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# ORGANIZATIONAL CULTURAL CROSSVERGENCE AND INNOVATION: EVIDENCE FROM JAPANESE MULTINATIONALS IN EMERGING MARKETS

Case  
Study

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## Keywords

*Emerging markets,  
Japanese multinational corporation,  
Local market innovation,  
Organizational cultural crossvergence,  
Subsidiary management*

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## JEL Classification

M10

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## Abstract

*This study investigates the potential of organizational cultural crossvergence for local market innovation. For surviving in heterogeneous local context, multinational corporation subsidiaries are required to realize innovation for local market. From the cross-cultural point of view, there exist three options: Convergence on parent company's culture, divergence from it, and crossvergence which refers to the mixture of it and local society's culture. We hypothesized that organizational cultural crossvergence would perform best among them, since it can enable subsidiaries to take advantage of both cultural homogeneity and heterogeneity. We examined it using the sample of 162 Japanese subsidiaries in emerging markets that gave a suitable ground for examining cultural power.*

## INTRODUCTION: LITERATURE REVIEW AND CURRENT RESEARCH GAP

This study gives one evidence that the organizational cultural crossvergence facilitates local market innovation, by using the sample of Japanese subsidiaries in emerging market. To survive in foreign markets, the subsidiary of multinational corporations (MNCs) must improve their products and services to meet heterogeneous local contexts (Birkinshaw, 1997). In fact, empirical studies have shown that local market innovation has a positive impact on a subsidiary's sales, market share, and profitability (Venaik et al., 2005). Accordingly, over the past few decades, a substantial body of research has aimed to understand how MNC subsidiaries innovate locally (Andersson and Forsgren 1996; Delios and Beamish 2001).

The cultural condition of the subsidiary has also been argued to be an important factor influencing on innovation for local market (Li, 2005). Here, the debate about organizational cultural convergence and divergence exists (Berry, 2005; Leung et al., 2005). Organizational cultural convergence is defined as a domination by one MNC culture and organizational cultural divergence is done as an opposite of convergence, that is to say, the domination of local original culture (the denial of MNC culture). Scholars have not yet reached consensus on which cultural condition is desirable for local market innovation, because both organizational cultural convergence and divergence have specific advantages (Sirmon and Lane, 2004; Witt, 2008).

The organizational cultural crossvergence, or cultural hybridization, can be proposed as a potential solution for that trade-off (Berry, 2005; Furusawa and Brewster, 2015; Ralston *et al.*, 1997; Sasaki and Yoshikawa, 2014). It is defined as the amalgamation of an MNC's organizational culture and the local business society's one. Hence, a culturally crossvergent subsidiary retains the local culture even after receiving cultural integration by the MNC headquarters, thus forming a new and unique organizational culture from the mixture of the two (Ralston *et al.*, 1997). It can enjoy the advantage of sharing the same culture with parent companies, while it can also take advantage of heterogeneous local culture simultaneously (Dunn and Shome, 2009). However, there are a quite small number of studies that quantitatively examine the potential of organizational cultural crossvergence (Ralston *et al.*, 1997; Sasaki and Yoshikawa, 2014; Witt, 2008), while some studies have examined its impact on related phenomena like knowledge transfer (Sarala and Vaara, 2010), boundary spanning function (Furusawa and Brewster, 2015) and idea generation from two culture (Fitzsimmons, *et al.*, 2011). Based on such

research background, we try to examine the power of organizational cultural crossvergence on local market innovation, by using the sample of the emerging market subsidiaries of Japanese MNCs.

## HYPOTHESIS DEVELOPMENT

### Organizational Cultural Convergence and Divergence

Here we consider the benefits of cultural convergence, divergence and crossvergence from theoretical viewpoint. At first, the merit of cultural convergence can be explained from the social capital theory (Adler and Kwon, 2002; Tsai and Ghoshal, 1998). Social capital refers to the valuable goodwill: sympathy, trust, and forgiveness that one people have toward the other (Adler and Kwon, 2002). When a subsidiary shares the same culture as its parent company, such goodwill happens between them. Accordingly, organizational cultural convergence facilitates sense of unity between parent company and its subsidiary, and it fosters reciprocal communication and knowledge flows (Li, 2005; Tsai and Ghoshal 1998) as well as it enables organizational members to coordinate smoothly each other under the same vision and mission (Vora *et al.*, 2007). These advantages of social capital development help subsidiaries to take entrepreneurial actions that result in their products or business process evolution in local context (Kostova and Roth, 2003).

However, the opposite of convergence, namely the organizational cultural divergence, also has an advantage for local market innovation. It can be explained from the theory of diversity (Sirmon and Lane, 2004). Since culturally divergent organizations maintain the heterogeneous local culture, they would generate the different idea and thought that cannot be obtained from conventional MNC culture. From those different ideas people can develop novel products or services (Earley and Mosakowski, 2000; Stahl *et al.*, 2010).

Considering the situations of Japanese companies, we suggest that the advantage of diversity surpasses that of social capital with parent company. Japanese companies prefer to govern employees and subsidiaries using their vision or norms (Abegglen and Stalk, 1985; Ouchi, 1981). While it facilitates knowledge transfer from Japanese parent company to its subsidiaries (Abo, 1994), the chief reason of sharing the same culture in Japanese MNCs is not to realize innovation but to make subsidiaries behave as parents do (Keely, 2001). Therefore, organizational cultural convergence in subsidiaries of Japanese MNCs would prohibit from generating diverse ideas from local context. In contrast, the acceptance of local culture that is totally different from Japanese company's one would bring novel idea and

promote the creation of brand new products or marketing approach.

**Hypothesis 1:** For Japanese companies, the organizational cultural convergence is negatively associated with its local market innovation.

### **Organizational Cultural Crossvergence**

Organizational cultural crossvergence is proposed as a potential solution for overcoming the trade-off between convergence and divergence. As defined before, the organizational cultural crossvergence is the fusion of MNC culture and local society's one. The organization that realized cultural crossvergence can take advantage of sharing the same culture with parent company, with maintaining local heterogeneous value and norms (Dunn and Shome, 2009; Furusawa and Brewster, 2015). On the one hand, it can enjoy the benefit of social capital: By sharing the same values and norms, the subsidiary can enjoy knowledge transfers and good communication with parent company (Sarala and Vaara, 2010). On the other hand, culturally crossvergent subsidiaries can take advantage of the merit of cultural diversity at the same time. Because they maintained local cultural characteristics, organizational members would generate ideas and thoughts from local viewpoint (Dunn and Shome, 2009; Fitzsimmons, *et al*, 2011). Thus, within the subsidiaries that realize organizational cultural crossvergence, members can connect the benefit of obtaining diverse ideas to that of organizational support by the parent company.

Such a discussion can be applied to Japanese subsidiaries very well. In case of Japanese companies, if the subsidiary simply rejects to accept the parent company's culture, it will not get any support of the parent because the ethnocentric Japanese parent company often regard such a subsidiary as an unacceptable foreigner (Kopp, 1994). Thus sharing the same culture as parent companies are needed for Japanese subsidiaries to some degree. However, as mentioned before, new things are less likely to emerge from the domination of Japanese company's culture (Keely, 2001). So the maintenance of local culture seems desirable for Japanese companies to realize innovation that fit with local market. Therefore, to achieve innovative activities in local context with keeping parents' support, the organizational cultural crossvergence would be a preferable condition of subsidiary's culture.

**Hypothesis 2:** For Japanese companies, organizational cultural crossvergence is positively associated with its local market innovation.

### **METHODOLOGY**

### **Sample: Japanese Multinationals in Emerging Markets**

Our approach posits a model of the relationships between the cultural conditions and innovation and estimates this model by controlling for other factors that affect local market innovation. In the empirical analysis, we use Japanese overseas subsidiaries located in emerging markets as sample. In this study, emerging markets are represented by middle and low income countries throughout Asia, Latin America, and Africa, as defined by the World Bank in 2013 (GDP per capita < \$12,746). Japanese MNC's subsidiaries in emerging markets are a suitable research setting to examine the effects of cultural conditions in subsidiaries since the values, practices, and thoughts vary significantly between emerging markets and Japanese MNCs (Gupta, Wakayama and Rangan, 2012), and the innovation for local market are required to succeed in them (Govindarajan and Trimble, 2013; Khanna and Palepu, 2013). And we focus on the marketing and sales activities. Although production and R&D are also important in emerging markets, market cultivation is a narrow but critical aspect of subsidiary operation and thus local market innovation has been considered to be a key success factor in this regard (Khanna and Palepu, 2013).

### **Survey Procedure**

Our data were collected through a questionnaire survey mailed during August–October 2014. Before distributing the surveys, we conducted a pilot study by interviewing subsidiary presidents or executives in 19 Japanese MNCs. A stratified random sample of MNC subsidiaries was selected from the "Toyo Keizai Overseas Japanese company database 2014" (Toyo Keizai, 2014), which is often used for surveys of Japanese companies (Delios and Henisz, 2000). To ensure sufficient variance, the population included six industries (consumer goods, durable goods, parts, equipment, materials, and other) and four geographical areas (Southeast Asia and China, South Asia, Latin America, and Africa). We first extracted emerging market subsidiaries that sold products in the local market. Next, we developed a mailing list by total random sampling. We excluded subsidiaries within three years of establishment and those had less than 7 employees because we cannot properly capture the cultural conditions of the subsidiary if it is only recently established or it has quite small number of employees.

Questionnaires were mailed to 1017 subsidiaries of Japanese corporations in emerging markets. They were written in both Japanese and English, and the cover letter provided general definitions of the study's key concepts. Strict confidentiality was enforced to minimize the pressure to provide correct answers. We received responses from 175 (17.4%) companies, of which 162 (16.1%) were

eligible for analysis. The net response rate of 16.1% compares favourably with the common response rates of between 6% and 16% (Harzing, 1997). Tables 1a and 1b summarize the sample descriptive statistics.

## Measures

**Dependent Variable.** *Local market innovation.* Levitt (1962) defined marketing innovation as the evolution of marketing and sales strategies and organizations. Following past studies (Harzing, 1999; Venaik et al., 2005), we sorted marketing activities into the following six categories: (i) market analysis, (ii) product strategy, (iii) promotion strategy, (iv) sales/distribution methods, (v) purchasing, and (vi) management systems in the marketing and sales departments. We asked for the degree of changes in these six items from original to the updated one in these three years. Responses were scored on a five-point scale ranging from “1 = Not at all” to “5 = Changed completely,” and their average was shown as total local market innovation. The wording of individual items was slightly adjusted to fit the emerging market context of this study. A Cronbach’s alpha value of 0.80 was obtained for this measure.

**Independent Variables.** *Organizational cultural convergence (Convergence).* Following previous studies (Hofstede et al., 2010; Tsai and Ghoshal, 1998), we measured perceptions of the subsidiary’s organizational culture convergence to the headquarters rather than the more tangible outcomes of organizational culture such as reward structures. In the subsidiary management context, Li (2005) and Tsai and Ghoshal (1998) proposed a shared value as one index for cultural convergence to the headquarters. Based on their measures of shared value, a five-item construct was formulated to capture cultural convergence. The items were (i) “Your local company shares a coherent organizational culture with the parent corporation”; (ii) “Employees in your local company have shared understandings of doing business with the parent corporation.”; (iii) “Employees in your local company use similar business practices to those of the parent corporation”; (iv) “The headquarters has provided a fairly well-defined set of policies about marketing activities”; and (v) “Your local company shares the same ambitions and vision as the parent corporation.” These items were assessed on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). A high score means that the focal subsidiary has the same organizational culture as the parent corporation (organizational cultural convergence), while a low score means it has a different culture from the parent (organizational cultural divergence). A Cronbach’s alpha value of 0.75 was obtained for this scale.

*Organizational Cultural Crossvergence (Crossvergence).* This side of cultural change has received attention as national-level phenomenon (Berry, 2005; Ralston et al., 1997; Witt, 2008). However, national-level measures do not apply to organizations (subsidiaries). Only Sarala and Vaara’s (2010) M&A study presented a new index constructed by reviewing past qualitative studies and conducting statistical analysis in that field. We applied this Sarala and Vaara’s (2010) scale of organizational cultural crossvergence with a subtle modification in line with our research context. The question statements were (i) “Your local company creates a new organizational culture by integrating the local culture with that of the parent company”; (ii) “Employees in your local company use the new business practices from the fusion of the local company and the parent”; and (iii) “Employees in your local company have a new understanding of doing business created from the fusion of the local and parent companies.” These items were assessed on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). A Cronbach’s alpha value of 0.87 was obtained.

Convergence and crossvergence essentially depict the other side of cultural conditions within the organization (Ralston et al., 1997). The degree of convergence indicates whether the subsidiary has the same culture as that of the parent company. On the contrary, crossvergence means the degree to which the organization mixes the parent company’s culture and local business society’s one. Thus, we treated the convergence and crossvergence variables as independent scales that reveal the different sides of organizational culture, while they work together in the subsidiary. The results of the exploratory factor analysis for all crossvergence and convergence variables also assured their distinctiveness (see Table 2). Furthermore, we also conducted the confirmatory factor analysis, and the fit statistic is satisfactory too ( $\chi^2/d.f. = 2.021$ , CFI = 0.963, and RMSEA = 0.077).

**Control Variables.** As discussed above, the degree of autonomy, past experiences, and local collaborations affects the potential of a subsidiary to innovate in the local context, and thus these served as the control variables in the present study. In addition, we controlled the differences in company, industry, and national characteristics that affect the subsidiary’s attitude toward the need for local market innovation.

*Autonomy.* The measures of autonomy were based on questions developed by Nohria and Ghoshal (1994) and Roth and Morrison (1992). Each item was modified to fit the sales and marketing context. Items were measured by subsidiary managers’ estimates of the extent to which the headquarters’ and/or subsidiary’s influence the areas covered by the following six questions: (i) introduction of a

new product, (ii) changes in product design, (iii) changes in marketing strategy, (iv) approval of annual budgets, (v) hiring top management in the subsidiary, and (vi) changes in subsidiary organization. For each, the relative influence was scored on a five-point scale assessing whether (1) the headquarters decides alone; (2) the headquarters decides but the subsidiary can and does provide suggestions; (3) both the headquarters and the subsidiary have a roughly equal influence over the decision; (4) the subsidiary decides but the headquarters can and does provide suggestions; and (5) the subsidiary decides alone. The average of the answers was treated as an indicator of the degree of centralization. A Cronbach's alpha value of 0.74 was obtained for this measure.

*Emerging market experiences (EM experiences).* As stated above, an experienced parent company can better manage their subsidiaries (Delios and Beamish, 2001; Delios and Henisz, 2001). We measured this variable by using the number of emerging market subsidiaries within the focal MNC with data collected from each MNC's financial reports.

*External partners.* We introduced indicators on external cooperation because the local network that a subsidiary develops strongly influences its innovation (Anderson and Forsgren, 1996). We used the scale developed by Schmid and Schurig (2003) to measure the influence of local external partners. Respondents were asked to indicate on a five-point scale (from 1 = Not at all to 5 = A very great deal) the extent to which their relationships with the following network partners influenced their marketing/sales activities: (i) specific customers; (ii) specific suppliers; (iii) specific distributors; (iv) specific competitors; (v) specific external R&D institutions; and (vi) specific government institutions. The average of these was treated as an indicator of external partner influence, which returned a Cronbach's alpha value of 0.65.

*Size, Age, Industry (B2B dummy), and National cultural difference (Cultural difference).* Following previous subsidiary management studies (Paterson and Brock, 2002), we controlled for the subsidiary's size, age, and industry category, as these factors often influenced on the outcomes of subsidiary management. We measured subsidiary size as the number of employees (in thousands) and age as the number of years since established. Patterns in marketing and sales activities largely depend on whether the customer is a business or a consumer. Hence the sample was classified into two industries: B2B (business-to-business) and B2C (business-to-consumer). B2B customers are typically involved in marketing and selling materials, parts, plants, and equipment (N = 109), while B2C customers are more often related to consumer goods and consumer durable goods (N = 53). The data were taken from the Toyo Keizai

(2014) database. We calculated national cultural difference by using Hofstede et al (2010)'s six-dimension score since we have to consider the original cultural difference between the parent and host countries. Table 3 reports the averages, standard deviations, and correlations for all the variables. Each variable has sufficient variations and there is no serious collinearity among the independent variables.

**Measurement assessment.** Because this is a questionnaire survey, we should especially pay attention to the risk of common method variance. We used the inverted scale for some measures and removed respondents whose answers have the same trend for both inverted and forward scales. Furthermore, we employ the single factor test suggested by Podsakoff et al (2003), which resulted in a  $\chi^2 = 1357.37$  with d.f. = 265 versus  $\chi^2 = 400.24$  with d.f. = 254 for the theoretically defined measurement model. Thus, the improvement is  $\Delta\chi^2(11) = 957.13$ , and it suggests that common method variance is not a critical problem.

## RESULTS

To determine the effects of the independent and control variables on local market innovation, we used ordinary least squares (OLS) hierarchical regression analysis (see Table 4) in statistical software package R 3.2.4. In Model 1, we tested the effects of the control variables and introduced the hypothetical variables for the cultural conditions of the subsidiaries in Models 2, 3, and 4. All models were statistically significant. Model 2 (3) evaluates Hypothesis 1 (2) and Model 4 evaluates both Hypotheses 1 and 2.

For Hypothesis 1, we found that *organizational cultural convergence* was negatively associated with local market innovation. Regarding Hypothesis 2, *organizational cultural crossvergence* was positively related to local market innovation. Thus, Hypotheses 1 and 2 were both supported.

As for the control variables, *autonomy*, *external partners*, and the *B2B dummy* were significant, while the rest were not significant. *Autonomy* was strongly positively associated with *local market innovation*. *External partnerships* were also strongly associated. For the *B2B dummy*, there was a significant negative association with *local market innovation*, indicating that local market innovation is unlikely in emerging markets for B2B-type products.

To analyse the impact of culture on local market innovation in more detail, we carried out a cross-tabulation analysis (Table 5). First, we categorized the sample into high versus low *crossvergence* based on whether they were below or above the



mean *crossvergence* value for the entire sample. We applied the same method to evaluate *convergence*. As shown in Table 5, although the statistical results were not strongly significant, we can confirm the tendencies suggested in our hypotheses: low *convergence* and high *crossvergence* tended toward better *local market innovation* performance ( $p = 0.049$  for cells 1 and 2,  $p = 0.035$  for cells 1 and 4,  $p = 0.065$  for cells 2 and 3,  $p = 0.081$  for cells 3 and 4). We also found that coupling low *convergence* and high *crossvergence* provided the best performance among those four categories.

## DISCUSSION

### Academic contributions

The results of the analysis show that organizational cultural crossvergence has a positive influence on local market innovation, while organizational cultural convergence plays a negative role. Those results indicate that the transfer of the MNC culture affects the subsidiary's innovation in both ways. That is, although the cultural transfer might promote the knowledge interactions between the headquarters and subsidiary (Tsai and Ghoshal, 1998), it risks undermining the possibility of innovation if it suppresses local ideas, values, and thoughts (Leung et al., 2005; Sirmon and Lane, 2004). The transfer of the MNC culture without sacrificing the local one is thus needed, as the mixture of both cultures would result in new combinations of ideas and thoughts. Although the advantage of cultural crossvergence (or hybridization) has been argued in some qualitative, theoretical, or related quantitative studies (Berry, 2005; Furusawa and Brewster, 2015; Sasaki and Yoshikawa, 2014; Witt, 2008), this study would be one of the primary steps for examining the impact of cultural crossvergence on certain innovative performance at organizational level.

In addition to hypothetical relationships, we also confirmed the positive impacts of our control variables, autonomy and external partnerships. As expected from previous studies (Nohria and Ghoshal, 1994; Tsai and Ghoshal, 1998), this study finds that those elements are two of the main determinants of a subsidiary's innovation performance. Compared with them, the subsidiary's cultural aspects are relatively weak. These results are reasonable, since cultural aspects are considered to be less influential than autonomy and external partnerships. Autonomy or centralization, and the choice of local partners, are the fundamental and direct variables that determine the subsidiary's management style (Nohria and Ghoshal, 1994). On the contrary, a subsidiary's organizational culture is a subtler factor indirectly affecting the subsidiary's management (Li, 2005;

Tsai and Ghoshal, 1998). Thus, our results are showing a larger impact of autonomy and partnerships compared with organizational culture are considered to be valid.

### Limitations

The characteristics of the sample and methodology impose some limitations. First, our sample has some unique features, meaning that different data would lead to somewhat different results. We use data on Japanese MNCs because Japanese companies are generally conscious of their intangible assets such as organizational culture and use organizational socialization as a means of management (Abegglen and Stalk, 1985; Ouchi, 1981). Furthermore, as they have been leading players in emerging economies (Delios and Henisz, 2000), they provide rich information about desirable marketing strategies in such markets. However, studies suggest some specificities of Japanese management (Abegglen and Stalk, 1985; Abo, 1994; Ouchi, 1981). For example, incrementalism (Abegglen and Stalk, 1985) moderates innovation activities in subsidiaries, since Japanese headquarters tend not to agree to radical changes in strategy and this may influence several aspects of the results. Thus the generality of our findings must be limited and future studies using other sample are needed.

Next, as our methodology is a single statistical analysis, we cannot identify the correct causality and dynamics between organizational culture integration approaches and a subsidiary's innovativeness. A more in-depth understanding of convergence, divergence, and crossvergence requires a qualitative analysis of a subsidiary's organizational culture management. Furthermore, statistical analyses that introduce time series data or multi-layered estimation, such as structural equation modelling, may also enhance the understanding of cultural dynamics.

## CONCLUSION

### Implications for Practitioners

Finally, for practitioners, the findings of our study suggest the importance of the maintenance of local cultural assets and amalgamation with those of the MNC. As Nohria and Ghoshal (1994) found, cultural convergence by a headquarters works as a complementary indirect management tool to direct control mechanisms such as centralization and formalization. While cultural convergence benefits MNCs overall, the maintenance of the local culture should receive attention when it is carried out. The loss of a local culture would diminish the adaptability to the local business context as well as the opportunity to innovate.

Since emerging markets have significantly different business environments from those of MNCs in developed countries, they must rebuild their organizational capabilities to adapt to these different environments (Khanna and Palepu, 2013), where a subsidiary's innovation is an important contributor (Govindarajan and Trimble, 2013). The findings of our study suggest that organizational cultural crossvergence is useful to realize local innovation in emerging markets, particularly because the mixture of MNC's specific knowledge and local wisdom will result in unprecedented way of doing things. The potential of crossvergence would remain substantially, so the study should be continued in the future.

#### Biographical sketch

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**ANNEXES**

Table 1a. Overview of the sample (1) Location and industry

	<i>No. of observations</i>		<i>No. of observations</i>
<i>Country</i>		<i>Industry</i>	
Malaysia	31	B2C industry	53
Thailand	21	B2B industry	109
Brazil	20		
Indonesia	18		
China	18		
India	11		
Vietnam	11		
Philippines	8		
Republic of South Africa	5		
Chile	4		
Colombia	4		
Pakistan	2		
Argentina, Bangladesh, Kenya,	1 each		
Morocco, Nigeria, Panama,	(9 total)		
Venezuela, Uganda, Zambia			

Table 1b. Overview of the sample (2), Descriptive statistics

Characteristic	Minimum	Maximum	Mean	S.D.
Focal subsidiary side				
No. of employees	7	7800	553.30	959.45
Capital (million US\$)	0.05	487	19.63	53.71
Age (year)	3	79	19.90	14.70
Share of ownership (%)	9	100	79.57	29.50
Headquarters side				
Capital (million US\$)	1	5882	563.62	918.69
No. of foreign subsidiaries	1	182	33.79	29.19

N = 162.

Table 2. Results of the exploratory factor analysis: Organizational cultural convergence and crossvergence

<i>Variable</i>	<i>Convergence</i>	<i>Crossvergence</i>
Sharing a coherent culture with the parent company	<b>0.524</b>	0.263
Sharing the same business style as that of the parent company	<b>0.801</b>	0.214
Sharing the same understanding of doing business as the parent company	<b>0.806</b>	0.197
Sharing headquarter-defined rules and policies	<b>0.458</b>	0.016
Sharing the same vision as the parent company	<b>0.379</b>	0.143
Creating a new culture by integrating the local culture with the that of the parent	0.174	<b>0.732</b>
Creating a new business style from the fusion of the local company and the parent	0.177	<b>0.866</b>
Creating a new understanding of doing business from the fusion of the local and parent companies	0.223	<b>0.807</b>

Rotated component matrix.

Extraction method: Principal component analysis.

Rotation method: varimax.

The bold values represent the highest factor loadings.

Table 3. Descriptive statistics and correlations for all variables (N = 162)

Variable	Mean	S.D.	1	2	3	4
1 <i>Local market innovation</i>	3.429	0.994	1			
2 <i>Convergence</i>	3.138	0.753	-0.094	1		
3 <i>Crossvergence</i>	3.587	0.630	0.143	0.374	1	
4 <i>Autonomy</i>	3.021	0.848	0.401	-0.169	-0.111	1
5 <i>EM experiences</i>	33.790	15.578	0.168	0.049	0.06	0.03
6 <i>External partners</i>	3.334	0.725	0.380	0.106	0.113	0.092
7 <i>Size</i>	0.553	0.959	0.219	0.276	0.181	0.104
8 <i>Age</i>	19.907	14.707	0.181	0.089	0.031	0.231
9 <i>B2B dummy</i>	0.586	0.494	-0.408	-0.049	-0.111	-0.31
10 <i>Cultural difference</i>	60.839	14.564	0.032	0.057	0.004	0.142

  

Variable	5	6	7	8	9	10
1 <i>Local market innovation</i>						
2 <i>Convergence</i>						
3 <i>Crossvergence</i>						
4 <i>Autonomy</i>						
5 <i>EM experiences</i>	1					
6 <i>External partners</i>	0.046	1				
7 <i>Size</i>	0.175	0.227	1			
8 <i>Age</i>	0.135	0.101	0.380	1		
9 <i>B2B dummy</i>	-0.234	-0.178	-0.203	-0.228	1	
10 <i>Cultural difference</i>	0.16	0.034	0.02	0.136	-0.097	1

Table 4. Results of the hierarchical OLS regression analysis

	Model 1		Model 2		Model 3		Model 4	
	Beta	Sig.	Beta	Sig.	Beta	Sig.	Beta	Sig.
Intercept	1.391**	0.005	1.901**	0.001	0.852	0.172	1.171†	0.070
Control variables								
<i>Size</i>	0.059	0.429	0.093	0.228	0.040	0.592	0.080	0.294
<i>Age</i>	0.000	0.971	0.000	0.954	0.000	0.933	0.001	0.889
<i>Cultural distance</i>	-0.004	0.374	-0.003	0.453	-0.004	0.360	-0.003	0.466
<i>B2B dummy</i>	-0.473**	0.001	-0.484***	0.000	-0.446**	0.002	-0.451**	0.002
<i>Autonomy</i>	0.351***	0.000	0.319***	0.000	0.372***	0.000	0.336***	0.000
<i>EM experiences</i>	0.005	0.189	0.005	0.199	0.005	0.190	0.005	0.203
<i>External partner</i>	0.405***	0.000	0.413***	0.000	0.394***	0.000	0.401***	0.000
Independent variables								
Convergence			-0.156*	0.041			-0.226*	0.017
Crossvergence					0.181*	0.047	0.254*	0.021
Model statistics								
Adjusted R <sup>2</sup>	0.325		0.334		0.333		0.353	
ΔAdjusted R <sup>2</sup>			0.009		0.008		0.028	
F	0.000		0.000		0.000		0.000	

n = 162. All two-tailed tests. \*p<0.05, \*\*p<0.01, \*\*\*p<0.001.

Table 5 Effects of organizational cultural crossvergence and convergence on local market innovation

	High Crossvergence	Low Crossvergence
High Convergence	3.445 (cell 2, N = 46)	3.072 (cell 1, N = 37)
Low Convergence	3.766 (cell 3, N = 30)	3.476 (cell 4, N = 49)