

Exploring Fit

Essays on the Role of Organizational
Cultural Fit in Knowledge Transfer

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Cultural Fit in Knowledge Transfer

Sergey Morgulis-Yakushev





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Exploring Fit: Essays on the Role of Organizational Cultural Fit in Knowledge Transfer

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*To
Mother and Father*

Foreword

This volume is the result of a research project carried out at the Department of Marketing and Strategy at the Stockholm School of Economics (SSE).

This volume is submitted as a doctor's thesis at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present his research in the manner of his choosing as an expression of his own ideas.

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Stockholm, August 9, 2015

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Contents

Summary of the Thesis.....	1
Main Question	1
Research Context.....	5
Research questions.....	7
Key Terms and Definitions	8
Fit	8
Culture	11
Knowledge transfer	11
Composition of Papers.....	12
Paper 1: An inductive analysis of organizational culture in different cultural contexts.....	13
Main results of Paper 1	15
Paper 2: Conceptual shift in the understanding of intercultural relations.....	16
Main results of Paper 2	17
Paper 3: Confirmatory polynomial regression analysis	18
Main results of Paper 3	18
Paper 4: Organizational cultural fit and knowledge transfer.....	19
Main results of Paper 4	20
Summary.....	21
Main contributions	23
References.....	28
Apples vs. Oranges: On the Comparability and Compatibility of Organisational Culture across Countries	33
Introduction	34
The Russian business context.....	34
Organizational culture.....	38

Data and Measures	40
Method	41
Results.....	43
Internal Integration	45
External Adaptation.....	47
Discussion	49
Conclusion	52
References	53
Making a Conceptual Shift in the Quest of Understanding Intercultural	
Relations: A Cultural Fit Perspective	57
Introduction.....	58
Literature Review	63
Shifting the Perspective: From Distance to Fit.....	66
1. Giving Direction to Distance.....	70
2. Taking Levels and Positions into Consideration	72
3. Identifying Sources of Fit and Misfit.....	73
4. Getting rid of the scales and Making Comparisons across Levels..	76
Discussion	77
References	79
Going Beyond Difference Scores to Estimate Fit: A Confirmatory	
Polynomial Regression Analysis	83
Introduction.....	84
Difference scores methods.....	86
Difference Scores in the international business literature.....	89
The Problems associated with difference scores methods.....	91
“Zero Distance is Fit” Problem.....	92
“Fit is Score-Free” Problem	93
Overcoming the problems associated with the difference scores.....	95
Data generated.....	97
Testing the hypotheses about fit for the generated data.....	99
Conclusion	105
References	107
When Same is (not) the Aim: A Treatise on Organizational Cultural	
Similarity, Fit and Knowledge Transfer	109

Introduction	110
Key Terms and Definitions	113
Knowledge transfer	113
Organizational culture	114
Theory and Hypothesis Development	116
Methodology	123
Sample	123
Questionnaires	124
Measures	125
Findings	129
Analysis	129
Data centering	131
Model validation	131
Curvilinear effects of D_E and D_I on knowledge transfer outcomes .	135
Optimum points of D_E and D_I for different knowledge transfer outcomes	135
Conclusion and Discussion	137
References	139
Appendix A	145
Appendix B	147
Appendix C	151
Appendix D	153

Chapter 1

Summary of the Thesis

Main Question

From the very beginning of my work on this thesis I was interested in one simple question: *What kind of partner will help me achieve the best results?* In science, in sports, in life—anywhere. Should I choose a partner who is just like me, or the complete opposite? Two simple examples will illustrate what I mean.

Imagine a couple who plan to marry. For a strong, successful marriage, would it be better if they were similar to each other, with interests, tastes, and opinions in common? Or would the marriage work better if they had complementary differences, like Jack Sprat and his wife?

Now, imagine that the company at which you work is looking for a partner on a project. What kind of a partner should it choose? An exact replica of itself? After all, such a partner could fit right in, and become a seamless extension of your company for as long as the project lasts. But then again, maybe it would be better to choose a company completely unlike your own—one with contrasting skills and perspectives that may significantly enrich the implementation of the project.

Which partner you ultimately choose is likely to have consequences for both entities involved. However, it is not just the characteristics of the original entity and the partner entity that is likely to affect the outcome of the partnership—it is the *fit* between these two entities and their respective

characteristics. There is, however, still a choice involved; but now the fit (rather than similarity or difference) is the key criterion. In other words:

How might the fit between the characteristics of two collaborating entities affect the outcome?

Does the best outcome always require similar characteristics on the part of the two entities?

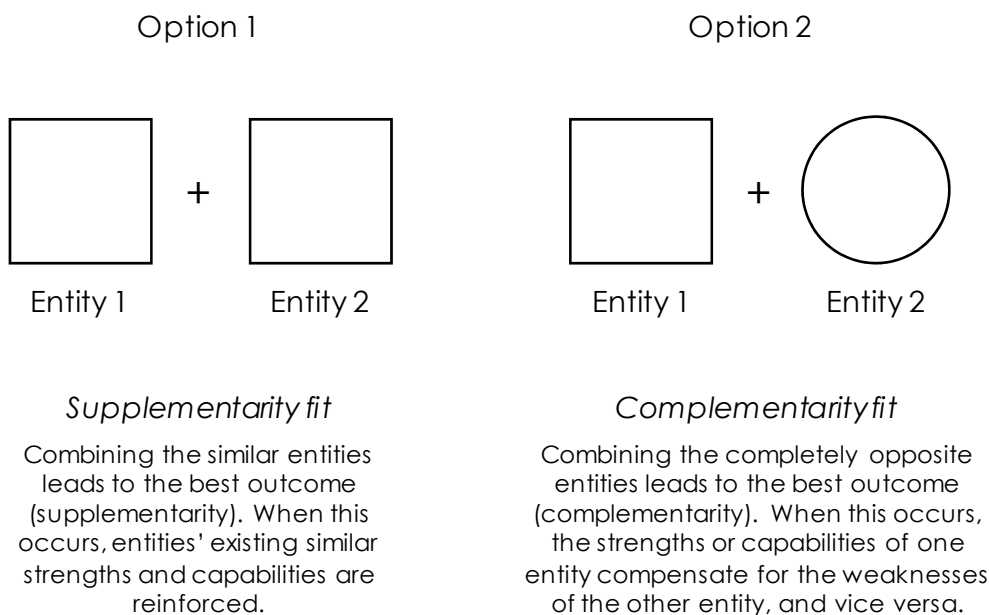
If not, then does the best outcome always require dissimilar characteristics?

I am not the only one who is interested in these questions. I would argue that the issue of fit has practical and scholarly relevance for many. Indeed, the question of fit raises its head in the context of joint ventures, alliances, partnerships between companies, and multinational companies. All of these undertakings rely on global integration to exploit the benefits of scale and scope across the various countries in which they operate. At the same time, they also have to be adaptive to cope with local demands and compete against local rivals (Doz, Bartlett and Prahalad, 1981; Prahalad & Doz, 1987; Bartlett & Ghoshal, 1989).

One key component in all of these undertakings is the fit between the entities involved. This question of fit could be discussed along different lines of inquiry: from whom to employ in a specific country (someone who is like you are, or someone who is completely unlike you); which country to enter (a one which is similar to the company's country of origin in some respect, or one which is different) etc. In more practical terms, whenever a strategy meeting is held in an MNC, someone will raise the issue of fit or adaptation. Possible questions could be formulated as follows: "What can we do in China?", "Will we have a chance to sell in the US?" or "Can we employ Indonesians?" Sometimes the question relates to markets, sometimes to people and their beliefs, and sometimes to whether this or that kind of management (or management style) can be deployed. And what connects all these questions together is fit.

The examples above describe two entities' choices as they work together to pursue some goal. The two might have similar characteristics in some cases and might possess completely opposite characteristics in some other cases (Figure 1). If the best fit is achieved when the entities have similar characteristics (i.e., they supplement each other), then the entities' similar strengths or capabilities reinforce each other. However, if the best fit is achieved when the entities have dissimilar characteristics (i.e. the two entities' characteristics complement one another), then we might find that the strengths or capabilities of one entity compensates for weaknesses or needs in the other entity, and vice versa. However, why do we tend to limit ourselves by considering only these two simple options? My intuition, and the experience of writing this thesis, tells me that we sense that these two solutions are the simplest. And the simplest solution is usually the best one.

Figure 1. The choice between combining two similar or completely opposite entities



Existing studies are also in line with this “simplest solution” approach; they treat fit as a product of the similarities or differences between two entities (Drazin and Van de Ven, 1985). Specifically, they implicitly assume that the more similar two entities are, the better their fit. In my thesis I would like to depart from this assumption. Instead, I believe that to answer the questions listed above we need to distinguish fit from similarities (differences) and to re-fine the concept of fit. My view of fit is different from similarity (the previous definition of fit) in three ways: 1) Fit is outcome-dependent. 2) Fit is criterion specific. 3) Fit is able to compare two entities which are conceptually not the same (in other words, conceptually different entities could be compared using my approach of fit). I believe that these three attributes of fit represent the core logic and purposes of this thesis.

Using the definition of fit developed in this thesis I will go beyond this simple intuitive solution to consider a continuum of possibilities between the *absolutely identical* and the *diametrically opposed*. Additionally, this definition of fit shows how important it is to compare the specific characteristics of the entity, but *not* the whole entity. In other words, it is important to relate the characteristics of the two people, not the people themselves. And my approach to fit can do even more than that: it can also compare/contrast two entities with *totally different natures* (such as employee vs. organization or headquarters (HQ) vs. sub-unit etc.). Summing up, the definition of fit developed in this thesis enables me to show how two entities can be combined in a better way, and how partnership outcomes can be significantly improved by choosing a successful combination; the definition of fit developed in this thesis will help to facilitate a desirable outcome of this nature, as I show by answering the questions listed above.

These questions are broad, and I am not the first to ponder them (nor will I be the last). In the following section, I formulate more specific and contextualized derivatives. However, I sincerely hope that the insights I gained from working on this thesis will also interest anyone who has been intrigued, as I have, by these simple yet profound ideas.

Research Context

The empirical, conceptual, and methodological work of this thesis centers on the context of the cultural fit between international units (HQs and foreign subsidiaries) of multinational corporations (“MNCs”). By definition, MNCs operate in different countries, and have diverse organizational cultures due to the different characteristics (primarily cultural) of the nations in which they operate. However, at the same time, MNCs have clearly defined shared outcomes. Indeed, while an MNC requires a common organizational culture so that people can understand each other and how the MNC works, it also has to adapt to the local conditions in each country in which it operates, which may lead to the need for different organizational cultures among subsidiaries. Conversely while an MNC may encounter some differences in each country in which it operates, when it goes global the differences become much more substantial, thus the concept of fit is more important for MNC than for domestic company. Thus, I believe that the cultural fit between units of MNCs is a good research context for studying the role of fit between social entities. In this section, I will further elaborate on the reasons why I chose the international subsidiaries of MNCs, and the theme of organizational culture and fit, as the main focus of this thesis.

1. One of the key reasons for my choice of context is the empirical importance of the issues involved. A handful of statistics will serve to illustrate the point. According to the UNCTAD World Investment Report (2015), there were more than 100,000 MNCs operating worldwide in 2014, with at least 890,000 international subsidiaries. International production by MNCs in 2014 generated approximately \$7.9 trillion of added value. The sales and assets of MNCs’ foreign affiliates grew more quickly than their domestic counterparts. Foreign affiliates of MNCs employed about 75 million people. The link between the MNC HQ and its local subsidiary is therefore key to the MNCs continued success—perhaps even its survival. Thus, I believe that it is important to have a better understanding of how the cultural fit between the HQ and foreign subsidiaries within MNCs’ international network affects performance outcomes.

2. Besides empirical relevance, my choice to focus on MNCs was also motivated by their conceptual properties and broad research opportunities. Specifically, MNCs present a situation where representatives of different cultures come together to co-operate pursuant to shared outcomes. This cultural diversity is both a source of difference between an MNC's international subsidiaries, the engines of the MNCs' development, and the source of their advantage over local companies (Bartlett and Ghoshal, 1999; Rugman, 1981; Dunning, 1988). In other words, MNCs are composed of different organizations operating in various cultures and having diverse cultural values that combine to achieve organizational aims—i.e. they are the best context for studying the role of cultural fit in achieving shared performance goals.

3. Culture is the very foundation of human behavior, determining individuals' mindsets, attitudes, perceptions, and behavior. Through culture, we can explain why members of one country, or one organization, behave differently from members of another. Thus, culture is the absolutely fundamental building block of heterogeneity across nations. Also, as Zaheer *et al.* (2012) argued, the field of International Business (IB) is essentially concerned with managing differences in general, and cultural differences in particular. Since I position my thesis for an IB audience, the decision to focus on culture was an easy one.

The role of cultural differences between the international subsidiaries of MNCs has attracted a considerable amount of ongoing research interest over the past four decades. There are numerous studies highlighting the effect of cultural differences between HQ and foreign subsidiaries on MNCs' performance (Sirmon and Lane, 2004; Magnusson *et al.*, 2008; Morosini *et al.*, 1998; Evans and Mavondo, 2002), and describing firms' choice of country/culture for optimum overseas expansion (Tihanyi *et al.*, 2005; Brouthers and Brouthers, 2001; Barkema *et al.*, 1996). An MNC with different units, embedded in different cultures and pursuing a shared goal, is therefore a good context in which to study cultural fit.

4. The importance of knowledge transfer is so fundamental that it is argued to be the main *raison d'être* of MNCs (Kogut & Zander, 1993, 1996). Indeed, the antecedent factors affecting the effectiveness of the transfer process have been the subject of numerous theoretical and empirical stud-

ies. (Kogut & Zander, 1993; Reed & DeFilippi, 1990; Simonin, 1999; Gupta & Govindarajan, 2000; Minbaeva, Pedersen, Björkman, Fey, Park, 2003; Tsai, 2002; Hansen, 2002; Monteiro, Arvidsson & Birkinshaw, 2008). Despite the centrality of knowledge for MNCs, past IB research is rather fragmented when it comes to the effects of cultural differences on knowledge transfer success. Earlier studies have reported that cultural distance has a positive (e.g., Sarala & Vaara, 2010), negative (e.g., Cho & Lee, 2004; Mowery, Oxley & Silverman, 1996) and non-significant (e.g., Cui, Griffith, Cavusgil & Dabic, 2006) effect on knowledge transfer. I believe that this empirical ambiguity comes from the fact that existing studies use “cultural fit” interchangeably with “cultural differences” and “cultural similarities”.

This thesis looks mainly at what (cultural) fit is and how it should be conceptualized, measured and empirically used. To that end, the main ambition of this thesis is to develop a concept of “cultural fit” which is not interchangeable with “similarities” and “differences”. Fit is not a simple measure of similarities or differences, but takes into account an entire continuum of possibilities between similarities and differences among entities’ characteristics. Additionally, fit also enables to compare multidimensional entities (like culture) that cannot be compared merely in terms of similarities and differences. Additionally, it will shed light on the lack of empirical consistency among the existing studies on effects of cultural differences/similarities on knowledge transfer within MNCs.

5. Last but not the least, I come from a unique country that lies between Asia and Europe, with roots in both, that works with partners from both (and elsewhere in the world). Thus, I am naturally interested in understanding how the fit between different cultures (at the individual, organizational, and national levels) affects common outcomes.

Research questions

The main focus of this thesis is the issue of organizational cultural fit. In concluding this section, I would like to restate the broader questions presented earlier in terms of my research questions for this thesis.

Could the concept of organizational culture, developed in one part of the world, based on data from that location, be universally applied elsewhere?

Can the organizational cultures of the HQ and a subsidiary fit together, such that they facilitate the process of knowledge transfer within a MNC?

How do the organizational cultures of the HQ and a subsidiary fit together, such that they facilitate knowledge transfer within MNC?

What does this fit look like?

Key Terms and Definitions

In the preceding sections I have motivated and contextualized my thesis research, referring in broad terms to a number of concepts. This section takes a closer look at these concepts and defines them.

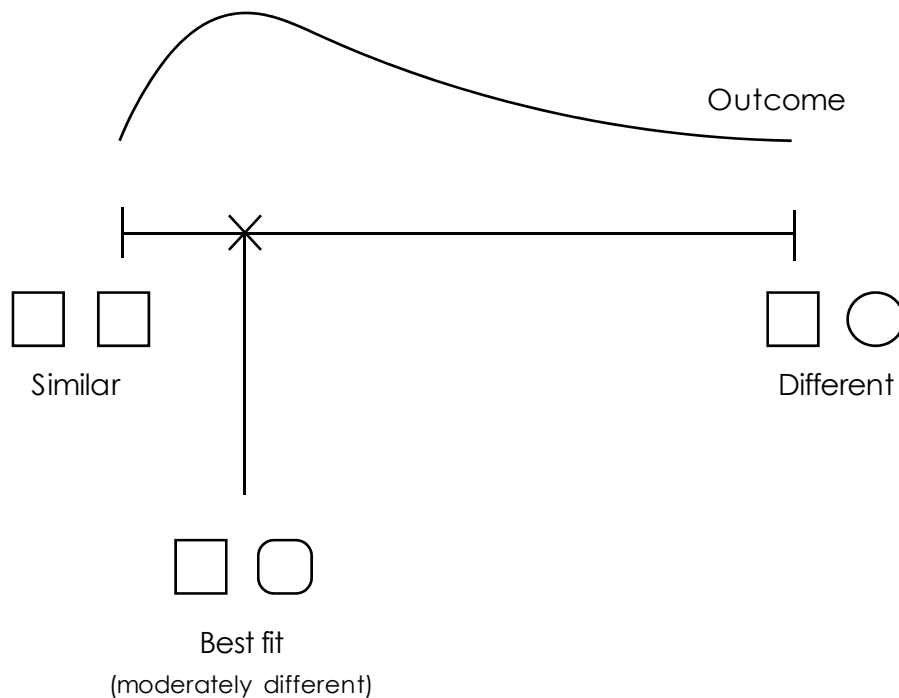
Fit

In this thesis, “fit” is defined as *the degree of compatibility between the characteristics of two entities in producing selected outcomes*. This definition highlights three important characteristics of fit, namely: 1) fit is *criterion-specific*, i.e., the conditions under which it is observed depend on the specific dimensions used to compare two entities, 2) fit is *outcome-dependent*, i.e., the degree of fit depends on the intended outcomes of interaction between these entities, and 3) fit is able to compare two entities which are conceptually not the same (in other words, conceptually different entities could be compared using my definition of fit).

I would like to emphasize that in the management and business literatures “here is often used interchangeably with “differences” and “similarities.” This is something I would really like to highlight and deliberately avoid doing in my thesis. Instead, I see fit not as a description of differences or similarities, but rather as something exists along a continuum of possibilities that lie between similarities and differences. In this thesis, I will

therefore go beyond this simple intuitive solution to consider the entire continuum of possibilities between *absolutely identical* or *diametrically opposed*, including the one illustrated in Figure 2, where the best fit (optimum outcome) is achieved when two objects are not identical, but slightly different from each other.

Figure 2. The choice between combining two similar, completely opposite, or slightly different entities

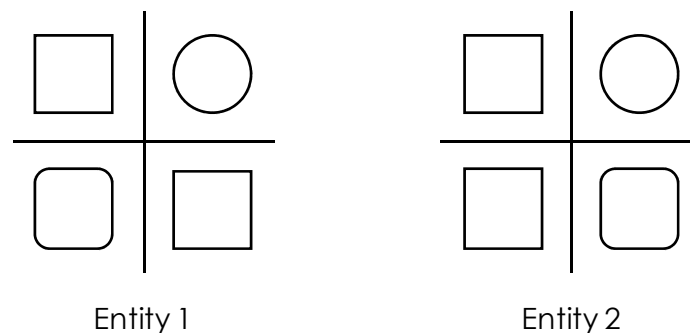


Thus, two entities may achieve an intended outcome not only when they are absolutely identical, or diametrically opposed, but also when they are moderately dissimilar in some respects. In this conception, the two solutions illustrated in Figure 1 are just two particular possibilities. The full picture includes the entire continuum of possibilities that lie between these

two extremes: slightly different, very different, more dissimilar than similar, and so on.

Moreover, the concept of fit also enables us to compare multidimensional entities that cannot be compared purely in terms of their similarities and differences. For example, all people are similar in some respects, but simultaneously different in other respects. Thus, our choice is not between the options presented in Figure 2, but between the options presented in Figure 3, where all entities have more than one characteristic. Thus, the challenge lies not only in choosing between similar, different, or slightly different characteristics to achieve the desired outcome, but also in *choosing the right characteristics to consider, given a desired outcome*.

Figure 3. Combining two entities which are similar to each other in one way and dissimilar in another way



Optimum results (i.e., cultural fit) for effective knowledge transfer between two organizations, for instance, might require both differences and similarities; for instance difference in a cultural dimension such as individualism, but similarity in a propensity for uncertainty avoidance. Indeed, these values might be detrimental to other outcomes, such as expatriate adjustment. Thus, unlike context-free and aggregated cultural-distance scores, the concept of cultural fit is mindful of nuances in terms of inputs (i.e., the cultural dimension used for comparison), outputs (i.e., the specific outcome of intercultural encounters), and the mechanisms connecting the two.

Culture

Generally speaking, “culture” refers to shared values and belief systems that provide a normative frame of reference when interpreting the external world. Culture profoundly influences the way people think, behave, and communicate (Hofstede, 2001; House *et al.* 2004). Due to its collective nature, culture often transcends different spheres of life, offers multiple foci of identity, and affects individuals’ cognitive and normative assessment at multiple levels (Chao and Moon, 2005). Among these, organizational culture is often seen as a critical factor affecting how firms integrating their internal processes and practices, as well as how they successfully adapt to changing conditions in the external environment (Schein, 1990). An important aspect of organizational culture is that it guides action and interpretation by defining appropriate and acceptable types of behavior in the workplace (Fiol, 1991).

One widely accepted formal definition of “organizational culture” is provided by Schein (1992), who defines it as “a pattern of shared basic assumptions that the group learned as it solved its problems of *external adaptation* and *internal integration*, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (p.12, emphasis added). Thus, the shared assumptions that make up organizational culture are collectively learned and developed in order to cope with the dual problems of external adaptation and internal integration. Although many different typologies of organizational culture have been defined and developed in the literature (e.g., Denison, 1990; Hofstede, Neuijen, Ohavy Sanders, 1990; O’Reilly, Chatman and Caldwell, 1991; Tsui et al., 2006), in this thesis I stick to the original definition of Schein (1992) and focus on the dimensions of external adaptation and internal integration.

Knowledge transfer

The transfer of knowledge-based resources across different subunits has been a popular topic of interest in earlier studies. One stream of research looks mainly at subsidiary roles by examining the direction (e.g. inward vs. outward, vertical vs. horizontal) and magnitude of knowledge flows within MNCs (Ghoshal and Bartlett, 1988; Gupta and Govindarajan, 1991, 2000;

Harzing and Noorderhaven, 2006; Minbaeva, 2007; Monteiro et al., 2008). Focusing on the effectiveness of knowledge transfer to a subsidiary, another school of thought primarily concerns itself with the successful transfer of organizational knowledge across different subunits (Kostova, 1999; Kostova and Roth, 2002; Minbaeva et al., 2003; Szulanski, 1996). While some studies in this research strand define the success of the transfer process with reference to the extent to which knowledge is replicated in the recipient unit (Nelson and Winter, 1982; Szulanski, 1996), others extend the measure of transfer success to look at employees' ownership of, commitment to, and satisfaction with the transferred knowledge (Kostova, 1999; Kostova and Roth, 2002; Lervik, 2005). Thus, studies of knowledge flows mainly look at the amount of knowledge transferred into and/or from subsidiaries, whereas studies of transfer success inquire into the extent to which external knowledge is implemented by the recipient units.

In this thesis, I regard knowledge transfer as a multi-stage process, and look at both the direction of knowledge flows and the extent to which of knowledge is implemented. In line with my overall research design, I take the subsidiary as the main/focal unit of analysis. Accordingly, I define outward knowledge flow as the extent to which the subsidiary imparts knowledge to the HQ, whereas inward knowledge flow is defined as the extent to which the subsidiary receives knowledge from HQ. Thus, outward and inward knowledge flows capture the frequency of bidirectional communication between the subsidiary and its HQ. Knowledge implementation, on the other hand, goes beyond mere exposure to the creation of new knowledge, and refers to the extent to which subsidiary employees learn from HQ, and put its knowledge into practice.

Composition of Papers

In this section, I describe the four papers that comprise my thesis, as well as the underlying logic behind their sequence and the theme(s) connecting these papers.

Paper 1: An inductive analysis of organizational culture in different cultural contexts

This thesis deals with the question of organizational cultural fit. However, the concept of fit is not a primary concept; rather, it is a derivative of other concepts to which it refers. For example, person-job fit (Irving and Meyer, 1999) refers to the concepts of person and organization, organization-environment fit (e.g., Doty et al., 1993) refers to the concepts of organization and environment, etc. In this case, cultural fit refers to the concept of fit between two other concepts: concepts of culture. Thus the story of fit begins with an inventory of the concepts to which it refers: in other words, we begin with the concept we wish to compare, and aim to confirm that such a comparison is possible.

By looking at the concept of organizational culture an international context, this paper raises the issue of the universality of concepts addressed by the IB literature. *Could concepts developed in one part of the world, based on data from that location, be universally applied elsewhere?* Reformulating the question, in this paper I ask whether the understanding of organizational culture is the same in all parts of the world, or if it varies across different cultural settings.

To answer this, I asked managers in organizations in Russia how they understood important characteristics of the culture of their organizations. The respondents worked in various companies (large and medium-sized, public and private, traditional and young) from various business sectors (different industries of goods and services), and represent organizations with a wide range of cultures. The survey helped to capture the concept of organizational culture in the Russian business context.

The traits of organizational culture described by managers were aggregated using grounded theory (Eisenhardt, 1989) using a semantic analysis approach (Lee, 1999), which is similar to the well-known method of exploratory factor analysis, but applied to qualitative data. By grouping the statements, I identified the most important traits of organizational culture in the Russian companies. In other words, this paper rebuilds the concept of organizational culture based on data from the Russian business context.

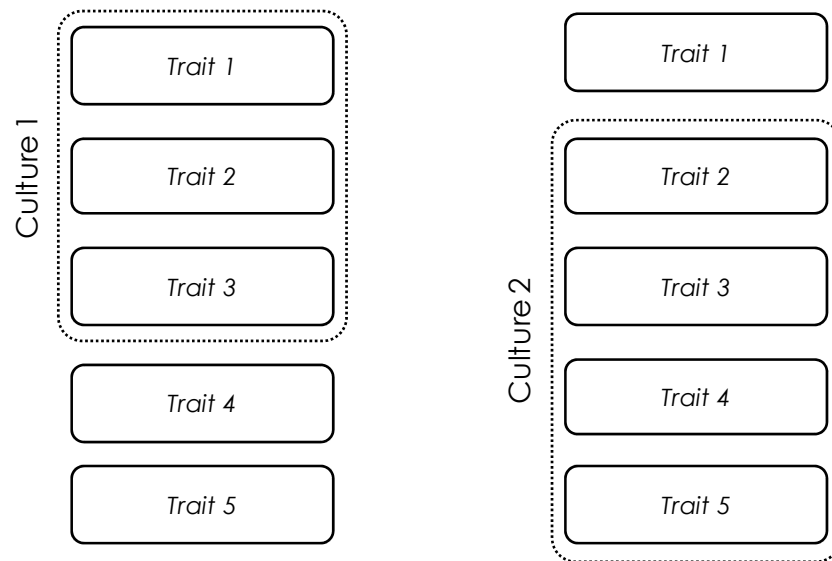
In order to answer the research question, I compared the constructed concept to the universal concept of organizational culture, based on data

from Western business contexts (Denison and Mishra, 1995; Quinn and Rohrbaugh, 1983; O'Reilly et al., 1991). This comparison revealed that the majority of the traits of Russian organizational culture were also reflected in the West. However, on the other hand, some traits of organizational culture from the Western universal models were not recognized as important in the Russian business context.

The main conclusion of this paper is that universal concepts developed in one part of the world may be applied elsewhere, but may first have to be adapted to the specific local context (localized). Consequently, the dominant understanding of the basic concepts in organizational science, such as organizational culture, could differ significantly between different business contexts, and therefore could potentially lead to different conclusions and results in these different contexts.

The implication is that since concepts may vary in different contexts, *comparing* them may be even more challenging. Indeed, if a concept can be realized in different ways in different parts of the world, what does it mean to compare them? For example, Figure 4 shows the traits of organizational cultures in two countries. They do have common traits (traits 2 and 3), but Country 1's culture also includes trait 1, unlike that of Country 2. At the same time, Country 2's culture also includes traits 4 and 5, which the culture of Country 1 lacks. So what would be an appropriate way to compare the organizational cultures of these two countries? Comparison across all the traits (1–5) is impossible, since some of them are only present in one of the two countries. But comparison using only the common traits (2 and 3) disregards information about the important traits in each country. Indeed, *omnis imili claudicat* – no comparison tells the whole story.

Figure 4. Traits of organizational cultures of two countries



Main results of Paper 1

In Paper 1, I scrutinized universal models of organizational culture in the context of Russia. I hypothesized that the particular national context can affect the set of characteristics (viz., cultural values) available in one country or another. Indeed, my results suggest that the characteristics of organizational culture derived in the Russian context differ from those obtained in the Western context. More specifically, some measures of organizational culture in Western models are not reflected among the identified dimensions of organizational culture of Russian companies. Additionally, some of the identified dimensions of organizational culture of Russian companies do not have a single corresponding element in Western models, but are reflected by an amalgam of multiple Western dimensions.

The resulting model can be used for future research into the outcomes of organizational culture in the Russian context. Additionally, Paper 1 proposes a research approach and method to measure organizational culture that could be used to guide future comparative studies of organizational culture in relation to Russia, and potentially comparative analyses of organizational culture across different national contexts.

This paper also sets the scene for the papers that follow. First, it draws attention to the fact that the concept of organizational culture may be understood differently in the different contexts. When it comes to organizational cultural fit between the units of MNCs, this difference in understandings may have implications. This question is taken up in the other three papers.

Second, it highlights that current approaches are not flexible enough compare two cultures with different profiles. This is mainly because current approaches use distance-based measures, which require standardized scales/instruments used on both sides of interaction (in each of two organizations). I return to this later in my thesis.

Paper 2: Conceptual shift in the understanding of intercultural relations

The second paper is purely conceptual, and reconstructs the concept of cultural fit. Despite decades of research, the issue of cultural fit has still not been. Instead, the dominant concept in the literature has been that of cultural distance—and despite widespread criticism for over a decade, it continues to be the main measurement used in research.

The concept of cultural distance is a significant oversimplification, and using it in place of cultural fit is unsatisfactory for two main reasons. To illustrate; imagine that we are considering not the difference between two cultures, but the geographical distance between two countries. One country is a neighbor to the south, and the other is a neighbor to the north, however the geographical distance between them does not take this into account. Similarly, because culture is such a complex and multidimensional concept, this focus on the one-dimensional measure of distance obscures many of the subtleties of cross-cultural interaction.

In Paper 2, I advance the concept of cultural fit in lieu of the concept of cultural distance. The main premises are as follows:

- 1) The geographical distance between two countries is always symmetrical, but cultural distance is not. Imagine a Swedish MNC with an American subsidiary. Can best practices for managing the American subsidiary be applied to managing the Swedish subsidiary of an American MNC? Prob-

bly not, as managing a Swedish subsidiary and managing an American subsidiary are different.

2) The analogy with geographical distance ignores context. Namely, if the two countries adjoin each other (i.e., the distance between them is zero), then it does not matter on which continent they are located. In terms of cultural fit, that assumption implies that the best practices of managing a subsidiary in South America could easily be transferred to, say, European or Asian contexts. Such a proposal is unlikely to be well-received.

3) Geographical distance is one-dimensional, so if a combination of characteristics between two countries is optimal for achieving some outcome (for example, the optimal distance between two countries is Δ kilometers), that implies that any two countries that are also Δ kilometers apart will achieve a comparable outcome. But culture is multidimensional, so even if this combination of characteristics is the optimum for achieving some outcome, reference to it does not tell us which other cultural characteristics have to be *different*, or to what extent.

4) Finally, the concept of cultural distance only allows for comparison between equivalent concepts. In other words, to measure the distance between the cultures of organizations in two countries, we have to be sure that the concept of organizational culture is similarly understood in both. However, as has been shown in Paper 1, some universal concepts (for example, organizational culture) may have local variations.

The main conclusion of this paper is that the widely used metaphor of cultural distance conceals many weaknesses that significantly limit its scope of application. The questions posed in this thesis can be solved with the help of the concept of cultural fit, rather than cultural distance. Thus, the concept of cultural fit proposed in Paper 2 opens up significant research opportunities for studies involving social entities belonging to different cultural contexts.

Main results of Paper 2

In Paper 2, I propose cultural fit as a more comprehensive and informative concept than cultural distance. I offer illustrative cases in which distance fails to account for illusions of symmetry, discordance, linearity, and equivalence. Furthermore, the proposed fit approach suggests that research hy-

potheses should be stated in terms of specific dimensions, and that measurement should focus not on entire profiles, but rather on conceptually distinct dimensions contained within these profiles. All in all, Paper 2 endorses the concept of cultural fit, which constitutes the central element of my thesis. By discussing why and how the fit approach offers a more comprehensive approach to intercultural relations, this paper paves the way for, and motivates, the last two papers of my thesis.

Paper 3: Confirmatory polynomial regression analysis

My third paper is methodological, and relies and builds upon on the conclusions and results of Paper 2. As Paper 2 shows, the concept of cultural distance, which currently holds a central position in the IB literature, has many shortcomings and is ill-suited for the study of the questions identified in this thesis. However, the popularity of cultural distance is not surprising, given that existing methods are designed to measure cultural distance rather than cultural fit. The method developed in Paper 3 (confirmatory polynomial regression analysis) facilitates empirical analysis involving the concept of cultural fit, and also has a number of advantages over methods used in IB literature today. It is a confirmatory method, which makes it an improvement over exploratory methods currently in use (primarily, response surface methodology utilizing polynomial regression analysis).

In order to test the benefits of the proposed method and demonstrate its value in research settings, I then generate three data samples that demonstrate the advantages of the proposed method with respect to existing ones in three different scenarios.

Main results of Paper 3

Paper 3 provides a workable technique to measure and test cultural fit. In particular, this paper discusses the problems associated with “difference scores” methods, which are widely used to evaluate the concept of cultural distance in the existing IB literature. Although the concept of cultural distance is simple, intuitive, widespread and entrenched in the IB literature, it unfortunately suffers from a number of methodological problems. To address this, I propose a confirmatory polynomial regression technique as a way to resolve the problems associated with traditional “difference scores”

methods. Moreover, this technique has desirable properties *vis-à-vis* other alternatives used in the extant fit literature (i.e., polynomial regression analysis and response surface methodology) in that it provides the opportunity to conduct confirmatory, as opposed to exploratory, analyses. The paper also proposes practical instructions to support the implementation of the analysis and the testing of research hypotheses.

On top of that, the methodology proposed in Paper 3 makes it possible to compare two entities which are not conceptually the same. In other words, the proposed technique (confirmatory polynomial regression technique) does not necessary require two subsidiaries, two HQs, two companies, or two persons to compare; the confirmatory polynomial regression technique is able to compare a subsidiary to HQ or a person to a company. Thus, confirmatory polynomial regression could be used to measure fit not only for two conceptually equivalent entities (e.g., the cultural profile of two countries), but also for two conceptually distinct entities (e.g., the national culture profile of the country and organizational culture profile of the company).

Paper 4: Organizational cultural fit and knowledge transfer

Paper 4, the centerpiece of this thesis, combines the results obtained in the previous three papers and addresses my overarching question. Its main arguments and results follow.

Barney (1986) argued that organizational culture serves as a basis for firms' competitiveness by generating intangible resources that are hard for other firms to imitate. Being large and complex entities, MNCs operate in multiple locations and cultural contexts. This multiplicity can be both a blessing and a curse for MNCs. However, past IB literature has paid limited attention to this issue, focusing mostly on the negative consequences of cultural differences at the expense of a full understanding of the possible benefits of cultural variety. In this paper, I address this by looking at both positive and negative implications of cultural differences and similarities. To that end, I study different dimensions of organizational culture within the context of knowledge transfer in MNCs. To be more specific, I unpack knowledge transfer processes within MNCs, and look at the role of organi-

zational-culture dimensions in different directions and types of knowledge transfer between corporate HQs and subsidiaries.

This paper uses evolutionary economics as its theoretical foundation, which was developed to explain how and why firms develop and adapt new technologies as a result of their interaction with their environment (Nelson and Winter, 1982; Zollo and Winter, 2002). Organizational theorists use three evolutionary processes to explain why and how organizations undergo technological change and adapt to their environment (Ziman, 2003). *Variation* refers to changes in organizational forms and existing routines and competencies. It could either be intentional, i.e., when individuals or organizations purposefully act out to find new alternatives to problems, or blind, i.e., when change occurs in the absence of formal plans or deliberate actions. The second evolutionary process is *selection*, which is the selective elimination of certain kinds of variation. Selection could be based on forces and criteria that are external (e.g., market conditions, competitive pressures, institutionalized norms, etc.) or internal (e.g., administrative heritage, dominant logics, corporate culture, etc.) to the organization. Lastly, *retention* is the process through which selected variations are preserved, replicated, and reproduced in order to benefit from new alternatives over time (Aldrich and Reuf, 2006).

In this paper I use a unique dataset consisting of matched pairs of HQs located in Europe and subsidiaries established in Russia. Using this dyadic dataset, I tested our hypotheses using confirmatory polynomial regression analysis, which was developed in Paper 3. Compared to traditional regression approaches, confirmatory polynomial regression analysis is more suitable for conducting a more generalized and reliable test of fit.

Main results of Paper 4

In Paper 4, I shed light on the lack of empirical consensus on the net effects of culture on knowledge transfer within MNCs. Specifically, I argue that two main problems with the existing literature are: (1) the tendency to consider culture (whether national or organizational) as a unitary concept, and subsume different cultural dimensions into a single measure, and (2) relying almost exclusively on index-based measures to calculate cultural differences, which can only account for the degree of these differences, with-

out explaining the source from which they emerge, or how they affect cross-cultural phenomena.

The findings of Paper 4 show that different types of knowledge transfer could be maximized under different configurations of cultural dimensions. Our results indicate that cultural diversity could be both an asset and a liability, depending on the type of learning process MNCs are dealing with. More specifically, our results show that best cultural fit for generating variation and realizing flow of knowledge could be achieved when HQ and subsidiary have asymmetric cultural profiles. On the other hand, I also show that implementation (i.e., exploitation) of knowledge necessitates similar selection mechanisms, through which the subsidiary's exploitative learning can be maximized.

Overall, the findings of our empirical study show that different types of knowledge transfer could be maximized under different configurations of cultural dimensions. Our findings show that the best cultural fit for generating variation and realizing the flow of (new) knowledge could be achieved when HQ and subsidiary have asymmetric cultural profiles. On the other hand, I also show that implementation (i.e., exploitation) of knowledge necessitates similar selection mechanisms, through which subsidiaries' exploitative learning could be maximized. This shows that it is too simplistic to argue that cultural differences per se are either a problem or a panacea. Instead, it is important to account for multiple dimensions of culture and multiple stages/types of knowledge transfer within MNCs. In other words, research and practice should pay attention to these nuances, instead of regarding culture and knowledge transfer as unitary phenomena.

Summary

I would like to emphasize the variety of research designs used in the writing of this thesis. First, it includes empirical, conceptual, and method development papers. In addition, the empirical analysis of this thesis is based on three data sets. Two were obtained through interviews, one collected quantitative and the other qualitative data. The survey collecting quantitative data is unique in several respects. First, the survey collected data in different countries relating to the assessment of the organizational cultures of the HQs and foreign subsidiaries of MNCs. Such databases are rarely used in

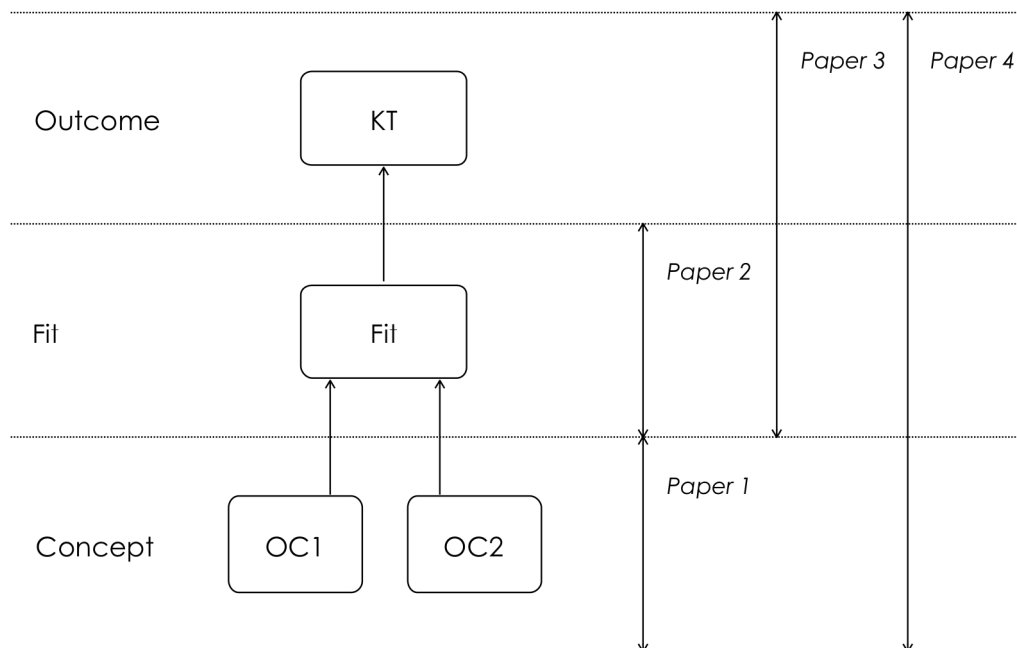
research settings, primarily because of the complexity of data collection. Second, data from more than one respondent was used for each cultural assessment, helping to ensure greater reliability of the collected data, which is essential when measuring social constructs. The third data set was generated in order to demonstrate the advantages of the method developed in Paper 3. Finally, two papers in this thesis utilized different theoretical approaches, namely grounded theory (Paper 1) and evolutionary theory (Paper 4). Schematically, the variety of research designs employed in this thesis is shown in Table 1.

Table 1. Research designs used in the thesis

<i>Dimensions</i>	<i>Paper 1</i>	<i>Paper 2</i>	<i>Paper 3</i>	<i>Paper 4</i>
Type of arguments	Empirical	Conceptual	Methodological	Empirical
Theory used	Grounded Theory	-	-	Evolutionary Theory
Data used	Survey Data	-	Generated Data	Survey Data
Type of data	Qualitative	-	Quantitative	Quantitative

Figure 5 illustrates the relationship between the four papers of this thesis and gives some idea of the progress of the research process. Paper 1 establishes the universality of the concepts used in the IB literature. It explores the issue of the equal understanding of the concept of organizational culture in different country settings. Paper 2 takes these ideas a step further, introducing the concept of fit between the cultures of the organizations operating in different countries. Paper 3 adds empirical weight by proposing a methodology to assess the fit between the two concepts. Finally, Paper 4 combines and builds on the results of all the previous papers by evaluating the role of organizational cultural fit between different units in the success of knowledge transfer within MNCs.

Figure 5. General framework of the thesis



This thesis offers several theoretical, conceptual, and methodological contributions for organizational literature in general, and in the literature on International Business specifically. This section describes the main contributions of the thesis.

Main contributions

Summarizing the results of the individual articles listed in the previous section, I would like to reiterate that the core questions considered by this thesis are *how should we go about understanding the fit between two cultures*. Using different approaches (conceptual, methodological, inductive, and deductive) in combination in order to gain a deep and well-rounded understanding of culture and cultural fit, I aim to make three main contributions to extant literature:

1. *I introduce the concept of cultural fit*. As argued elsewhere, distance is a ubiquitous yet limited metaphor. To address its limitations, I propose the

use of cultural fit, which (a) specifies the exact circumstances under which cultures of two entities are compatible and facilitate the achievement of a set of desired results, (b) takes cultural positions into consideration and effectively addresses the illusion of symmetry produced by the cultural-distance metaphor, and (c) can be used to compare two different entities that were measured at two different levels. Thus, one of the main contributions of my thesis is to advance our conceptual understanding of intercultural relations by offering a more comprehensive alternative to the concept of distance.

2. *I develop a confirmatory polynomial regression technique that can be used to measure and test cultural fit.* In order to make empirical use of the cultural fit concept, I needed proper methodological techniques for estimation. To meet this need, I developed and validate a confirmatory method for testing hypotheses involving the concept of fit between two entities. As I note above, this technique makes less restrictive assumptions than extant “difference score” methods and indices. Compared to existing fit methodologies, confirmatory polynomial regression is also more desirable, given that it is better suited to conduct confirmatory analyses. In this regard, my thesis introduces an innovative approach for systematically examining the concept of cultural fit, which will help future IB research go beyond standard, and rather overdone, index measures (c.f., Kogut and Singh, 1988).

3. *I empirically challenge the extant preference for similarity over difference, and test the concept of “fit”.* The last central contribution of the thesis is empirical, and aims to advance the facilitating of knowledge sharing in differentiated-network MNCs. In this regard, my thesis unpacks knowledge transfer processes within MNCs, and looks at the role of organizational culture in different directions and types of knowledge transfer between corporate HQ and subsidiaries. For this, I use evolutionary theory to develop a set of hypotheses concerning how the relative cultural characteristics of these two entities affect patterns of inward and outward knowledge flows, as well as the degree to which knowledge transfer leads to effective learning among the subsidiaries. Accordingly, I examine how cultural fit affects different knowledge transfer outcomes in negative and positive ways. This more fine-grained approach to knowledge transfer (i.e., different directions of flow and extent of implementation at the recipient end) and culture (i.e.,

different degree and direction of similarities/differences) proposes a theoretical calibration and empirical contribution towards a better understanding one of the central phenomena of interest in IB research.

4. *I empirically investigate the role of the culture in knowledge transfer between two organizations.* It has previously been observed that cultural diversity could be either an asset or a liability when it comes to knowledge transfer, depending on the kind of learning process an MNC is dealing with (Stahl and Tung 2014). The study argues that diversity has positive effects on exploration whereas it could be detrimental for exploitation. This is consistent with my empirical findings, which finds that the best cultural fit for generating variation and realizing a flow of (new) knowledge is achieved when the HQ and subsidiary have asymmetric cultural profiles. Moreover, the implementation (or exploitation) of knowledge is done through similar mechanisms. In contrast, a subsidiary's exploitative learning is also be maximized in a situation in which the HQ and subsidiary have more similar cultural profiles. These findings show how complex cultural fit is; researchers and companies should keep in mind the multiple dimensions implicit in culture and the multiple stages of knowledge transfer in MNCs in future.

Although the central question of this thesis is the organizational cultural fit between the HQ and subsidiaries of an MNC, I would like to close this section by connecting my findings to the wider academic context. Below, I outline some research areas and how they could benefit from the findings of my thesis. However, this list is not exhaustive and my work might be relevant in other areas too. Since the pioneering study of Hofstede (1980) cultural scholars have shown a keen interest in measuring and comparing cultures. This research agenda gained further momentum using the measure of cultural distance developed by Kogut and Singh (1988), who incorporated four dimensions of culture into a composite index score that could quantify the degree of difference between two entities. However, past research has delivered a mixed bag of results concerning the outcome of cultural distance. It may be that introducing the concept of fit instead of similarity/distance can help to untangle these mixed results. This thesis is of particular relevance and importance for understanding the nature of interaction across organizations, groups, and individuals from different cultural backgrounds—not only because it introduces the concept of cultural

fit as an alternative to the widely criticized concept of cultural distance, but also because it offers a tool for measuring such a fit.

The role of knowledge transfer is regarded as so fundamental that it is said to be the *raison d'être* of companies (Kogut & Zander, 1993, 1996). Numerous theoretical and empirical studies have investigated antecedent factors affecting the effectiveness of knowledge transfer. Whereas some of these have looked at whether and how certain characteristics of knowledge could influence its transferability (Dhanaraj, Lyles, Steensma & Tihanyi, 2004; Kogut & Zander, 1993; Reed & DeFilippi, 1990; Simonin, 1999; Zander & Kogut, 1995), others have looked at organizational characteristics, practices, capabilities, and structure as determinants of successful knowledge transfer (Cohen & Levinthal, 1990; Gupta & Govindarajan, 2000; Minbaeva, Pedersen, Björkman, Fey, Park, 2003; Tsai, 2002). Another group of studies has zeroed in on the nature of the relationship between sender and recipient entities and examined relational antecedents affecting the success of knowledge transfer between them (Hansen, 2002; Monteiro, Arvidsson & Birkinshaw, 2008; Tsai & Ghoshal, 1998). However, this research into knowledge management has relied on examinations of similarities and differences to establish whether and culture affects the degree and success of knowledge transfer.

The application of the concept of fit, as developed in this thesis, allows us to determine how the fit (instead of similarities and differences) would affect the degree and success of knowledge transfer. It is my hope that the concept of fit may shed new light on understanding the knowledge transfer process considering fit between certain characteristics of knowledge and organizational characteristics, fit between sender and recipient entities and so on.

It is my belief that past research produced mixed results for two reasons. First, it simply looked at differences or similarities. Second, it used the same scale/measures to compare apples and oranges. This major measurement problem and is likely have caused the inconsistent results. But why did past research used the same scale? Because distance (including cultural distance) can be calculated if and only if two entities have same/standardized scores. But with advanced methodology, one does not need to use such a simple, standardized measurement techniques any more.

The confirmatory polynomial regression approach developed in this thesis will help future research in the areas listed above to go beyond standard, and simplistic, index measures.

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