Branch manager proposes budget to the budget council & then present budget to RHO. Depending on the scale of investment, HQs & RHO involve in short-term acquisition & strategic change. He approves budget mostly for marketing activities.

Ritual: Branch manager & RHO

Ritual: Branch manager. General procedures must be in line with regional policy.

Special techniques: MBO

Ritual: Branch manager

Ritual: HR manager manages manpower, recruitment & training.

Ritual: Branch manager

GM sets corporate rules and procedures for Thai branch. He organises the corporate structure and mobilises his workforce. He normally asks the HR manager to manage manpower, recruitment and training. He needs advice from the trade union for new recruitment, because the union emphasises internal promotion and recruitment. The recruited position is subject to each head of department.

The HQs and the RHO are involved in the recruitment of some positions. DA employs only TQM as a special technique supported by the corporate rules, the procedures and the training programmes in the HR department. The strategy implementation process of DA is demonstrated in Figure 7.9.

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Figure 7.9: Strategy implementation (DA)

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                                                              ┌──────┐
                                                           ┌──│ HQs  │
                                                           │  └──────┘
                                                           │  ┌──────┐
                                                           ├──│ RHO  │
                                                           │  └──────┘
┌──────────────┐   ┌────────┐   ┌──────────┐   ┌──────────┐▼ ┌──────────┐   ┌──────────┐
│Programme-    │   │Budget  │   │Corporate │   │Organising│  │ Staffing │   │Mobilising│
│setting/      │──▶│-setting│──▶│rules &   │──▶│          │─▶│          │──▶│workforce │
│Policymaking  │   │        │   │procedures│   │          │  │          │   │          │
└──────────────┘   └────────┘   │setting   │   └──────────┘  └──────────┘   └──────────┘
                                └──────────┘
                                     ▲                            ▲
                                     │                           ╱
                            Special techniques:
                            TQM
```

| Ritual: Country manager | Ritual: Country manager with advice from the financial manager | Ritual: Country manager | Ritual: Country manager | Ritual: HR manager manages manpower, recruitment & training. HQs & RHO involve in some recruitment. Need advice from trade union. | Ritual: Country manager |

7.5.4 Similarity and difference From Table 7.7, all Dutch companies share much commonality in their strategy implementation process. The chief executives in all of them set programmes, policies, corporate rules and procedures to suit their need. They are likely to change all of them when they take up the new job as the chief executives. They are less likely to maintain what their predecessors set beforehand. This similarity among them might be related to uncertainty avoidance in Hofstede's model.

Table 7.7: The similarity and difference in the strategy implementation among 3 Dutch companies in Thailand

Strategy Implementation	Similarity	Difference
Programme/Policy-setting	By the chief executives in all of them	The chief executive in DB needs RHO's involvement.
Budget setting	The chief executives in all of them need advice before approving budget. Only DB & DA need approval of their budget from RHO	DCE sets & approves budget & then reports on this approval to RHO. DB can approve mostly marketing budget in Thailand.
Corporate rules & procedure	The chief executives in all of them set corporate rules & procedure.	
Organising	The chief executives in all of them organise the structure.	The chief executive in DCE can organise office layout for his product group.
Staffing	The chief executives in all of them ask their HR manager to do. Their HQs & RHOs get involved in high-level recruitment in Thailand.	HQs & RHO support training in DB.
Mobilisation	The chief executives in all of them mobilise the workforce.	

This dimension might be related to likelihood to maintain corporate rules and procedures in subsidiaries. However, there are few differences among all of them. The chief executives in DCE can also organise their office layout. DCE sets and approves its budgets in Thailand and reports on them to its RHO. DB can approve mostly marketing budgets. To be in line with the regional policy, the branch manager in DB needs to set rules and procedures with its RHO's involvement. The HQs and the RHO support training programme in DB. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be illustrated as Figure 9.6 in Chapter 9.

7.6 The comparison of evaluation and control

All Dutch companies under this study have both similarities and differences in relation to their evaluation and control in many attributes. All Dutch cases are compared in detail to uncover these similarities and differences. The comparison of the evaluation and control in these Dutch cases is expressed in Table 7.8. The similarities in the evaluation and control among the Dutch cases are used as a basis for the cross-cultural, cross-case analysis with their Japanese counterparts in relation to the evaluation and control in section 9.2.4.

Table 7.8: The evaluation and control in Dutch companies in Thailand

Evaluation & Control	DCE	DB	DA
Criteria establishment	Country manager with advice from subordinates and colleagues (DCEI1*)	Branch manager proposes them to country manager after discussion with involved persons (DBI1)	General manager with advice from subordinates and colleagues (DAI1; DAI2)
Criteria & standard	Both qualitative and quantitative, such as balance score card, KPI, PIMS (DCEI1)	Quantitative and very specific (DBI1)	Quantitative and very specific (DAI1; DAI2)
Performance assessment	Country manager assesses units by sales, profits and other broader criteria (DCEI1)	Branch manager from daily report (DBI1)	General manager assesses performance on the basis of business plan of each department (DAI1; DAI2)
Benchmarking	No (DCEI1)	With Western banks in Thailand only (DBI1)	No (DAI1; DAI2)
Corrective action	By warning, meeting and committee (DCEI1)	By meeting and discussion (DBI1)	By meeting and discussion (DAI1; DAI2)
Report to HQs & RHO	To RHO once a month (DCEI1)	To RHO once a month (DBI1)	To RHO and HQs once a week (DAI1; DAI2)
Frequency of HQs' visit	Twice a year from HQs without timetable, but from RHO twice a year on schedule (DCEI1)	Twice a year from both HQs and RHO without timetable (DBI1)	Once a year from HQs and every 2-3 month from RHO without timetable (DAI1; DAI2)
CEO's performance	By RHO with clear criteria from a gentleman's agreement beforehand (DCEI1)	By country manager and report to RHO once a month with clear criteria from a gentleman's agreement beforehand (DBI1)	By RHO with clear criteria from a gentleman's agreement beforehand in monthly report (DAI1; DAI2)
Loss-making endurance	2-3 years (DCEI1)	2-3 years (DBI1)	2-3 years (DAI1; DAI2)

*) These abbreviations refer to the respective interviewees.

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7.6.1 DCE To establish criteria for evaluation and control, the country manager seeks advice from his subordinates and his colleagues. In the past, country managers had to report on these criteria to the country chairman. He uses both qualitative and quantitative criteria to measure both group and individual performance, such as balance score card, KPI and PIMS. Without benchmarking, he assesses his units from sales, profits and other broader criteria. He reviews the performance quarterly, semi-quarterly, annually monthly and daily. He uses warnings, meetings and committees to find individual and collective accountability for corrective action. The process of evaluation and control of DCE is explained in Figure 7.10.

Figure 7.10: Evaluation and control (DCE)
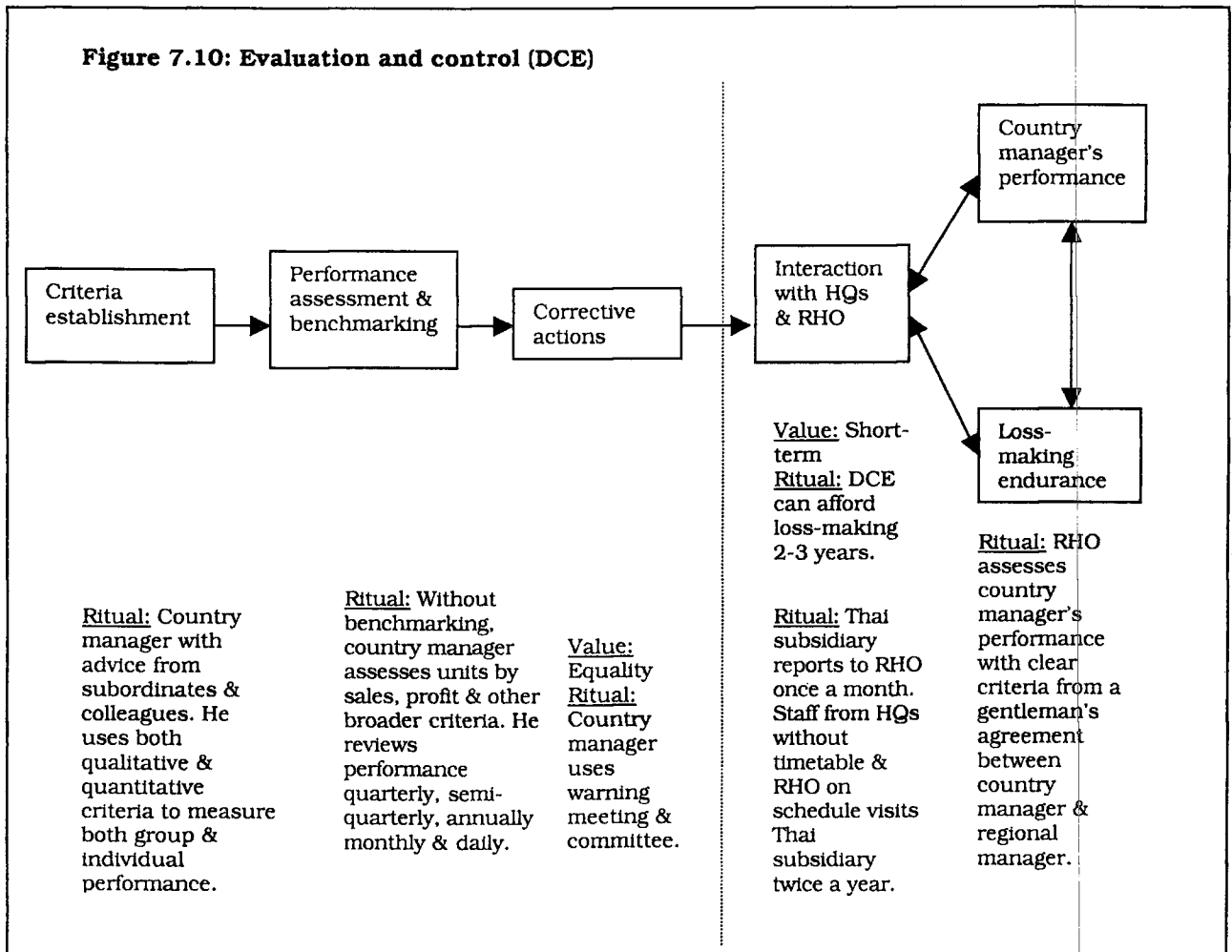
With respect to the interaction with the HQs and the RHO, Thai NSO reports on the performance to Regional Headquarters of Asia-Pacific in Singapore as its RHO once a month. Top executives and staff from product group divisions both at the HQs without timetable and at the RHO on schedule visit Thai NSO twice a year. The RHO assesses the country manager's performance with the clear criteria from a gentleman's agreement between the country manager and the regional manager. DCE can afford loss-making in Thailand for only 2-3 years in a row and ask its country managers to leave if the situation is not enhanced.

7.6.2 DB To establish criteria for evaluation and control, the branch manager proposes the criteria to the country manager after discussion with involved persons. For the control procedure, DB bases its standards on the volume of transactions, the importance of clients and the required service-time (Sijbrands & Eppink, 1994). He uses quantitative very specific criteria. He assesses the performance from daily reports. He benchmarks DB's performance against only Western banks in Thailand. He uses meetings and discussions with the involved persons for corrective action. The process of evaluation and control of DB is clarified in Figure 7.11.
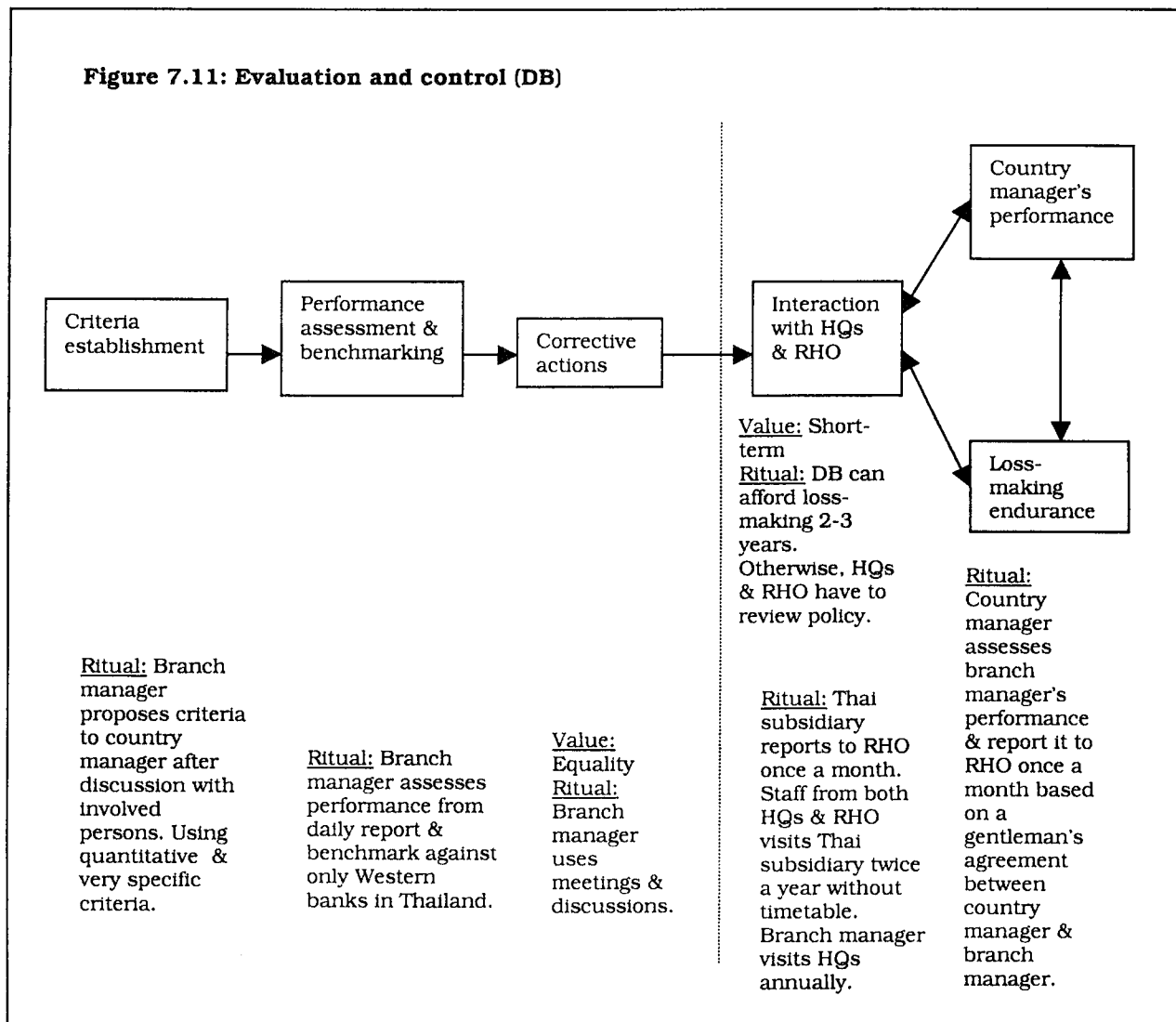
Figure 7.11: Evaluation and control (DB)

With regard to the interaction with the HQs and the RHO, Thai branch reports on its performance to the RHO once a month. Top managers and staff from International Division/New Growth Market Division at the HQs and Chief Executive at the RHO visit Thai branch twice a year without timetable. Sometimes, these top managers regularly make a telephone call to Thai branch, and the branch manager sends a number of written reports to the HQs (Sijbrands & Eppink, 1994). He visits

the HQs for attending the annual conference every year. On the basis of a gentleman's agreement between the country manager and the branch manager, the country manager assesses the branch manager's performance and reports on it to the RHO once a month. DB can afford loss-making for 2-3 consecutive years. Otherwise, the HQs and the RHO have to review the policy.

7.6.3 DA GM uses quantitative and very specific criteria. Without benchmarking, he assesses the performance on the basis of the business plans of each department. He uses meetings and discussions with the involved persons for corrective action.

With regard to the interaction with the HQs and the RHO, Thai branch reports on performance to the RHO and the HQs once a week. Top executives and staff from the HQs visit Thai branch once a year. Their counterparts from the RHO attend regional conference in every branch in the region every 2-3 months without timetable. On the basis of a gentleman's agreement between GM and the regional manager, the RHO assesses GM's performance from monthly report he submits. DA can afford loss-making 2-3 years consecutively and asks its GM to leave if the situation is not improved. The process of evaluation and control of DA is illustrated in Figure 7.12.

Figure 7.12: Evaluation and control (DA)
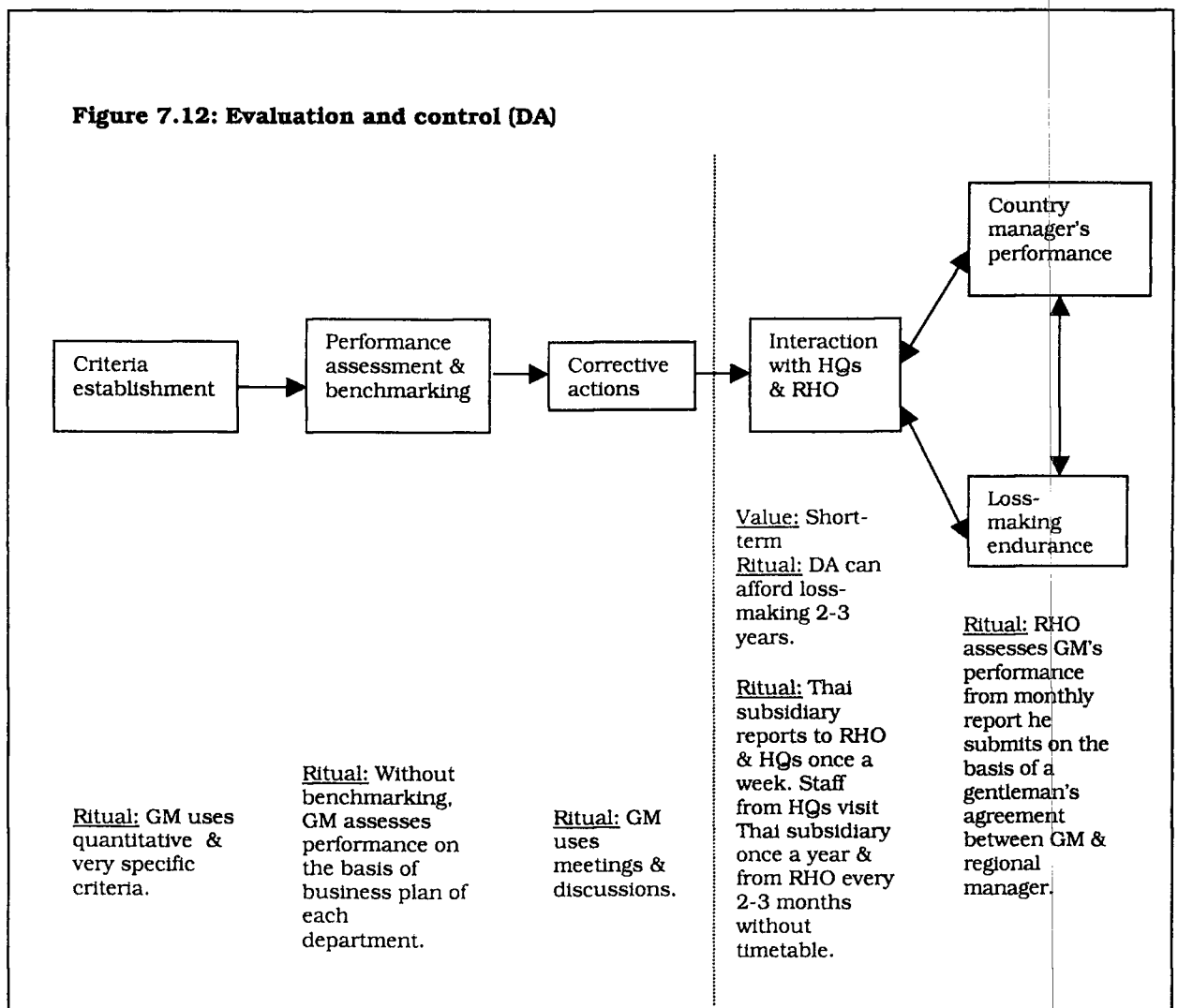
7.6.4 Similarity and difference From Table 7.9, all Dutch companies share much commonality in their evaluation and control. All of them can set up criteria for evaluation and control without their HQs' or RHOs' involvement. The chief executives in all of them tend to use meetings and discussions rather than personal authority in the corporate hierarchy for corrective action. All of them do not need formalisation for performance assessment from their HQs. This commonality among them might be related to power distance in Hofstede's model. Power distance is likely to be associated with the degree of centralisation and formalisation. However, there are few differences among all of them. Because DCE deals with both selling and manufacturing products, it uses both qualitative and quantitative criteria, such as balance score card, KPI, PIMS and so on. Only DB benchmarks its performance against the Western banks as its direct competitors in Thailand. Its branch manager has to propose the criteria to the country manager. DA appraises the performance from the business plans of each department. Their frequency of the interaction with their HQs and RHOs, such as staff visit and reports on performance is varied. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be delineated as Figure 9.8 in Chapter 9.

Table 7.9: The similarity and difference in the evaluation and control among 3 Dutch companies in Thailand

Evaluation & Control	Similarity	Difference
Criteria establishment	All of them use quantitative & very specific criteria & need to advise subordinates & colleagues before establishing the criteria.	DCE also uses qualitative criteria. Only the branch manager in DB proposes these criteria to his country manager after discussing with involved persons.
Performance assessment & Benchmarking	DCE & DB does it daily. DCE & DA do not use benchmarking.	DA does it from business plan of each department quarterly. Only DB uses benchmarking.
Corrective action	All of them use meeting & committee for warning & discussion.	
Interaction with HQs & RHO	All of them report on their performance only to RHO. Staff from HQs and RHOs visits Thai units at least twice a year without timetable.	DCE & DB report it once a month, but DA to RHO & HQs once a week. Top managers in HQs sometimes call DB.
CEO's performance	All of them use a gentleman's agreement.	DCE & DA use a gentleman's agreement with RHO, but DB with the country manager.
Loss-making endurance	All of them can't afford to make loss more than 2-3 years.	DCE & DA change their country manager if there's no improvement.

7.7 Conclusion

Because all the Dutch cases are operating in three different types of business, namely consumer electronics, banking and air carriers, they have different characteristics inherited from these three industries. Furthermore, all of them started their business in Thailand in different years from 1929-1991. The size of their branches in Thailand is also different from companies to companies. Nonetheless, all Dutch cases share some similar features when they are operating in

Thailand. All Dutch cases still employ third-country staff and report on their performance to their RHOs in Singapore first.

With regard to environmental scanning, all Dutch cases have different information-gathering processes and environmental diagnosises, because all of them encounter different environments in their own business. However, all of them share some similarities in their environmental scanning process, such as avoiding political involvement at all costs to minimise risk, employing more external consultants and seeing a good future. Their outlook is quite optimistic. The description of this stage of SMP for all Dutch cases in Thailand will be expressed in Figure 9.2 in Chapter 9.

With respect to strategy formulation, all Dutch cases formulate corporate strategy in a different way from each other because of their relations with their HQs and RHOs, the difference in their own business environment and the size of their branches in Thailand. Nevertheless, all of them share some aspects of the strategy formulation and the strategic decision-making process in their Thai operation; for example, emphasising profits as a primary goal, disseminating the strategic decisions to only the involved persons. Their decision-making process is quicker in Thailand than that in the Netherlands. The description of this stage of SMP for all Dutch cases will be expressed in Figure 9.4 in Chapter 9.

As far as strategy implementation is concerned, all Dutch cases implement their corporate strategy in a different way because of their relations with their HQs and RHOs, the difference in their own business environment and the size of their branches in Thailand. Still, all of them share some facets of their strategy implementation in their Thai operation. All chief executives in these cases set corporate rules, organise the corporate structure and mobilise the workforce themselves in Thailand. Their human resources managers manage manpower. The description of this stage of SMP for all Dutch cases will be expressed in Figure 9.6 in Chapter 9.

In terms of evaluation and control, all Dutch cases evaluate their strategy and control their performance in a different way because of their relations with their HQs and RHOs, the difference in their own business environment and the size of their branches in Thailand. Even so, all of them share some similar processes of evaluation and control for their operation in Thailand, such as meetings and discussions instead of using personal authority for corrective action and using the clear criteria from a gentleman's agreement between their chief executives and their immediate bosses. The description of this stage of SMP for all Dutch cases will be expressed in Figure 9.6 in Chapter 9.

According to the above four steps of SMP in Wheelen and Hunger's model, the comparison among all Dutch cases in the cross-case analysis within Dutch culture leads to the findings of the similarities and the differences among these

cases. Furthermore, each Dutch case has its own particularities. The similarities as a result of the cross-case analysis within Dutch culture in this chapter will be compared with the similarities as a result of the cross-case analysis within Japanese culture in Chapter 8 in the cross-cultural, cross-case analysis in Chapter 9. The differences as a result of the cross-case analysis within Dutch culture in this chapter will be compared with the differences as a result of the cross-case analysis within Japanese culture in Chapter 8 for discussion in Chapter 10.

CHAPTER 8:

SMP OF JAPANESE COMPANIES IN THAILAND

8.1 Introduction

Japanese companies, including the three Japanese cases under this study in Thailand are part of the global operation of Japanese MNCs. To guarantee the anonymity of the Japanese cases and all interviewees, JCE, JB and JA are allocated for a Japanese consumer electronics firm, a Japanese bank and a Japanese air carrier in Thailand. The characteristics and the brief history of JCE, JB and JA are pivotal to the insight into the SMP in their subsidiaries in Thailand. Their parent companies were founded in different years in Japan and entered Thailand in different years, too. The global structure of JCE, JB and JA determines the relationship among their parent companies in Japan, Thai subsidiaries and their global operations. To comprehend the individuality of each Japanese company and the similarities and the differences among these three cases, the comparison of characteristics among them is discussed in section 8.2 with regard to the years of their foundation both in Japan and in Thailand, their flow of reports, their organisational structures, their legal statuses and the characteristics of their workforce as expressed in Table 8.1.

To discuss these idiosyncrasies, the similarities and the differences among these Japanese cases according to Wheelen and Hunger's model, section 8.3 compares the environmental scanning of JCE, JB and JA in Table 8.2 and describes it for JCE, JB and JA in Figure 8.1, 8.2 and 8.3 respectively. Section 8.4 compares the strategy formulation of JCE, JB and JA in Table 8.4 and explores it for JCE, JB and JA in Figure 8.4, 8.5 and 8.6 respectively. Section 8.5 compares the strategy implementation of JCE, JB and JA in Table 8.6 and describes it for JCE, JB and JA in Figure 8.7, 8.8 and 8.9 respectively. Section 8.6 compares the evaluation and control of JCE, JB and JA in Table 8.8 and explores it for JCE, JB and JA in Figure 8.10, 8.11 and 8.12 respectively. As a result from both the within-case analysis of each Japanese company in Figure 8.1-8.12 and the cross-case analyses within Japanese culture in Table 8.1-8.9, idiosyncrasies in each Japanese case and some commonalities and differences among all Japanese cases are discussed.

The similarities among the Japanese cases in terms of environmental scanning, strategy formulation, strategy implementation and evaluation and control are used as a basis for identifying the SMP of the Japanese companies in Thailand. The Japanese SMP as a result of the cross-case analysis within Japanese culture is used to compare with the Dutch SMP as a result of the cross-case analysis within Dutch culture from Chapter 7 in Chapter 9. This comparison is used to formulate the empirical propositions for the conclusion of this analysis. To reformulate the propositions for the

conclusion of this study and for the future research, the empirical propositions from this analysis is used to compare with the conceptual propositions from Chapter 4. The differences among them are used to elaborate the idiosyncrasies of each Japanese case and to discuss them in Chapter 10. Section 8.7 reaches a conclusion.

Table 8.1: The characteristics of Japanese companies in Thailand

Characteristics	Japanese consumer electronic (JCE)	Japanese bank (JB)	Japanese airlines (JA)	Remarks
Year of foundation in home country	1917 AD (Hume, 1993)	1880 AD, BT (Degawa, 1999); 1919 AD, MB (Fruin, 1992; Toyo Keizai, 1995)	1951 AD (JAI)	
Year of entry into Thailand	1961 AD as NT Co, Ltd; 1970 AD as a joint venture between Karnchanajari family and NT Co, Ltd (Kotter, 1997, March 31)	1950 AD as representative office of BT; 1962 AD as full branch; 1994 AD as representative office of MB (JBI*)	1956 AD (JAI)	
Type of business	Consumer Electronics	Bank	Airlines	
Legal status	Joint venture (minority)	Branch	Branch	Only JCE is a joint venture
The number of staffs in Thailand	657 (JCEI)	300 (JBI)	200 (JAI)	
The head of Thai organisation	Managing director (MD) (JCEI)	General manager (GM) (JBI)	Vice President (VP) (JAI)	
Report to	The board of directors in Thailand & Regional head office (JCEI)	Headquarters (JBI)	Regional head office (JAI)	Only JCE has subsidiary board
Regional Head Office	Regional Head Office for Asia and Oceania in Singapore	Asian Headquarters in Tokyo	Asean Head Office in Tokyo, but its head works in Asia and Oceania Region Office in Hong Kong	
Headquarters	Osaka, Japan	Tokyo, Japan	Tokyo, Japan	
Nationality of Chairman of the subsidiary board	Thai	N/A	N/A	No chairman for JB & JA
Nationality of CEO/MD	Japanese (JCEI)	Japanese (JBI)	Japanese (JAI)	
Nationality of CFO/FM	Japanese (JCEI)	Japanese (JBI)	Thai (JAI)	Only JA has Thai FM
Who controls Thai operation	Japanese (JCEI)	Japanese (JBI)	Japanese (JAI)	
The number of expatriates from home country	6 Japanese (JCEI)	8 Japanese (JBI)	13 Japanese (JAI)	
The number of third-country managers/staff (not Japanese/not Thai)	0 (JCEI)	0 (JBI)	0 (JAI)	No third-country staff for Japanese MNCs
The number of department/division	5 divisions/25 departments (JCEI)	27 divisions (JBI)	12 divisions; 5 at the Thai HQs; 7 at the airport (JAI)	

*) These abbreviations refer to the respective interviewees.

8.2 The comparison of Japanese cases

To comprehend the similarity and difference among the Japanese cases, the profiles and characteristics of these cases are expressed in Table 8.1. All Japanese cases in this study are a part of three Japanese MNCs that have a global operation in the three businesses, namely consumer electronics, banks and air carriers. The SMPs of these cases are confined to the corporate level in Thailand.

This inquiry restricts the activities in the JCE only to the marketing operation for audio-visual products, those in JB only to the corporate banking and those in JA only to the passenger service. All of them were founded in Japan and began their operations in Thailand in different years. Only JCE is set up as a joint venture firm in Thailand. The rest of them have a legal status of a branch of a foreign company.

8.2.1 JCE is the marketing unit for audio-visual products of a big Japanese electronics MNCs in Thailand. It currently employs 657 staff. It is a joint venture between this MNC's subsidiary and a Thai distributor of radios, record players and loudspeakers. This MNC was established in Osaka, Japan on 5th May 1917. Meanwhile, an overseas Chinese family in Thailand founded the Thai distributor in 1949. In 1954, this MNC designated this Thai distributor as an authorised dealer of its products in Thailand. In December 1961, this MNC set up its first overseas factory in the world as well as its first subsidiary in Thailand. This factory manufactured its products such as dry cell batteries, transistors, radios, TV sets and car batteries for Thai and export market (Humes, 1993; Kotter, 1997).

As the commercial relationship between both sides had been good for some times, the Thai distributor (51%) and this MNC (49%) established JCE as a joint venture on 20th April 1970. In 1980, the new head office at Lad Prao road was completed with the sales of Bt 1000 million sales. This joint venture was renamed in 1991. In this year, 'JCE Foundation' was established for social contribution activities. In 1997, JCE moved its head office from Lad Prao road to Seri Thai road. With an area of 31, 305 sq.m, the new office is bigger than the old one three times.

The legal status of JCE is a Thai company. The governing body is the board of directors consisting of Thais and Japanese. The chairman of the board is Thai, but the Managing Director (MD) is Japanese. JCE's MD reports to the Regional Head Office for Asia and Oceania as its RHO of its parent company in Singapore for its operation. Even if the board rarely intervenes in MD's decision on day-to-day operation, MD has to report to the board without the sense of matrix arrangements. Its financial director is Japanese. JCE employs only Thais and Japanese. JCE has only 6 Japanese expatriates to manage its five divisions and 25 departments. In case of its reporting system, its financial control and its general policy, the Japanese control JCE.

JCE's parent company became internationalised later than its rivals in Western Europe and North America. To cope with the globalisation of the world market, the HQs empowers JCE to some extent, but the Japanese, not local managers manage JCE. Because the parent company employs global strategy, the HQs can co-ordinate its global flows of money between Japan and many host countries and act as a portfolio investor (Burton & Saelen, 1987; Smothers, 1990; Whitley, 1992; Hedlund & Nonaka, 1993; Chang, 1995; Chen, 1995).

8.2.2 JB is a consequence of many mergers between several Japanese banks in the past. Among these merged banks, the oldest one was established in 1880 as the Yokohama Species Bank (YSB). YSB was renamed in 1946 as BT. MB was founded in 1919 as a financial arm of one of the biggest enterprise group in Japan. Both banks merged to become JB on 1st April 1996 (Fruin, 1992; Toyo Keizai, 1995; The Economist, 1996, April 6, p 5, p 75-76; Degawa, 1999).

JB has been in Thailand since 1950 as a representative office of BT before the merger. After receiving a full-banking licence from Bank of Thailand, BT established a full branch in Thailand in July 1962. Before the last merger, MB entered Thailand in 1993 as a representative office. On 1st April 1996, both banks merged its Thai operation into JB (Thailand).

After the merger, JB has four branches in Thailand. Each branch in Bangkok, Chon Buri, Chiang Mai and Ayutthaya has two Japanese expatriates, so the total Japanese expatriates in Thailand are eight. Its legal status is a branch of a foreign company. All four branches have 27 divisions with 300 staff. JB only employs Thais and Japanese for Thai operation. Its General Manager (GM) in Bangkok branch acts as both the governing body and the chief executive in Thailand. He is Japanese. So is the financial manager. He reports to Asian Headquarters as its RHO in Global Corporate Banking Business Unit in Tokyo. In terms of its reporting system, its financial control and its general policy, the Japanese control JB.

8.2.3 JA was founded in 1951. It opened its Bangkok branch on 17th September 1956. JA flew its first flight to Bangkok on 4th October in the same year. Its first Bangkok branch was located on Surawongse Rd. On 8th May 1958, JA commenced the Bangkok-Singapore route. With Convair 880 aircrafts, JA embarked on 'Silk Road' service between Japan and Europe via Southeast Asia and the Middle East on 4th October 1962. The service stopped over Calcutta, Karachi, Cairo, Rome, Kuwait and Frankfurt. The other stopovers on the route were London, Hong Kong and Bangkok. On 8th May 1967, JA extended the Tokyo-Bangkok route to Kuala Lumpur. JA started to operate the DC-10 on the Tokyo-Bangkok-Singapore route on 2nd April 1977.

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In December 1990 during Iraq's invasion of Kuwait, JA operated a 747 Charter to Bangkok to rescue 155 Japanese hostages from Iraq who had been flown to Thailand by Iraq Airway. From 28th to 30th January 1991, JA operated four charter flights to Cairo to pick up a total of 1,046 Asian refugees fleeing Iraq. One flight was bound for Bangkok and the rest for Ho Chi Minh City, Vietnam via Tokyo. On 1st April 1992, JAL initiated its Osaka-Bangkok route with four DC-10 flights a week. JA leased the in-flight service of Osaka-Bangkok-Singapore route to Japan Air Charter on 1st July 1993. JA and Thai Airways International announced expanded joint operations between Bangkok and three Japanese cities. On 21st February, JA moved its Bangkok branch to its own building on Rachadapisek Rd. This building also houses most JA's subsidiaries in Thailand.

To open Nikko Hotel in Thailand, Nikko Hotel Management Co, a JA's affiliates signed a hotel management contract with Bangkok Thanee Co, a joint venture between Japan Asia Investment Co (45%), Titiporn Namngern (45%) and Bangkok Bank (10%) in 1996. The Nikko Hotel in Bangkok was situated nearby JA's Bangkok office on Rachadapisek Rd. This contract was terminated in the late 1998. Because of its bad location and the economic meltdown, JAL's shareholders pressurised Nikko to pull out. After the termination, JA had to shift its room reservation for its clients to Pan-Pacific Hotel (Jirasakunthai, 1998, December 16, 1998, December 19, 1999, January 12; Noma, 1999, July 26).

To cut costs, JA hived off a subsidiary employing more than 600 Thai cabin attendants (Jirasakunthai, 2000, January 19). To serve Japanese clients, this subsidiary operates flights from major cities in Japan to Bangkok. JA has a legal status of a branch of a foreign company in Thailand. It employs 200 staff consisting only of Japanese and Thais. The Vice President (VP) acts as both the governing body and the chief executive for Thai operation. He is a Japanese and reports to Asean Regional Head Office as its RHO in Tokyo, but the head of this office is working at Asia and Oceania Region Office in Hong Kong. The financial manager is a Thai. It has twelve divisions, five at JA Plaza and seven at the airport. Because there are 13 Japanese expatriates, the Japanese control Thai operation concerning the reporting system, financial control and general policy.

8.2.4 Similarity All Japanese cases entered Thailand after the Second World War. JB and JA have a legal status of a branch of a foreign company in Thailand. Both of them have no board of directors for their Thai branches, because both are small. Neither of them is a joint venture. JCE and JA report to their RHOs at its first hand. JB and JA have their HQs in Tokyo. Because the nationality of all chief executives in all these cases is Japanese, the Japanese control Thai operation. Albeit the number of Japanese expatriates is varied, all of them maximise their use of expatriates under Thai labour law, so as to assure their operational uniformity

throughout the world. The Japanese use expatriates, financial reports and expertise for the control procedure in Thailand. The nationality of the financial heads in JCE and JB is Japanese. All of them have never employed a single third-country staff since their foundation in Thailand. All of them have more than 10 divisions in their Thai operation. The majority of employees in all of them are Thais.

8.2.5 Difference All Japanese cases were established in Japan and entered Thailand in different years. All of them are operating in three different industries. JCE has more staff than DB and, in turn, DA has. Only JCE is a joint venture and has a legal status of a Thai company in Thailand, so that it has a board of directors comprising Thai and Japanese directors. MD, GM and VP are the heads of Thai operation for JCE, JB and JA respectively. Only JCE's MD has to report both to the boards of directors in Thailand and to RHOs. Only JCE has its HQs in Osaka. Only JB reports to Asian HQs in Tokyo. All of them have different locations of their RHOs. JCE has its RHO in Singapore. JB has its RHO in Japan. JA has its RHO in Hong Kong. JA reports to Asean Regional Head Office in Tokyo at its first hand, but the head of this RHO is working at Asia and Oceania Region Office in Hong Kong. The nationality of JCE's chairman is Thai. Only JA has a Thai financial manager. The number of expatriates from Japan is varied, but all Japanese cases maximise their use of expatriates under Thai labour law. The number of divisions of all of them is varied.

8.3 The comparison of environmental scanning

All Japanese companies under this study have both similarities and differences in their environmental scanning in many aspects. All Japanese cases are compared in detail to find out these similarities and differences. The comparison of the environmental scanning in these Japanese cases is expressed in Table 8.2. The similarities in the environmental scanning among the Japanese cases is used as a basis for the cross-cultural, cross-case analysis with their Dutch counterparts in relation to the environmental scanning in section 9.2.1.

Table 8.2: The environmental scanning in Japanese companies in Thailand

Environmental Scanning	JCE	JB	JA
Frequency of scanning	By MD and his colleague at any time (JCEI*)	By GM and his colleague at any time (JBI)	By VP weekly (JAI)
Long-term Information gathering	Internal staff and external sources, such as agencies (JCEI)	Use working group with top-down and bottom-up communication (JBI)	From newspapers, magazines, tourist agencies and PR agencies (JAI)
Regular information for making strategy	Publicised data from in-house and outsourcing (JCEI)	Publicised data from in-house and outsourcing (JBI)	Focus on Thai Airway (JAI)
Environmental analysis	In-house and outsourced analysis with top-down and bottom-up communication (JCEI)	From top-down and bottom-up communication (JBI)	By VP (JAI)

Table 8.2: The environmental scanning in Japanese companies in Thailand (continue)

Environmental Scanning	JCE	JB	JA
Political risk assessment	MD, the board and top executives from HQs minimise the risk (Tunyasiri & Sivasomboon, 1998, February 13; Changsorn, 1999, February 25	GM and top executives from HQs (Reuter, 1997, October 29; Agence France-Press, 1997, December 19)	Not necessary (JAI)
SWOT & criteria	For the company, threat is bad, opportunity is good (JCEI*)	For the bank, threat is bad, opportunity is good (JBI)	No classification between threats and opportunities (JAI)
Opportunities & Threats	Threats: economic circumstance, government stability and policy, social infrastructure and competitors (JCEI); Opportunities: AFTA (Na Thalang, 1999, November 11) and economic crisis (The Nation, 1997, August 2)	Threats: economic crisis and uncertainty about economic recovery (Lucas, 1998, May 14; Keenan & Sender, 1998, October 15); Opportunities: the long-term growth of Thai economy (Kaewkumnerdpong, 1999, July 14)	Mixed up, no threat (JAI)
Key success factors	Management philosophy, technology and human resource (JCEI)	Asset quality (Nagaoka, 1999, October 4; Tett, 1999, September 4) F/X, correspondent banking and settlement (Degawa, 1999), global service network (GSB)(JBI)	Long-term establishment and high quality service (JAI)
Main weaknesses	Conservatism (CEJ1)	Low profile, obscure corporate image, conservatism, red tape, limited products, service and activities, narrow-based customers (BJ1; BJ2; JBI)	Highest cost structure in the world (Harney, 1999, November 22), Narrow-based customers (AJ)
Changing Environment	Cause more threats (JCEI)	Cause both threats and opportunities (JBI)	No effect, because of good relations between Thailand and Japan (JAI)
Trend of industry	More competition and a move to digital age (JCEI)	Frenzy trend of M&A in Japanese banking sector (Tett & Nakamae, 1999, September 4; Sato, 1999; October 18)	More inbound passengers from Japan (JAI)
Industry mobility and barrier	Government policy, economic recovery, employment and purchasing power (JCEI)	Bad loans, limited branch network and narrow customer base (BJ1; BJ2)	Strict immigration control, prohibitive living cost and fluctuating yen in Japan(JAI)
Future	Excellent (JCEI)	Not good (JBI)	Good (JAI)

*) These abbreviations refer to the respective interviewees.

8.3.1 JCE is a joint venture between Japanese and Thai companies. Its board of directors consists of both Thais and Japanese, but the Japanese controls its management. MD represents the whole group of JCE's affiliates in Thailand. He mainly makes a strategic decision for JCE.

With regard to the informal routine information gathering, MD and his colleagues scan informally the environment at any time in the wake of the rapidly changing business environment by using publicised data from in-house publications and outsourcing. Sometimes, MD asks his staff to do it. This information is both internal and external. MD annually reviews the situation from both external and internal sources in the formal long-term information gathering.

After gathering the information, MD analyses strategic issues with top-down and bottom-up communication with concerned organisations and assesses political risks in Business Plan Meeting, Management Conference, Managers' Meeting and Project Task Force. Sometimes, he outsources the analysis of these strategic issues. JCE has clear-cut criteria to classify strategic issues into threats and opportunities depending on their effects on JCE. For JCE, threats are bad and opportunities are good. AFTA and economic crisis are opportunities. Economic circumstance, government stability, social infrastructure and competitors are threats. The environmental scanning process of JCE is depicted in Figure 8.1.

Figure 8.1: Environmental scanning (JCE)
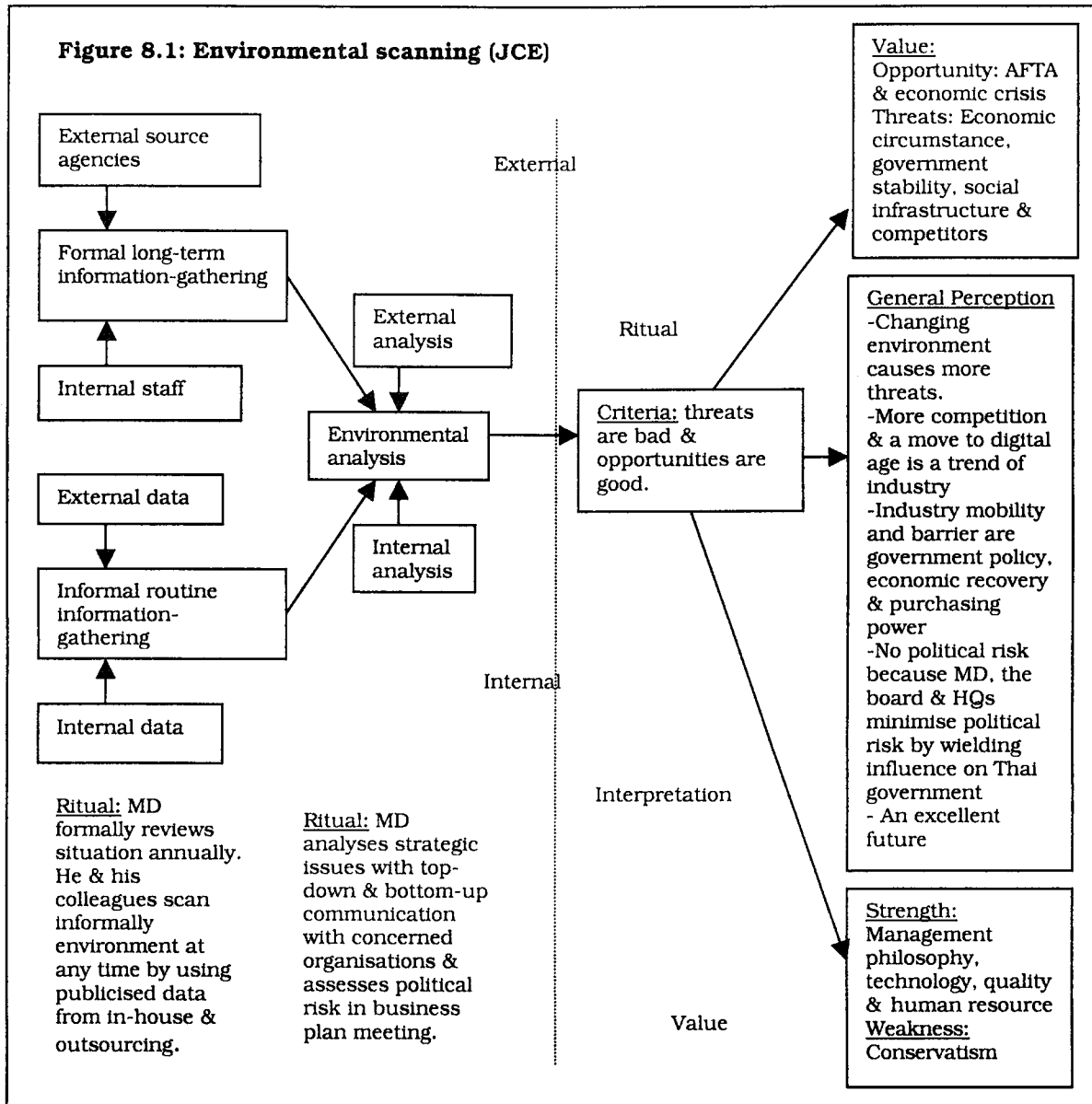
MD sees that the changing environment in Thailand causes more threats. More competition from numerous brands and a move to the digital age is the trend of Thailand's consumer electronic market. The mobility and the barrier of this business are government policies, economic recovery and purchasing power. JCE perceives no political risk because MD, the board and the HQs minimise political

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risks by wielding an influence on Thai government. It sees an excellent future in Thailand.

JCE mentions management philosophy, technology and human resources as its key success factors. It does not talk about its weaknesses. Most experts in the consumer electronics market in Thailand identify its conservatism as it weakness.

8.3.2 JB focuses only on corporate banking in Thailand. The general manager (GM) is the top executive who mainly makes a strategic decision for Thai branch. With respect to the informal routine information gathering, GM and his colleagues scan the environment at any time by using publicised data from in-house publication and outsourcing. This information is both internal and external. GM annually reviews the situation from both external and internal sources in the formal long-term information gathering. The environmental scanning process of JB is portrayed in Figure 8.2.

Figure 8.2: Environmental scanning (JB)

External data

Formal long-term information-gathering

Internal data

External data

Informal routine information-gathering

Internal data

Environmental analysis

Deputy's assistance

External

Ritual

Internal

Criteria: threats are bad & opportunities are good.

Value

Interpretation

Value

Value:
Opportunity: Long-term growth of Thai economy Threats: Economic crisis & uncertainty about recovery

General Perception
-Changing environment causes more threats.
-The frenzy trend of M&A in Japanese banking sectors is a trend of industry
-Industry mobility and barrier are bad loan, limited branch network & narrow customer base.
-No political risk because GM & HQs minimise political risk by wielding influence on Thai government
-An uncertain future

Strength: Asset quality, F/X, correspondent banking & settlement & global service network **Weakness:** Conservatism, corporate image, limited product, service & activities & narrow-based customers.

Ritual: GM formally reviews situation annually. He & his deputy scan informally environment at any time by using publicised data from in-house & outsourcing.

Ritual: GM & his deputy analyse strategic issues with top-down & bottom-up communication & assess political risks.

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After gathering the information, GM and his deputy analyses strategic issues with top-down and bottom-up communication and assesses political risks. JB has clear-cut criteria to classify these strategic issues into threats and opportunities depending on their effects on JB. For JB, threats are bad and opportunities are good. Long-term growth of Thai economy is an opportunity. Economic crisis and uncertainty about recovery are threats.

GM sees that the changing environment in Thailand causes more threats. The frenzy trend of M&A in Japanese banking sector affects the consolidation and the realignment of Japanese banks in Thailand. The mobility and the barrier for JB are bad loans, a limited branch network and a narrow customer base. JB perceive no political risk because GM and the HQs minimise political risk by wielding an influence on Thai government. It sees an uncertain future in Thailand.

JB mentions asset quality, foreign exchange service, correspondent banking and settlement, and global service network as its key success factors. It does not talk about its weaknesses. Most experts in Thai banking sector pinpoint its conservatism including its complicated and lengthy process, an obscure corporate image, limited products, services and activities and narrow-based customers as its weaknesses.

8.3.3 JA has the vice president (VP) as the top executive who mainly makes a strategic decision for Thai operation. In terms of the informal routine information gathering, VP scans the environment weekly from newspapers, magazines, in-house journals, news clippings and tourist agencies by focusing on THAI Airway. This information is both internal and external. He annually employs a public relation (PR) agency to collect data in the formal long-term information gathering. The environmental scanning process of JA is represented in Figure 8.3.

After gathering the information, VP analyses these strategic issues, especially about THAI Airway. He assesses political risks by himself. VP has no need for criteria to classify strategic issues into threats and opportunities, because Thai operation is small. Thus, threats and opportunities are often mixed-up. VP perceives no threat, but the real threat is the falling profit.

VP sees that the changing environment in Thailand causes no effect because of the good relation between Thailand and Japan. More in-bound passengers from Japan are the trend of its business in Thailand. Meanwhile, the number of Thai passengers to Japan remains the same. The mobility and the barrier are the strict immigration control for Thai citizens and the high cost of travelling in Japan with the fluctuating yen. VP perceives no political risk from Thai government and sees a good future in Thailand. JA mentions its long-term establishment and its high quality service as its key success factors. It does not talk about its weaknesses. Most experts in the airline industry specify its high cost structure and its narrow-based customers as its weaknesses.

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Figure 8.3: Environmental scanning (JA)

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┌──────────────┐
│ External data│                      External
└──────┬───────┘                                              ┌─────────────────┐
       │                                                      │ Value:          │
       ▼                                                      │ Threats &       │
┌──────────────────┐                                          │ opportunities are│
│ Formal long-term │                                          │ mixed-up. No    │
│ information-      │                                          │ threats         │
│ gathering        │                                          └─────────────────┘
└──────┬───────────┘                                          ┌─────────────────┐
       │                                                      │ General Perception│
       │                     ┌──────────────┐                 │ -Changing       │
       │                     │ Environmental│  ┌───────────┐  │ environment     │
       └───────────────────► │ analysis     │──► Ritual: No │  │ causes no effect│
                             └──────────────┘  │ criteria   │  │ because of good │
                                  ▲            │ to classify│  │ relation between│
┌──────────────┐                  │            │ strategic  │  │ Thailand & Japan.│
│ External data│                  │            │ issues     │  │ -More in-bound  │
└──────┬───────┘                  │            │ into threats│ │ passengers from │
       │                          │            │ &          │  │ Japan are a trend│
       ▼                          │            │ opportunities.│ of industry.   │
┌──────────────┐                  │            └───────────┘  │ -Industry mobility│
│ Informal     │                  │                Value      │ & barrier are strict│
│ routine      │                  │                           │ immigration     │
│ information- │                  │                           │ control, high cost│
│ gathering    │                  │                           │ in Japan &      │
└──────┬───────┘                  │                           │ fluctuating yen.│
       ▲                          │                           │ -No political risk│
┌──────────────┐             Internal                         │ -A good future  │
│ Internal data│                                              └─────────────────┘
└──────────────┘
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Ritual: VP scans the environment weekly from newspapers magazines, in-house journal & tourist agencies by focusing on THAI Airway. He employs PR agency to collect data annually.

Ritual: VP analyses strategic issues, especially about THAI Airway. He assesses political risk himself.

Interpretation

Value

Strength: Long-term establishment & high quality service
Weakness: High cost structure & narrow-based customers.

8.3.4 Similarity and difference From Table 8.3, all Japanese companies in Thailand share much commonality in their environmental scanning process. The HQs and the RHOs do not get involved with the environmental scanning process in all Japanese cases. All of them collect data externally for the annual review. All of them tend to use more internal data and review the situation on the pre-determined schedule. All of them have the clear-cut criteria to differentiate between threats and opportunities. The perception of Japanese cases is quite pessimistic. All of them do everything they can do to reduce political risks. This commonality among them might be related to uncertainty avoidance in Hofstede's model. This dimension is likely to be associated with the perception of risks. However, there are few differences among all of them. JA is quite different from JCE and JB. It only scans the environment more regularly. It does not use internal data and top-down and bottom-up communication to analyse the environment and the political risks. Because this difference among them is neither significant nor related to national

culture, only the above similarities, not the differences will be exemplified as Figure 9.3 in Chapter 9.

Table 8.3: The similarity and difference in the environmental scanning among 3 Japanese companies in Thailand

Environmental Scanning	Similarity	Difference
Frequency of scanning	MD in JCE & GM in JB & their colleagues scan the environment at any time in the informal routine information gathering.	VP in JA scans the environment weekly in the informal routine information gathering.
Long-term Information gathering	All of them employ external consultants & researchers for their annual review.	
Regular information for making strategy	All of them collect data from external sources informally. JCE & JB also use internal informal data collection.	JA doesn't use internal informal data collection
Environmental analysis	The chief executives in all of them do. Only JCE & JB use top-down & bottom-up communication to support this analysis.	JCE uses both internal & external analysis. JA doesn't use top-down & bottom-up communication to support this analysis.
Political risk assessment	The chief executives in all of them minimise political risks by either wielding an influence on or forging a relation with Thai government. Only JCE & JB use top-down & bottom-up communication to analyse political risks	JA doesn't use top-down & bottom-up communication to analyse political risks.
SWOT & criteria	JCE & JB have clear-cut criteria to classify strategic issues into threats & opportunities.	JA has no such criteria.
Main weaknesses	JCE & JB are too conservative. JB & JA have a too narrow customer base.	
Changing Environment		JCE sees more threats. JB sees both threats & opportunities. JA sees no effect because the good relationship between Thailand & Japan.
Future	JCE & JA perceive a good future in Thailand, but are uncertain about economic recovery.	JB doesn't perceive a good future in Thailand.

8.4 The comparison of strategy formulation

All Japanese companies under this study have both similarities and differences in relation to their strategy formulation in many facets. All Japanese cases are compared in detail to detect these similarities and differences. The comparison of the strategy formulation in these Japanese cases in Thailand is expressed in Table 8.4. The similarities in the strategy formulation among the Japanese cases is used as a basis for the cross-cultural, cross-case analysis with their Dutch counterparts in relation to the strategy formulation in section 9.2.2.

Table 8.4: The strategy formulation in Japanese companies in Thailand

Strategy Formulation	JCE	JB	JA
Focus of strategy formulation	JCE in Thailand (JCEI*)	HQs advises GM to formulate strategy (JBI)	HQs sets target in discussion with VP (JAI)
Corporate goals	An excellent corporate citizen in Thailand (JCEI)	Serving Japanese clients and profits (JBI)	Profits, customer satisfaction, market share and efficiency (JAI)

Table 8.4: The strategy formulation in Japanese companies in Thailand (continued)

Strategy Formulation	JCE	JB	JA
Goal-settings	JCE submits business plan to HQs for approval (JCEI)	Set goals with HQs (JBI)	Set goals with HQs (JAI)
Alternative generation	Many alternatives (JCEI)	Many alternatives (JBI)	3-20 alternatives (JAI)
Authorisation for decision-making	JCE makes a strategic decision (JCEI)	GM doesn't decide on every issue, some need HQs approval; others need advice from subordinate. GM can extend loan (JBI; Kaewkumnurdpong, 1999, July 14)	VP makes a strategic decision with limited budget (JAI)
Consultation	Colleagues and subordinates (JCEI)	Colleagues and subordinates (JBI)	Colleagues and subordinates (JAI)
Negotiation	Colleagues and subordinates (JCEI)	Colleagues and subordinates (JBI)	Colleagues and subordinates (JAI)
Consensus	Depending on the issues (JCEI)	Depending on the issues (JBI)	Prefer consensus, but majority vote is fine (JAI)
Ringi and *Nemawashi*	Used with some Thai staffs' involvement (JCEI)	Not used (JBI)	Not used (JAI)
Involved persons	9-25 persons depending on the issues (JCEI)	2-3 persons (JBI)	2-3 persons (JAI)
Perception of strategy	Satisfactory (JCEI)	Satisfactory (JBI)	Satisfactory (JAI)
Difference from HQs	Decision-making process is quicker in Thailand (JCEI)	Decision-making process is quicker in Thailand (JBI)	Decision-making process is almost the same if excluding *ringi* and *nemawashi* (JAI)
Strategic document	Write down annual management policy, annual business plan which are internal JCE has press conference about them (JCEI)	Not write down strategic decisions (JBI)	Write down strategic decisions to some extent, but confidential (JAI)
Dissemination	Colleagues and subordinates (JCEI)	Subordinates if strategic decisions affect them (JBI)	90-95% of strategic issues (JAI)
Thai economic crisis	No lay-off (JCEI)	No lay-off but cut back loans (JBI; Kaewkumnurdpong, 1999, July 14)	No lay-off (JAI)

*) These abbreviations refer to the respective interviewees.

8.4.1 JCE is a joint venture company in Thailand. Both Thai and Japanese partners focus on the strategy in Thailand. From the annual review, JCE's top management in Thailand including MD formulates the strategy for Thai operation. Corporate Planning Office at the HQs sets the goals about profit and market share for JCE in the past. The RHO in Singapore sometimes supports the business plan in JCE. JCE sets the goals by communication among itself, the HQs and Thai partners and submits its plans and its goals to Corporate Planning Office at the HQs for approval. Its explicit goal is an excellent corporate citizen in Thailand, but its implicit goals are profits and market share.

To achieve the corporate goals, MD generates many alternatives before making a strategic decision according to the business plans. The HQs authorises JCE to make a strategic decision for Thailand. MD makes most strategic decisions, but has to report on his decisions and the business plans to the HQs for automatic approval. He needs to consult and negotiate with his colleagues and his

subordinates. JCE uses *ringi* and *nemawashi* with Thai staff to some extent. Nine-to-twenty-five persons participate in the decision-making process. They need consensus on some issues, but do not depend on them too much. The strategy formulation process of JCE is epitomised in Figure 8.4.

Figure 8.4: Strategy formulation (JCE)

Process | Outcome

HQs

Thai partners

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision → Perception

Goals: An excellent corporate citizen in Thailand (implicitly profits & market share). (Value)

Ritual: All his decisions are satisfactory, but the decision-making process in Thailand is faster than in HQs & RHO.

Dissemination of decisions & goals

Ritual: From annual review, JCE's top management in Thailand including MD formulates strategy for Thai operation.

Ritual: HQs sets goals about profit & market share for JCE in the past. JCE sets goals by communicatio n among itself. HQs & Thai partner submit plan & goals to HQs for approval.

Ritual: To achieve goals, MD generates many alternatives before making decisions according to business plan.

Ritual: MD makes strategic decisions, but has to report his decisions to HQs. The decisions need consultation & negotiation with colleagues & subordinates. Using *ringi* & *nemawashi* with Thai staff. They need consensus on some issues. 9-25 persons participate in the decisions.

Ritual: These decisions are disseminated to colleagues & subordinates. Write down all annual management policy, annual business plan. These documents are internal, but JCE has press conferences on them.

All his decisions satisfy himself. Because Thai affiliate is small with less involved person, the decision-making process in Thailand is faster than that in the HQs and the RHO. These decisions are disseminated to the affected colleagues and subordinates. JCE writes down all annual management policies and annual business plans. These strategic documents are internal, but JCE has press conferences on them two or three times a year.

8.4.2 JB has only corporate banking in Thailand. After the annual review, Asian Planning Office at Asian Headquarters in Tokyo advises GM to formulate the strategy for Thai operation. GM sets goals with Asian HQs. Its goals are serving Japanese clients and profits.

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To achieve the corporate goals, GM generates many alternatives before making a strategic decision. GM makes some strategic decisions, but he needs advice from Asian HQs and his subordinates. Even if the Japanese executives in JB do not devolve all power on Thai managers, the consultation with local management is important. He needs to consult and negotiate with his deputy, colleagues and subordinates. Without *ringi* and *nemawashi*, JB's staff needs consensus on some issues. Two-three persons participate in the decision-making process. Depending on the scale of investment and loans, GM needs approval from Asian Credit Division at the HQs. The strategy formulation process of JB is exemplified in Figure 8.5.

Figure 8.5: Strategy formulation (JB)

Process   Outcome

HQs

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision → Perception / Dissemination of decisions & goals

Goals: Serving Japanese clients & profits

Ritual: All his decisions are satisfactory, but the decision-making process in Thailand is faster than in HQs & RHO.

Ritual: GM makes some strategic decisions, but needs advice from HQs & subordinates. The decisions need consultation & negotiation with his deputy, colleagues & subordinates. Without *ringi* & *nemawashi*. They need consensus on some issues. 2-3 persons participate in the decisions. Depending on scale of investment & loan, GM needs approval from HQs.

Ritual: After the annual review, HQs advises GM to formulate strategy for Thai operation.

Ritual: GM sets goals with HQs.

Ritual: To achieve goals, GM generates many alternatives before making decisions

Ritual: These decisions are disseminated to colleagues & subordinates who are affected. Not write down strategic decisions.

All his decisions satisfy himself. Because Thai branch is small with less involved persons, the decision-making process in Thailand is faster than that in the HQs and the RHO and there is no need for *ringi* and *nemawashi*. These decisions are disseminated to the affected colleagues and subordinates who are affected. JB does not write down its strategic decisions.

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8.4.3 JA runs both cargo and passenger businesses in Thailand. After the annual review, Corporate Planning Office at the HQs sets targets in discussion with VP. VP sets goals after a discussion with Asia and Oceania Region Office. These goals are profits, customer satisfaction, market share, and cost-efficiency and safety improvement.

To achieve the corporate goals, he generates 3-20 alternatives before making a strategic decision. He makes strategic decisions with a limited budget. He needs to consult and negotiate with colleagues and subordinates. Without *ringi* and *nemawashi*, VP prefers a consensus, but a majority decision is fine. Two to three persons participate in the decisions. The strategy formulation process of JA is illustrated in Figure 8.6.

Figure 8.6: Strategy formulation (JA)
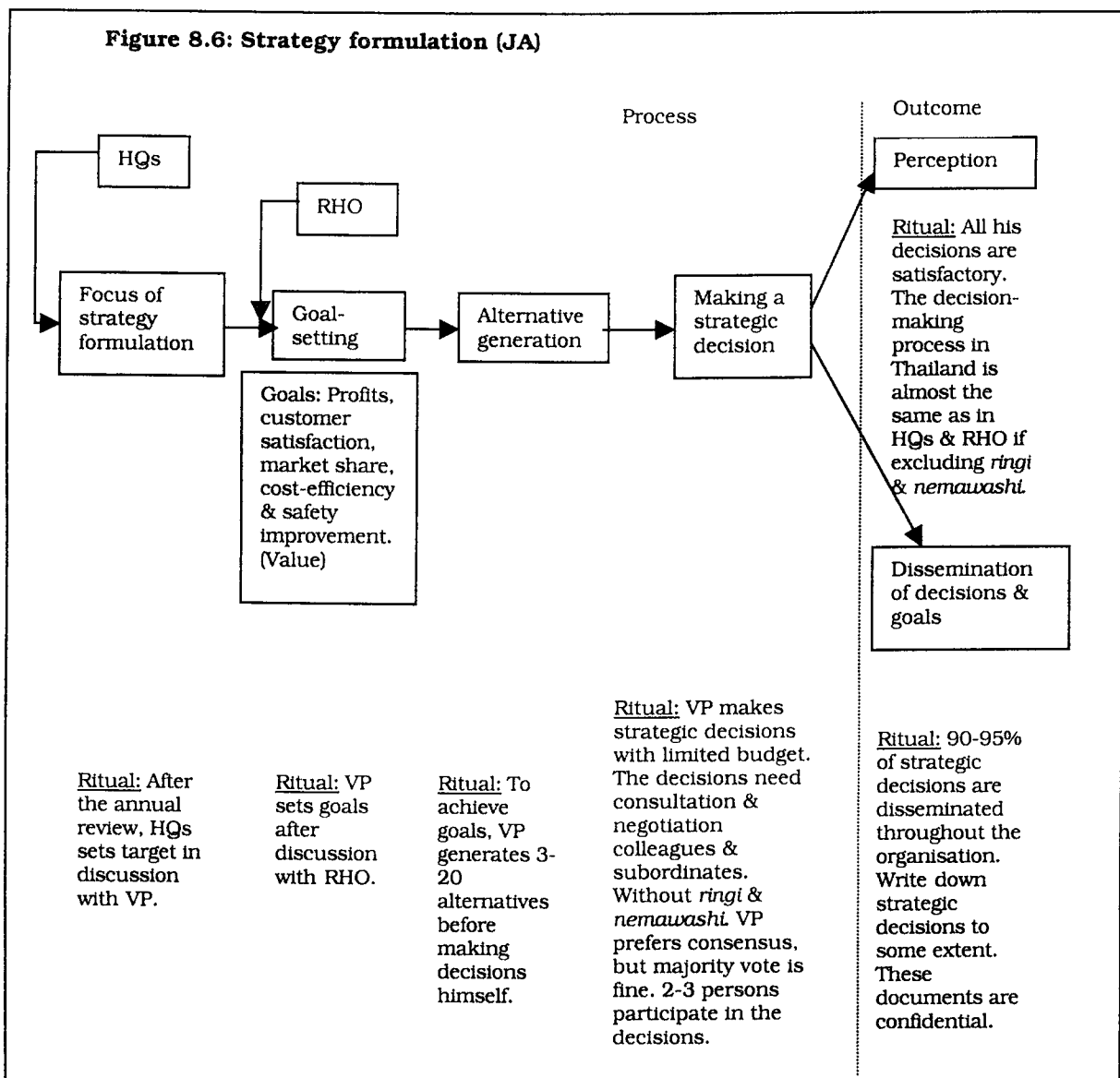
All his decisions satisfy himself. The decision-making process in Thailand is almost the same as in the HQs and the RHO if excluding *ringi* and *nemawashi*. Because Thai branch is small, there is no need for *ringi* and *nemawashi*. 90-95% of

the strategic decisions are disseminated throughout the organisation. JA writes down its strategic decisions to some extent. These strategic documents are confidential.

8.4.4 Similarity and difference From Table 8.5, all Japanese companies share much commonality in their strategy formulation process. All of them formulate strategy for Thai operation after the annual review. Their HQs get involved with the strategy formulation in all of them. Their RHOs do not have sufficient authority to approve corporate goals. This commonality among them might be related to power distance in Hofstede's model. Power distance is likely to be associated with the degree of centralisation and formalisation. All of them need support for their decision-making and the country managers' consultation from colleagues and subordinates throughout the organisation.

Table 8.5: The similarity and difference in the strategy formulation among 3 Japanese companies in Thailand

Strategy Formulation	Similarity	Difference
External relationship with HQs & RHO	JB & JA need HQs' advice & discussion.	JCE doesn't need HQs' advice & discussion.
Corporate goals	JCE & JB does not state market share & profit as its goals explicitly.	JA states profit as a primary goal explicitly.
Goal-settings	All of them need their HQs' involvement. HQs approve goals.	Only JCE needs communication among itself, its HQ & Thai partners before it submits plan & goals to HQs for approval.
Alternative generation	All of them need to generate at least 3 alternatives. JCE & JB need to report on alternatives to the HQs or RHOs before making a strategic decision.	JA doesn't need to report on alternatives to the HQs or RHOs before making a strategic decision.
Making strategic decisions	All of them need more than one person to make a decision & prefer consensus if possible. A consensus isn't always necessary for all of them. JB & JA don't use *ringi* & *nemawashi*	JCE use *ringi* & *nemawashi*. JCE's MD reports on strategic decisions he makes to the HQs.
Perception of strategy	Decision-making in Thailand is faster than in Japan in all of these companies.	
Dissemination	All of them disseminate strategic decisions to colleagues & subordinates broadly. JCE & JA write down some strategic decisions & long-term plan.	JCE has regular press conference about them. JB has never written down these decisions. JA keeps them confidential.

*) These abbreviations refer to the respective interviewees.

All of them prefer consensus if possible. This similarity among them might be related to uncertainty avoidance in Hofstede's model. This dimension might be related to the demands for people's support for a consensus in strategic decision-making. However, there are few differences among all of them. Only JCE needs to communicate with its Thai partners because it is a joint venture. It uses *ringi* and *nemawashi* for decision-making and reports on its decisions to its HQs. JA states profit as a primary goal and does not report on alternatives to its HQs or its RHOs.

All of them have different ways to disseminate their strategic decisions. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be demonstrated as Figure 9.5 in Chapter 9.

8.5 The comparison of strategy implementation

All Japanese companies under this study have both similarities and differences in relation to their strategy implementation in many features. All Japanese cases are compared in detail to uncover these similarities and differences. The comparison of the strategy implementation in these Japanese cases is expressed in Table 8.6. The similarities in the strategy implementation among the Japanese cases are used as a basis for the cross-cultural, cross-case analysis with their Dutch counterparts in relation to the strategy implementation in section 9.2.3.

Table 8.6: The strategy implementation in Japanese companies in Thailand

Strategy Implementation	JCE	JB	JA
Programme/Policy-setting	MD and affiliated organisations (JCEI*)	GM (JBI)	VP, but sometimes seeks advice from HQs (JAI)
Budget setting	MD and related units consult with financial director (JCEI)	GM (JBI)	HQs (JAI)
Budget and short-term plan approval	MD and concerned divisional heads (JCEI)	GM with loan extension (JBI)	VP submits data to HQs for approving budgets and short-term plan (JAI)
Corporate rules & procedure	MD and concerned divisional heads (JCEI)	GM's predecessor (JBI)	VP's predecessor (JAI)
Structural determination	MD and concerned divisional heads (JCEI)	GM (JBI)	VP (JAI)
Manpower management	MD and concerned divisional heads including human resource manager (JCEI)	Human resource manager (JBI)	Administrative office (JAI)
Recruitment & training	Human resource department (JCEI)	Human resource department (JBI)	Administrative office (JAI)
Special Techniques	MBO, TQM, JIT (JCEI)	No (JBI)	No (JAI)
Mobilisation	The concerned divisional heads (JCEI)	GM (JBI)	VP (JAI)
HQs & RHO involvement	Little involvement, only supporting role (JCEI; Shimizu, 1999, July 26)	HQs involves large-scale loans (JBI)	HQs and RHO involve decisions about other affiliates in Thailand. The degree of involvement depends on the scale of investment (JAI)

*) These abbreviations refer to the respective interviewees.

8.5.1 JCE After making a strategic decision, MD and the heads of JCE's affiliated organisations set programmes and make policies for the company. To set budgets, MD and the heads of related units consult with the financial director. MD and concerned divisional heads approve the budgets and the short-term plans collectively.

MD and the concerned divisional heads set corporate rules and procedures, organise the corporate structure and mobilise the workforce for JCE. MD, the concerned divisional heads and the HR manager manage manpower, recruitment

and training. JCE employs MBO, TQM and JIT as its special techniques supported by the corporate rules, the procedures and the training programmes in the HR department. JCE has its company-wide training and sometimes sends its selected employees to the training centres in Japan and Singapore. The strategy implementation process of JCE is demonstrated in Figure 8.7.

Figure 8.7: Strategy implementation (JCE)
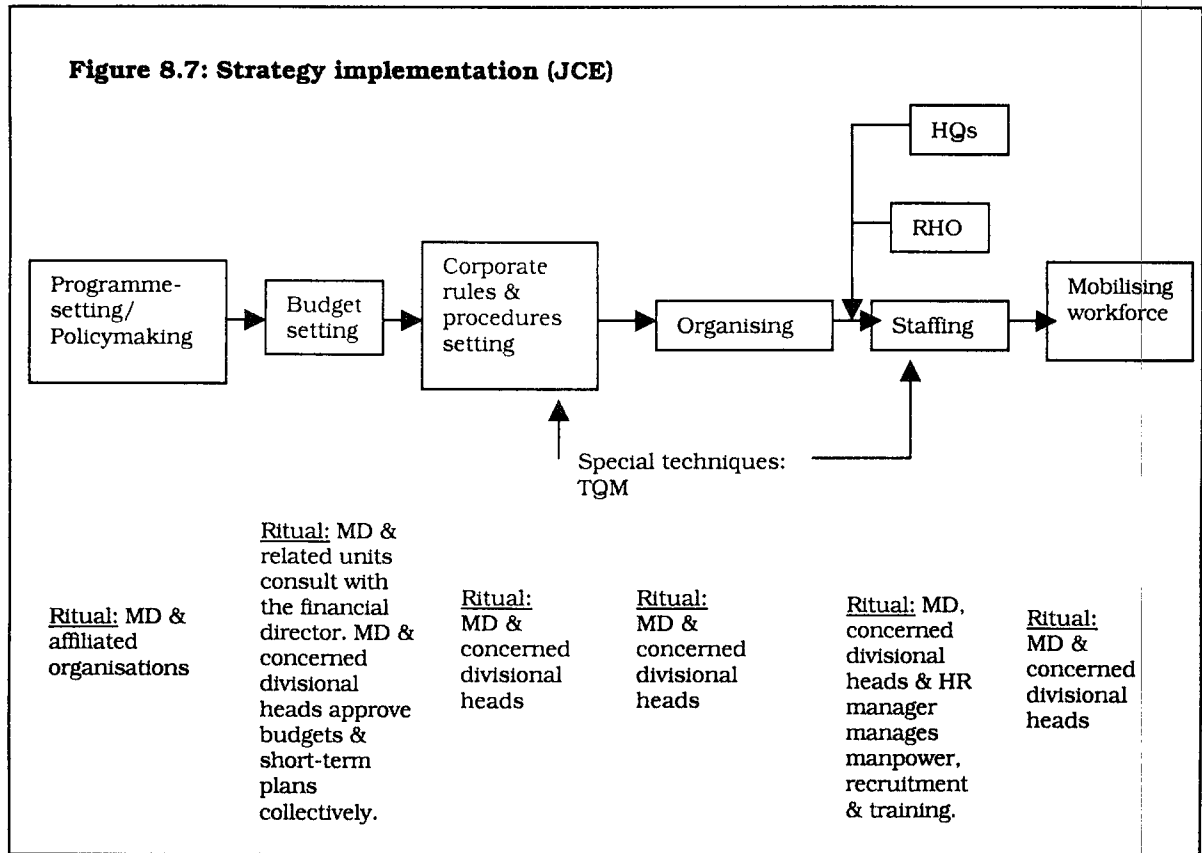
8.5.2 JB After making a strategic decision, GM sets programmes and makes policies for Thai branch with some limitations from Global Corporate Banking Business Unit at the HQs.

Figure 8.8: Strategy implementation (JB)
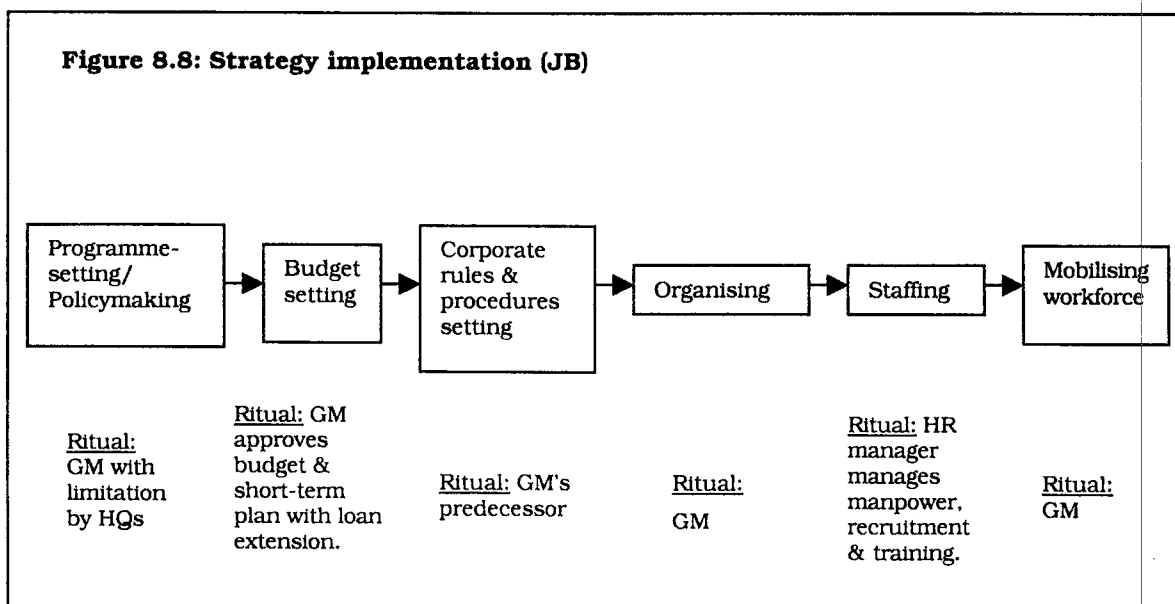
To set budgets, GM approves the budgets and the short-term plans with the loan extension under the authorisation from Asian Credit Division at the HQs. The strategy implementation process of JB is delineated in Figure 8.8.

GM does not change the corporate rules and procedures that his predecessor set before he came to take up his position in Thailand. He organises the corporate structure and mobilises his workforce, but he asks the HR manager to manage manpower, recruitment and training. JB has its company-wide training.

8.5.3 JA After making a strategic decision, VP sets programmes and makes policies for Thai branch, but sometimes he seeks advice from the Corporate Planning Office at the HQs. To set budgets, VP submits appropriate data to the HQs for setting and approving the budgets and the short-term plans.

Figure 8.9: Strategy implementation (JA)
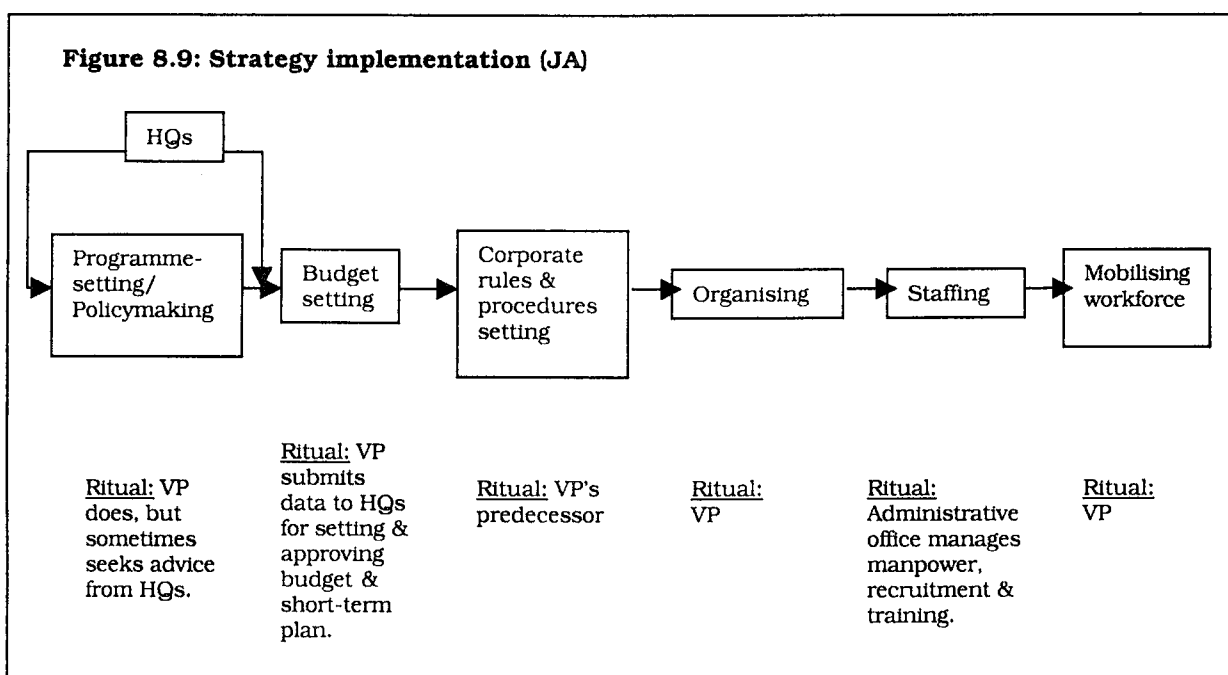
VP does not change the corporate rules and procedures that his predecessor set before he came to take up his position in Thailand. He organises the corporate structure and mobilises his workforce, but he asks the administrative office to manage manpower, recruitment and training. JA recruits new employees through classified ads and personal networks. JA has its company-wide training. The strategy implementation process of JA is described in Figure 8.9.

8.5.4 Similarity and difference From Table 8.7, all Japanese companies share much commonality in their strategy implementation process. The chief executives in all of them tend to maintain their predecessor's corporate rules and procedures even if they can set programmes, policies, corporate rules and procedures to suit their need. They are unlikely to change all of them when they take up the new job as the chief executives if unnecessary. This similarity among them might be related to uncertainty avoidance in Hofstede's model. This dimension

might be related to a tendency to maintain corporate rules and procedures in subsidiaries.

Table 8.7: The similarity and difference in the strategy implementation among 3 Japanese companies in Thailand

Strategy Implementation	Similarity	Difference
Programme/Policy-setting	By the chief executives in all of them. JCE & JB do it without the HQs' or RHOs' involvement.	JCE's affiliated organisations help JCE's chief executives to do it. Only JA do it with the HQs' or RHOs' involvement
Budget setting	The chief executives in JCE & JB set & approve budget & short-term plan.	Financial director & concerned division heads help JCE's chief executives to approve budget & short-term plan. VP submits data to HQs for approving them for JA.
Corporate rules & procedure	Neither JB's GM nor JA's VP changes the corporate rules & procedures that their predecessors set before.	MD & concerned division heads set corporate rules & procedures for JCE.
Organising	The chief executives in all of them organise the structure.	Concerned division heads help the chief executive to organise corporate structure for JCE.
Staffing	HR department manage recruitment, manpower & training for JCE & JB.	MD & concerned division heads help HR manager to manage the manpower for JCE. Administrative office manages recruitment, manpower & training for JA.
Mobilisation	The chief executives in JB & JA mobilise workforce.	The concerned division heads mobilise workforce for JCE.

However, there are few differences among all of them. Because JCE has a lot of its affiliated companies, its MD needs the heads of the affiliated companies to help him to set programmes and to make policies. The concerned division heads always help MD to set and approve budgets, short-term plans, corporate rules and procedures, organising and mobilise the workforce for JCE. These heads also help the HR managers to manage manpower. The HQs gets involved in JA's policy-making, budget- and programme-setting. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be explicated as Figure 9.7 in Chapter 9.

8.6 The comparison of evaluation and control

All Japanese companies under this study have both similarities and differences in relation to their evaluation and control in many attributes. All Japanese cases are compared in detail to uncover these similarities and differences. The comparison of the evaluation and control in these Japanese cases is expressed in Table 8.8. The similarities the evaluation and control among the Japanese cases is used as a basis for the cross-cultural, cross-case analysis with their Dutch counterparts in relation to evaluation and control in section 9.2.4.

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Table 8.8: The evaluation and control in Japanese companies in Thailand

Evaluation & Control	JCE	JB	JA
Criteria establishment	JCE's MD (JCEI*)	GM with HQs approval (JBI)	VP for sales only (JAI)
Criteria & standard	Qualitative and quantitative criteria with wide and deep scope (JCEI)	Qualitative and quantitative criteria (JBI)	Quantitative criteria for sales; qualitative ones for others (JAI)
Performance assessment	MD, on the basis of business plan (JCEI)	GM, on the basis of credit exposure (JBI)	VP submit figure to HQs for performance assessment (JAI)
Benchmarking	By announced business performance (JCEI)	No (JBI)	No (JAI)
Corrective action	MD and concerned directors ask subordinates to improve performance (JCEI)	GM asks colleagues and subordinates to improve performance (JBI)	VP asks colleagues and subordinates to improve performance on the basis of action plan from each division (JAI)
Report to HQs & RHO	To HQs once a month (JCEI)	To HQs once a month (JBI)	To HQs and RHO twice a year (JAI)
Frequency of HQs' visit	Any time without timetable (JCEI)	Every year without timetable (JBI)	From both HQs and RHO once or twice a year (JAI)
CEO performance	The director of Asia and Oceania corporate management division in HQs (JCEI)	HQs (JBI)	RHO from VP's report and RHO's recommendation (JAI)
Loss-making endurance	Never made loss, so not the considering point (JCEI)	Not the considering point (JBI)	Never made loss, so insufficient profit is unacceptable (JAI)

*) These abbreviations refer to the respective interviewees.

8.6.1 JCE To establish criteria for evaluation and control, MD uses qualitative and quantitative criteria with wide and deep scope on the basis of the professional know-how from the HQs. MD assesses the performance on the basis of business plans. He benchmarks his company by announcing business performance, market surveys and so on. For corrective action, MD and the concerned directors ask their subordinates to improve the performance. The process of evaluation and control of JCE is explained in Figure 8.10.

With respect to the interaction with the HQs and the RHO, Thai subsidiary reports on its performance to the HQs once a month. Top executives and staff from the HQs and the RHO visit Thai subsidiary any time without timetable. The director of Asia and Oceania corporate management division in the HQs assesses MD's performance from MD's achievement of the business plans. Because JCE has never made a loss since its establishment in Thailand, loss-making is not a concern. JCE has never fired its MD on grounds of making loss for 2-3 consecutive years. The situation is not so simple that can be described in figures for assessing loss-making.

Figure 8.10: Evaluation and control (JCE)

```
  ┌────────┐
  │  HQs   │
  └────────┘
      │
      ▼
  ┌──────────────┐     ┌──────────────┐     ┌──────────┐     ┌──────────────┐         ┌──────────────┐
  │ Criteria     │────▶│ Performance  │────▶│Corrective│────▶│ Interaction  │────────▶│ Country      │
  │ establishment│     │ assessment & │     │ actions  │     │ with HQs &   │    ┌───▶│ manager's    │
  └──────────────┘     │ benchmarking │     └──────────┘     │ RHO          │    │    │ performance  │
                       └──────────────┘                      └──────────────┘    │    └──────────────┘
                                                                     │           │         ▲
                                                                     └───────────┤         │
                                                                                 │         ▼
                                                                                 │    ┌──────────────┐
                                                                                 └───▶│ Loss-        │
                                                                                      │ making       │
                                                                                      │ endurance    │
                                                                                      └──────────────┘
```

Value: Long-
term
Ritual: JCE
has never
made loss.
Loss-making is
not a concern.

Ritual: The
director of
Asia &
Oceania
corporate
management
division in
HQs assesses
MD's
performance
from MD's
achievement
of the
business
plans.

Ritual: MD
uses
qualitative &
quantitative
criteria with
wide & deep
scope on the
basis of
professional
know-how at
HQs.

Ritual: MD
assesses
performance on
the basis of the
business plans
& benchmarks
by announcing
business
performance.

Value:
Inequality
Ritual: MD &
concerned
directors ask
subordinates
to improve
performance.

Ritual: Thai
subsidiary
reports to HQs
once a month.
Staff from
HQs & RHO
visit Thai
subsidiary
any time
without
timetable.

8.6.2 JB To establish criteria for evaluation and control, GM with the HQs' approval uses qualitative and quantitative criteria. Without benchmarking, GM assesses the performance on the basis of its credit exposure. For corrective action, GM asks his colleagues and his subordinates to improve the performance.

With regard to the interaction with the HQs and the RHO, Thai branch reports on its performance to the HQs once a month. Top executives and staff from Global Corporate Banking Business Unit at the HQs and Asian Headquarters visit Thai branch every year without timetable. The HQs assesses GM's performance from GM's reports. Because JB comes to Thailand to serve Japanese clients, it does not consider loss-making as its main assessment. JB has never dismissed its GM because of making loss. The process of evaluation and control of JB is explicated in Figure 8.11.

Figure 8.11: Evaluation and control (JB)

HQs

Criteria establishment → Performance assessment & benchmarking → Corrective actions → Interaction with HQs & RHO → Country manager's performance / Loss-making endurance

Ritual: GM with HQs' approval uses qualitative & quantitative criteria.

Ritual: Without benchmarking, GM assesses performance on the basis of its credit exposure.

Value: Inequality
Ritual: GM asks colleagues & subordinates to improve performance.

Value: Long-term
Ritual: JB doesn't consider loss as its main assessment.

Ritual: Thai subsidiary reports to HQs once a month. Staff from HQs & RHO visit Thai subsidiary every year without timetable.

Ritual: HQs assesses GM's performance from GM's reports.

8.6.3 JA To establish criteria for evaluation and control, VP uses figures for sales and maintenance only. He uses qualitative criteria for others. Each department can set its own criteria, but VP has to add something to them. Without benchmarking, VP submits the figures to Corporate Planning Office in the HQs for performance assessment. On the basis of the action plans from each division, VP asks colleagues and subordinates to improve the performance for corrective action.

With respect to the interaction with the HQs and the RHO, Thai branch reports on its performance to the HQs and the RHO twice a year. Top executives and staff from the HQs and the RHO visit Thai branch once or twice a year. VP informally reports to the HQs by e-mail and phone. The RHO assesses VP's performance from VP's report and the RHO's recommendation. Because JA has never made a loss since its establishment in Thailand, insufficient profit is unacceptable. VP has to accept pay cuts or slow salary increases, but he will not be dismissed. Market share is a small factor because JA's most clients are the Japanese. The process of evaluation and control of JA is illustrated in Figure 8.12.

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Figure 8.12: Evaluation and control (JA)

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                    ┌──────┐
                    │ HQs  │────────┐
                    └──────┘        │
┌──────────────┐  ┌──────────────┐  │  ┌──────────┐      ┌──────────┐         ┌──────────────┐
│ Criteria     │  │ Performance  │  └─▶│Corrective│      │Interaction│        │ Country      │
│ establishment│─▶│ assessment & │────▶│ actions  │─────▶│with HQs & │       │ manager's    │
└──────────────┘  │ benchmarking │     └──────────┘      │ RHO       │   ┌──▶ │ performance   │
       ▲          └──────────────┘                       └──────────┘   │    └──────────────┘
       │                                                      │  │      │           ▲
┌──────────────┐                                              │  │      │           │
│ Each         │──────┘                                       │  │      │           ▼
│ department   │                                              ▼  └──────┤    ┌──────────────┐
└──────────────┘                                                        └──▶ │ Loss-        │
                                                                             │ making       │
                                                                             │ endurance    │
                                                                             └──────────────┘
```

Value: Long-term
Ritual: JA has
never made loss, so
insufficient profit is
unacceptable. VP
has to accept pay
cut or slow salary
increase.

Ritual: VP
uses figures
for sales &
maintenance
only &
qualitative
criteria for
other. Each
department
can set its
own criteria,
but VP has to
add
something.

Ritual: Without
benchmarking,
VP submits
figures to HQs
for performance
assessment.

Value:
Inequality
Ritual: VP
asks
colleagues &
subordinates
to improve
performance
on the basis of
the action
plans from
each division.

Ritual: Thai
subsidiary
reports to HQs
& RHO twice a
year. Staff from
HQs & RHO
visit Thai
subsidiary once
or twice a year.
VP informally
reports to HQs
by e-mail &
phone.

Ritual: RHO
assesses VP's
performance from
GM's
reports & RHO's
recommendation.

8.6.4 Similarity and difference From Table 8.9, all Japanese companies share much commonality in their evaluation and control. All of them can set up criteria for evaluation and control with their HQs' involvement. The chief executives in all of them tend to use personal authority in the corporate hierarchy rather than meetings and discussions for corrective action. All of them need formalisation for performance assessment from their HQs. This commonality among them might be related to power distance in Hofstede's model. Power distance is likely to be associated with the degree of centralisation and formalisation. However, there are few differences among all of them. JCE uses professional know-how from its HQs. JCE and JA assess their business performance on the basis of the business or action plans, but JA has to submit figures to its HQs for approval. Their frequency of interaction with their HQs and RHOs, such as staff visits and reports on their performance is varied. Because this difference among them is neither significant nor related to national culture, only the above similarities, not the differences will be elucidated as Figure 9.9 in Chapter 9.

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Table 8.9: The similarity and difference in the evaluation and control among 3 Japanese companies in Thailand

Evaluation & Control	Similarity	Difference
Criteria establishment	All of them use both qualitative & quantitative criteria. JCE & JB need their HQs' involvement.	JCE uses professional know-how from HQs. JB needs its HQs' approval. VP establishes criteria only for sales & uses quantitative criteria for sales & maintenance only in JA.
Performance assessment & benchmarking	All of them do it quarterly, but neither of them uses benchmarking.	JCE does so on the basis of business plans. In JA, VP does so on the basis of action plan from each division & submit figures to HQs for performance assessment.
Corrective action	All of them ask their subordinates to improve the performance.	
Interaction with HQs & RHO	JCE & JB report on their performance to their HQs once a month.	JA reports on its performance to the HQs & RHOs twice a year formally & any time informally by e-mail & telephone. Without timetable, staffs from HQs & RHOs visit JCE any time, visit JB every year & visit JA once or twice a year.
CEO's performance	HQs assess CEO's performance for JCE & JE.	RHO assesses VP's performance from VP's report & RHO's recommendation.
Loss-making endurance	JCE & JA have never made a loss in Thailand.	JB makes a loss because of bad loans, but still operates in Thailand. Insufficient profit is unacceptable for JA.

8.7 Conclusion

Because all Japanese cases are operating in three different types of business, namely consumer electronics, banking and air carriers, they have different characteristics inherited from these three industries. In addition, all of them started their business in Thailand in different years from 1950-1961. The size of their branches in Thailand is also varied from companies to companies. Only JCE is a joint venture. Nonetheless, all the Japanese cases share some similar features when they are operating in Thailand. All Japanese cases have never employed third-country staff since its foundation in Thailand. All of them have to report on their performance to their HQs or RHOs in Tokyo and Osaka in Japan first.

With regard to environmental scanning, all Japanese cases have different information-gathering processes and environmental diagnosises, because all of them encounter different environments in their own business. However, all of them share some similarities in their environmental scanning processes, such as exerting a political influence on Thai government to minimise risks and using more in-house data. Their outlook is quite pessimistic. All chief executives in these cases need consultation and negotiation with their colleagues and subordinates before making a strategic decision. All of them did not lay off their employees during the economic crisis in Thailand. The description of this stage of the SMP for all Japanese cases will be expressed in Figure 9.3 in Chapter 9.

With respect to strategy formulation, all Japanese cases formulate corporate strategy in a different way from each other because of their relations with their HQs and RHOs, the difference in their own business environments and the size of their

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branches in Thailand. Nonetheless, all of them share some aspects of the strategy formulation and strategic decision-making process in their Thai operation; for instance, disseminating the strategic decisions throughout their companies in Thailand. All Japanese cases need their HQs' involvement for goal-setting. Their decision-making process is quicker in Thailand than in Japan. The description of this stage of SMP for all Japanese cases will be expressed in Figure 9.5 in Chapter 9.

As far as strategy implementation is concerned, all Japanese cases implement corporate strategy in a different way because of their relations with their HQs and RHOs, the difference in their own business environments and the size of their branches in Thailand. Still, all of them share some facets of their strategy implementation in their Thai operation. Their HQs and RHOs have never involved in recruitment in all Japanese cases, because all of them do not employ third-country managers that are neither Japanese nor Thai and prefer internal promotion to external recruitment for their managerial positions. The description of this stage of SMP for all Japanese cases will be expressed in Figure 9.7 in Chapter 9.

In terms of evaluation and control, all Japanese cases evaluate their strategy and control their performance in a different way because of their relations with their HQs and RHOs, the difference in their own business environments and the size of their branches in Thailand. Even so, all of them share some similar processes of the evaluation and control for their operation in Thailand, such as using personal authority for corrective action instead of meetings and discussions, using both qualitative and quantitative criteria for evaluation and control and not considering loss-making as their main concern. The description of this stage of SMP for all Japanese cases will be expressed in Figure 9.9 in Chapter 9.

According to the above four steps of SMP in Wheelen and Hunger's model, the comparison among all Japanese cases in the cross-case analysis within Japanese culture leads to the findings of the similarities and the differences among these cases. Furthermore, each Japanese case has its own idiosyncrasies. The similarities as a consequence of the cross-case analysis within Japanese culture in this chapter will be compared with the similarities as a consequence of the cross-case analysis within Dutch culture in Chapter 7 in the cross-cultural, cross-case analysis in Chapter 9. The differences as a consequence of the cross-case analysis within Japanese culture in this chapter will be compared with the differences as a consequence of the cross-case analysis within Dutch culture in Chapter 7 for discussion in Chapter 10.

CHAPTER 9:

A COMPARATIVE ANALYSIS BETWEEN DUTCH AND JAPANESE SMPS IN THAILAND

9.1 Introduction

This chapter essentially deals with the cross-cultural, cross-case analysis between the SMPs of Dutch companies and that of the Japanese companies in Thailand. As an interaction between theory and empirical evidence, the process of this analysis begins with building the reference model for comparing SMPs in section 2.5. Under this model, the conceptual propositions are formulated in section 4.4 with corroboration from literature on Dutch and Japanese cultures in Chapter 3 and on Dutch and Japanese SMPs Chapter 4. After combining the cross-case analysis within Dutch culture with extant literature on Dutch MNCs in Chapter 7 and the cross-case analysis within Japanese culture with existing literature on Japanese MNCs in Chapter 8, the results from both preceding chapters are compared to formulate the empirical propositions in this chapter. To find the evidence, the process of this analysis is encapsulated in Figure 9.1

The research findings from this study answer the central research question in Chapter 1 that the national cultures of Dutch and Japanese MNCs' parent companies intervene in the SMPS of their Thai subsidiaries. The findings indicate that only two dimensions in Hofstede's model are significant for the prediction of the SMPs in MNCs' subsidiaries. In the light of this study, only power distance and uncertainty avoidance have an influence on the four steps of SMP in Wheelen and Hunger's model. Power distance tends to exert an influence on strategy formulation and evaluation and control. Uncertainty avoidance is likely to wield an influence on environmental scanning, strategy formulation and strategy implementation. There is no relationship between individualism-collectivism and any steps of the SMPs in Thai subsidiaries. These subsidiaries may be too small to organise collective decision-making. No evidence shows that long-term orientation is related to the degree of the future-oriented projection of the corporate goals for strategy formulation and the criteria establishment for evaluation and control. No evidence indicates the relationship between short-term orientation and the degree of emphasis on profitability as a goal for strategy formulation and as a criterion for evaluation and control. The most different scores between Dutch and Japanese cultures in masculinity-femininity do not affect the SMPs of the Dutch and the Japanese companies in Thailand at all. No evidence confirms this relationship. This dimension may be related to some aspects of managerial behaviours that are irrelevant to the SMP of MNCs. Only strategy implementation is associated with

corporate performance because MNCs have to implement their strategy to attain what they want.

Figure 9.1: The process of a comparative analysis and its write-up
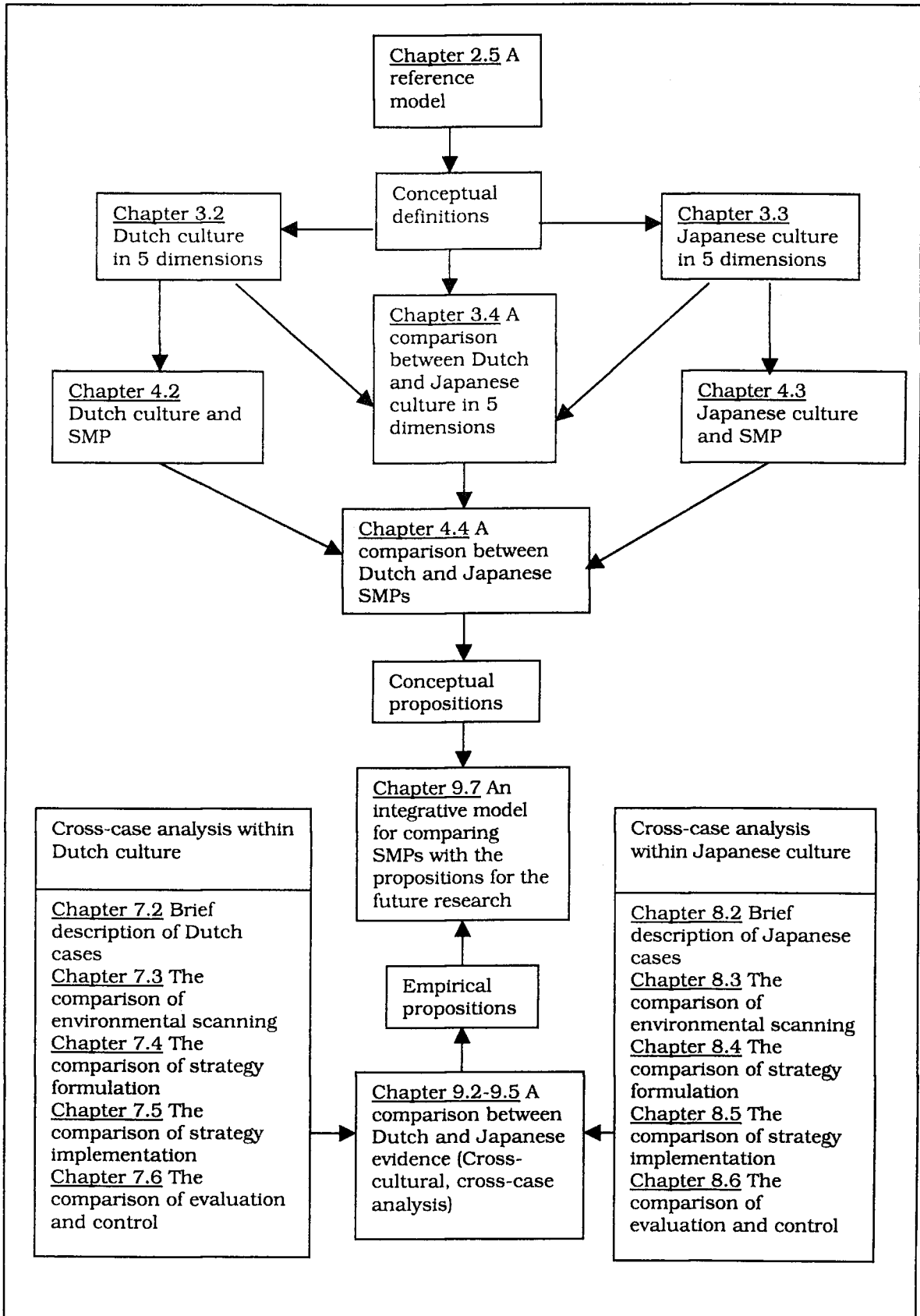
To answer the research questions for each component of SMPs in section 1.5, section 9.2, 9.3, 9.4 and 9.5 describe the research findings in the light of the relationship between SMP comprising environmental scanning, strategy formulation, strategy implementation and evaluation and control and national culture respectively. This relationship will be summarised in the empirical propositions in these four sections. Section 9.6 discusses the relationship between strategy implementation and corporate performance. Section 9.7 integrates all relationships from the research findings into the integrative model for comparing SMPs. Section 9.8 arrives at a conclusion.

9.2 Environmental scanning

The findings answer the research question that the top executives in both Dutch and Japanese companies scan the environment differently from each other in Thailand from the perspective of Dutch and Japanese cultures. From the empirical evidence, the relationship between Dutch culture and environmental scanning in the Dutch companies is expressed in Figure 9.2 as a result of the comparison in section 7.3. As a consequence of the comparison in section 8.3, the relationship between Japanese culture and environmental scanning in the Japanese companies is expressed in Figure 9.3. Neither the HQs nor the RHOs gets involved with the environmental scanning process in both Dutch and Japanese cases. The country managers in all six cases scan the environment either by themselves or with their colleagues in Thai subsidiaries.

Nevertheless, no empirical proposition in this chapter supports the conceptual proposition (CP1) from section 4.4.1. There is no evidence that shows the relationship between individualism-collectivism and information sharing in both Dutch and Japanese cases. Both of them are small. Because Thai labour law does not require the Dutch companies to have a work council in Thailand, the situation in the Netherlands is not applicable to Thai situation. The Japanese companies in Thailand are too small to organise planning office and a working group for sharing information among employees. Moreover, their Thai partners, suppliers, customers and competitors are unwilling to share the information they want.

The empirical evidence suggests the relationship between uncertainty avoidance and environmental scanning. From Figure 9.2 and 9.3, the empirical propositions (EP1a), (EP1b), (EP2) and (EP3) support this relationship.

The Dutch companies tend to review the situation on the incident-oriented (*ad hoc*) basis, while the Japanese companies tend to review the situation on the schedule-oriented basis. In the formal long-term environmental scanning process, all Dutch cases review the situation in an *ad hoc* fashion when the situation requires.

Figure 9.2: Environmental scanning in Dutch companies

External consultants and researchers are employed when needed.

Formal long-term environmental scanning

External data

Informal routine environmental scanning

Environmental analysis

Working group

External

Opportunities & threats are often mixed up, & dependent on how both of them affect the company.

Criteria: See threats & opportunities at the same time, but more opportunities.

Internal

Interpretation

General Perception
-Changing environment causes threats & opportunities
-Dutch companies avoid political involvement and litigation at all cost.
- A good future

Strength: Superior products & technology
Weakness: Short-term orientation

UAI in EP1:
Dutch companies use less internal data & review situation on the *ad hoc* basis (when situations require).

Ritual:
Chief executives in Dutch companies analyses strategic issues & assesses political risk mostly themselves. Sometimes, they organise working group.

UAI in EP2:
Dutch companies don't perceive clear-cut criteria to differentiate between threats & opportunities.

UAI in EP3:
The perception of Dutch companies is more optimistic and short-term-oriented. Dutch companies avoid political involvement & litigation.

Figure 9.3: Environmental scanning in Japanese companies

External data

Formal long-term environmental scanning

Internal data

External data

Informal routine environmental scanning

Internal data

Environmental analysis

External

Opportunity: Long-term growth
Threat: Economic crisis & uncertainty about economic recovery.

Criteria: threats are bad & opportunities are good. Both of them can't be seen at the same time.

Internal

Interpretation

General perception
-Changing environment causes both threats & opportunities.
- Japanese companies minimise political risk by either wielding influence on, or forging relation with Thai government & other relevant parties.

Strength:
Quality
Weakness:
Conservatism

UAI in EP1:
Japanese companies use more internal data & review situation on pre-determined schedule.

Ritual:
Japanese country managers analyse strategic issues by themselves with top-down and bottom-up communication.

UAI in EP2:
Japanese companies have more clear-cut criteria to differentiate between threats & opportunities.

UAI in EP3:
The perception of Japanese companies is more pessimistic conservative & short-term-orientated. Japanese companies try to minimise risks.

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Only DCE uses its own external and internal units to collect the formal data semi-annually. DB and DA do not review the situation on schedule. DB employs external consultants and researchers when a new investment is under consideration. DA does the same thing before its imminent regional meetings. All of them tend to rely on less internal data, because no planning office in the HQs or RHOs supplies data from in-house publications for them.

In the informal routine environmental scanning process, all Dutch companies, except DB are likely to rely solely on external data, because DB need some internal information from its credit risk departments at all levels before dealing with its customers on the case-by-case basis. The chief executives in all Dutch companies scan the environment very often.

They usually ask their subordinates to either collect or buy data from external agencies. This lack of informal internal data implies the weak institutionalisation of environmental scanning in the Dutch companies. On the other hand, all Japanese companies review the situation on pre-determined schedule in the formal long-term environmental scanning process. JCE and JB use external agencies to collect data before reviewing the situation every year on schedule. JA employs public relation (PR) agencies to collect data for its annual review.

All Japanese companies rely on external data, but only JCE and JB rest on their internal data from in-house publications simultaneously in the annual review. Their country managers in Thailand scan the environment very often in the informal routine environmental scanning process. All Japanese cases collect data from both external and internal sources informally. The more use of internal data in these Japanese companies reflects the strong institutionalisation of environmental scanning. Because all of them are more anxious about incertitude, they tend to institutionalise their information-gathering process.

EP1a: Strong uncertainty avoidance is positively related to the degree of situation review on the schedule-oriented basis in MNCs' subsidiaries.
EP1b: Weak uncertainty avoidance is positively related to the degree of situation review on the incident-oriented basis in MNCs' subsidiaries.

The empirical propositions (EP1a) and (EP1b) are correspondent to the conceptual proposition (CP2) from section 4.4.1. Because Dutch MNCs do not have the planning department as their strong institutionalisation of environmental scanning throughout their global operation, the Dutch companies in Thailand tend to review their strategy on the incident-oriented basis. They do not do it according to the procedure regularly. In contrast, with their strong institutionalisation of environmental scanning throughout their global operation, the Japanese companies

in Thailand tend to review the situation on the schedule-oriented basis. They do it according to the procedure regularly.

The Japanese companies tend to have more clear-cut criteria to differentiate between threats and opportunities than the Dutch companies do. In general, the Japanese companies tend to have more fear of the environment. They tend to have clear-cut criteria to categorise strategic issues into threats and opportunities. For JCE and JB, opportunities are good. Threats are bad. Both companies cannot see both threats and opportunities as the same strategic issues, because their criteria for differentiation are clear. Both of them cannot perceive economic crisis as the same issue as economic recovery. For JA there is no criterion for classifying strategic issues into threats and opportunities. JA does not perceive threats because it believes it can manage a good relationship with Thai government.

On the other hand, all Dutch companies tend to have less fear of the environment. They do not have clear-cut criteria to categorise strategic issues into opportunities and threats. Both kinds of issue are too mixed up to see them as separate issues concurrently. They can see both of them as the same strategic issues depending on how both of them affect the companies. For DCE, Thailand's open economy causes more new opportunities and strong competition concurrently. For DB, Thai government policy on financial liberalisation can be both threats and opportunities, because it triggers off both competition and new business concomitantly. DA perceives no visible threat because of less intensifying competition.

EP2: Strong uncertainty avoidance is positively related to the degree of the clear-cut criteria to differentiate between threats and opportunities in MNCs' subsidiaries.

The empirical proposition (EP2) is in line with the conceptual propositions (CP3a) and (CP3b) from 4.4.1. Because the Japanese top executives feel that they need more control over the environment, they tend to need clear-cut criteria for classifying strategic issues into threats and opportunities before analysing them. On the other hand, even if DCE as a Dutch company has both theoretical and practical criteria for this classification, it rarely uses them. The top executives in the Dutch companies tend to have less clear-cut criteria for this classification than their counterparts in the Japanese companies, because they feel no need to control the environment.

Japan's economy has already undergone a 10-year recession. Dutch economy has not shared the same experience with its Japanese counterpart, but both Dutch and Japanese companies have faced the same situation in Thailand since the economic crisis in 1997. Even so, both of them have their own perception of Thai economy different from each other. The Japanese companies tend to have more pessimistic

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perceptions of external environment, but the Dutch companies tend to have more optimistic ones.

All Japanese companies tend to see fewer opportunities even if the changing environment causes both threats and opportunities at the same time. Because their perceptions tend to be pessimistic, they are very conservative. They still feel uncertain about economic recovery and the purchasing power of Thai consumers in the next couple of years even though JCE and JA see their future more favourably. Because JB limits its business only to corporate banking, it still sees an uncertain future from their bad loans in Thailand and the frenzy trend of merger and acquisition (M&A) in Japan. To minimise political risks in Thailand, JCE and JB often try to wield an influence on Thai government for favourable economic policies. In the similar vein, JA tries to forge a good relationship with Thai government and THAI Airway. On the other hand, all Dutch companies tend to see the crisis as their opportunities to expand and restructure their business. Their perceptions tend to be optimistic.

> EP3: Strong uncertainty avoidance is positively related to the degree of pessimistic perception of environment among MNCs' subsidiaries.

The empirical proposition (EP3) is consistent with the implication of literature in section 2.4.1 and section 4.4.1 that strong uncertainty avoidance is positively related to the degree of pessimism.

9.3 Strategy formulation

The findings answer the research question that the strategy formulation of both Dutch and Japanese companies differs from each other from the perspective of Dutch and Japanese cultures. From the empirical evidence, the relationship between Dutch culture and strategy formulation in the Dutch companies is expressed in Figure 9.4 as a consequence of the comparison in section 7.4. As a result of the comparison in section 8.4, the relationship between Japanese culture and strategy formulation in the Japanese companies is expressed in Figure 9.5. Both HQs and RHOs get involved with strategy formulation, but not strategic decision-making in both Dutch and Japanese cases. Both of them prefer consensual decision-making.

Nonetheless, no empirical proposition in this chapter supports the conceptual proposition (CP4) from section 4.4.2. There is no evidence that shows the relationship between long-term orientation and the degree of the future-oriented projection of the corporate goals. It is hard to identify and to measure what is a short-term or long-term goal in reality. This measurement is quite subjective because every company has its own criterion for classifying its corporate goals into long-term and short-term ones. There is no common ground for this classification.

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Figure 9.4: Strategy formulation in Dutch companies

Outcome

Process

HQs

RHOs

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision

Perception

Ritual: All their decisions are satisfactory. Because Thai units are smaller, the decision-making process is faster than in HQs and RHOs.

Dissemination of decisions & goals

Value:
The primary goal is profit in Dutch companies.

Ritual:
HQs gets involved in Dutch service companies' strategy formulation. Dutch companies at least report to RHOs when they formulate strategies.

PDI in EP4:
Dutch companies set goals with approval at regional level.

Ritual:
Dutch companies generate at least 3 alternatives before making strategic decisions.

Ritual: At least 2 Dutch companies need committee for making decisions.
Value: Consultation with subordinates is necessary if the decisions affect them.

UAI in EP5 & EP6:
Strategic decisions are at least disseminated to involved persons. Some of these decisions are written down & confidential to some degree.

Figure 9.5: Strategy formulation in Japanese companies

Outcome

HQs

RHOs

Process

Focus of strategy formulation → Goal-setting → Alternative generation → Making a strategic decision

Perception

Ritual: All their decisions are satisfactory. Because Thai units are smaller, the decision-making process is faster than in HQs and RHOs.

Dissemination of decisions & goals

Value:
Profit isn't a primary goal for Japanese companies.

Ritual:
HQs gets involved in Japanese service companies' strategy formulation.

PDI in EP4:
Japanese companies have at least to communicate with HQs or RHOs when they set goal. They need higher-level approval.

Ritual:
Japanese companies generate at least 3 alternatives before making strategic decisions.

Value: Japanese companies prefer consensus if possible.
Value: Consultation with colleagues & subordinates is necessary if the decisions affect them.
Ritual: At least 2 Japanese companies need to report these alternatives to HQs or RHOs before making strategic decisions.

UAI in EP5 & EP6:
Strategic decisions are disseminated more broadly to affected colleague & subordinated, & at least 2 of them written down to some degree. These documents are internal.

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No empirical proposition in this chapter supports the conceptual propositions (CP5a) and (CP5b) from section 4.4.2. There is no evidence that shows the relationship between the degree of individualism and the degree of individual responsibility for making a strategic decision in the Dutch cases.

No evidence supports the relationship between the degree of collectivism and the degree of collective responsibility for making a strategic decision in the Japanese cases. Both Dutch and Japanese cases are too small. All Dutch cases have no subsidiary board. Neither have JA and JB. Even if JCE has a subsidiary board, its MD has a clear responsibility for reporting on his decisions to the HQs.

From Figure 9.4 and 9.5, the empirical evidence suggests the relationship between power distance and strategy formulation. The empirical proposition (EP4) supports this relationship. The evidence also suggests the relationship between uncertainty avoidance and strategy formulation. The empirical propositions (EP5) and (EP6) confirm this relationship.

9.3.1 *The relationship between power distance and strategy formulation* The degree of power distance presumably affects the degree of the centralisation of decision-making authority and operations. Unlike Dutch MNCs, Japanese MNCs are well-known for their centralisation of the world-wide operation. No matter where their subsidiaries are located, these subsidiaries need the formalisation from the HQs for their strategy formulation in the local operations (Ronen, 1986; Yip et al, 1997; Bartlett & Ghoshal, 1998). The HQs of Dutch MNCs get less involved with their subsidiaries' strategy formulation than the HQs of their Japanese counterparts do in Thailand. Japanese companies need a higher level of formalisation for approval of their strategy formulation in Thailand than Dutch companies do.

The HQs tend to get more involved with the Dutch service companies' strategy formulation. For DB, its HQs, its RHO and Thai branch review and formulate the strategy for Thai branch every year, because some strategies need global information, some need regional one and the rest needs local one. For DA, its HQs controls only pricing policy in Thai branch on the global basis. For DCE, its HQs does not get involved with Thai NSO's strategy formulation. In line with the regional strategy, DCE formulates the strategy for Thai NSO, but reports on its strategy to its RHO for each product group. DA formulates the strategy for Thai branch after all Asian branches submit data of their each department at the regional meetings. All Dutch cases need the formalisation for approving their corporate goals at regional level. DCE and DA negotiate their corporate goals at the RHOs' meeting on the basis of the sales in previous years and their bargaining position. DB proposes its corporate goals to its RHO for approval after the branch manager consult with his subordinates in Thai branch.

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On the other hand, all Japanese cases need more their HQs' involvement in their strategy formulation and corporate goal-setting than their Dutch counterparts do. After the annual review of strategy, the HQs advises JB and JA to formulate their strategy and set the targets for their Thai branches. Only JCE's top management in Thailand including MD formulates strategy for Thai operation because JCE is a joint venture, not a branch. Hence, the HQs get more involved with the strategy formulation of the Japanese service companies in Thailand. Nevertheless, all Japanese cases need their HQs' involvement in their corporate goal-setting in Thailand. JCE sets goals by communication among itself, the HQs and Thai partners and submits its plans and its goals to the HQs for approval. JB and JA set their corporate goals for Thai branch after discussions with the HQs and the RHOs respectively. Albeit DB as a bank is more centralised than DA and DCE and JB as a bank is more centralised than JA and JCE in their strategy formulation, DB is less centralised than JB. JB needs to report to the HQs more than DB does. In general, the HQs get involved with the strategy formulation in all Japanese cases. Hence, the Japanese companies have more centralised communication among the HQs, the RHOs and Thai units than the Dutch companies as far as their strategy formulation and corporate goal-setting are concerned.

EP4: Large power distance is positively related to the need for higher-level formalisation for approval in MNCs' strategy formulation for subsidiaries.

The conceptual proposition (CP6) from section 4.4.2 affects the empirical proposition (EP4). The degree of the centralisation of formalisation and decision-making authority in Japanese MNCs is higher than that in Dutch MNCs. Because Japanese MNCs centralise their decision-making authority when they pursue corporate strategy globally, all Japanese cases in Thailand as a subsidiary need a high-level of formalisation in their strategy formulation, especially from their HQs. On the other hand, Dutch MNCs tend to decentralise their decision-making authority. All Dutch cases do not need much formalisation from their HQs in their strategy formulation.

9.3.2 The relationship between uncertainty avoidance and strategy formulation The degree of uncertainty avoidance presumably affects strategy formulation because the decision-making process in MNCs often involves incertitude and risks. The different degree of uncertainty avoidance tends to cause difference in demands for people participating in and acknowledging the strategic decision-making process in MNCs. The empirical propositions (EP5) and (EP6) support this relationship.

The Japanese country managers need more people to support them in the strategic decision-making than their Dutch counterparts do. Both Dutch and Japanese cases need more than one person in their decision-making process. All

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Japanese cases prefer consensus if possible. Their country managers need to consult and negotiate with both subordinates and colleagues before making a strategic decision if such a decision affects them. JCE uses *ringi* and *nemawashi* with Thai staff for making such a decision. Nine to twenty-five persons can participate in the decision-making in JCE. JCE only needs consensus on some issues. Because Thai branches are small, JB and JA need only 2-3 persons to take part in their decision-making process without *ringi* and *nemawashi.* Both companies also need consensus only on some issues. If a consensus is impossible, a majority decision is fine. All persons who take part in the decision-making process in all Japanese cases are collectively responsible for the decision.

On the other hand, the chief executives in all Dutch cases also need to consult and negotiate with subordinates before making a strategic decision if such a decision affect them. However, they limit their consultation to only the involved persons who take action. The Dutch companies need fewer persons to take part in decision-making than the Japanese companies do. DCE and DB need to organise committees for making a decision. To take part in the committee, DCE needs 5-8 involved persons and DB needs 3-5 involved persons. DA does not organise committees, but need 3-5 persons to make a decision in the meetings. DCE needs 70% votes, DB needs unanimity and DA needs simply 51% vote. Each person who takes part in the decision-making process in all Dutch cases is individually accountable for the decision in his or her own part.

> EP5: Strong uncertainty avoidance is positively related to the demand for more people supporting a consensus in strategic decision-making process in MNCs' subsidiaries.

Japanese companies tend to disseminate their strategic decisions more broadly throughout their organisation than their Dutch counterparts do. Because the chief executives in all Dutch cases limit their consultation to only the involved persons who take action, all Dutch cases tend to disseminate their strategic decisions only to such persons. They do not diffuse these decisions to the affected colleagues and subordinates throughout the company. DCE writes down only its short-term plans. Its country manager talks only to the involved persons for its long-term plans. These documents are confidential to a various degree. DB and DA write down all their strategic decisions. All documents about these decisions are confidential.

On the other hand, the demands for more people supporting strategic decisions is likely to lead to more dissemination of the strategic decisions throughout the Japanese companies. All Japanese cases disperse their strategic decisions not only to the concerned persons who take action, but also to the affected colleagues and subordinates throughout the company. JCE disseminates strategic decisions to affected colleagues and subordinates. It writes down all annual management policies and annual business plans. These documents are internal, but JCE has press

conferences on its goals and strategy in the documents regularly. JB disperses the strategic decisions to the affected colleagues and subordinates, but does not write down these decisions. JA disseminates 90-95% of its strategic decisions throughout the company. It writes down these decisions to some extent. These documents are confidential. In general, the Japanese companies are less restricted about the secrecy of such decisions and strategic documents than the Dutch companies are.
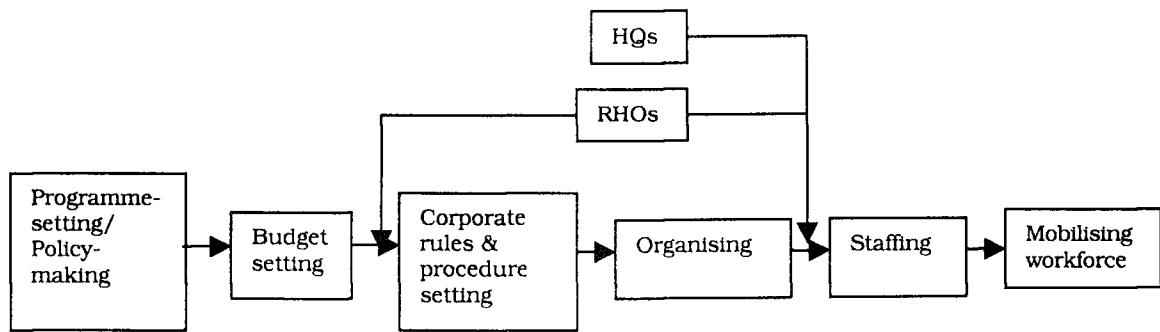

EP6: As far as consensus orientation is concerned, strong uncertainty avoidance is positively associated with the extent to which strategic decisions are disseminated to the staff throughout MNCs' subsidiaries.

9.4 Strategy implementation

The findings answer the research question that the strategy implementation of both Dutch and Japanese companies differs from each other from the perspective of Dutch and Japanese cultures. From the empirical evidence, the relationship between Dutch culture and strategy implementation in the Dutch companies is expressed in Figure 9.6 as an outcome of the comparison in section 7.5. As a conclusion of the comparison in section 8.5, the relationship between Japanese culture and strategy implementation in the Japanese companies is expressed in Figure 9.7. All Japanese cases can make their policies, set their corporate rules and procedures, organise their corporate structures and mobilise their workforce for Thai operation without HQs' and RHOs' involvement. In contrast, the HQs and the RHOs of the Dutch cases get involved with recruitment of the high-level third-country and local managers in Thai subsidiaries.

Notwithstanding, no empirical proposition in this chapter supports any conceptual proposition from section 4.4.3. No empirical proposition supports the conceptual proposition (CP7). There is no evidence that shows the relationship between the degree of uncertainty avoidance and the choice of markets and products in both Dutch and Japanese cases. DB, DA, JB and JA do not develop their products, services and market in Thailand. Both JCE and DCE develop their products in Thailand, but sell these products both in Thailand and in other Asian countries. It is difficult to evaluate how both of them develop their products and their market in Thailand.

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Figure 9.6: Strategy implementation in Dutch companies

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                                    ┌───────┐
                                    │  HQs  │──────────┐
                                    └───────┘          │
                              ┌─────────┐              │
                              │  RHOs   │──────────┐   │
                              └─────────┘          │   │
┌──────────┐                      │                │   │
│Programme-│   ┌────────┐   ┌──────────┐   ┌─────────┐  ┌────────┐   ┌──────────┐
│setting/  │──▶│ Budget │──▶│Corporate │──▶│Organising│─▶│Staffing│──▶│Mobilising│
│Policy-   │   │ setting│   │rules &   │   │          │  │        │   │workforce │
│making    │   └────────┘   │procedure │   └─────────┘  └────────┘   └──────────┘
└──────────┘                │setting   │
                            └──────────┘
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Ritual:
Chief executives in Dutch companies except in Dutch bank set programme & make policy without HQs or RHOs' involvement.

Ritual:
Chief executives in Dutch companies need at least RHOs' involvement in budget approval in Thai units.
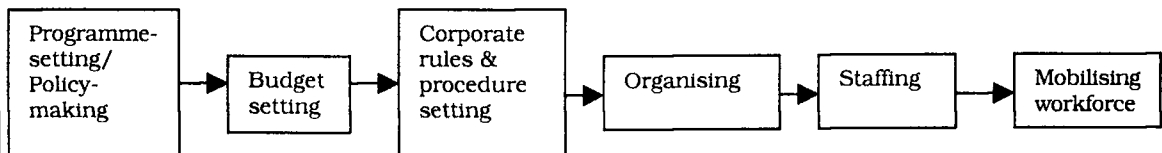
UAI in EP7:
Chief executives in Dutch companies approve corporate rules & set procedure in Thai units.

Ritual:
Chief executives in Dutch companies organise corporate structures of Thai units.

Ritual:
HR manager manages manpower, recruitment and training. HQs & RHOs get involved in some local recruitment.

Ritual:
Chief executives in Dutch companies do.

Figure 9.7: Strategy implementation in Japanese companies

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┌──────────┐   ┌────────┐   ┌──────────┐   ┌─────────┐  ┌────────┐   ┌──────────┐
│Programme-│   │ Budget │   │Corporate │   │Organising│ │Staffing│   │Mobilising│
│setting/  │──▶│ setting│──▶│rules &   │──▶│          │─▶│        │──▶│workforce │
│Policy-   │   │        │   │procedure │   │          │  │        │   │          │
│making    │   └────────┘   │setting   │   └─────────┘  └────────┘   └──────────┘
└──────────┘                └──────────┘
```

Ritual:
Japanese country managers except the one in Japanese carrier set programmes & make policy without HQs' or RHOs' involvement.

Ritual:
Only country manager in Japanese carrier needs to submit data to HQs for approving budget.

UAI in EP7:
Country managers in Japanese companies tend to maintain their predecessor's corporate rules & procedures.

Ritual:
Country managers in Japanese companies organise corporate structures of Thai units.

Ritual: HR manager manages manpower, recruitment and training without HQs' & RHOs' involvement.

Ritual:
Country manager in Japanese companies does.

No empirical proposition supports the conceptual proposition (CP8). There is no evidence that shows the relationship between the degree of power distance and the degree of centralisation in both Dutch and Japanese subsidiaries in Thailand. The evidence only supports the relationship between the degree of power distance and the centralisation of decision-making and operations among the HQs, the RHOs and Thai subsidiaries of both Dutch and Japanese MNCs.

No empirical proposition supports the conceptual proposition (CP9). In both Dutch and Japanese cases, no evidence indicates the relationship between the degree of power distance and the degree of employing personal authority through the vertical relationship in corporate hierarchy to mobilise the workforce.

The empirical evidence suggests the relationship between uncertainty avoidance and strategy implementation. From Figure 9.6 and 9.7, the empirical proposition (EP7) confirms this relationship.

The Japanese country managers are more likely to maintain the corporate rules and the procedures that their predecessors set than the chief executives in the Dutch companies do. Because people in a strong uncertainty-avoiding society tend to be conservative and sceptical of adopting new ideas, the Japanese companies are more conservative than their Dutch counterparts in maintaining the rules and the procedures. The Japanese expatriates who take up the new positions as the new country managers in JB and JA do not change the corporate rules and the procedures that their predecessors set before. Only in JCE, MD and the concerned divisional heads set rules and procedures if the situation changes. In general, the country managers in the Japanese companies tend to maintain their predecessors' corporate rules and procedures if the new situation does not really required.

On the other hand, the new country managers in the Dutch companies who take up the new assignments in Thailand are unlikely to maintain the corporate rules and the procedures in the subsidiaries that their predecessors set. DCE uses a working group to sets the rules and the procedures. To be in line with the regional policy, the branch manager set the rules and the procedures for DB. So does the GM in DA.

EP7: Strong uncertainty avoidance is positively related to the degree to which chief executives in MNCs' subsidiaries maintain their corporate rules and procedures that their predecessors set.

Although the empirical proposition (EP7) does not support any conceptual proposition from section 4.4.3, it is likely to be in line with the relationship between uncertainty avoidance and strategy implementation implied in section 2.4.3. Because strong uncertainty avoidance is positively correlated with top executives' commitment to the *status quo* (Geletkanycz, 1997), the Japanese companies tend to

maintain their rules and procedures as their commitment to the *status quo* unlike the Dutch companies.

9.5 Evaluation and control

The findings answer the research question that both Dutch and Japanese companies in Thailand evaluate their own performance differently from each other from the perspective of Dutch and Japanese cultures. From the empirical evidence, the relationship between Dutch culture and evaluation and control in the Dutch companies is expressed in Figure 9.8 as a result of the comparison in section 7.6. As a consequence of the comparison in section 8.6, the relationship between Japanese culture and evaluation and control in the Japanese companies is expressed in Figure 9.9. Both the HQs and the RHOs get involved with the evaluation and control in both Dutch and Japanese companies in Thailand. The staff from the HQs and the RHOs visits Thai subsidiaries of all six cases at least once a year. All these cases need to report on their performance to either the HQs or the RHOs. Either the HQs or the RHOs assess the performance of these country managers.

However, no empirical proposition in this chapter supports the conceptual propositions (CP10a) and (CP10b) from section 4.4.4. There is no evidence that shows the relationship between short-term orientation and the degree of emphasis on profitability as the criteria for evaluation and control. It is hard to identify and to measure what are short-term or long-term criteria for evaluation and control. This measurement is quite subjective because every company has its own criteria for classifying its performance evaluation into short-term and long-term ones. There is no common ground for this classification among these companies.

The empirical evidence suggests the relationship between power distance and evaluation and control. From Figure 9.8 and 9.9, the empirical propositions (EP8), (EP9a), (EP9b) and (EP10) support this relationship.

The Japanese companies need their HQs' involvement in their criteria establishment for evaluation and control unlike the Dutch companies. The degree of the centralisation of Dutch MNCs' world-wide operations is low. The chief executives in all Dutch companies only need advice from their subordinates and colleagues in Thai units to set up the criteria for evaluation and control in Thai operation. All of them need neither the HQs' nor the RHOs' involvement in setting up these criteria. In DCE, the country manager seeks advice from his subordinates and colleagues. In DB, the branch manager proposes these criteria to the country manager after discussions with the involved persons. In DA, GM does it himself.
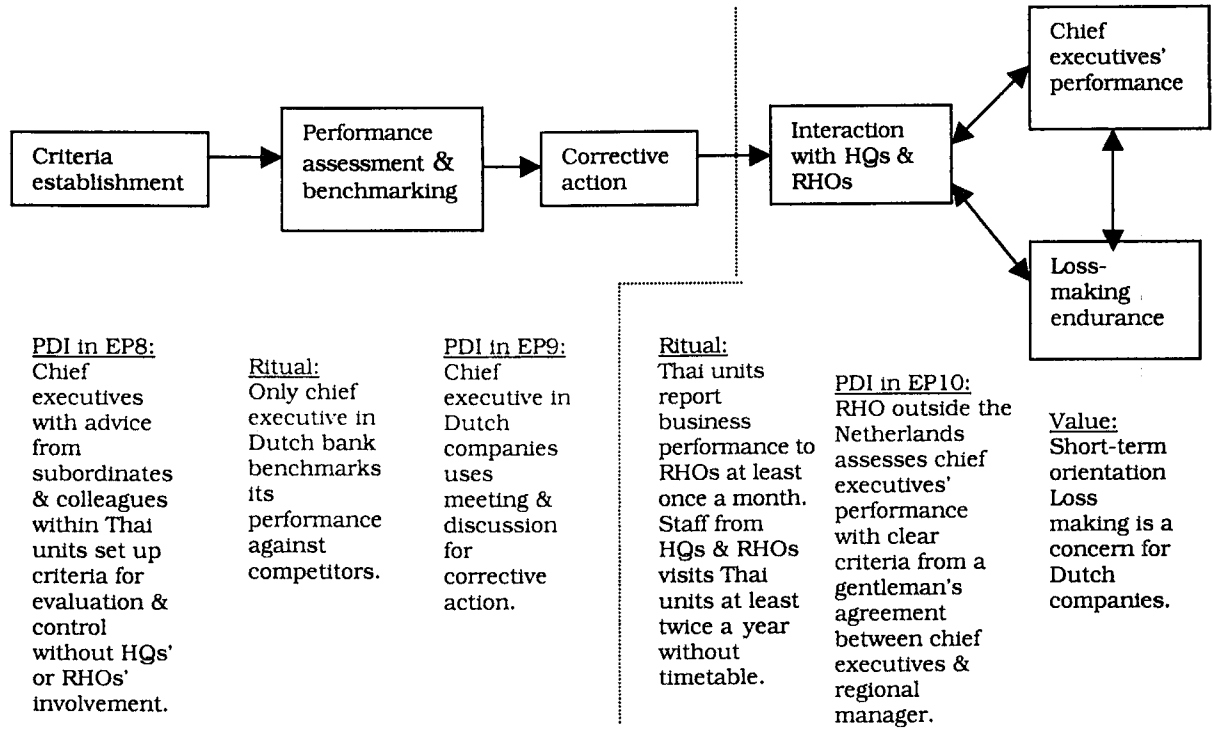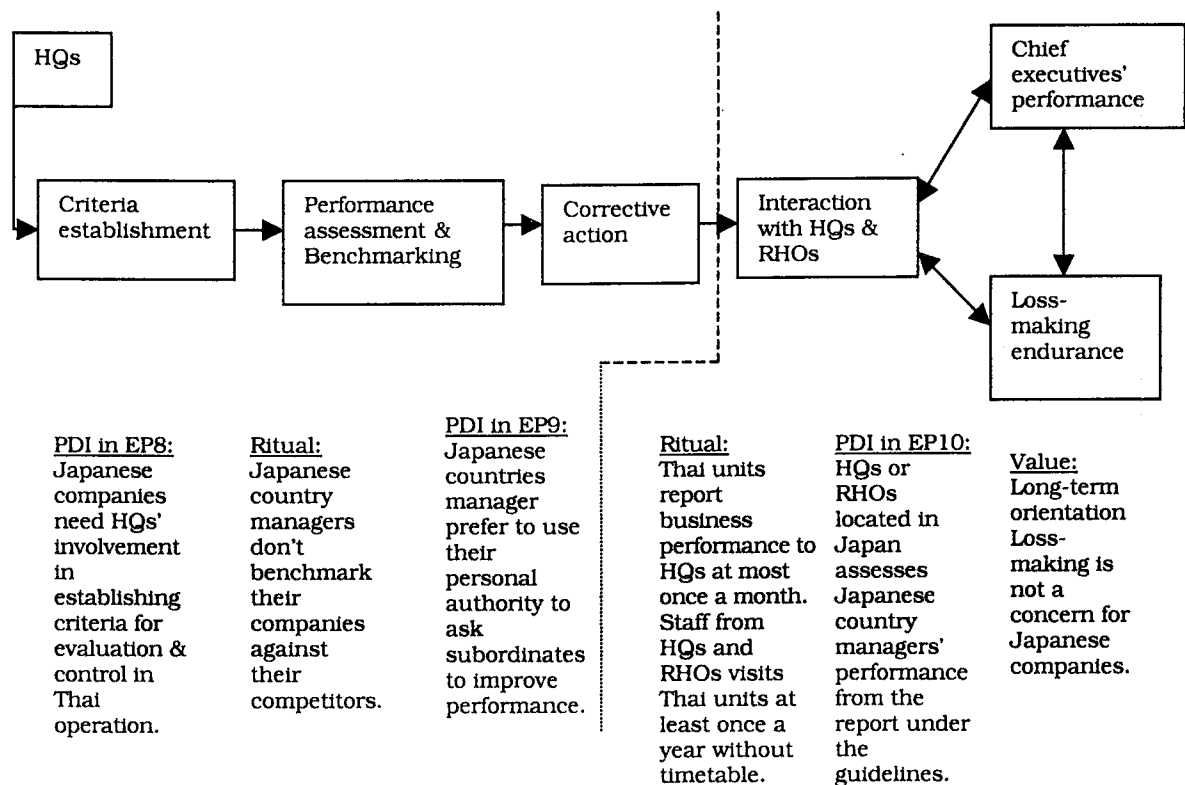
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Figure 9.8: Evaluation & control in Dutch companies

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┌──────────────┐     ┌──────────────┐     ┌──────────┐     ┌──────────┐        ┌──────────────┐
│ Criteria     │ ──> │ Performance  │ ──> │Corrective│ ──> │Interaction│ ──>   │ Chief        │
│ establishment│     │ assessment & │     │ action   │     │with HQs & │       │ executives'  │
│              │     │ benchmarking │     │          │     │RHOs       │       │ performance  │
└──────────────┘     └──────────────┘     └──────────┘     └──────────┘        └──────────────┘
                                                                    │      ↕
                                                                    ↓
                                                               ┌──────────────┐
                                                               │ Loss-        │
                                                               │ making       │
                                                               │ endurance    │
                                                               └──────────────┘
```

PDI in EP8:
Chief executives with advice from subordinates & colleagues within Thai units set up criteria for evaluation & control without HQs' or RHOs' involvement.

Ritual:
Only chief executive in Dutch bank benchmarks its performance against competitors.

PDI in EP9:
Chief executive in Dutch companies uses meeting & discussion for corrective action.

Ritual:
Thai units report business performance to RHOs at least once a month. Staff from HQs & RHOs visits Thai units at least twice a year without timetable.

PDI in EP10:
RHO outside the Netherlands assesses chief executives' performance with clear criteria from a gentleman's agreement between chief executives & regional manager.

Value:
Short-term orientation Loss making is a concern for Dutch companies.

Figure 9.9: Evaluation & control in Japanese companies

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┌──────┐
│ HQs  │
└──────┘
   │
   ↓
┌──────────────┐     ┌──────────────┐     ┌──────────┐     ┌──────────┐        ┌──────────────┐
│ Criteria     │ ──> │ Performance  │ ──> │Corrective│ ──> │Interaction│ ──>   │ Chief        │
│ establishment│     │ assessment & │     │ action   │     │with HQs & │       │ executives'  │
│              │     │ Benchmarking │     │          │     │RHOs       │       │ performance  │
└──────────────┘     └──────────────┘     └──────────┘     └──────────┘        └──────────────┘
                                                                    │      ↕
                                                                    ↓
                                                               ┌──────────────┐
                                                               │ Loss-        │
                                                               │ making       │
                                                               │ endurance    │
                                                               └──────────────┘
```

PDI in EP8:
Japanese companies need HQs' involvement in establishing criteria for evaluation & control in Thai operation.

Ritual:
Japanese country managers don't benchmark their companies against their competitors.

PDI in EP9:
Japanese countries manager prefer to use their personal authority to ask subordinates to improve performance.

Ritual:
Thai units report business performance to HQs at most once a month. Staff from HQs and RHOs visits Thai units at least once a year without timetable.

PDI in EP10:
HQs or RHOs located in Japan assesses Japanese country managers' performance from the report under the guidelines.

Value:
Long-term orientation Loss-making is not a concern for Japanese companies.

In contrast, the degree of the centralisation of Japanese MNCs' world-wide operations is high. All Japanese companies need their HQs' involvement in establishing the criteria for evaluation and control in Thai operation. JCE uses qualitative and quantitative criteria with wide and deep scope on the basis of professional the know-how from the HQs. JB sets up these criteria with the approval from its HQs. JA does not need the HQs' approval for this criteria establishment, but has to submit the figures to the HQs for performance assessment.

> EP8: Large power distance is positively related to the degree of HQ's involvement in their criteria establishment for evaluation and control in MNCs' overseas subsidiaries.

The conceptual proposition (CP8) from section 4.4.3 affects the empirical proposition (EP8). Because Japanese MNCs tend to centralise their operations when pursuing their corporate strategy globally, they need more their HQs' involvement in the criteria establishment for evaluation and control in their Thai subsidiaries. On the other hand, Dutch MNCs do not centralise their operations when they carry out their world-wide corporate strategy. Hence, they need less their HQs' involvement in the criteria establishment for evaluation and control in their Thai subsidiaries.

The Dutch companies prefer a discussion in a meeting or committee to personal authority for corrective action unlike their Japanese counterparts. For corrective action, all Japanese country managers prefer to use their personal authority to ask their subordinates and colleagues to improve corporate performance. In JCE, MD and the concerned directors do. In JB, GM and his deputy do. In JA, VP asks his subordinates and colleagues to improve the corporate performance on the basis of action plans from each division. All of them are likely to order their subordinate to do what they want without question.

In contrast, the chief executives in all Dutch cases are unlikely to use their personal authority for corrective action. All of them prefer to organise a meeting and a committee for discussions about the corrective action and performance improvement, because they want everybody to share an opinion and exchange views and information as equals. In case of DCE, the country manager also uses warnings for corrective action if the performance is not improved.

> EP9a: Large power distance is positively related to the use of personal authority in corporate hierarchy for corrective actions in MNCs' subsidiaries.
> EP9b: Small power distance is positively related to the use of discussion among equals for corrective actions in Thai subsidiaries.

The empirical propositions (EP9a) and (EP9b) are consistent with the conceptual proposition (CP11) from section 4.4.4. The Japanese top executives tend to employ their personal authority through the vertical relationship in the corporate hierarchy for corrective action. They can ask their subordinates to improve the performance. On the other hand, the Dutch top executives cannot use their personal

authority to ask their subordinate to do the same thing. Under the influence of Dutch egalitarian norms, the Dutch companies prefer to use committees and meetings for discussions of the corrective action.

For evaluation and control, all Dutch cases usually report their performance to the RHOs, not the HQs. They base their assessment of their chief executives' performance on a gentleman's agreement. Only the executives in the RHOs located outside the Netherlands evaluate the performance of the chief executives in charge of Thai units. In DCE, its RHO assesses the country manager's performance with the clear criteria from a gentleman's agreement between the country manager and the regional manager. In DB, the country manager assesses the branch manager's performance and reports on it to its RHO on the basis of a gentleman's agreement between the country manager and the branch manager. In DA, its RHO assesses GM's performance from monthly reports submitted on the basis of a gentleman's agreement between GM and its RHO.

On the other hand, all Japanese cases need to report on their performance to the HQs located in Japan even if they have their RHOs in Singapore or Hong Kong. In JCE, the director of Asia & Oceania corporate management division in the HQs assesses MD's performance from MD's achievement of the submitted business plans. In JB, the Head of Asian headquarter in the HQs assesses GM's performance from GM's reports. In JA, Asean Head Office in Japan assesses VP's performance from VP's reports and its recommendation. The Japanese companies are more centralised than their Dutch counterparts for their chief executive's performance evaluation in Thailand.

EP10: Large power distance is positively related to the degree of formalisation for evaluating chief executives' performance in MNCs' subsidiaries.

The conceptual proposition (CP8) from section 4.4.3 affects the empirical proposition (EP10). Japanese MNCs tend to centralise their operations when pursuing corporate strategy globally. They need more their HQs' involvement in the chief executives' performance assessment in Thai subsidiaries. In contrast, Dutch MNCs do not centralise their operations when they implement their world-wide corporate strategy. Hence, they need less their HQs' involvement in the chief executives' performance assessment in Thai subsidiaries.

9.6 The relationship between SMP and corporate performance

The evidence collected from all six cases is insufficient to formulate any empirical proposition for summarising the relationship between SMP and corporate performance. However, the research findings are adequate to demonstrate a tentative linkage between strategy implementation and corporate performance.

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Under Thai law, all six cases have to submit their financial statements to Department of Revenue for taxation and Department of Commercial Registration for reference. As banks, DB and JB also have to submit their financial statements to BOT. The results in their financial statements are their corporate performance. Without strategy implementation, all six cases cannot produce these results. Thus, the relationship between strategy implementation and corporate performance presumably exists. Nonetheless, there is presumably no relationship between three other steps of SMP, namely environmental scanning, strategy formulation and evaluation and control, and corporate performance. These three steps alone cannot produce any corporate result without strategy implementation.

Even though Quinn and Rohbaugh's Competing Value Model (CVM) has 17 operationalisations of corporate performance, all six cases do not measure their organisational effectiveness in all 17 items. It is very difficult to compare the corporate performance across the six cases. All six cases operate in three different industries. The measurement of corporate performance in these industries is not comparable to each other. From a host-country perspective, only DCE and JCE compete with each other in Thailand. DB and JB have different focuses on their business in Thailand. Sometimes, DB and JB co-operate in many syndicate loans to big Thai companies. JA and DA have different markets in Thailand owing to their different international routes. Both of them do not compete with each other. From a home-country perspective, DCE and DB come to serve both Thai and international customers. DA uses Thailand as a hub and a facility centre for its Southeast Asian operations. JCE uses Thailand as a manufacturing base for export to third countries. JB and JA come to serve mainly the Japanese clients in Thailand. Thus, this study was not able to compare corporate performance across all six cases.

9.7 Towards an integrative model for comparing SMPs

Figure 9.10, an integrative model, summarises the research findings concerning national culture, SMPs and corporate performance. The consistent evidence generated from the comparison between Dutch and Japanese SMPs across the six cases assumes a direct, positive relationship between the national culture of MNCs' home countries and the SMPs of their subsidiaries in the host countries. The national cultures of the Netherlands and Japan presumably cause differences between the SMPs of both Dutch and Japanese companies in Thailand respectively. Even if the evidence is insufficient to allow a test of the relative significance of each dimension of the national culture in shaping the SMP, it suggests that power distance and uncertainty avoidance are highly related to how MNCs devise their subsidiary strategy in the host countries. Power distance presumably affects strategy formulation and evaluation and control as a main component of the

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national culture. Uncertainty avoidance presumably influences environmental scanning, strategy formulation and strategy implementation. However, the relationship between uncertainty avoidance and strategy implementation is relatively weak.

Figure 9.10: The relations among national culture, SMPs and performance

☐1 ▶	— EP1a, EP1b, EP2, EP3
☐2 ▶	— EP4
☐3 ▶	— EP5, EP6
☐4 ▶	— EP7
☐5 ▶	— EP8, EP9a, EP9b, EP10
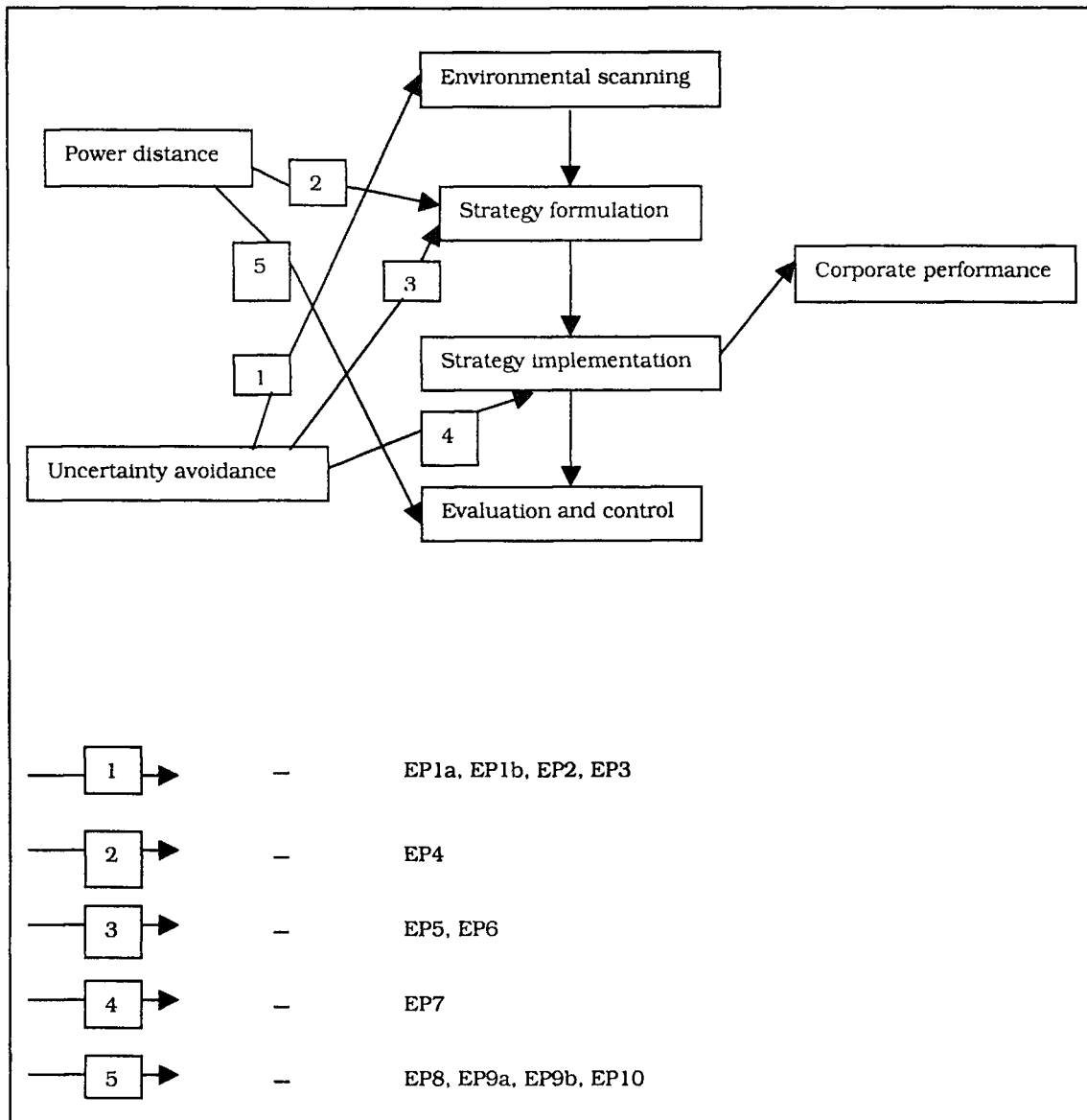
Nevertheless, the comparison between the Dutch and the Japanese SMPs across the six cases in terms of corporate performance is not possible. All six cases are operating in Thailand with different reasons and purposes. The submission of financial statements to different agencies in Thai bureaucracy by these companies only implies that all six cases do produce their corporate performance from their strategy implementation. The relationship between strategy implementation and corporate strategy presumably exists even if no empirical proposition supports this relationship. Without strategy implementation, the three steps of SMP, namely environmental

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scanning, strategy formulation and strategy implementation cannot generate corporate performance. After the comparison between the conceptual propositions from Chapter 4 and the empirical propositions in this chapter, all empirical propositions summarise the relationships discussed in section 9.2-9.6 as Figure 9.10.

9.8 Conclusion

The research findings answer the central research question in Chapter 1 that the national culture of MNCs' parent companies intervenes in the SMPs of their overseas subsidiaries. The national cultures of home countries presumably cause differences in environmental scanning, strategy formulation, strategy implementation and evaluation and control in the overseas subsidiaries. The result from the comparison between the Dutch and the Japanese SMPs in the cross-cultural, cross-case analysis are discussed in terms of the relationships between each step of SMP and each dimension of national culture in section 9.2, 9.3, 9.4 and 9.5 respectively. Section 9.2 discusses environmental scanning. Section 9.3 debates strategy formulation. Section 9.4 argues strategy implementation. Section 9.5 discusses evaluation and control. These relationships are summarised in the empirical propositions in section 9.2, 9.3, 9.4 and 9.5. According to each step of SMP, the conceptual propositions from section 4.4.1, 4.4.2, 4.4.3 and 4.4.4 are compared with the empirical propositions from section 9.2, 9.3, 9.4 and 9.5 respectively. As an interaction between the empirical evidence and the reference model, the comparison between the conceptual and the empirical propositions becomes a basis for refining the reference model in section 2.5 and reshaping the conceptual propositions in section 4.4. The conceptual propositions (CP1), (CP4), (CP5a), (CP5b), (CP7), (CP9), (CP10a) and (CP10b) are discarded because no empirical proposition corroborates them. The conceptual propositions (CP2), (CP3a), (CP3b), (CP6), (CP8) and (CP11) are reshaped by the relevant empirical propositions.

This study generates 10 empirical propositions from the collected evidence in all six cases on the basis of the relationship speculated in the reference model. After comparing these 10 propositions with the 11 conceptual propositions from section 4.4, all empirical propositions become the propositions for the future research. These propositions are encapsulated in the integrative model for comparing SMPs in Figure 9.10 in section 9.7.

In the light of the evidence, not all dimensions in Hofstede's model suggested in section 2.4 and 4.4 have an impact on all steps of SMP in Wheelen and Hunger's model. As literature suggests in section 2.4 and 4.4, masculinity-femininity is not pertinent to the comparison of the SMPs in MNCs' subsidiaries. The empirical evidence demonstrates that neither individualism-collectivism nor long-term v short-term orientation is related to any steps of SMP. From this comparison, only power

distance and uncertainty avoidance have the relationships with the four steps of SMP. Both Dutch and Japanese companies in Thailand have some differences in their SMPs according to the different degree of power distance and uncertainty avoidance between Dutch and Japanese cultures. Power distance is presumably related to strategy formulation and evaluation and control. Uncertainty avoidance is tentatively related to environmental scanning, strategy formulation and strategy implementation.

CHAPTER 10:

DISCUSSION

10.1 Introduction

The main purpose of this dissertation is to understand how the national culture of MNCs' home country will determine the SMP of their subsidiaries in the host country abroads. To achieve this purpose, a comparative analysis between Dutch and Japanese companies in Thailand concerning their SMPs is the focus of this dissertation. Thailand is chosen as the research site because of the author's familiarity. Japan and the Netherlands are selected because of the two main reasons. Firstly, both Dutch and Japanese cultures are in opposition to each other in all five dimensions of Hofstede's model. This is a theoretical reason. Secondly, the Netherlands and Japan have recently been the number one and two foreign investors in Thailand respectively. This is a practical reason. This selection has a clear theoretical significance and practical implications. After reviewing literature on theoretical perspectives, the reference model for guiding this study is developed from a synthesis of Hofstede's model of national culture and Wheelen and Hunger's model of SMP and Quinn and Rohrbaugh's Competing Value Model (CVM) in Chapter 2. Chapter 3 compares both Dutch and Japanese cultures on the basis of historical aspects to confirm the scores of both cultures in the five dimensions according to Hofstede's model. After comparing the extent to which Dutch culture has an impact on the SMP of Dutch MNCs and the extent to which Japanese culture has an impact on the SMP of Japanese MNCs, the conceptual propositions are formulated in Chapter 4. For this study, the embedded multiple-case design is developed in Chapter 6 from the criteria for research quality in Chapter 5. The within-case analyses and the within-culture, cross-case analyses are concluded in Chapter 7 for the Dutch companies and in Chapter 8 for the Japanese companies. The results from these two chapters are analysed to find the relationship between national culture and SMP by formulating the propositions for the future research from the analogy between the empirical propositions emerging from the research findings and the conceptual propositions under the reference model in Chapter 9.

Section 10.2 discusses the significance of the integrative model for comparing SMPs developed from the interaction between the reference model and empirical evidence in Chapter 9. It also discusses the possible application of the model to the future research. Section 10.3 argues the validity of the model in terms of three possible rival explanations. The nature of the market, the structure of MNCs and the influence of Thai institutional environment might be the threats to the validity of the model. Section 10.4 explicates the theoretical implications of the

research findings for reconceptualisation, further theorisation and methodological development for comparative research into SMP and the selection of research sites in the future. Section 10.5 deliberates the practical implications and the policy recommendation how Dutch and Japanese companies in Thailand should adjust their SMPs to Thai cultural setting in particular. This recommendation will be guidelines for international managers and expatriates when they are relocated to different host countries around the world in general and for the Dutch and the Japanese expatriates who are working in Thailand in particular. Thai employees can adjust themselves better to working in foreign companies, particularly in Dutch and Japanese companies with a specific knowledge of both of them from this study. Section 10.7 makes a recommendation for the future research into comparative management after a discussion about the theoretical and practical limitations of this study in section 10.6. Section 10.8 arrives at the final conclusions of this dissertation.

10.2 The significance and application of the integrative model

The outcome of this study answers the central research question in Chapter 1. Under the influence of the different national cultures of the Netherlands and Japan, the Dutch and the Japanese companies in Thailand have their own way to follow the same steps of SMP in Wheelen and Hunger's model (1995) more or less. The research findings are encapsulated in the integrative model for comparing SMPs in Figure 9.10. The model is a presumed linkage between culture and SMP that has long been missing from previous empirical researches and a theory-building process in strategic management (Van den Bosch & Van Prooijen, 1992). This model is built on the relationship between the clearly defined cultural theory (Hofstede's model) and the unclearly defined model of SMP (Wheelen and Hunger's model). The model is a possible instrument of further in-depth investigations into comparative management and some other related fields.

In the past, the theoretical development for comparing SMPs in MNCs from different home countries in a given host country was insufficient to conceptualise the relationship between national culture and SMP. To reduce difficulties in this conceptualisation, this study develops the four constructs, namely environmental scanning, strategy formulation, strategy implementation and evaluation and control for comparing SMPs across cultures. To develop the theoretical groundwork for comparing SMPs between MNCs when taking national culture into account, this study conceptualised national culture as power distance, individualism-collectivism, uncertainty avoidance, masculinity-femininity and long-term v short-term orientation. The empirical evidence is adequate to specify that only power distance and uncertainty avoidance have an impact on the four steps. To some extent, the

four steps in SMP as the more narrowly valid concepts of the theory emerge from this study. These concepts can detect the more precise meaning of relationships among variables across cultures.

The empirical inquiries into the relationship between national culture and SMP did not unify all four steps of SMP into the same study in the past. Schneider and De Meyer (1991) investigated the linkage between national culture and environmental scanning. Jain and Tucker (1995) and Builtjen and Noorderhaven (1996) inquired into the correlation between national culture and strategy formulation. Wong and Birnbaum-More (1994) scrutinised the linkage between national culture and strategy implementation. Chow et al (1996) examined the relationship between national culture and evaluation and control. Thus, the integrative model in this study unifies all four steps of SMP into a body of testable propositions for the future research.

Comparative researches into SMPs between MNCs originated from two or more different home countries in a given third country generated the controversial findings in the past. Some studies concluded that MNCs' subsidiaries from different home countries employed the same strategy when they operate in the same host country (Kotabe & Omura, 1989; Kotabe, 1990; Kotabe & Okoroafo, 1990; Murray, 1996), but others had the contrary findings (Capon et al, 1987; Doyle et al, 1995). This controversy has led to the debate between convergence and divergence of the SMPs of MNCs with different nationalities. The integrative model indicates that whereas many MNCs regardless of nationalities around the world follow the four steps of SMP, they have their own way to follow the same steps under the influence of the national cultures of their home countries. Thus, there are both convergence and divergence of the SMPs of MNCs with different national cultures.

The integrative model can be used to compare SMPs between MNCs originated from two or more different home countries in a given third country. This model can be tested against a broader framework with different national cultures and MNCs for generalisation and inference in the future research. Jobber and Lucas (2000) recommended that formulating propositions for testing in the future research is a way to establish internal validity. These propositions speculate the relationship between national culture and SMP emerging from this study will be operationalised for testing this model in the future by a large-scale, cross-national quantitative survey.

10.3 The validity of the integrative model

Albeit the integrative model can overcome the shortcomings of the past studies when comparing the SMPs of MNCs from different home countries, there might be the possible rival explanations for differences between SMPs in the

comparison. The three possible threats to the internal validity of the model are (1) the nature of the market where MNCs are operating, (2) the world-wide structure of MNCs and (3) the influence of Thai institutional context that Thai subsidiaries of these MNCs encounter. In the light of the research findings, how national cultures of the Netherlands and Japan can water down the influence of these three factors on the SMPs of the Dutch and the Japanese companies in Thailand is discussed as follows.

10.3.1 The nature of the market. The influence of national culture can run counter the influence of the market. The Dutch companies in Thailand still share some similarities in their typical SMP according to Dutch culture. So do the Japanese companies according to Japanese culture. With regard to the consumer electronics business, in the 1990s, most consumer electronics companies had slow growth in this price-competitive market. More competition from South Korea and Taiwan entered this market and drove down revenue and profit. The products become commodities that do not give a high profit margin. New world-wide market demand for more customised products and better consumer services. The demand forces most consumer electronics companies to localise their products and marketing to fit customers' new needs. This phenomenon also happens to Thai market.

Since the economic crisis in Thailand in 1997, the purchasing power of Thai consumers has been considerably declined. The shrinking demand for consumer products in combination with more intensifying competition have aggravated the situation. Because Thai economy is very open without restriction on its consumer electronics market, new competitors can enter this market at any time. Because of increasingly diversified demand for consumer electronics products in Thailand, both DCE and JCE have to localise their products and marketing. Thus, their HQs get less involved with their strategy formulation, strategy implementation and evaluation and control in Thai operation. Both of them sell their products mainly to Thai customers. Both of them manufacture some products in Thailand and export these products to other countries as a part of their world-wide network. Thus, both of them serve both domestic and international markets.

This industry is moving towards digital products. R&D and new technologies are vital for companies' survival. Nowadays, electronics technology changes very fast. Companies in this industry have to keep pace with this technological change. Owing to more competition, the rapid pace of technological change and the economic crisis in Thailand, both DCE and JCE have to fight hard to maintain their market shares in the shrinking market. Their top managers have to review the situation very often. The consumer electronics companies, including both of them need to

emphasise quick decision-making, fast response to customers' needs and complaints, innovativeness, technical knowledge and toughness.

With respect to the banking sector, banks deal with risks naturally. In general, banks are more prudent and conservative than most other businesses without regard to nationality. To reduce risks from lending, financial transactions and other fluctuating factors, most banks around the world choose to centralise their operations. The decision-making process in most banks is quite slow with much involvement of their HQs in general. Most products and services in this sector are not susceptible to local customers' demand as far as the local law is not applied. Since the economic crisis in Thailand in 1997, Thailand's banking sector has faced a problem with non-performing loans. Both Thai and foreign banks suffered from the crisis. They become even more conservative when facing the economic crisis.

As far as the airline industry is concerned, since the 1990s, the airline industry has become a price-competitive market because of deregulation, liberalisation and open-sky agreements. New competitors, especially low-fare carriers have threatened incumbent airlines with no-frill services in many short-range routes. Even if air traffic is growing, the competition is growing, too. More competitors lead to falling revenue, rising operating costs and rising wages owing to the shortage of pilots and technicians. To cut cost from the larger economy of scale, most airlines start to join code-sharing agreements, partnerships, alliances and even mergers and acquisitions in response to the changing situation. Nonetheless, these alliances are unstable. Switching alliance and failure of merger negotiation are common. The environment in this industry is very unpredictable.

Because all airlines compete with each other in terms of their global operations, the centralisation of pricing policy and budget with world-wide standards is common. Every airline has its constraints when they operate internationally. The airlines that want to have branches or representative offices in Thailand face no exception. These constraints depend on the agreements between Thailand and the country of airlines' origin, IATA rules, airlines' global and regional hubs and their agreements with other airlines.

Albeit all Dutch companies are operating in the very different markets by nature, all of them have much commonality in their typical SMPs under the influence of Dutch culture (See Chapter 7). So have all Japanese companies (See Chapter 8). The different nature of markets of consumer electronics, banking sectors and airline does not have much influence on the SMP in both Dutch and Japanese companies in Thailand.

10.3.2 The structure of MNCs. Because power distance is presumably related to the degree of the centralisation of MNCs' global operations (Wong & Birnbaum-More, 1994; Harrison et al, 1994), the national culture of MNCs' home

countries is likely to determine the global structure of MNCs. Japanese MNCs tend to centralise their world-wide operations, whereas Dutch MNCs tend to decentralise theirs. The structure of Japanese MNCs tends to be more centralised than that of Dutch MNCs. The HQs and the RHOs of Japanese MNCs are likely to be more involved with the SMP of their Thai subsidiaries than those of Dutch MNCs. The HQs of Japanese MNCs have to approve corporate strategy formulated in Thai subsidiaries, establish the criteria for evaluation and control, and assess chief executives' performance for Thai operation. Dutch MNCs tend to delegate their authority to approve corporate strategy formulated in Thai subsidiaries, establish the criteria for evaluation and control and assess chief executives' performance for Thai operation to either Thai subsidiaries or to their RHOs.

With regard to the Dutch companies, DCE and DB are organised under matrix arrangements. The top executives in both companies have to report to two bosses, one in Thailand and the other in their RHOs in Singapore. DA has to report to Southeast Asian Head Office in Singapore, in turn, reports to Asia-Pacific Head Office in Hong Kong. With respect to the Japanese companies, only JCE is a joint venture and has a legal status as a Thai company. JCE's MD has to report to both its boards of directors in Thailand and its RHOs in Singapore without the sense of matrix arrangements. JB reports to Asian HQs in Tokyo. JA reports to Asean Head Office in Tokyo, too. Although both Dutch and Japanese MNCs under this study have different world-wide structures according to the nature of market where they are operating, the structure of Japanese MNCs is more centralised than that of Dutch MNCs when comparing the Dutch MNC with the Japanese MNC that are operating in the same industry. JCE, JB and JA are more centralised than DCE, DB and DA respectively in this study. The structure of MNCs have no impact on SMP *per se*, but the national cultures of MNCs' home countries have an influence on the structures of MNCs, and in turn on the SMP of MNCs overseas subsidiaries.

10.3.3 The influence of Thai institutional environment. The influence of national culture can dilute the influence of Thai environment. In the past, some researches into Japanese companies in Thailand (Kosiyanon & Yoshihara, 1985; Thianthai, 1986; Sammapan, 1996) concluded that the SMP of Japanese companies in Thailand still reflects Japanese behaviours, practices and characteristics even if the majority of their employees are Thais. The research findings from this study support this conclusion.

With regard to the legal environment in Thailand, both Dutch and Japanese companies face the same legal constraints. In general, Thai labour law limits the number of expatriates in all foreign-based subsidiaries. However, all Dutch companies do not maximise their use of expatriates, but all Japanese companies do. In particular, both DB and JB have to operate under the same specific legal

constraints because Thailand has long pursued discriminatory policies towards the foreign banks in the country.

With respect to the social environment in Thailand, both Dutch and Japanese companies still resist the influence of Thai culture to some extent. Sammapan (1996) argued that *ringi* and *nemawashi* are hardly transferable to Japanese companies in Thailand, because the main decisions are taken in Japan, and because Thai management style is typically top-down under the influence of Thai culture. Most Thai staff is reluctant to give their true opinions because the gap between managerial and rank-and-file staff is large. Even so, this study does not confirm this argument. Even though JB and JA do not use *ringi* and *nemawashi* unlike JCE, all top executives in the Japanese companies need to consult with their colleagues and their subordinates before making a strategic decision that affects both of them.

In case of Dutch SMP, all top executives in the Dutch companies seek advice from their subordinates and the involved persons before making a strategic decision that affects these staffs. Even if Thai norms of decision-making are top-down and autocratic, these Dutch companies have never allowed any single person to make a decision alone. All of them need to organise either a standing or an informal committee for decision-making.

As far as the political environment in Thailand is concerned, both Dutch and Japanese companies have their own way to deal with political risks. All Dutch companies try to avoid political involvement and litigation at all costs on the one hand. They believe that political involvement causes the political risks. On the other hand, all Japanese companies try to either exert an influence on or forge a relationship with Thai government when they face possible political risks. In conclusion, Thai institutional environment comprising legal, social and political constraints has a little influence on the SMP of both Dutch and Japanese companies. Albeit both of them encounter these three constraints in the same way, all Dutch companies still display their typical SMPs. So do all Japanese companies.

10.4 The theoretical implications of the research findings

This study confirms several empirical inquiries in the past (O'Connell, J J & Zimmerman, J W, 1979; Sallivan & Nonaka, 1988; Schneider & De Meyer, 1991; Segalla, Fischer & Sandner, 2000). It concludes that managers from different countries tend to prioritise their strategic problems in a different way and order owing to their perception and interpretation of strategic issues. However, the findings are not sufficient to indicate the presumed relationship between the other dimensions, namely individualism-collectivism, masculinity-femininity and long-

term v short-term orientation, and the four steps of SMP, namely environmental scanning, strategy formulation, strategy implementation and evaluation and control.

The research findings add a more holistic depiction to the available findings. By using the qualitative approach, the research findings are more profound and comprehensive than the available findings by using the quantitative approach. The excessive simple empirical surveys in the past (eg Wong & Birnbaum-More, 1994; Jain & Tucker, 1995) gave a scattered portrait of the relationship between national culture and each step of SMP. These surveys could not explain how national culture has an impact on each step of SMP in an integral picture, because they failed to unify all relationships between national culture and each step of SMP into one study. They also failed to verify correlations among all steps of SMP. Because the use of retrospective accounts, especially documentary records and interviews with managers are based on a different level of reality—from observations of behaviour, these data have a different ontological status for giving a more integral and holistic picture (Partington, 2000). Comparative research into the relationship between national culture and SMP in the future needs more uses of the qualitative approach either as a main research method or as a supplement to the quantitative approach.

The research findings improve the clarity of the conceptualisation of national culture and SMP. Even if this study applies the same reference model to the depiction of SMPs in Dutch and Japanese companies in Thailand, the companies of both nationalities have their own idiosyncrasies under the same general reference model of SMP according to the national cultures of the Netherlands and Japan. The whole model cannot explain these idiosyncrasies, but each dimension of national culture can do. The integrative model in this study can identify which part of SMP is dependent on and which part is independent of the national cultures of MNCs' home countries. This model is applicable to the further in-depth investigation into the comparison of SMPs between MNCs from different home countries. The application of this model to the future research is likely to generate the outcome similar to that of this study if the national cultures of MNCs home countries are similar to those of the Netherlands and Japan. Thus, Danish or Swedish MNCs might be good candidates for Western MNCs. So might Taiwanese or Korean MNCs for Asian MNCs.

10.5 Practical implications and policy recommendations

The location of comparative research into the relationship between national culture and SMP in a developing country like Thailand is underrepresented. To counterpoise a tendency to pursue researches in industrialised countries, the research findings generate additional data from the comparison between Dutch and Japanese companies in Thailand. The findings explain how MNCs from Western

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countries other than the US operate in a developing country in comparison with Japanese MNCs in terms of SMP. The model developed in a developing country may be more suitable for comparative research located in other fellow developing countries than the one developed in a developed country. The model from developed countries often ignored the conditions in developing countries.

In general, because the author in this project is a non-western person, the findings may provide a non-western insight into the development of SMP. Both researchers and practitioners in the West might better understand how strategy takes shape when taking national culture into account from a non-western perspective. Their counterparts in Japan might gain a better insight into their own SMP in an industrialising country like Thailand from a host-country perspective. Thai top executives and managers who working in these subsidiaries may understand the impact of national culture of MNCs' home countries on the SMP in these subsidiaries in their own country.

The findings are expected to enhance the awareness of cultural difference between home and host countries among MNCs' top executives, international managers and expatriates. Even though the environment both within and outside MNCs around the world becomes more multicultural, most top executives, corporate strategists, international managers and expatriates in these MNCs often underestimate the cultural influence in MNCs' home countries on the SMP of these overseas subsidiaries. They must recognise that the national cultures of home countries tend to have an impact on the operations in host countries through MNCs' corporate culture and world-wide practices. Because they often ignore the conditions in developing countries, they might need an insight into MNCs' operations in an industrialising country like Thailand before they can gain an insight into the operations in other developing countries having conditions similar to those of Thailand. In particular, the findings will help the Dutch and the Japanese expatriates who are working in Thailand to recognise their own cultural biases, so that they can adjust their SMPs to Thai cultural settings more efficiently and properly.

The foreign-based companies are one of the main employers of Thai workforce. The research findings help Thai employees to understand that the national culture of the parent companies tends to have an influence on foreign behaviours in Thai subsidiaries. From the findings, even if the majority of employees in all six companies are Thai and Thai chief executives run some of these companies, the SMPs of the six companies still demonstrate Dutch and Japanese characteristics. The findings imply that the foreign-based companies tend to display the characteristics of their home countries in Thailand even though the majority of

their employees are Thai. Hence, Thai employees need to understand the national culture of parent companies when they work in these foreign-based companies.

10.6 Limitations

Notwithstanding, the study has some limitations that will be used as a basis for improving the research process for comparing SMPs in the future. In some cases, more than one dimensions might depict two or more kinds of MNCs' behaviour. The attention to the combinatory use of Hofstede's dimensions is necessary in the future research.

To concentrate on the impact of the national culture of parent companies on their subsidiaries in Thailand, this study keeps political, legal, economic and educational factors constant in Thailand. This concentration makes a study of SMP more possible. Even so, lack of an insight into the broader variables in the Netherlands, Japan and Thailand might cause this study to miss some perspectives.

Because this comparative study between Dutch and Japanese companies is conducted in Thailand, cross-national equivalence is taken into account when interviewing Dutch, Japanese or Thai respondents. Cognisance of cross-cultural differences is important, because any interactions with the expatriates and foreign contexts in Thailand might be an interactive effect on the interpretation. The issues of cross-cultural equivalence in the qualitative method are more complex than in the quantitative method because historical and national contexts play an important role in the interpretation.

The indigenous inculcation into the author may make some interpretations unclear especially when encountering foreign persons and phenomena. This study might reflect a Thai perspective on the SMP of foreign companies in Thailand. The author might interpret the Dutch and the Japanese SMPs from a Thai viewpoint. This might be another bias in this study.

In doing this study, the author often approaches top executives, other corporate élites, middle managers and his friends and frequently ignores the lowest-rank members. The perspectives in the six companies might not be symmetrical. The problem of a top-down versus a bottom-up perspective in these cases is occasionally overlooked. Moreover, the top executives might make many crucial decisions drawn from a variety of departments. This study might miss some perspectives.

The chosen three industries, namely consumer electronics, banking and airline industry are different from each other to a considerable degree, so that the selection of cases from these industries satisfies the most diverse case design to some degree. Because the three industries operate on the basis of world-wide products and services, all of them need the least adaptation to local markets. The

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effect of Thai culture as the national culture of the host country on strategy can be weakened to some degree. Likewise, the generalisation may be limited, because the case selection does not include the sectors that are more responsive and susceptible to local markets, such as consumer products.

Because the comparative analysis between the Dutch and the Japanese companies in Thailand concerning SMPs is the focal point of this study, the empirical evidence in HQs and RHOs of both Dutch and Japanese MNCs is overlooked. Because the research site of this study is Thailand, the effect of the national cultures of Dutch and Japanese on their overseas subsidiaries concerning SMP in other countries has not yet been investigated.

10.7 Recommendations for the future research

For the combinatory use of Hofstede's dimensions, the ethnographic or qualitative methods are more desirable even if less attainable. Harrison and McKinnon (1999) suggested that cross-cultural researchers should use all dimensions of Hofstede in combination, examine and interpret each Hofstede's dimension carefully in the future research on the basis of Hofstede's model. The combination of uncertainty avoidance and masculinity-femininity posits the possible relationship between national culture and corporate performance in CVM.

To enhance multi-perspectives in the future research, the impact of culture, history and political-economic systems on companies and their executives must be considered in the study (Wright, Lane & Beamish, 1986). The interaction between the national culture of the home country and that of the host country must be inquired. To give a better insight into this interaction, the broader variables in the comparative matrix of Farmer and Richman (1965) must be included.

To minimise the influence of a native viewpoint, the inquirers in the future research must scrutinise their own cultures and target cultures by analogy carefully. This comparison enhances an insight into their own cultures, target cultures and an interaction between the inquirers' own and target cultures. This is the way to minimise their biases in the interpretation.

The investigators in the future research must take the perspective of the lowest ranks employees in the companies, such as new recruits, workers, secretary, clerks, caretakers and drivers into account. To enhance the depiction of the findings and to appraise the decision-making process from multi-perspectives, the researchers must have an access to these perspectives on what has taken place, so that their different viewpoints can be exposed to the audiences (Sjoberg et al, 1991).

To enhance generalisation and to understand the effect of the national culture of the host country on SMP, the case selection of the future research must include the sector whose products and services are highly sensitive to local markets,

such as food and other consumer products. Still, the investigators must base their selection of case on the most diverse-case research design.

To see the complete picture of the impact of the national culture of MNCs' home country on their world-wide operations, the research sites in the future investigations into comparative strategic management must include their HQs and RHOs in all cases. Two or more comparisons in two or more host and home countries are desirable.

10.8 The final conclusion

The main purpose of this dissertation is to understand that the national cultures of MNCs' home countries play an important role in determining the SMPs in their overseas subsidiaries. To attain this purpose, a comparison between Dutch and Japanese companies in Thailand concerning the relationship between national culture and SMP has been the focal point of this dissertation. The research findings with the integrative model answer the central research question that the national cultures of the Netherlands and Japan intervene in the SMPs of Dutch and Japanese companies in Thailand respectively.

The research findings have theoretical implications for further developments in comparative management because the outcome of this investigation discovers some constructs that can minimise difficulty in and complexity of conceptualising and operationalising some variables for comparing SMPs across cultures. A synthesis of Hofstede's model of national culture and Wheelen and Hunger's model of SMP develops a model of comparative strategic management for comparing SMPs in MNCs when taking national culture into account. However, the empirical evidence from this study is insufficient to verify the validity of Quinn and Rohrbaugh's (1983) CVM even if a presumed linkage between SMP and corporate performance exists. However, the relationship between national culture and SMP does presumably exist.

With the qualitative research design developed for this cross-cultural study, the interaction between theory and evidence generates the propositions for the future research. In comparison with the outcomes from most cross-cultural survey research, the research findings from this dissertation give a more profound, comprehensive, integral picture of the SMPs of the companies under this study.

The research findings also help the practitioners, the corporate strategists and the top executives in MNCs, both in the parent companies, the regional head offices and the overseas subsidiaries, international managers and expatriates to understand how national culture of MNCs' home countries has an influence on the SMP in their overseas operations. This comprehension helps them to formulate better corporate strategy when dealing with other cultural perspectives different

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from their own ones. The employees of MNCs also derive the benefit of hindsight from the research findings. When these employees understand the impact of foreign cultures on foreign-based companies in their countries, they can accommodate themselves to the foreign working conditions and behaviours in these companies. All the parties in MNCs can work out a better solution for multicultural problems on the basis of mutual understandings.

Nevertheless, the limitations of this study comprises lack of combinatorial and broader factors, indigenous subjectivity on interpretation, asymmetrical perspectives on corporate settings, less responsiveness to and less interaction with the local national culture in the host country and lack of HQs', RHOs' and other host countries' perspectives. To minimise these shortcomings in the future research, the inquirers must analyse the effect of combinatorial factors concomitantly, include more macro factors, co-operate with foreign researchers, pay more attention to a lowest-rank workers' perspective, and embrace the industries that are more responsive to local markets and the perspectives of HQs, RHOs, and other host countries.

To gain a better insight into the cultural impact on SMP, the researchers in the future need to pursue more comparative research. They must change the choice of MNCs' nationalities and the locations of the host countries. To counterpoise a tendency to conduct this kind of research in industrialised countries, the locations in the future research must be industrialising countries. If possible, these researchers must test the integrative model through the use of quantitative survey with a large-scale sample. The outcome of the future research might help to develop a new theoretical framework for comparing SMPs across cultures further. The field of comparative strategic management might emerge from a synthesis of comparative management and strategic management when the linkage between national culture and SMP is confirmed.

APPENDIX I: THE DETAIL OF VALIDITY

The details of construct validity, internal validity, external validity and reliability in section 5.7 are discussed in this appendix. There are nine threats to construct validity in a case-oriented comparison (Cook & Campbell, 1979; Maxwell, 1996; van de Vijver & Leung, 1997; Padgett, 1998): (a) lack of knowledge of others' way of seeing thing, (b) level of equivalence, (c) researchers' subjectivity and preconceptions, (d) reactivity, (e) respondents' biases, (f) confounding levels of constructs and constructs, (g) historical equivalence, (h) mono-operation bias and (i) mono-method bias.

a) Lack of knowledge of others' way of seeing things. People from different cultures may see things in a different way from each other because they do not share the same conceptual frame of reference. Research into both Dutch and Japanese cultures is difficult for the author as a Thai. It is hard for the author to understand a Dutch or a Japanese viewpoint unless he understands both Dutch and Japanese cultural contexts. The same social phenomenon can have different meanings in both cultures. For instance, Tayeb (1994) illustrated that `close attention to time keeping might be construed in one culture as authoritarian leadership and in another as indication of strong commitment to the goals of the work group (p 441)'. These different interpretations reflect different intentions and perceptions according to different cultural logic. Because the cultural backgrounds between the researcher and the Dutch or Japanese interviewees in this study are quite different, this discrepancy may or may not be meaningfully interpretable. If the data are not construed carefully, a number of alternative explanations may arise. A profound comprehension of Dutch and Japanese mentality and social contexts is critical for understanding the Dutch and Japanese SMPs, manipulating interviewees through meaningful instruments and interpreting the data in an appropriate way (Ronen, 1986; Adler et al, 1989; Riordan & Vandenberg, 1994; Brannen, 1996). The review on Dutch and Japanese management minimises this problem.

b) Level of equivalence. In this study, identical constructs, concepts, items and indicators are virtually impossible across both Dutch and Japanese cultures. After gaining knowledge of Dutch and Japanese ways of seeing things from literature review on both cultures, equivalence involving both cultures is established. Otherwise, the same phenomenon in both cultures might be either misinterpreted or misunderstood. Because equivalence is the consistent relationship across both cultures, its establishment can minimise the cross-cultural biases in this study. Because this study chooses a qualitative research design, this equivalence comprises lexicon, contextual, conceptual and instrumental equivalence (Kohn,

1989; Nowak, 1989; Cavusgil & Das, 1997a; Neuman, 1997; van de Vijver & Leung, 1997):

Lexicon equivalence is the comparable translation of words, phrases, positions, ranks, corporate definitions and other items in interview schedules, documents and archival records in Dutch, Japanese, English and Thai languages. The pre-operational explication of constructs must be adequate and comparable across cultures, because the same constructs might have different meanings in different cultures. To avoid the discrepancy of socio-linguistic patterns between Dutch and Japanese languages, written data and evidence are gathered mainly from English- and Thai-language sources. Most authors of English-language literature on Dutch and Japanese management are mostly Dutch-English and Japanese-English bilingual scholars. Words, phrases, verbal items, positions, ranks and corporate definitions become more comparable between both cultures when they are translated from Dutch and Japanese into English. Lexicon equivalence in this study is assured to some extent (Adler, 1984; Øyen, 1990; Berry et al, 1992; Brewster et al, 1996; Johnson, 1996; Wright, 1996; Neuman, 1997).

Contextual equivalence is the comparable application of terms or concepts in both cultures. All terms or concepts under this study must serve the same roles or functions in both Dutch and Japanese cultures; for example, legal statuses of both Dutch and Japanese companies in Thailand, the scope of product lines between both of them in Thailand and so on. This type of equivalence is likely to affect the qualitative interpretation. This interpretation might be subject to historical context, because the Netherlands and Japan have their own unique history. In this study, the observations and conclusions must not refer to quite any different phenomena across both cultures (Kohn, 1989; Yu, Keown & Jacobs, 1993; Cavusgil & Das, 1997b; Neuman, 1997).

Conceptual equivalence is the expression of the same concepts across both cultures. How are constructs expressed in the form of behaviours or attitudes in Dutch and Japanese cultures? This is an important question because the way top executives formulate strategy in their companies may be different in both cultures. The responsibility of the executives in the same position in Dutch and Japanese companies may be different, too. This condition is problematic because many concepts are culturally bound. These concepts are hard to define cross-culturally. The author who grows up in Thailand often bases his concepts on his experience and knowledge of Thai culture (Nowak, 1989; Malhotra et al, 1996; Yu et al, 1993; Neuman, 1997). Because the author used to live in three different countries, travel to many countries and speaks many languages, he can identify conceptual equivalence to some extent.

Instrumental equivalence must capture all the same concepts, items, response categories, stimuli and behaviours in both Dutch and Japanese cultures. The instruments must satisfy both etic and emic orientations in this study. The interview schedules, case protocols and other schemes are composed for the uniformity across both cultures and the idiosyncrasy within each culture. To minimise the discrepancy between both cultures, all instruments are written in English. The reference model determines the uniform instruments across both cultures. However, these instruments must facilitate meaningful comprehension and a depiction of phenomena and explanatory theories (Adler, 1984; Nowak, 1989; Poortinga, 1989; Peng et al, 1991; Berry et al, 1992; Yu et al, 1993; Malhotra et al, 1996; Neuman, 1997).

c) Researcher's subjectivity and preconceptions are likely to determine the author's collection and interpretation of data in this study. Because he is a Thai, he tends to select and interpret data according to his Thai cultural assumptions. Because both Dutch and Japanese cultures have their owns premises, logic, orientations towards time and fundamental values on human life, the review of Dutch and Japanese management can enhance his familiarity with both cultures. Albeit it is unrealistic to presume that he is fully free from the Thai cultural indoctrination, the review can help him to encounter unfamiliar Dutch and Japanese behaviours without either overlooking some important variables or misinterpreting the event according to the Thai cultural subjectivity. The review gives more information about both cultures. Because the author used to live in many countries, he becomes multicultural and cosmopolitan to some extent (Punnet, 1988; Serror, 1988; Rosenzweig, 1994; Brewster et al, 1996; Johnson, 1996; Wright, 1996; Neuman, 1997; Padgett, 1998). Because the author applies the reference model to this study, he might expect the research findings to be congruent with the conceptual propositions in the model. He may collect and construe data according to the preconceived constructs in the model (Cook & Campbell, 1979; Miles & Huberman, 1994; Maxwell, 1996; Wright, 1996; Padgett, 1998). Nevertheless, the emergent patterns from this qualitative study can run counter these theoretical preconceptions

d) Reactivity is the effect of the author and a research process on interviewees' and corporate settings during the course of the data-capturing procedure. Because the author is a Thai, his presence influences Dutch, Japanese and Thai interviewees in a different way. The Dutch executives, most journalists and his Thai friends see him as equals. The Japanese and Thai executives see him as a lower-status figure. Cognisance of right questions to ask according to these different cultural perceptions is crucial. To receive the same idea across Thai, Dutch and Japanese cultures, the questions are customised for each interviewee

according to the statuses, cultures and industries. Because most interviewees are familiar with this kind of research process, they are willing to co-operate with this study. Both Dutch and Japanese expatriates are familiar with the questions in English. Thai interviewees can answer the questions in Thai. Hence, there is no problem. Nonetheless, the interviewees' familiarity with this kind of research process might cause them to guess how they are supposed to give the answers when they know the research topic. The only way to reduce this assumption guessing is not disclosing the name of other companies and respondents to them (Cook & Campbell, 1979; Adler, 1984; Ronen, 1986; Punnet, 1988; Hofstede, 1991; Nasif et al, 1991; Yu et al, 1993; Rosenzweig, 1994; Fay, 1996; Wright, 1996; Padgett, 1998).

e) Respondent's biases are the interviewees' exaggeration, lie or understatement owing to an attempt to please the author or to defend themselves and business secrets. The interviewees might feel themselves being evaluated by the author, so that they try to give socially acceptable answers. Dutch, Japanese and Thai executives often respond to the interview schedule according to their own cultural assumptions. To attain response equivalence, the uniform data-gathering procedure across both Dutch and Japanese cultures is adopted. To minimise the difference between data collected from Dutch sources and those from Japanese sources, the instruments in English are employed (Cook & Campbell, 1979; Ronen, 1986; Adler et al, 1989; Riordan & Vandenberg, 1994; Wright, 1996; Padgett, 1998).

f) Confounding levels of constructs and constructs are the degree of interrelation between constructs. Theoretically, constructs must not co-vary each other. The author might conclude that some levels of national culture affect some levels of SMP. Because national culture is decomposed into the five dimensions and SMP is divided into the four steps, the author must conclude the research findings in the way which dimensions in national culture affect which steps in SMP. He must be aware how far the five dimensions of national culture and the four steps of SMP are interrelated with each other (Cook & Campbell, 1979).

g) Historical equivalence is the stability of the meanings of concepts and constructs over time. Are all concepts and constructs generalisable across time? Are the meanings of national culture and SMP now the same as those of them ten years ago? The new interpretation of the old concepts often causes the new definition of these concepts. The reinterpretation of the concepts can happen any time. The only way to ensure historical equivalence is minimising time lag between the beginning and the end of the research process (Cook & Campbell, 1979; Neuman, 1997).

h) Mono-operation bias is the selection of one operational definition from many. Because some abstracts and constructs can be operationalised in many ways, the author needs to recognise that his operationalisation is one in many ways.

There are many ways to operationalise national culture and SMP, but this study chooses Hofstede's model to operationalise national culture and Wheelen and Hunger's model to operationalise SMP. This study is designed to have only national culture as a particularly possible cause for explaining SMP (Cook & Campbell, 1979).

i) Mono-method bias is the selection of one measurement of operational definition from many. Because some operational definitions can be measured in many ways, the author needs to recognise that his measurement is one in many. There are many ways to measure national culture and SMP, but this study chooses indices in Hofstede's model to measure national culture and some criteria in Wheelen and Hunger's model to measure SMP (Cook & Campbell, 1979).

From section 5.7, there are twelve main threats to internal validity of this study (Cook & Campbell, 1979; Adler, 1984; Hofstede, 1984a; Ronen, 1986; Ragin, 1987; Maxwell, 1996): (a) incorrect level of analysis, (b) problems of contradictory findings, (c) ambiguity about the direction of causality, (d) Galton's problem, (e) methodological simplicity, (f) history, (g) maturation, (h) testing effect, (i) instrumentation, (j) selection, (k) mortality, (l) interactions with selection.

a) Incorrect levels of analysis. The data analysis can be conducted at four levels: (1) individual, (2) within-country subculture unit, (3) cross-cultural unit, and (4) pan-cultural unit. The author is careful of different levels of analysis. The data from each interviewee are analysed separately at individual level. The data from different companies are analysed separately for each within-country cultural unit analysis. The data from all Dutch and Japanese companies are aggregated for each country on the sole basis of the positioning effect of culture that ignores the distribution of responses within each culture in the cross-cultural analysis. The data from both Dutch and Japanese companies are pooled and analysed in pan-cultural analysis. The incorrect levels of analysis emanate from the two types of confusion: (1) ecological fallacy and (2) reverse ecological fallacy or individualistic fallacy. The former is drawing inferences about individuals directly from evidence collected for companies or cultures. For instance, albeit national culture is a collective phenomenon, it might determine a single permanent characteristic of an individual. The latter is drawing conclusions about cultures or subcultures from evidence captured for the behaviour of individuals. These two kinds of distortion make internal validity questionable (Hofstede, 1984a; Price & Mueller, 1986; Leung & Bond, 1989; Boyacigiller, Kleinberg, Philips & Sachmann, 1996; Brannen, 1996; Frankfort-Nachmias & Nachmias, 1996; Malhotra et al, 1996).

b) Problems of contradictory findings. Contradictory findings often emanate from errors of explanation owing to the errors of both causal inferences and universality assumptions. The organisational causality is both multiple and

combinatorial, so that its assessment is difficult. As an ideal type, an experiment is inapplicable to the analysis of causal complexity (Ronen, 1986; Ragin, 1987; Cavusgil & Das, 1997a).

Superficial cultural similarity between the Netherlands and Japan, such as Dutch and Japanese preferences for consensus masks the profound differences between their consensual decision-making processes owing to their different histories. Several combinations of cultural conditions produce the same changes or emergent events or characteristics in a different way. If national culture is interactively influencing cultural causality, this interaction may modify any impact of culture on cultural causality. It may catalyse a conditional relationship, a multiplicative factor for intensifying this causality. It may change the direction or shape the causality. Both multiple combinatorial complexity and interactions of variables often cause contradictory findings. To understand the combinatorial complexity and the inconsistent findings in this study, the author needs to review literature on Dutch and Japanese management and the history of each company (Ragin, 1987; Kohn, 1987; Nowak, 1989).

These contradictions may stem from the difference in the language patterns between Dutch and Japanese languages. Because any factors capable of restricting the generalisability of the findings must be clearly identified, two distinctions in a case-oriented comparison must be made: (1) the distinction between cross-culturally identical and non-identical domains, and (2) the distinction between close and open systems in generalisation. Irrationality, evasiveness, or acquiescence can cause contradictions even within the identical domain. Before accepting contradictory findings, the level of inference must be scrutinised. The contradictions or alternative explanations must not be resolved by chance, the author must not let preconceptions deny contradictions (Ronen, 1986; Kohn, 1989; Vaughan, 1992; Cavusgil & Das, 1997a).

c) Ambiguity about the direction of causality is the possibility to infer that strategy process is an explanatory factor of national culture, not the other ways round as assumed by the reference model. MNCs' strategy might have an influence on national culture of both host and home countries. If this argument is true, it becomes a serious threat to internal validity and the conclusion that national culture has an impact on SMP. In this study, such a direction cannot be reversed, because SMP in a company at micro level is unlikely to determine national culture at macro level in which such a company is embedded (Cook & Campbell, 1979).

d) Galton's problem is a main threat to internal validity in this study when both Dutch and Japanese cultures are taken into account for causing differences in SMPs between Dutch and Japanese companies in Thailand. The matched cases may not be independent and mutually exclusive because both Dutch and Japanese

companies can either imitate each other's practices in Thailand or adopt some Thai practices. Though globalisation makes it more difficult for both Dutch and Japanese culture to be immune to cultural diffusion, both Dutch and Japanese companies can mostly maintain their typical characteristics inherited from their parent companies in the Netherlands and Japan respectively (Scheuck, 1990; Ember & Otterbein, 1991; Nasif et al, 1991; Peng et al, 1991, Malhotra et al, 1996; Neuman, 1997).

e) Methodological simplicity is a threat from a simplistic and ethnocentric research design. Because this study is comparative research between both Dutch and Japanese cultures, it is more difficult and complex than research into one culture. The temptation to simplify a research design by pursuing one-shot, after-the-fact, case studies or static group comparisons is likely because of ethnocentricity, contextual equivalence and a time frame (Ronen, 1986; Nasif et al, 1991). Ethnocentric research is carried out by replicating a study from one culture in a second culture owing to its convenience and simplicity. To avoid this type of research, contextual equivalence between Dutch and Japanese behaviours in response to the similar problems is established. To develop a good design of comparative management research, this study borrows some methodological principles from research into comparative sociology. In the interpretation of this study, intra-country comparison groups are established before inter-country one.

f) History is a threat when some events take place during the course of the data-gathering process. These events can influence interviews and SMPs of the companies under study. In this study, all companies experienced the economic crisis in Thailand in 1997. Each of them had to adjust their strategy to cope with the crisis. Because the crisis affected all companies more or less the same, there is no threat from history (Cook & Campbell, 1979).

g) Maturation is a threat from a time lag when interviewees get older, cleverer, and stronger and so on during the course of the data-gathering process. The way of evaluating cases now is different from the one ten years ago. The author must be aware of this difference. Because this study is not longitudinal, a time lag and a maturation effect are not the threats to this study (Cook & Campbell, 1979).

h) Testing effect is a threat when the place, time and conditions of interview are not favourable for gathering data. All interviews with top executives in this study took place in their offices where there was no interference. All interviews with key informants were conducted in a conversational manner where the atmosphere was relaxed. Only the interviews with the journalists were pursued on the telephone where the conditions were not so convenient. Still, most interviews with journalists were carried out when they had free time, so that this threat can be minimised (Cook & Campbell, 1979).

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i) Instrumentation is a threat when measuring instrument change during the course of the data-capturing process. Even if measurement cannot be the same over ten years, instruments cannot be changed during the course of the data-gathering process. Because the interviewing process lasts for two months, this study has almost neither a time lag nor change in instrumentation (Cook & Campbell, 1979).

j) Selection is a threat if the difference between the kinds or backgrounds of interviewee rather than different questions causes the interviewees to answer the questions in a different way. The selection of interviewees must be equivalent across both Dutch and Japanese cultures. Interviewees must be good representatives for both cultures to minimise this threat (Cook & Campbell, 1979).

k) Mortality is a threat when a company or more go bankrupt. In case of MNCs, the parent companies might pull out their subsidiaries from Thailand if they do not see the future of their business in Thailand. They may face business failures. All companies under this study have been running their business in Thailand as usual until now. All of them have strong commitment to Thailand. Thus, there is no threat from mortality (Cook & Campbell, 1979).

l) Interactions with selection are threats when cases have some systematic differences in backgrounds. Dutch companies might have some systematic difference from Japanese companies. In general, all Dutch companies are older than their Japanese counterparts in each chosen industry. The different ages of companies might be the main factor for explaining the differences between Dutch and Japanese SMP rather than the different national cultures between both countries. The academic backgrounds of interviewees might cause these differences, too. Nevertheless, the age has no effect because all cases have their own historical evolution. Both DCE and JCE companies have evolved out of the companies producing a single product. Both DB and JB are the results of several mergers in the past. Only DA and JA have the different lines of evolution. All interviewees including top executives, key informants and journalists have, at least, Bachelor's degree. Thus, there is no threat from interactions with selection (Cook & Campbell, 1979).

From section 5.7, there are four main threats to external validity from the stringent criteria in the case-oriented comparison (Cook & Campbell, 1979; Ragin, 1987): (a) the degree of similarity among cases, (b) the degree of diversity among cases, (c) limited generalisation to modal instances and (d) limited generalisation to target instances.

a) The degree of similarity among cases affects the external validity within each culture. To ensure comparability in comparative management research, the selection of cases is systematic in this study. Theoretically, the more similar the case, the greater comparability. However, if the cases are too similar, the author

must be aware of illusory difference –features that are apparently different, but causally equivalent at more abstract level. If the companies are too similar, their corporate cultures might be similar, too. The influence of corporate culture may increase in the data analysis. This might lead to misinterpretation and limited generalisation to only the companies that have similar corporate culture. To reduce this threat by randomising cases is impossible. The only way to reduce it is diversifying cases in terms of different types of business and idiosyncrasy of each case within each culture (Ragin, 1987; Kohn, 1989; Miles & Huberman, 1994; Yin, 1994).

b) The degree of diversity among cases also affects the external validity within each culture. Rhetorically, the more diverse the case, the greater generalisability. Few cases cannot enhance the generalisability, but their diversity can do. If the cases are too dissimilar, he must acknowledge illusory commonality –features, which are apparently similar, but causally different. Both illusory difference and commonality interfere with the specification of underlying similarities and differences (Ragin, 1987; Cavusgil & Das, 1997b). However, the risk of a most diverse case design is a failure to replicate a new case in the same culture, either Dutch or Japanese one. This failure often leads to the question of reliability, validity and comparability of the research process. A new case without commonality with the old one is incomprehensible. It might produce discrepancies as curious inconsistency. Unless few cases can maximise the possibility to identify types of SMP under the influence of national culture, they must both test the limit of generalisability and contradict generalisation as a way of circumventing the absence of underlying commonality among themselves (Ragin, 1987; Kohn, 1989; Miles & Huberman, 1994; Yin, 1994; Stake, 1998).

c) Limited generalisation to modal instance is the degree of difference between cases and a typical population. Banks and airlines belong to service industries. Both of them are subject to particular customs, business practices and international rules and regulation applying to each of their own industry. This business idiosyncrasy might differentiate both of them from their fellow Dutch and Japanese companies in other industries. To appease this particularity, consumer electronics companies are chosen for both Dutch and Japanese cultures. Nevertheless, these three industries do not need to customise their products and services for Thai customers. The generalisation might be limited to only industries that are not highly susceptible to localisation and Thai culture (Cook & Campbell, 1979).

d) Limited generalisation to target instance is the effect of matching criteria on generalisability. Because this study restricts cases only to Dutch and Japanese companies in consumer electronics, banks and air carriers in Thailand, the research result might be generalisable only to Dutch and Japanese cultures for consumer

electronics, banking and airline industries in Thailand. To enhance this limited generalisability, the grounds for validating both observation and generalisation have to be provided (Kohn, 1989; Stake, 1998). As suggested by five dimensions in Hofstede's model. The possible generalisation to foreign-based companies from countries that have national culture similar to that of the Netherlands and Japan must not be overlooked.

APPENDIX II: THE CURRENT SITUATION OF DUTCH MNCS

Dutch companies in Thailand are a part of the world-wide operations of Dutch MNCs. The world-wide organisation of Dutch MNCs partly determines their overseas subsidiaries and operations everywhere including their Thai operation. The structure of Dutch MNCs determines the relationship among their parent companies in The Netherlands, their Thai subsidiaries and their world-wide operations. To understand the characteristics of Dutch MNCs, the exploration into the impact of the Dutch Civil Code on the incorporation of Dutch MNCs, Dutch corporate governance system, the role of the work council, the structure of Dutch MNCs and changing culture and management in Dutch MNCs in general are important.

A. Legal incorporation stipulates the governing structure of Dutch MNCs largely. According to Book 2 of the Dutch Civil Code, there are two basic kinds of company with limited liability in the Netherlands: (1) an NV (*Naamloze Venootschap*) equivalent to a public limited company (plc) with quoted shares, and (2) a BV (*Besloten Venootschap met Beperkte Aansprakelijkheid*) comparable to a company limited (Co, Ltd) with non-quoted shares. The NV had been an only legal form of company from the outset of the twentieth century to 1981. It may or may not quote their share in Amsterdam Stock Exchange (AEX). The BV, a form of private company, was introduced in 1981 under the company law harmonisation throughout the EU (European Union), because the code must be subject to the EU's policy. The shareholders in a BV or an NV can be either a juristic or a natural person, but not the same legal entity as the company (Lawrence, 1991; King, 1993; van Iterson & Olie, 1992; Sijbrands & Eppink, 1994; van Iterson, 1997b; Maassen, 1999).

Most large Dutch firms, especially the well-known MNCs, such as Shell, Unilever, and three Dutch cases in this study choose the legal form of NV. The code stipulates these large firms to have two-tier boards: (1) the *Raad van Commissarissen* (a supervisory board), and (2) the *Raad van Bestuur* (an executive or managing board). The appointment of both boards is usually permanent (d'Iribarne, 1989; Lawrence, 1991; van Iterson & Olie, 1992; King, 1993; Olie, 1996; Kabir, Cantrijn & Jeunik, 1997). In essence, the code determines the structure and the roles of boards of directors in the Dutch MNCs.

The Book 2 of the code (*Burgurlijk Wetboek*) stipulates the four legal regimes governing both BVs and NVs, namely the common regime (*Gewoon Model*), the structure regime (*Structuurmodel*), the mitigated structure model (*Vezwakt Structuurmodel*) and the exempt regime (*Vrijgesteld Model*) (See Maassen, 1999). The common and structure regime are not applicable to Dutch MNCs, but the mitigated structure and the exempted ones are designed for the companies both employing most of their staff and quoting their shares outside the Netherlands. *Algemene*

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Vergadering van Aandeelhouders (General Assembly of Shareholders) appoints the supervisory board. If there is a vacancy in the board, the existing members of the board will decide who will join themselves. Then, the appointment of a new member will be subject to the consent of an *Ondernamingsraad* (OR—Work Council) and the general assembly through a co-option. This board does not constitute any representatives from the shareholders, the employees or any other groups of stakeholders, but it comprises wholly the non-executive directors that may come from either the same or different companies, or politicians as a barometer of corporate prestige. Interlocking directorates among Dutch MNCs are common. The members of the board are called *Commissarisen* and its chairperson is called *President-commissaris*. In general, the Dutch boards are quite small (Lawrence, 1991; van Iterson & Olie, 1992; Heijltjes et al, 1996; Olie, 1996; Douma, 1997; van Iterson, 1997b).

As a separate entity, the executive board runs the company on the regular basis. Its members are usually full-time senior managers within the same company. The appointment of the board is permanent and only the board itself can appoint new directors. The directors are colloquially called *de direktie*. *De direktie* has the right to elect the *President-direkteur*, the Dutch equivalence of managing director (MD) or chief executive officer (CEO), but this position has much more limited authority than MD and CEO in Anglo-Saxon countries. In practice, the supervisory board appoints this position. For smaller Dutch firms, the board may be either functional or divisional nomination depending on type of industry. But for larger ones it is likely to be an amalgam of functional and divisional appointment (Lawrence, 1991; van Iterson & Olie, 1992; Olie, 1996; Kabir et al, 1997; van Iterson, 1997b).

As a separate governing body, the supervisory board has the right to appoint and dismiss the executive board, but only in case of an *ultimatum remedium*. The relationship between both tiers of boards is characterised by trust. On duty, the supervisory board has to advise, ratify and monitor the executive board in case of crucial decisions. The executive board is generally answerable to the supervisory board. Because the directors of the supervisory board lack expertise in business in which the firms operated, their involvement in the firms' policies is modest. Because the code compels both boards to consider the interests of the firms' all stakeholders, such as customers, suppliers, employees and so forth, the supervisory board only intervene the executive board in a crisis or a strategic decision affecting the firms' all stakeholders and future. All strategic decisions and long-term policies made by the executive board need an approval from the supervisory board. To neutralise the interest of any particular groups, the code prohibits the nomination of workers to be a member of both boards (Lawrence, 1991; van Iterson & Olie, 1992;

Olie, 1996; Heijltjes et al, 1996; Douma, 1997; Kabir et al, 1997; van Iterson, 1997b; Maassen, 1999).

B. Corporate governance is a result of Dutch business history. Because the stock market in the Netherlands has long been developed for 500 years, the shares of Dutch public companies (NV) are usually widely dispersed. Approximately 45 per cent of shares quoted in AEX belong to private hands. Because the Dutch Civil Code allows banks and other financial institutions to hold a maximum of 10% of shareholders' capital in non-financial firms, these institutions and banks own no more than 15-20% of the shares of listed companies in the Netherlands. Cross shareholding or interlocking ownership is rare among Dutch companies. Unlike in Japan and Germany, banks and other financial institution stay at arm's length from Dutch companies' management (Weimer, 1995; van Iterson, 1997a, 1997b, 2000).

Dutch companies are able to limit the power of the shareholders by law, dispersion of ownership, multiple anti-take-over devices in AEX and other mechanisms. Through the two-tier board system, the code restricts ordinary shareholders' rights to only all economic rights, such as to get dividend and the right to assess the overall performance of the firms. These shareholders do not have voting rights for the firms' major decisions and affairs. The dispersion of ownership does not enable any parties to dominate the shareholders' meeting. To safeguard themselves against the self-interests of some parties, Dutch companies divide their ownership into non-voting ordinary shares, preference shares and non-tradable shares as part of several anti-take-over measures. Only friendly foundations and institutional investors can hold both preference and priority shares. Both of them have the right to: (1) amend the companies' charters, (2) approve an appointment or a dismissal of directors of both boards through a co-option and (3) issue new ordinary shares or common stocks in case of capitalisation. The holders of both shares meet once a year in the general assembly. Even so, they rarely exercise their formal ownership rights (van Iterson & Olie, 1992; Weimer, 1995; Heijltjes et al, 1996; Douma, 1997; Kabir et al, 1997; van Iterson, 1997b, 2000; Maassen, 1999).

The external market dynamism cannot discipline corporate governance and management in the Netherlands even if the domestic ownership is very small and the concentration of ownership is very low in Dutch companies. Furthermore, the managerial discretion in Dutch companies is very high because the intervention from both the supervisory board and the shareholders is minimal. In spite of this discretion, the executive board tends to pursue the public interest of the companies and not the partial interests of the shareholders, the board itself, employees or any other parties. Albeit the shareholders are disengaged from the major decisions in the companies, they can act as effective monitors. All Dutch firms have been required to divulge audited annual financial reports since 1971 and with more

details since 1983. This disclosure abiding by the code enables shareholders to scrutinise any scepticism about mismanagement in the firms (van Iterson & Olie, 1992; Weimer, 1995; Heijltjes et al, 1996; Maijoor & van Witteloostuijn, 1996; Kabir et al, 1997; van Iterson, 1997a, 1997b, 2000; Maassen, 1999).

Hostile take-overs against the will of the firms' executives are rarely successful because elaborate legal protection through two-tier board system limits voting power of the ordinary shareholders. Additionally, 90% of Dutch companies quoting shares in AEX fend off company hostile take-over bids by using at least one of many multiple anti-take-over devices. Thus, Dutch companies do not need cross-shareholding to protect themselves from hostile take-overs (van Iterson & Olie, 1992; Weimer, 1995; Kabir, Cantrijn & Jeunik, 1997; Maassen, 1999).

C. Work council in Dutch MNCs has a lot of impact on Dutch MNCs' global strategy. The Work Council Act of 1971 enforced Dutch firms with more than 35 employees to establish a work council or an OR. This law also applies to not-for-profit organisations, such as hospitals, foundations and so on. The ORs' actions and decisions are supposed to be independent of the management because it constitutes only elected employee delegates from both middle managers and workers. To enhance the advisory competence and the scope of co-determination of the ORs, this law was amended in 1979, so the required minimum of employees is extended to 100 employees. The ORs are legally entitled to have a set of four rights -- to consent, to consult, to know information, and to initiate a proposal. Thus, the work councils in the Netherlands have the most extensive rights in Europe (Lammers, Meur & Mijs, 1987; Teulings, 1987; Kunst & Soeters, 1991; Lawrence, 1991; van Iterson & Olie, 1992; Olie, 1996). These four rights ensuring co-determination between the top management and the employees have a following impact on Dutch MNCs in their strategy formulation.

The right to consent Before pursuing or changing any policies, the top management or entrepreneurs need the viewpoint or consent of the ORs for most strategic decisions. All matters of collective social and HRM policies, such as corporate rules and regulations are subject to the full co-determination of the ORs. The ORs have a right of veto in any decisions about human resources. If the top management does not respond to the ORs' veto, the ORs can bring disputes with the employers or the management on social and HRM policies to arbitration committees at branch level or directly to the magistrate (Teulings, 1987; King, 1993; Kunst & Soeters, 1991; Lawrence, 1991; van Iterson & Olie, 1992). Moreover, the ORs have the right to propose or oppose the appointment of both boards (Hoodendoorn, 1992, p 42).

The right to consult The Ors are empowered to advise the top management of a complete range of strategic decisions, such as investment and divestment policies,

technology, transfer of control, merger, take-over, joint venture, closure, reorganisation, relocation and retrenchment. The appointment and the dismissal of directors and top management, and the employment of external consultants need advice from the ORs. The management is obliged to take such advice into consideration (Teulings, 1987; King, 1993; Kunst & Soeters, 1991; van Iterson & Olie, 1992).

The right to know information At the request of the ORs, the management is obligated to disclose all financial and economic both policies and results, all financial and economic results, all decisions about company strategy and policy, and all other relevant information (Teulings, 1987; Kunst & Soeters, 1991; Lawrence, 1991; van Iterson & Olie, 1992). Furthermore, the OR is entitled to investigate any sceptical mismanagement of executives (Hoodendoorn, 1992, p 42).

The right to initiate a proposal The ORs are empowered to take the initiative to propose a new idea for organisational change through putting forward a written proposal to the management. Reciprocally, the management have to respond to this proposal (Teulings, 1987).

D. The structure of Dutch MNCs determines the relationship between Dutch companies in Thailand and their parent companies' world-wide operations. The main purpose of Dutch foreign investment is trading, not manufacturing. This purpose reflects the strong merchant traditions. Owing to the small size of the Netherlands, once Dutch firms grow enough, they begin to look at foreign markets. There are few mid-size companies in the Netherlands (van Iterson & Olie, 1992; van Iterson, 1997a, 1997b). Dutch MNCs set up their subsidiaries throughout the world through the process of internationalisation. This strategy repeats what they had done during the colonial period. *Verenigde Oostindische Compagnie* (VOC—Dutch United East India Company) that had existed between 1602-1718 is the world's first MNC (van Iterson, 1997a, 1997b). Dutch MNCs had become internationalised much earlier than British, American and Japanese ones.

Because of internationalism and adaptability are the prime characteristics of business life in the Netherlands, Dutch MNCs tend to both play down their nationality and localise their overseas operations. Leading Dutch MNCs, such as Shell, Unilever and Philips are well-known for empowering their overseas subsidiaries. Their local management, not Dutch expatriates predominantly run these subsidiaries. Their HQs often refrain from direct involvement in marketing affair abroads, so much of the autonomy devolves on local affiliates. Each subsidiary is treated as a profit centre. Each of them tends to pursue its strategies according to local settings. Because there has been no plan for world-wide operations, each subsidiary in each country cannot co-ordinate its activities and transaction among each other. A typical Dutch corporate form is a multi-domestic,

not global firm. Because Dutch MNCs do not transfer their management style to their subsidiaries, their decentralised structure limits co-operation, transferring and sharing skills, resources, information activities and uniformity among subsidiaries throughout the world (Eppink & van Rhijn, 1988; Lawrence, 1991; Hampden-Turner & Trompenaars, 1994; Olie, 1996; Brouthers, K D & Brouthers, L E, 1997).

Nonetheless, the globalisation of the world market has made the multi-domestic structure of Dutch MNCs ineffective. Shell and Unilever are going well with this kind of structure, but Philips is not. To fight Japanese consumer electronics giants whose strategy and structure are more globalised, Philips needs to adopt more global strategy to its multi-domestic structure. So far it has been problematic for Philips. To shift their strategy from a multinational to a global focus, these Dutch MNCs have to reconcile their centralised corporate strategy and structure with their responsiveness to local markets. Since the beginning of 1990s, most leading companies in the world have been undergoing restructuring, re-engineering, retrenchment, rationalisation, downsizing and reorganisation and so on. The pursuit of these programmes is to make these companies more healthy and profitable while sustaining competitive advantage. Dutch MNCs are no exception. Many of them are now either mature or declining organisations, so they need to revitalise themselves in order to compete their rivals more vigorously (Eppink & van Rhijn, 1988; Hampden-Turner & Trompenaars, 1994; Volbeda, 1997).

E. Changing culture and management in Dutch MNCs also determines the operation of Dutch companies in Thailand. The Netherlands is an individualistic society, but always take part in voluntary activities around the world actively. However, the Dutch households have recently changed remarkably in terms of household composition and role division between the sexes. These phenomena stem from demographic and cultural shifts directly and from the development of health care, education, employment and social security indirectly. The Netherlands becomes less caring society characterised by more conspicuous consumption (Sociaal en Cultureel Planbureau, 1996).

Ontzuiling (de-pillarisation). In the 1960s when economic growth and globalisation gained momentum in the Netherlands, a rapidly growing, increasingly affluent society became more mobile. The Dutch demanded more space to live and began to move out of the suburbs. This desuburbanisation causes them to less adhere to their living places. They are more willing to live outside their own confessional areas. The Dutch phenomenon of *verzuiling* began to dissipate when organisations from different doctrinal lines started to merge for more bargaining power. These organisations include trade unions, employer's federations and so on. With the exception of agrarian associations, the internationalisation of the Netherlands accelerated secularisation and *ontzuiling* in the wider society. This

phenomenon of *ontzuiling* prevails when the shifting power balance is in favour of global economic actors, such as MNCs (King, 1993; Sociaal en Cultureel Planbureau, 1996; van Iterson, 1997a, 1997b, 2000).

Dutch companies flourished during the 1960s and the 1970s simply because of post-war high growth rate rather than excellence and professionalism. Managerial behaviours in the Netherlands have dramatically changed since 1980s, because of the general revaluation of industry, management and wealth creation and entrepreneuralism. These changes were caused by (1) the government's policies towards economic liberalisation and deregulation, (2) the response to the world recession and the consequent multiplication of competition, (3) the consistency with the development in other industrial country and (4) the development of education and health care system. Because of the recent deregulation, more part-time jobs are available. The Dutch are more willing to work longer with their several part-time jobs as their extra employment. They tend to have more than one jobs, especially part-time ones concurrently owing the declining of full-time employment in the Netherlands (Lawrence, 1991; Sociaal en Cultureel Planbureau, 1996).

Because the Dutch government becomes less generous for social welfare, the Dutch become more willing to live on their own. They nowadays are more flexible and less concerned about job security than they used to be. Dutch companies have lately become less sympathetic with their ill or handicapped employees. These companies start to focus on efficiency. The managerial job performance is more recognisable in the Netherlands. Individual distinction is pronounced than before. The emphasis on remuneration is prevalent. The Dutch become less cordial with weaker and more willing to accept inequality. Mobility between companies now becomes more accepted. Because Dutch companies are still reluctant to compare performance among their employees, their assessment of an appropriate calibre with specialisation in job is still alright, but its accentuation is put on social skills, management expertise or goal internalisation (Lawrence, 1991; Sociaal en Cultureel Planbureau, 1996).

In response to the globalisation of business and management, it seems that Dutch management will lose its national idiosyncrasy somehow in the future. Internationalism is compelling Dutch management to conform to the international norms. These changes may not be absolute because most Dutch managers still have some reservations about this trend. The acceptance of the new trend is conditional because some old habits die hard. Typical Dutch management is still worthwhile because it can cope with complexity and deal with a number of fronts concomitantly (Lawrence; 1991).

APPENDIX III: THE CURRENT SITUATION OF JAPANESE MNCS

Japanese companies in Thailand are a part of the global operation of Japanese MNCs. The global structure of Japanese MNCs partly shapes their foreign affiliates and operations everywhere. The structure of Japanese MNCs determines the relationship among their parent companies in Japan, their Thai subsidiaries and their global operations. To understand the characteristics of Japanese MNCs, the investigation into the impact of the Japanese Commercial Code on Japanese MNCs, the cross-shareholding under *keiretsu* system, the Japanese corporate governance system, the structure of Japanese MNCs and changing culture and management in Japanese MNCs in general are pivotal.

A. Legal incorporation really determines the governing body of Japanese MNCs. The most common corporate form of Japanese MNCs, such as Toyota, Matsushita, Sony and so on is *Kabushiki Kaisha* (KK-a joint stock company). Under the Japanese Commercial Code, most Japanese KKs depend largely on alliances in equity ownership. The shareholders of KKs can be either a statutory or a natural person, but not the same legal entity as the company. However, Japanese Anti-monopoly Act of 1947 has prohibited banks and other financial institutions to hold more than 5% shares in a single KK (Gerlach, 1987; Whitehill, 1991; Lassere, 1992; Whitley, 1992; Weimer, 1995; Bostock & Storey, 1997).

The Japanese board system is a mixture of Anglo-Saxon and Germanic systems. The three governing bodies in KKs comprise the board of directors, the office of representative directors and the office of auditors. The board of directors formally makes corporate decisions. The representative directors carry out these decisions. The auditors have to monitor the activities of both the directors and the representative directors. Under the code, all three corporate bodies must represent the shareholders, so the general assembly of shareholders *de jure* appoints and dismisses these governing bodies (Whitehill, 1991; Weimer, 1995).

De facto, the interlocking ownership among institutional shareholders enables the outgoing chairman or president to appoint the directors, the representative directors and the auditors. Typically, the board consists overwhelmingly of both current and former top and middle managers. The board of directors can have a sub-structure reflecting hierarchical rather than functional division. External directors are rare except the ex-bureaucrats from *amakudari*, allied companies and lending banks. The external directors from the banks are not considered as outsiders. The external appointment is a barometer of relationship. A typical board in Japanese companies can have as many as twenty-five to thirty directors, so it is large. Even if the code does not compel the board to represent the interest of the companies' all stakeholders, the directors are supposed to consider the interests of the stakeholders as a whole including their fellow employees (Aoki,

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1991; Whitehill, 1991; Hoshi, 1994; Chen, 1995; Weimer, 1995; Wesney, 1996; Bostock & Stoney, 1997).

B. Enterprise group or keiretsu also determines the corporate governance of Japanese MNCs. The large number of Japanese KKs is organised as a constellation of firms called *keiretsu* (enterprise groups). The large business groups in Japan are organised in two ways: (1) horizontally connected groups or *kinyu keiretsu* (financial lineage) or *kigyo shudan* (corporate group) and (2) vertically integrated groups or *kyorokukai* (Gerlach, 1987; Whitehill, 1991; Lassere, 1992; Whitley, 1992; Bostock & Storey, 1997).

The horizontal *keiretsu* operates in multiple industries. It is not organised hierarchically along the supplier-distributor linkage, but it is a network of firms connected by reciprocal financial and commercial interests. It is a descendent of pre-war *zaibatsu* (a conglomerate of financial cliques). After the Second World War, Supreme Command of Allied Power (SCAP) dissolved all *zaibatsu* because of their involvement in the Japanese military expansion both before and during the war. After Japan resumed its sovereignty in 1951, some of these *zaibatsu* began to be reorganised as horizontal *keiretsu.* Without the existence of family-controlled holding companies as in *zaibatsu,* linkages among these firms can be identified by: (1) president clubs, (2) financial supports, (3) interlocking ownership, (4) board members' exchanges, (5) transactions in intermediate product markets and (6) joint projects. The cross-ownership has evolved out of institutional shareholding among these firms and has created a structure of steady mutual relations among them. The six largest corporate groups in Japan are Mitsubishi, Mitsui, Sumitomo, Fuyo, Sanwa and Dai-Ichi Kangyo. The first three groups are the remnants of the dismantled *zaibatsu* of the same names. Fuyo is the reincarnation of Yasuda *zaibatsu.* Sanwa and Dai-Ichi Kangyo have developed out of large city commercial banks. Each *kigyo shudan* comprises a main in-house bank and other financial firms, a general trading firm (GTF or *sogo shosha)* and a highly diversified range of large manufacturing firms (Gerlach, 1987; Namiki & Sethi, 1988; Eli, 1990; Lassere, 1992; Whitley, 1992; Hoshi, 1994; Miyashita & Russell, 1994; Chen, 1995; Bostock & Stoney, 1997). A commercial bank, insurance and other financial firms act as a financial arm for access to financial and capital markets. A GTF acts as a marketing arm for access to international markets and information networks. A variety of manufacturing firms act as an industrial arm for R&D and production.

The policy-making body of *keiretsu* is *shacho-kai* (president club). The decisions and the policies made in the club known as collective guidance. This guidance used to affect the whole group during the 1950s-1960s, but it is not so important nowadays. Thus, the club has neither control over nor economic implication for the member firms. To exchange views and information and to reduce

incentives and informational problems, the chairmen, the presidents and the vice presidents in charge of corporate planning and R&D in the core companies, such as main banks, *sogo shosha*, meet in the club monthly. The club meeting is informal and merely facilitates the interaction and the flow of information that enhance the group coherence. Industrial firms within the same *keiretsu* may form a joint venture if they have to take part in large projects and to promote joint technological development (Gerlach, 1987; Namiki & Sethi, 1988; Eli, 1990; Lassere, 1992; Whitley, 1992; Hoshi, 1994; Miyashita & Russell, 1994; Chen, 1995).

Albeit the president club is held monthly, each fellow firm can relatively autonomously carry out its strategies and operations. As a rule, the club has never intervened in the operations of its members even in a crisis. Under this rule, Japanese MNCs can specialise in their own core activities without the interference of its fellow firms (Namiki & Sethi, 1988; Whitley, 1992; Chen, 1995).

The vertical *keiretsu* have evolved out of the network of subcontractors, suppliers, customers and offshoot affiliates in the supplier-distributor chain. These vertical independent groups usually operate in a single industry. A single company who creates the chain is a parent firm, and it dominates the chain through substantial shares of its subsidiaries. The vertical groups are bigger and more common in manufacturing industries especially car and electronics than others. The famous vertical groups include Toyota, Sony, Matsushita, Honda, NEC, Hitachi, Toshiba and so on. The groups' affiliates are usually small. While the parent firm focuses on core activities, such as R&D, it affiliates concentrates on other functions or activities of their specialisation. That is why the parent firm is comparatively small and lean (Whitley, 1992; Miyashita & Russell, 1994; Chen, 1995; Westney, 1996).

Nearly all companies in the six largest corporate groups in Japan have their own vertical *keiretsu*, especially in manufacturing industry. Plenty of the largest vertical *keiretsu*, mostly also in the manufacturing sector rely on the financial facilities of the main bank in the horizontal group. As a result, both kinds of *keiretsu* overlap to a considerable degree (Miyashita & Russell, 1994).

C. Corporate governance is largely determined by legal incorporation and relations among companies in the enterprise groups. Like firms in many countries, Japanese KKs have both individual and institutional shareholders. Institutional shareholders can be categorised into two types: (1) portfolio investors including main banks and insurance firms and (2) relational investors, such as affiliated firms, main suppliers and top customers. The former prefers long-term growth to short-term gain as a result of growth strategies. The latter represents the symbolic relations with other firms. The majority of both types are the fellow members in the same *keiretsu*. Albeit KKs' ownership in Japan is widely dispersed, allied

institutions hold more shares than individual shareholders. Ideally, these institutions are supposed to wield more influence on the management of MNCs than personal shareholders. Actually, neither type of shareholders exerts much influence on the management. As long as both of them steadily receive their dividend, they do not intervene in the corporate affairs. Thus, Japanese executives enjoy a great degree of managerial discretion. Even if the individual holders of ordinary shares have both economic and voting rights under Japanese Security and Exchange Act, they normally are the last persons who know their firms' financial problems (Gerlach, 1987; Namaki & Sethi, 1988; Aoki, 1991; Hoshi, Kashyap & Scharfsten, 1991; Sheard, 1994; Bostock & Stoney, 1997).

Under *antei kabunushi* (stable shareholding arrangement), institutional shareholders usually have a strong commitment not to selling shares to especially hostile take-over bidders. These shareholders are usually sympathetic to the incumbent management. The relations under this arrangement are implicit. As both an institutional shareholder and a creditor, the in-house bank is the main source of funds of its member firms. It acts either as a guarantor of these firms when they have to borrow money from the outside source or as a manager of syndicated loans. It holds substantial stakes in its member firms. Its member firms' activities are under its supervision because it normally sends its senior employees to be these firms' directors but seldom vice versa. If these firms perform well, it will not step in. If they perform badly, it is likely to intervene. If they are financially distressed, it often provides both capital and managerial support for them. This is the way to reduce cost of financial distress. Because of risk-sharing between the main bank and its clients through cross-ownership, the bank generally monitors these clients (Gerlach, 1987; Namaki & Sethi, 1988; Aoki, 1991; Hoshi, Kashyap & Scharfsten, 1991; Hoshi, 1994; Sheard, 1994; Tselichtchev, 1994; Bostock & Stoney, 1997). Some Japanese firms none the less have weakened their ties with their main banks recently (Hoshi, 1994). In case of vertical *keiretsu*, the parent firm controls financial resources and diversifies the sources of capital for the whole group (Westney, 1996).

Because of inter-firm cross-ownership, capital markets cannot discipline the management of Japanese MNCs. As a group, the institutional shareholders in Japan seem to make a long-term commitment to the *keiretsu* whose they are members. The Japanese corporate management is able to pursue aggressive long-term growth strategies. However, being in charge of a senior executive position concurrently, Japanese directors are difficult to review the performance of the management including themselves impartially (Gerlach, 1987; Aoki, 1991; Whitehill, 1991; Chen, 1995; Weimer, 1995; Bostock & Stoney, 1997). Bostock and Stoney (1997) argued that Japanese board of directors are accountable to no one, but Chen

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(1995) contended that these directors, particularly the president are answerable to the executives of other fellow firms in the president club. In practice, the boards are accountable to the industrial groups, notably the main bank through risk-sharing, but not to the individual shareholders (Hoshi, 1994).

Under the system of inter-firm capital linkage, hostile take-overs against the will of company's executives is almost impossible. Though Japanese MNCs tend to hold shares of each other, they except banks, try neither to interfere with nor to monitor the operations of each other. This practice further separates the management from the will of the owners (Gerlach, 1987; Aoki, 1991; Sheard, 1994; Tselichtchev, 1994; Chen, 1995; Westney, 1996; Bostock & Stoney, 1997).

D. The structure of Japanese MNCs is a result of Japanese business history. To catch up with the West, Japanese companies began to be internationalised in a few last decade of the nineteenth century. Japan set up a lot of shipping and trading companies to extract and ship back overseas natural resources to Japan because most its manufacturing bases were located in Japan. To extract more resources, most Japanese companies supported the War of Aggression during 1931-1945. Thus, these companies set up their overseas subsidiaries mainly for resources extraction (Whitehill, 1991; Chen, 1995).

The main purpose of Japanese foreign investment has been manufacturing, not trading since the 1950s. This purpose reflects the Japanese pattern of strategy and internationalisation after the Second World War. Japanese modern industries started from buying Western technology and emulating Western products with some improvement and modification until 1990 when they were able to innovate. From the 1950s to mid 1970s, Japanese MNCs competitiveness had primarily been in cheap labour-intensive industry. During this period, they thrived merely because of post-war Japan's miraculous economic growth. They had exported low-cost and low-quality goods until they gained sufficient foreign market shares and accumulated adequate capital. Then, the ongoing wage escalation in Japan forced them to diversify their products, develop high-technology goods and move upmarket. They have exported their products to industrialised nations since the 1960s. After the growing protectionism in these nations, notably the US and the EU since the 1980s, they have begun their direct investment into these countries. To maintain their competitive price concurrently, they have shifted their manufacturing capabilities to the low-wage countries in Southeast Asia and exported product from there to the US and the EU. Nowadays they sell high-quality products throughout the world. Because they become internationalised later than Western European and American MNCs, they tend to adopt a global structure that can help them to cope with the globalisation of the world market. Recently they have challenged Western European and American MNCs in many spheres in the world business (Chen, 1995).

Because most Japanese MNCs represent the goodwill of Japan, they are unlikely to play down their nationality and localise their overseas subsidiaries easily. They often transfer the whole concept of management to the host countries. Leading Japanese MNCs such as Matsushita, Sony, and Toyota empower their foreign affiliates to some extent, but the Japanese, not local managers manage these affiliates. All subsidiaries are not allowed to participate in the major decisions at the HQs that affect the local employees. A typical Japanese corporate form is a global firm having a high degree of operational co-operations among affiliates throughout the world. Japanese companies are very specialised one, so they are unwilling to diversify themselves into unrelated activities (Whitley, 1992). If they want to do so, they tend to hive off some departments by setting up a new company. Because of a high degree of specialisation in Japanese MNCs, their executives often prioritise managerial functions in their firms according to specialist capabilities. If the overseas markets are large enough or they face trade protectionism from the host country, they will export manufacturing capabilities to that country. They prefer direct investment by setting up new factories or branches (green-field) to portfolio investment by acquiring the existing companies. If the costs of production in Japan is rising owing to wage escalation, they will relocate their production lines to the low-wage countries and then export the finished product to the high-wage countries. However, they often bring their own network overseas. Wherever they invest, either industrialised or industrialising countries, they have to co-ordinate their global flows of money between Japan and many host countries and act as the portfolio investors. Thus, Japanese MNCs employ global strategy. If they adopt a multi-domestic structure, which devolves much of their autonomy on a subsidiary, they cannot handle these flows of money effectively. To accumulate more financial assets, they repeat the cycle of these sequential strategies, thereby redeploying profits to invest in other countries (Burton & Saelen, 1987; Smothers, 1990; Hedlund & Nonaka, 1993; Chang, 1995). Because of the replication of their strategies in many countries, the pattern of Japanese MNCs penetration into the foreign markets is more or less the same around the world.

E. Changing management and culture in Japanese MNCs really shape the operation of Japanese companies in Thailand. Japanese management is a product of the Japanese society. Since the downfall of Japanese bubble economy in 1991, Japan has been undergone volatile social changes and economic stagnation. So far Japan has been unable to cure its economic wound yet. Aside from its stagnant economy, Japan has encountered both domestic pressures, such as an ageing population, economic restructuring, an unimpressive international image and an anxiety syndrome, and international pressures, such as criticism on protectionism, competition from the NICs and foreign distrust (Whitehill, 1991).

When the economy turns bad, Japanese management does not work well. Three components of Japanese management comprising stakeholder capitalism, consensual decision-making and the closed labour system of enterprise union, lifetime employment and seniority wages have become a hindrance to growth and survival. Under the stakeholder capitalism, Japanese managers are too complacent, because Japanese companies attach importance to their employees firstly, then the retirees, thirdly to their business partners—suppliers and dealers, fourthly to their main banks and finally to their shareholders. The consensual decision-making process in Japanese companies cannot cope with the accelerating pace of change in the global environment. Because of bottom-up management, Japanese top executives are not expected to make a tough decision. The closed labour system causes Japanese companies to avoid retrenching their core workforce, the white-collar male staff at all costs. During the recession, most companies cannot restructure themselves with redundancies. They prefer cutting salary and freezing recruitment to sacking core employees. Hence, Japanese-style management needs a complete overhaul (The Economist, 1995, June 24, 1999, November 27; Harney & Abrahams, 1998, November 12).

Under both domestic and global pressures, business and managerial behaviours in Japan have drastically changed since the bubble bursted. Japan's financial liberalisation and the globalisation of capital flows since the mid-1980s have pressurised Japanese corporate governance to change. The international shareholders demand more accountability and dividends from Japanese MNCs. This transformation poses some threats to the current system of stakeholder capitalism. To cope with the quickly changed global environment, some Japanese companies have begun to use more top-down and less bottom-up decision-making. The length of the consensual decision-making process becomes shorter. These companies have begun to streamline their boards and organisations and cut down the workforce (Gerlach, 1987; Chen, 1995; Bostock & Stoney, 1997; The Economist, 1999, November 27).

Merger and acquisition in banking sector are gaining currency in Japan even if the consolidation of this sector will take longer time than in the West. In October 1999, the announced merger between Dai-Ichi-Kangyo Bank (DKB), Fuji Bank and Industrial Bank of Japan, and the other one between Sumitomo Bank and Sakura Bank signify the potential change. These two mergers inevitably affect the interlocking ownership in horizontal *keiretsu,* because DKB, Fuji, Sumitomo and Sanwa are the main bank of DKB group, Fuyo group, Sumitomo group and Mitsui group respectively. The lines between companies from different horizontal enterprise groups become less divisive and the old *keiretsu* will fall away from its

borrowers (Financial Times, 1999, November 10; The Economist, 1999, November 27).

The advent of information technology (IT) and globalisation causes Japanese MNCs to transform themselves from manufacturing-based companies to service-based ones. E-business will loosen vertical *keiretsu* ties because Japanese manufacturers can build supply-chain management and a production network with companies around the world. Because of deregulation in the 1990s, the new retailers can use IT to break the vertical system. These retailers become bigger and use their knowledge about customers to bargain with suppliers and manufacturers (Whitehill, 1991; The Economist, 1999, November 27).

To cope with the new environment, Japanese management needs to be modified to a certain degree. This modification means that Japanese management will lose its national uniqueness somehow in the future. It will not become more and more like Western management as far as we know, but it will be modified in its own way under the pressure of international norm. This transition may not be absolute, but it might be a mixture of old and new ideas (Whitehill, 1991; Chen, 1995; The Economist, 1995, June 24, 1999, November 27; Westney, 1996; Bostock & Stoney, 1997).

Table III.1 The comparison between old and new elements of Japanese management

Japanese Management	Persistence	Transformation
Corporate Governance	-Multi-layer and large board of directors -Overwhelmingly inside and Japanese male directors, but outside director from the bureaucracy and the allied firms -No interference from shareholders -Cross-shareholding	-More merger and acquisition between the allied firms -More vice-presidents -More outside directors -More interference from shareholders -Less cross-shareholding
Structure	-Tall organisation	-More important corporate planning department -Smaller head office -More decentralisation with general management committee (GMC)
Strategy	-Long-term growth orientation -An evolutionary series -An alliance	-More diversification -More use of external resource
Management Style	-Old-boy network and *jinmiyaku* -Intuitive leadership -Paternalism -Group emphasis -Consensual decision-making	-More autocratic and faster top-down decision-making -Empowerment to lower level employees
HRM	-Lifetime employment -Job transfer, frozen new recruitment and early retirement preferable to lay-off -*Nenko Joretsu* -Modest remunerative disparity -Prerequisites on an individual basis -Long-term merit appraisal -Job rotation -Enterprise union -Corporate loyalty	-More possible lay-off -More early retirement and job transfer -More mid-career recruitment -Simpler recruitment -More heterogeneous human resources -More elements of merit-based promotion -Less family allowance -Weaker commitment between employees and employers -More militant enterprise unions

APPENDIX IV: LETTER OF INQUIRY

<div align="right">

655 Soi 22 Karnkeha
Nawamin Rd
Klongjan Bangkapi
Bangkok 10 240

_____ 2000

</div>

Dear Sirs

I, Keatkhamjorn Meekanon, am a doctoral student at Maastricht School of Management in the Netherlands. I am currently doing research on:

'The cultural impact on strategy process: A comparison between Dutch and Japanese MNCs in Thailand'

My research is a part to fulfil the requirement for a PhD degree. The design of this research project involves an interview with the executive in charge of Thai operation. Your company is chosen as a case study of my doctoral dissertation. I, therefore, would like to ask for your cooperation in giving me an opportunity to interview you at your convenience.

Your valuable time and assistance will be helpful in my research findings. The outcome of my research is expected to help scholars to delve into the field of international management, strategic management and comparative management. In dealing with a cultural impact on their strategies, this outcome is also expected to enhance the knowledge and awareness of international managers and expatriates. Thus, the research findings will be beneficial to your company in Thailand in overcoming cultural problems of strategies, operations, and localisation.

Your response to the interview will be strictly confidential. All personal identification will be anonymous. All data and information will be analysed and utilised for the academic purpose only. When I complete my doctoral programme, I am pleased to present a summary of my research findings at your request.

Enclosed are an interview schedule and a copy of letter of certification for your examination. If you are willing to give me an opportunity or have some more questions about my research project, please feel free to contact me at:

Phone: 377-5581
Fax: 733-2276
e-mail: kt_meekanon@hotmail.com or kt_meekanon@yahoo.com

I look forward to your cooperation and an opportunity to interview you.

<div align="right">

Yours faithfully

Keatkhamjorn Meekanon

PhD Candidate

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APPENDIX V: CASE PROTOCOL

Purpose

Key Features of the Case Study Method

Organisation of this Plan

I. Procedure

      A. Initial Scheduling of Preliminary Interview

         Preliminary Interview

         Conclusion

      B. Review of Documentation and Archival Records

         Verification of Documentation and Archival Records with Journalists

         Verification of Documentation and Archival Records with Key Informants

         Verification of Access Procedures

         Special Documents

      C. Determination of Persons to be Interviewed and Other Sources of

         Information

         Executive Function

         HRM Function

         Rank-and-file Involvement

         Summary

II. Case Study Protocol and Questions

      A. Environmental Scanning

         Topic

         Summary of Questions for Section A

      B. Strategy Formulation

         Topic

         Summary of Questions for Section B

      C. Strategy Implementation

         Topic

         Summary of Questions for Section C

      D. Evaluation and Control

         Topic

         Summary of Questions for Section D

III. Analysis Plan and Case Study Reports

      A. Individual Case Studies

         Descriptive Information

         Explanatory Information

         Outline of Individual Case Study Reports

      B. Within-culture Cross-case Analysis

APPENDIX VI: INTERVIEW SCHEDULE

I Background Information about the Respondent

1. Please specify your education qualification (the highest diploma you earned):

   _____

2. How long have you been working with the company? _____

3. How long have you been working with the company in Thailand? _____

4. Before your current position in Thailand, had you ever worked with the company

   in other countries? _____

   If yes, where? _____

   (Please specify all)

5. Before your current position in Thailand, what was your last position in the

   company? _____

6. Please indicate your nationality:

   _____

   If your nationality is not Dutch/Japanese, please answer 13-15. If no, please skip
   7

7. Have you ever worked in the company's headquarters in the

   Netherlands/Japan?_____ How long ?_____

II Background Information about your Company

8. What is the legal status of the company in Thailand?

   ___Sales office

   ___Representative office

   ___Branch

   ___Joint venture

   ___Wholly own subsidiary

9. How did the company enter Thai market?

   ___Setting up sales office/representative office/branch/subsidiary on its own

   ___Forming a joint venture with Thai partners

   ___Acquiring Thai companies

   ___Acquiring other foreign companies in Thailand

10. How many divisions/departments the company has in Thailand? _____

11. Is the company in Thailand organised in the same way as headquarters the

Netherlands/Japan?_____

   If yes, why? _____

   If no, why? _____

12. Is the company in Thailand organised in the same way as its national organisations

in other countries? _____

   If yes, why? _____

If no, why? _____

III The Influence of Dutch/Japanese Culture

13. Do you understand Dutch/Japanese culture?

___Very well ___Well ___Somewhat ___Not really ___Not at all

14. Please identify the prominent characteristics of the Dutch/Japanese culture as much as you can____

15. Please identify the influence of the Dutch/Japanese culture on the company's operation in Thailand__

IV Questions about the Company's Strategy Process

Environmental Scanning

16. How often you perceive strategic issues from environment? _____

17. Do you employ consultants or researchers to collect information for the company? _____

18. How you categorise strategic issues into 'threats' and 'opportunities'?

_____

What are the criteria for this categorisation? _____

19. How you analyse the environment? _____

20. What are possible 'opportunities' or 'threats' to the company in Thailand?

_____

21. Which information related to strategic issues do you regularly collect and analyse?

_____

How you use these data and analyses for formulating strategy or making a strategic decision?

_____

22. Is any change in the business environment either threat or opportunity for the company?

_____

23. What do you think about the trend of the industry in which the company operates for the next few years?

_____

24. What are mobility and diversification barriers of the industry in which the company operates?

_____

25. How can you forecast the future of the company? _____

26. What are key success factors of the company? _____

27. Who appraises and minimises political risks? _____

Strategy Formulation

28. Who formulates a strategy for Thai operations?

    ____Headquarters in the Netherlands/Japan

    ____Asia-Pacific Regional Head Office

    ____Thai office

29. What are the company's goals in Thailand? _____

30. How the company's sets its corporate goals? _____

31. To achieve such goals, how the company's generates alternatives for making strategic decisions? _____

32. How the company's headquarters authorises Thai office to make strategic decision for Thailand? _____

33. Under delegated authorisation from the headquarters, if you do not make a crucial decision alone, how many persons will be involved in the decision-making process?

    _____

    Who? _____

34. Does the company use a committee (in case of Dutch companies) or *ringi* and *nemawashi* (in case of Japanese companies) for making a strategic decision?

    _____

    Who are the members of the committee (in case of Dutch companies) or involved in *ringi* and *nemawashi* (in case of Japanese companies)? _____
    What is your perception of such a strategic decision? _____

35. Does the company in Thailand write down a strategic decision? _____
    Is it a confidential document? _____

36. If you used to work in the head office, how decision-making process of the company in Thailand differs from that in its headquarters in the Netherlands/Japan?

    _____

37. Does the company prefer a consensus to a majority vote? _____

38. Do you need advice from subordinates before making a strategic decision? _____

39. Do you have to negotiate with subordinates before making a strategic decision?

    _____

40. Do you need to disseminate strategic issues before making a strategic decision?

    _____

41. How did you deal with the economic crisis in Thailand? _____
    Can you explain your experience during the crisis? _____

Strategy Implementation

42. Who sets programmes/policies after making a strategic decision? _____

43. Who sets budget after making a strategic decision? _____

44. Who approves budgets and short-term plans after making a strategic decision?_____

45. Who sets forth corporate rules and procedures after making a strategic decision?

_____

46. Who determines organisational structure after making a strategic decision?

_____

47. Who manages its manpower/workforce after making a strategic decision?

_____

48. How the company recruits and trains new employees after making a strategic decision? _____

49. Who mobilises the company's managers in Thailand after making a strategic decision? _____

50. Does the company employ special techniques, such as MBO, TQM, JIT and so on?

_____

Do these techniques really work? _____

51. How the head office or regional headquarters involve the implementation of the company's strategy in Thailand? _____
To what degree?_____

Evaluation and Control

52. Who establishes criteria and standard for evaluation and control in the company in Thailand? _____
What are the criteria and standard for evaluation and control in the company in Thailand? _____
How you assess the company's performance in Thailand? _____

53. Who takes corrective actions if actual performance is unsatisfactory in comparison with its standard? _____
How? _____

54. Who assess your performance? _____
How? _____

55. How often you report to the head office or regional headquarters? _____

56. How often staff from the head office or regional headquarters comes to visit the company in Thailand? _____

57. Does the company compare its performance with that of its competitors?

_____

If yes, how? _____

58. Can the headquarters or regional head office afford a loss in the company in Thailand within a next couple of years if the company makes a loss? _____

If yes, how many years they can? _____

If no, what are they going to do? _____

59. Can the headquarters or the regional head office afford to lose the company's market share in Thailand within a next couple of years if the company loses market share? _____

If yes, how many years they can? _____

If no, what are they going to do? _____

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Samenvatting.

Het onderwerp van deze dissertatie is de invloed van nationale culturen op het proces van strategievorming in buitenlandse vestigingen van multinationals. Preciezer gezegd de invloed van de nationale cultuur van het land van herkomst van de multinational.

Het doel van het onderzoek is het ontwikkelen van een model aan de hand waarvan systematische vergelijkingen gemaakt kunnen worden tussen vestigingen van multinationals uit verschillende landen van herkomst
Het onderzoek naar dit onderwerp is uitgevoerd met behulp van een exploratief vergelijkend onderzoek. Drie vestigingen van bekende Nederlandse multinationals en drie overeenkomstige vestigingen van bekende Japanse multinationals in Thailand zijn met elkaar vergeleken.

Als eerste is met behulp van een literatuuronderzoek een theoretische verkenning gemaakt naar de drie aspecten die een hoofdrol in dit onderzoek spelen:
- het proces van strategievorming,
- nationale culturen
- bedrijfsresultaat (corporate performance).

Het literatuuronderzoek produceerde ook de theoretische basis voor de onderzoeksaanpak en maakte het mogelijk om elf conceptuele vooronderstellingen te formuleren.
De synthese van het nationale-cultuurmodel van Hofstede (1984a, 1991), het beschrijvende model voor strategievorming van Wheelen en Hunger (1995) en het Competing Value Model van Quinn en Rohrbaugh (1983), maakte het mogelijk een referentiemodel voor dit onderzoek op te stellen. Aangevuld met literatuuronderzoek naar Nederlands en Japans management was het mogelijk de relevante conceptuele vooronderstellingen te formuleren.

Het hierna volgende empirische onderzoek, gebaseerd op het referentiemodel is kwalitatief van aard. De aanpak van het onderzoek volgt een meervoudige case study ontwerp. De keuze van de bedrijven is op theoretische gronden gebeurd, niet door een (aselecte) steekproef. Paarsgewijs zijn vestigingen van Nederlandse en Japanse multinationals gekozen uit de sectoren consumenten electronica, banken en luchtvaartmaatschappijen. Ter bevordering van de validiteit zijn verschillende dataverwervingsmethoden gebruikt. De confrontatie van de theoretische conceptuele vooronderstellingen met het empirische onderzoeksmateriaal leidde tot het opstellen van empirische hypothesen, die gebruikt kunnen worden voor verder onderzoek.

De onderzoeksresultaten ondersteunen de veronderstelling dat nationale culturen van de moedermaatschappijen invloed hebben op strategievormingsprocessen van buitenlandse

vestigingen. Niet alle dimensies uit het model van Hofstede bleken relevant te zijn, zodat het referentiemodel aanpassing behoefde.

In het laatste hoofdstuk van de dissertatie wordt het belang van het ontwikkelde model en de gevonden hypothesen, en de toepassingsmogelijkheden bediscussieerd. De onderzoeksresultaten zijn zowel van theoretisch als praktisch belang. Ze kunnen behulpzaam zijn bij het werk van strategiespecialisten, van (internationale) managers en andere praktijkbeoefenaren op het gebied van strategievorming. Bovendien kunnen ze van nut zijn voor werknemers in buitenlandse vestigingen om het proces van strategievorming te begrijpen.

Keatkhamjorn Meekanon, born in Bangkok, Thailand in 1967, studied business administration, with a major in international marketing at the Chulalongkorn University in Bangkok until he earned a Bachelor of Business Administration BBA in 1990. Later, he studied international management at the American Graduate School of International Management (Thunderbird) in Glendale, Arizona in the United States until he got a Master of International Management (MIM) in 1993. Afterwards, he worked with few companies including a subsidiary of a Multinational Company (MNC) before pursuing this research. The research was executed under the supervision of Prof dr J Chr van Dalen at Maastricht School of Management (MSM) in The Netherlands. The preparation of the research included several courses of PhD programme at MSM where he was awarded Master of Philosophy (M.Phil). The field research was conducted in Thailand. This field research as well as the following elaboration of the data was of a qualitative origin.

Keatkhamjorn is specially interested in international management. This interest became the topic of the dissertation. The main body of the dissertation was devoted to the influence of national cultures on the subsidiaries of MNCs. The research which was qualitative and concept-oriented led to conclusions about the important aspects of national culture with respect to strategy making. Starting with the well-known Hofstede's model of national cultures, one of the conclusions was that only a limited number of the variables in this model were relevant for strategy making. Besides the importance is varying according to the phase in the strategy making process.