Economic cultural influence: Effects on headquarter - Subsidiary management in Slovenia and three longstanding EU countries*

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This study systematically investigates two dimensions through which economic culture can be measured and compared between four EU countries: Slovenia, Germany, Austria and Denmark, and projects their respective impacts onto the management of an international Headquarter – subsidiary relationship. The results confirm that there exists considerable differences in economic cultures between the four countries and that the differences have a direct impact on international management. Most notably, a strong positive correlation was found between the highly subordinate driven cultures of Denmark and Austria to have a bias towards two-way knowledge flows. Mixed results were found on capitalistic driven cultures impact on control mechanisms and use of motivational factors.

Diese Studie untersucht systematisch zwei Maße, durch die die ökonomische Kultur von vier EU-Ländern (Slowenien, Deutschland, Österreich, Dänemark) gemessen und verglichen werden kann. Darüber hinaus werden ihre Auswirkungen auf das Management des Verhältnisses zwischen dem internationalen Hauptsitz und der Tochterniederlassung aufgezeigt. Die Resultate bestätigen, dass beträchtliche Unterschiede bezüglich der ökonomischen Kulturen zwischen den vier Ländern bestehen und dass die Unterschiede eine direkte Auswirkung auf das internationale Management haben. Vor allem wurde eine stark positive Korrelation zwischen den stark Niederlassungs-orientierten Kulturen Dänemarks und Österreichs gefunden, die dadurch auch eine deutliche Einstellung gegen wechselseitige Wissensflüsse aufwiesen. Gemischte Ergebnisse wurden gefunden hinsichtlich des Einflusses von kapitalistisch orientierten Kulturen auf Kontrollmechanismen und dem Einsatz von motiviationalen Faktoren.

Keywords: economic culture, subsidiary management, multinational companies, internationalization, EU

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Introduction

An expected repercussion of the generally accepted globalization phenomenon occurring throughout the world is a rise in the activity of national firms in foreign markets. As the world decreases in size and borders, the desire and ability of firms to go international increase. Consequently, we observe a rise in the number of firms taking on the status of a Multi-National-Corporation (MNC) (Bhagwati, 2004; Lechner/Boli, 2004) and venturing abroad in the attempt to reap profits peripheral to their home market.

This is especially true for countries within free trade areas like the European Union (EU), where the conditions for local companies to expand internationally are vast and often encouraged through foreign direct investment (FDI) incentives and a lessening of visible trade barriers. However, as is evident from the countless number of failed international ventures throughout Europe and the world, other barriers remain that are less visible and harder to remove. The ability to successfully manage an international headquarters – subsidiary relationship (HSR) across a multitude of these, at first, imperceptible barriers, is not an uncomplicated process and requires managers of multinational corporations to adhere to several simultaneous, yet conflicting, demands relating to cross-market integration, national responsiveness and worldwide learning (Bartlett et al. 2004).

A large number of survey projects and research of a multicultural nature address these issues and have been published throughout the recent past (Trompenaars/Hampden 2004; Trompenaars/Woolliams 2003; Throsby 2001; Schneider/Barsoux 1999; Sachs 2000; Mattock 1999; Martin 1992; Inglehart 1997; Holden 2002; Hofstede/Hofstede 2005/2001) which suggests that the topic is recognized as being of major importance to the success of international business.

The present study attempts to build on the work of these authors by systematically linking variances in economic culture across four EU countries to respective variances in the management of the international HSR of successful MNCs in each of those countries. Specifically, the economic cultures of three longstanding EU members: Germany, Austria and Denmark, are projected against the economic culture of a new EU entrant, Slovenia, which has long been recognized as being one of the most economically advanced transition economies and has displayed significant growth in the recent years (Jaklic/Svetlicic 2003; Novak 2003).

The economic culture perspective

Upon the enlargement of the EU with ten new members in 2004, the multitude of cultural variances within the union increased by roughly the same amount, with each new country bringing its own specific set of cultural and business intricacies that further extended the cultural variance spectrum within the common market.

Zver et al. (2004) propose that there exists a significant economic culture gap between Central and Eastern European Countries (CEECs) that have recently joined the EU and longstanding EU members.

In an effort to depict this gap, two dimensions through which economic culture can be measured have been assembled in order to portray variances, pertinent to economic culture, between the four analyzed countries. The rationale is to understand how these variances influence the management of the HSR and in the end, the effectiveness of the organization.

The two dimensions absorb economic and business values that exist within the national culture of a country and represent values germane to Slovenia's, Germany's, Austria's and Denmark's economic cultures. They build on the work of several authors' (Hall 1981; Hofstede 2005/2001/1997/1984; Herzberg et al. 1993; Hardin 2002; Levi 1996) contributions to variances in, and definitions of, national culture. The usefulness of the two economic cultural dimensions (termed drivers from here on) becomes apparent when benchmarking an individual country's economic culture against the others. This allows for comparisons between countries and visible results to be ascertained which sets the stage for succeeding arguments about the management of international HSR.

The two drivers measure the extent to which the workforce of a country is inclined to be biased towards a specific preference of economic cultural values and probe specifically into the economic culture gap between CEECs and longstanding EU members. They consist of:

Capitalistic driven vs. communitarian driven
The extent to which employees provide for themselves
Authority driven vs. subordinate driven
The extent to which employees revere their superiors opposed to revering co-workers
To quantify the degree to which the sample countries are polarized within each driver, numerous sources of differing data from the European Values Study (EVS[1]) provided reliable indicators on several comparable and related themes within economic culture.

The first driver is composed by fusing Hall's (1981) high vs. low context theories together with Hofstede's (2005; 2001; 1997; 1984) individualism vs.

1 The European Values Study is a large-scale, cross-national and longitudinal survey of moral, religious, political and social values. The survey was designed to investigate the nature and inter-relationship of value systems, their degree of homogeneity, and the extent to which they are subject to change across time.

collectivism arguments into one overarching dimension. Accordingly, capitalistic driven employees bear remnants of a culture that tends to have many connections

with many different people but for a short duration of time, and holds that the individual is the primary unit of reality and that society is built up around a collection of individuals. In contrast, a communitarian driven culture refers to societies or groups that have close connections over a long period of time where a strong sense of unity is maintained, and holds that the group is the primary unit of reality and that the group determines one's identity.

Typical of a capitalistic driven society is a preference for individual decision making, being self-orientated, basing work on individual initiative and employees expecting to look out for their own best interests. On the other hand, characteristics of a communitarian driven society is its centring around group decision making, being collectively orientated, work based on a sense of loyalty and duty, and employees expecting the organization to go to great lengths to look out for the best interests of the staffed employees.

To measure and benchmark the extent to which the sample countries are either capitalistic or communitarian driven, data from the EVS has been utilized along the following dimensions that tap into the above mentioned characteristics:

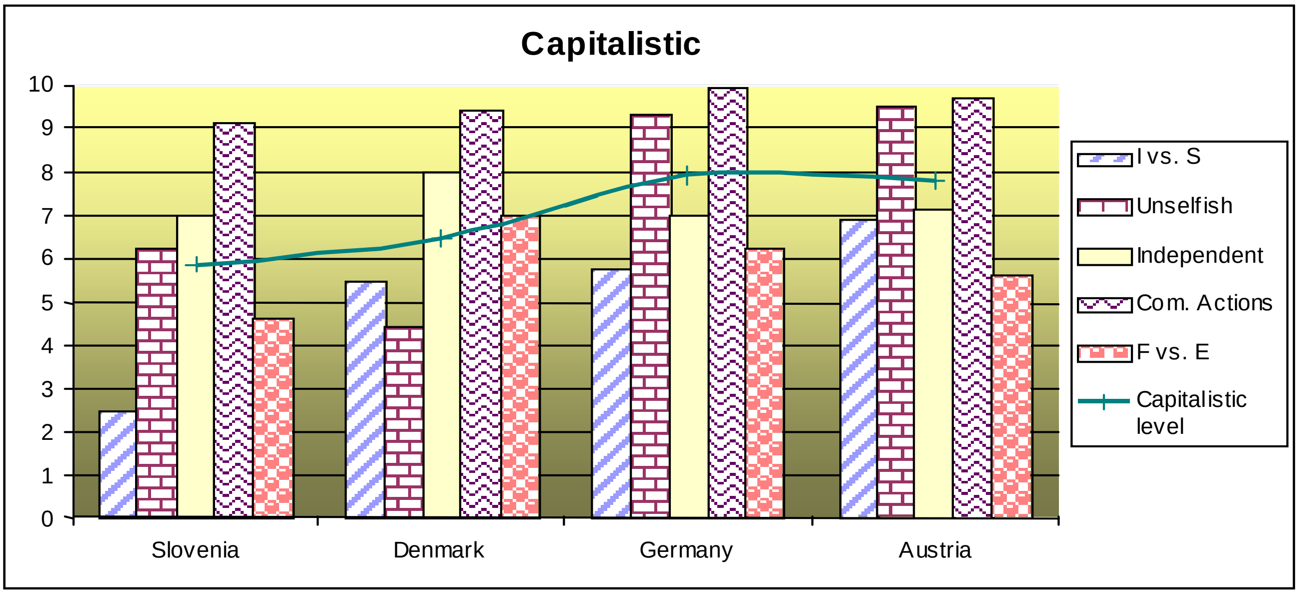
1. The extent to which the individual vs. the society or the state should take responsibility for people;
2. The extent to which being independent is important;
3. The extent to which being unselfish is important;
4. The extent to which participating in community actions is important;
5. The extent to which equality is more important than freedom.

The EVS provided a detailed, numerical breakdown of country biases within each dimension through 5 point Likert scaling, normalized agreement scaling and dichotomous responses that subsequently were successfully standardized into a ten point referencing scale by computing each dimension separately and setting its lower and upper boundaries equivalent to 0% and 100%, respectively. This was beneficial as it distributed equal weight to all five dimensions and, more importantly, maintained a uniform multivariate measuring standard that ensured fixed and accurate dimensional representation for each country's economic culture. Proceeding in this manner, the scores reveal that Slovenia is the least capitalistic driven society, or most communitarian, (with a score of 5.86) and Germany is the most capitalistic (with a score of 7.9), while Austria (7.79) and Denmark (6.46) rank second and third most capitalistic respectively (see figure 1).

The second driver draws heavily from Hofstede's (2005; 2001; 1997; 1984) power distance theories and strives to examine the variances in boss – subordinate and subordinate – subordinate relationships that exist in various cultures and organizations. Viewed as a spectrum on which a culture is either authority driven or subordinate driven, authority driven employees tend to greatly

revere their managers who consequently have a great impact on the actions of their subordinates. In comparison, subordinate driven employees, who revere managers and co-workers equally, do not give a special bias towards the inputs stemming from managerial sources and consequently do not automatically comply with managers orders but retain the ability to question the logic or motives behind a particular action. In essence, this implies that subordinate driven employees are affected by their managers and the managers are affected by the subordinates, whereas authority driven employees are mainly affected by their superiors but the superiors are only mildly affected by the inputs generated by the subordinates.

Figure 1. Capitalistic driven levels for the four sample countries



This driver is marked by interdependency between managers and subordinates; if managers act in a particular way, the subordinate will react accordingly. Consequently, the extent to which an organization is authority driven or subordinate driven depends on the interactions between managerial and subordinate parties from the outset and on the values brought into the organization from the start.

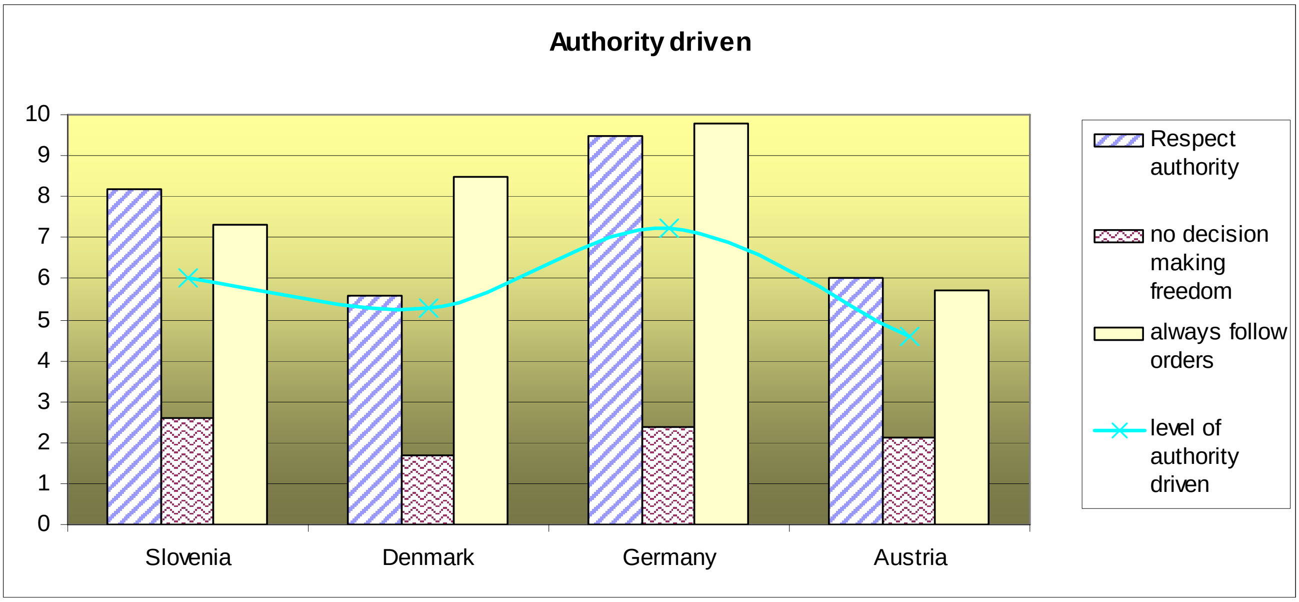
Distinctive features of authority driven cultures are centralization of power, hierarchical and tall organizational pyramids, little questioning of authority, inequality being accepted, diminutive levels of trust and a comparatively low qualification of the lower strata of employees. Contrarily, subordinate driven cultures are based on equal rights and a high level of cooperativeness, less centralization of power and flatter organizational pyramids, low levels of supervisions and a comparatively high qualification of the lower strata of employees.

The following EVS statistics have been utilized to measure the extent to which the sample countries are biased towards authority driven cultures or subordinate driven cultures:

1. The extent to which an increase in respect for authority would be viewed positively;
2. The extent to which employees are free to make decisions at work without consulting with their managers;
3. The extent to which a manager's orders must always be followed.

The results, calculated in the same manner as the previous driver, indicate that Germany and Slovenia are the two most authority driven cultures with scores of 7.23 and 6.03 respectively, while Denmark and Austria are the least capitalistic driven cultures, or most subordinate driven cultures, with scores of 5.27 and 4.6 respectively (see figure 2).

Figure 2. Authority driven levels for the four sample countries



The international HSR management perspective

A further source of research helps explore four aspects of HSR management. The choice of control mechanisms, management style, organizational structure and knowledge sharing constitute four bearing pillars that comprise the shape and mode in which the HSR manifests itself. The rationale is to prepare the variances in these management aspects to be linked with variances in economic culture.

Control mechanisms

Phatak et al. (2005) propose three various types of organizational control mechanisms (OCM): input control, behaviour control and output control, that

should be utilized in accordance with managerial aspirations and directly influence the MNC's ability to develop well-delineated, measurable performance standards which either promote or thwart the firm's strategic context and overall goals.

They maintain that input control emphasizes employee selection and training as well as active socialization of the employees into the organization and its values, visions and objectives and will provide multiple opportunities to broaden the skill set of the individual employees. As a result, headquarters ensures that the employees throughout the subsidiaries have the requisite ability to perform well. Following along this thought line, face-to-face congregations, frequent international telephone and videophone conferences and periodic headquarter appointments are common informal OCM that sustain effective usage of input control (Deresky 2002; Weihrich/Koontz 1993).

The second type, behaviour control, emphasizes top-down control through expressive operating processes and procedures and ensures motivation through close supervision and, to a lesser extent, facilitates the ability of the subordinates to perform well by articulating operating procedures (Phatak et al. 2005). The rationale behind behavioural control is to develop voluntary adherence to incorporate behavioural norms and expectations through a process of internationalization of corporate values and beliefs. Consequently, behavioural control, like input control, has its foundations rooted in informal mechanisms and is thus best upheld through personal relationships and informal communication (Dowling/Welsch 2004).

Unlike the previous two control types, the third and final type, output control, relies on formal OCM to ensure its productivity as it has its bearings in pre-established targets, result-linked performance and appraisals based on goal achievement. This type provides virtually no direction on how the results should be accomplished but focuses motivation based on the use of incentives that reward fixed targets (Phatak et al. 2005). These indirect coordinating mechanisms quantify data, which simplifies international comparison of firm statistics and information throughout diversified subsidiaries (Deresky 2002).

Central to the earlier description of capitalistic and communitarian organizational traits was that communitarian driven employees, which, according to the sample data, was represented by Slovenia and, in part Denmark, will maintain a comparatively strong sense of unity and regard the organization as a team to which they belong. In such a setting, the company will have great influence on the individual's well being as the organization plays a large role in looking out for and defending the employee's interest. A consequent dependency develops where employees, in return, act in accordance with an organizational form of conduct and rely heavily on headquarter training to stay abreast with corporate initiatives. Headquarters can best comply with this interdependent relationship through input and behavioural OCM as they have their foundations rooted in informal coordinating mechanisms that are best upheld through personal relationships and informal communication. On the contrary, output control would best complement capitalistic driven behaviour, as less emphasis is put on the personal team-like connections associated with the former driver, but more emphasis is put on accomplishments and being result orientated. On the bases of this research, the first hypothesis is proposed:

Hypothesis 1*: Slovenian MNCs will use input and behaviour control mechanisms to a proportionally greater extent than German and Austrian MNCs that will opt for a predominant use of output control as a result of the former country being biased towards communitarian driven traits and the latter countries towards capitalistic driven traits.*

Management style

Weihrich & Koontz's (1993) assimilations of several noted authors' contributions to organizational management styles (OMS) produce liable affiliations to various forms of motivational encouragement. They discuss a leadership continuum that spans across a variety of OMS ranging from highly manager-centred to highly subordinate-centred. The further the OMS is biased towards the subordinate-centred extreme, the higher the level of decision making and responsibility is delegated down throughout the organization. This, in turn, directly impacts motivational levels of all the employees, especially lower ranked subordinates (Phatak et al. 2005; Bartlett et al. 2004).

Herzberg's two-factor theory, re-explained by Weihrich & Koontz's (1993), nicely sums up the connection between subordinate freedom and the subsequent rise in motivational levels. They elucidate that there are two groups of organizational conditions: maintenance factors and motivators, which have varying effects on the physiological state in which employees revere their jobs. In the former group, maintenance factors, job context issues such as salary, status, job security, supervision and interpersonal relations are predominant needs of the employees and although they are extremely important and would be sorely missed if suddenly gone, they do not dynamically motivate employees. The latter group, motivators, job content issues such as achievement, recognition, challenges, advancement and growth potential act as cardinal needs of the employees and, when present, yield a feeling of satisfaction and motivation.

The earlier accounts of capitalistic and communitarian organizational qualities was that capitalistic driven employees, most profoundly represented by

Germany and Austria, regard themselves as the primary unit of reality that are relatively more self orientated and concerned with promoting individual gains compared to their communitarian counterparts. Such behavioural traits help foster a competitive environment where achievement and advancement act as the cardinal forms of motivation. Projecting this against the capitalistic vs. communitarian stances of the four countries sets the stage for the second hypothesis:

Hypothesis 2: *German and Austrian MNCs will emphasize motivational factors to stimulate and foster a competitive work environment whereas Slovenian MNCs will rely more heavily on maintenance factors.*

Organizational structure

Perhaps the most important aspect for the headquarters to ascertain is the extent to which the organizational structure (OS) of decision making power should be centralized or decentralized (Finlay 2000). There is great ambiguity, within the research community, regarding the respective merits and shortcomings of centralization vs. decentralized subsidiary management. Although there is no one optimal way to organize such management, it is popularly believed that financial and research & development functions are best controlled through centralized control while production, marketing and sales are best controlled at the subsidiary or decentralized level (Deresky 2002; Bartlett et al. 2004; Ould 1986; Singh 1981; Rodrigues 1995).

However, other variables that are closely intertwined with a country's economic culture also inevitably affect the sought for level of decentralization within a HSR. In terms of authority vs. subordinate driven preferences, German, and to a lesser extent, Slovenian country data ranked comparatively more authority driven compared to the Austrian and Danish data, which suggests that the former two countries should favour organizational structures that bear remnants of an authoritative nature; namely tall organizational pyramids, high levels of respect and reverence for their superiors and limited questioning of authority compared to their subordinate driven counterparts. Such an approach demands that key decision making be centralized and conducted by a few select groups of managers who maintain focused overviews and thwarts the ability and need for decision making to trickle down throughout the organization.

Hypothesis 3*: German and Slovenian MNCs will be comparatively more centrally run, with less authority and trust delegated downwards, compared to Austrian and Danish MNCs that will be relatively more decentralized*

Knowledge sharing

A key aspect of promoting organizational knowledge sharing (OKS) within MNCs is to foster an environment of openness and support for cross-fertilization of ideas and implementation of best practices (Dowling/Welsch 2004). The obstacles to achieving this are manifold and relate to cognitive (thinking, reasoning, remembering) and motivational challenges that inherently hamper key elements crucial in the empirical development of an integrated understanding of OKS within the MNC (Mahnke/Pedersen 2004).

However, the cognitive and motivational challenges are dependant on the mental calibre of the employees within the organization. As the literature review indicated, the lower strata of employees within subordinate driven organizations tend to be highly qualified and retain the ability to dispute managerial decisions. This impacts the extent to which these lower ranked employees can and will influence the actions and thoughts of their superiors. Thus, a prediction towards a positive relation in Austrian, and in part, Danish MNCs to foster two-way knowledge flows and a prediction in German and, in part, Slovenian MNCs to create one-way knowledge flows.

Hypothesis 4*: Knowledge flows in German and, in part, Slovenian MNCs are more one-way prone, from the top of the organization downwards, while Austrian and, in part, Danish MNCs have comparatively greater extents of two-way knowledge flows.*

The study

The empirical data for this research was collected as a part of a larger project researching a total of 4 economic cultural drivers and five management aspects. The data was extracted from 54 subsidiary managers from 10 MNCs which were taken to typify a stratified sample that allowed for sub grouping of the initial sample data into industry, MNC size, MNC age, MNC success and geographical specific classifications. This was a crucial step as each of the five MNC parameters could, and most likely would, have major repercussions on the materialization of the management aspects under scrutiny. The sample MNC sizes, age and success rates were crucial parameters to establish and keep constant as small, newly entrant and modestly profitable vs. large, incumbent and highly profitable MNCs possess inherently different management aspects that would skew entirely the impacts economic culture have on management. Furthermore, industrial classifications were necessary as well as a geographical limitation as these parameters equally contaminate the purity of the economic culture influence. Thus, in order to discount a scope-peripheral bias, MNC size was limited to large (over 1,000 employees at the MNC level and over 20 employees at the individual surveyed subsidiary level), MNC age was limited to at least ten years of operations, MNC success was limited to at least a ten year record of profitability and geographical localities were limited to the four countries comprising the focus of this study (although some MNC subsidiaries were peripheral to the focus countries). Industry specific classifications were limited to the pharmaceutical and manufacturing industries mainly as a result of an availability criterion.

Data collection was mainly conducted through questionnaires although follow up interviews via telephone and in person were conducted in a select number of MNCs. The questionnaires and interviews probed the intricacies of the subsidiary's perception of the HSR, including management and economic culture aspects. In order to gauge the actual respondent's economic culture fit with the predictions of the EVS, the questionnaire first sought to identify how he or she valued certain characteristics pertinent to the economic culture drivers that this study pivots around. Computation methods for the empirical economic culture data were identical to those utilized for the EVS, thus providing a comparable base for verifying that the underlying premises from which the hypotheses were made were still valid. Succeeding questions probed the perceptions of the HSR along the four management dimensions that the economic culture influences. The questionnaire consisted of multiple-choice closed-ended questions, five point Likert scale questions and normalized 10 point preference scaling questions. These facilitated point accumulation methods, which made it possible to compare stances on the different aspects of the HSR.

The questions pertaining to OCM (organizational control mechanisms) primarily probed, through a two-tier form, the subsidiary manager's perceptions of the method in which they are controlled by their respective headquarters. The first tier illuminated a direct proportionate utilization ratio of the three control forms (input, behaviour and output) as perceived by the subsidiary managers. The second tier sought to investigate indirect subsidiary manager preferences of each control form. The data from each tier was weighted and averaged into a united OCM score. The questions relating to OMS (organizational management style) pivoted around the methods in which the headquarters attempts to adhere to its subsidiary employees through maintenance factors (i.e. financial and physical needs) or motivational factors (i.e. career advancement and occupational challenges). The questions probing OS (organizational structure) were structured along three dimensions. The first examined direct decision making authority levels within the subsidiaries and the headquarters, the second examined the extent to which headquarter power delegation towards subsidiaries was sufficient enough for subsidiary managers to influence the entire MNC, and the third probed interpretative decentralization levels as perceived by subsidiary managers. The questions concerning OKS (organizational knowledge sharing) first examined subsidiary manager's frequency with which they inform headquarters of strategically relevant information and second, one-way opposed to mutual knowledge flow patterns.

Two separate methods of empirical data analysis were utilized in order to validate the results. Spearman rank correlation tests were used to determine the direction and strength of the individual relationships between economic culture and the two HSR management aspects within each surveyed MNC. Standard linear correlation tests were used to directly quantify the association levels between economic culture and management without assigning rank values (as Spearman rank correlation tests do) but by using weighted averages. Together, they provide compared and direct correlation results, respectively.

Finally, in a survey of this nature that gauges soft values and perceptions among several countries, it is not rewarding to regard the data from each country on various subjects as the decisive truth – the data does not permit for such a degree of precision. It is the broad contrast between high and low scores that ultimately validates connections between economic culture and HSR management. Consequently, in situations where one or two of the survey countries are not polarized at an economic culture extreme, it was omitted from the standard linear correlation hypothesis testing as its economic culture score was too neutral to justify any predictions. The omitted country data was however considered anew during Spearman rank correlation tests and when attempting to build credibility to the trends emerging from the hypotheses.

Results and analysis

Results regarding the fit of the respondents' economic culture with that of the EVS revealed similar, although not identical, patterns. Most notably, the German respondents' economic culture no longer ranked most capitalistic and all four countries respondents ranked slightly less capitalistic, or more communitarian, than the EVS indicated. Furthermore, the Danish and German respondents' scored considerably less authority driven, or more subordinate driven, than the EVS indicated while the Slovenian and Austrian authority driven scores were almost identical to the EVS (see figure 3).

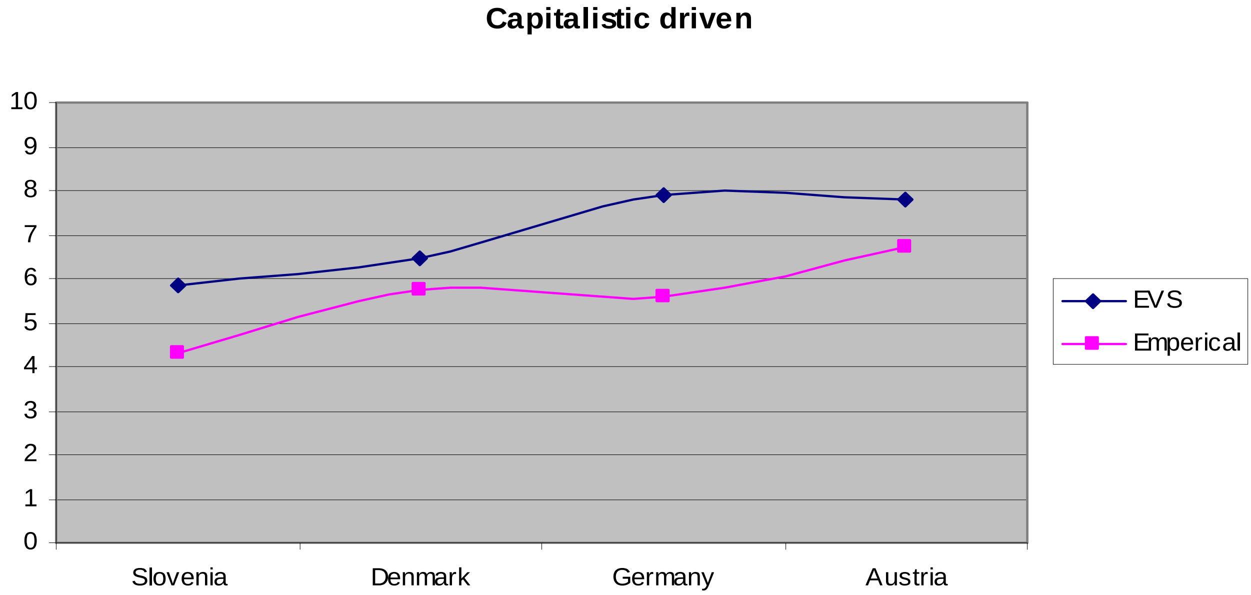
Although the variances from the EVS to some extent skew the foundation from which the hypotheses are made, it is not to a detrimental extent. In fact, because the patterns are so similar, it actually reaffirms the alignment of the respondents' stances on economic culture to that of the EVS, thus providing an even stronger base for HSR connections to be made. The slight alterations do therefore not have a significant bearing on the premises from which this study begins and the validity of the hypotheses remains.

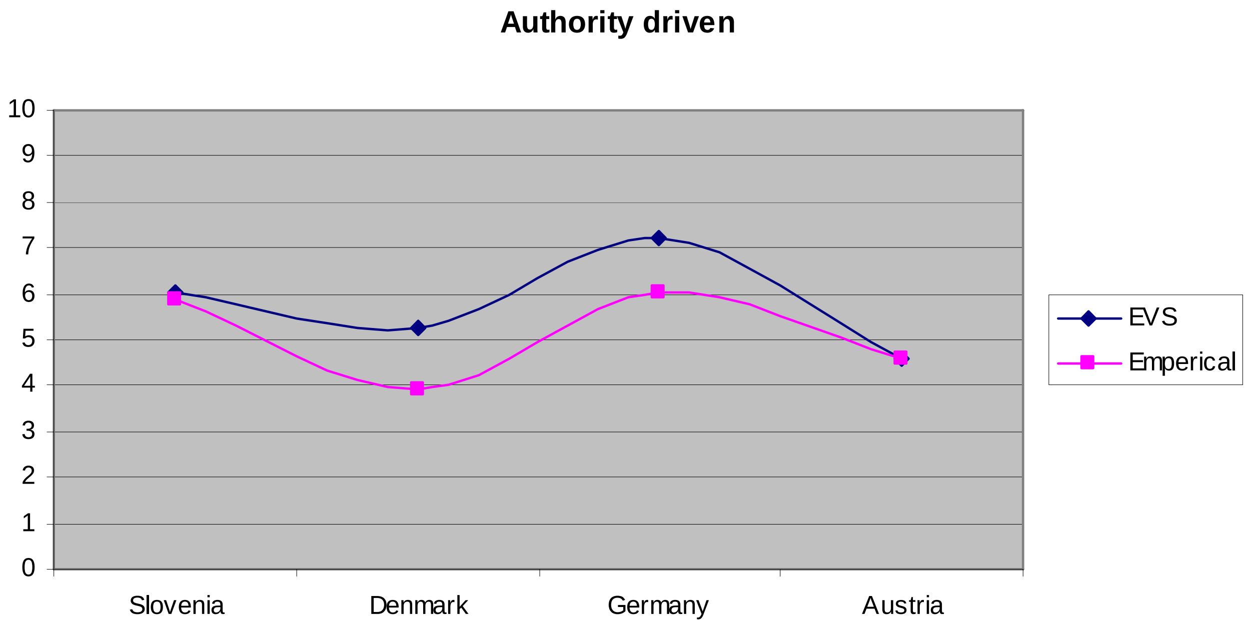
Results regarding hypothesis 1 indicate that Slovenian MNCs opt for higher preferences of input control usage (ICU) and behaviour control usage (BCU) than output control usage (OCU), whereas the remaining three countries' MNCs opt for predominant use of OCU (see table 1). This confirms the hypothesis, although the results are not overpoweringly persuasive as there appears to be no direct correlation between high levels of capitalistic driven tendencies and high OCU. As is evident from the data, the Austrian economic corporate culture, which was ranked almost as capitalistic as the German, utilizes more OCU and less ICU and BCU than Germany. Equally, Denmark, which ranked considerably less capitalistic than Germany, has a 13% higher OCU than Germany. This thwarts any attempts to make a direct link between high and low traits of capitalistic driven tendencies and opted for control mechanisms, but does allow for generalizations of preferences towards the different control styles in relation to broad contrasts in highly capitalistic and communitarian driven stances.

A possible explanation for Austria's deviation from the general trend is that the surveyed Austrian MNCs have adopted comparatively more individual and independent employee traits into their economic culture than the EVS predicted. This notion is supported by the empirical data which ranked the surveyed Austrian MNCs as the most capitalistic (see figure 3). As such, the Austrian data no longer deviates from the trend but strongly supports it as it is highly capitalistic and has the highest OCU. Equally, Germany's economic culture, according to the empirical data, is less capitalistic than Denmark's, which also concurs with the low German OCU of .62.

Hypothesis 2 is rejected as there appears to be no correlation between capitalistic driven MNCs and a prevailing use of motivational factors. Although ranked highly capitalistic, German MNCs ranked lowest with regards to utilizing motivational factors (4) to stimulate a competitive work environment (see table 1). Danish and Austrian MNCs ranked high on the utilization of motivational factors (66 and 56, respectively), which does go in accordance with the hypothesis as these two countries also were ranked fairly capitalistic driven. However, the data from these remain inconclusive as the third foreign country, Germany, thwarts this pattern as does Slovenia by having a higher utilization of motivational factors (42) despite being ranked more communitarian than Germany. Furthermore, the theory is flawed since Austria, while having ranked more capitalistic driven than Denmark, utilizes motivational factors to a considerable smaller extent than Denmark. Consequently, there appears to be little or no connection between the form of motivational factors headquarters utilize, be they motivators or maintenance factors, in view of their respective capitalistic vs. communitarian driven stances. This may be due either to the possibility that other factors have a greater influence on the use of motivational factors than capitalistic driven economic cultures do or that maintenance factors are equally appropriate for highly capitalistic driven cultures.

Figure 3. Comparison of Capitalistic and Authority driven stances of surveyed MNCs and EVS





Hypothesis 3 is confirmed. Germany and Slovenia are ranked as being the most authority driven cultures while scoring lowest on the decentralization scale (see table 2). Furthermore, Denmark and Austria, which scored least authority driven, or most subordinate driven, ranked the most decentralized (6.39 and 4.38, respectively). This advocates that there is a negative correlation between being authority driven and decentralization. However, the results are not pristine. Although Germany and Slovenia, when grouped together, score a higher centralization count than Austria and Denmark as the hypothesis predicts, the fact that Slovenia is less authority driven from an economic culture perspective than Germany but still is more centralized foils any decisive conclusions to be made regarding direct linkages between these two factors. It appears that there is a tendency for high levels of authority driven preferences to be accompanied by low levels of decentralization, or high levels of centralization, but it is not a precise relationship.

Table 1. Capitalistic driven levels in relation to control and motivational distributions

	Capitalistic driven	Input, behaviour & output control distribution	Motivational vs. maintenance distribution
Germany	7.9 (5,57)	IC & BC = .38, OC = .62	Mot = .40, Main = .60
Austria	7.8 (6,7)	IC & BC = .19, OC = .81	Mot = .56, Main = .44
Denmark	6.46 (5,72)	IC & BC = .30, OC = .70	Mot = .66, Main = .34
Slovenia	5.87 (4,33)	IC & BC = .62, OC = .38	Mot = .42, Main = .58

Results in ( ) represent the empirical equivalent

The empirical data concerning the four countries' economic culture again help explain the minor result deviations. According to the surveyed MNCs, Slovenia's economic culture ranked almost identical to Germany's and the surveyed Danish

MNCs scored less capitalistic than the Slovenian MNCs. Accordingly, the Slovenian decentralization level no longer directly contradicts the highly capitalistic – highly centralized predicted relationship and the Danish data now lends full support to it.

Hypothesis 4 is confirmed. Although all countries' MNCs ranked as having a predominant use of two-way knowledge flows (Germany: 5.21, Slovenia: 6.39, Austria: 6.5, Denmark: 7.46), there does appear to be a direct correlation between scoring highly authority driven and having comparatively lower levels of two-way knowledge flows than the highly subordinate driven countries (see table 2). All countries, with the exception of Denmark, which appears to maintain extremely high levels of two-way knowledge flows in view of its neutral economic culture stance, act in accordance with this trend. Accordingly, there does appear to be a positive association between high levels of subordinate driven preferences and greater inducement of two-way communication and vice versa. This insinuates the more autonomy an employee feels she is empowered with, the more likely she is to communicate in various directions, including upwards. A possible explanation of Denmark's trend deviation can be clarified through closer examination of the current economic culture levels within the surveyed Danish MNCs. The Danish authority driven stance, according to the empirical data, was extremely low (3.9) which ranked the Danish MNCs as the most subordinate driven of the surveyed MNCs. Consequently, the Danish data now acts in full accordance with the trend as the extremely low level of authority driven economic culture appears to be negatively correlated to high levels of two-way knowledge flows.

Table 2. Authority driven levels in relation to decentralization and knowledge flows

	Authority driven	Level of decentralization	Level of two way knowledge flows
Germany	7.23 (6,04)	3,573	5,214
Slovenia	6.03 (5,87)	3,189	6,384
Denmark	5.24 (3,90)	6,388	7,458
Austria	4.6 (4,58)	4,381	6,5

Results in ( ) represent the empirical equivalent

Discussion

Overall, the significance of the identified differences in HSR management between the focus countries gain further relevance when purely viewing indicatory extremes (i.e. Denmark's and Slovenia's decentralization levels or Austria's and Slovenia's OCM utilization). Although, as revealed above, the sought for correlations are seldom linear, the differences, when viewed at their peripheral extremes within the HSR management spectrum, become increasingly apparent and provide nourishment for afterthought about collaborative international business operations. It appears that variances in economic culture can have a profound impact on HSR management, perhaps to the extent that it significantly thwarts international collaboration within some subsidiary management methods. Furthermore, although the participatory MNCs that partook in this study act as a representative sample and do not comprise a complete national breakdown of each HSR management aspect, critical value testing fitted with 95% confidence interval helped ensure, to a statistically safe degree, that the sample results were indicatory and significant of a much larger sample.

The subsidiary managers that act as the survey questionnaire response candidates are considered key informants (Casles/Kumar 1988:24) and consequently were the employees best suited to answer inquiries regarding economic culture and HSR management aspects. For empirical studies within social sciences, basing surveys with only one informant, typically the CEO or another top-manager, from each organization/subsidiary is not uncommon (Mahnke/Pedersen/Venzin 2004). However, this does not imply that data collection from these sources is without challenge. The implicit assumption behind this methodology is that perceptions on the sought for data are so homogeneous inside the organization that one central informant can express the common perception of all members of the organization. This is a highly questionable assumption and it must be asserted that although the subsidiary managers are considered pivotal informants, their insight does not necessarily reflect the perceptions of the entire subsidiary or MNC. Their standpoints are susceptible to biases that can stem from any inaccurate or distorted judgments that the respondent might possess. Consequently, it is not certain that the respondent has, with 100% accuracy, depicted the illuminated topic in a manner that the rest of the subsidiary would agree with. To counter this and assure the internal and external validity of the survey questionnaire, several measures, in accordance with data validity concerns proposed by Fink (2003), were imposed onto the survey questionnaire prior and during the sampling and data collection phase. The survey questionnaire deliberately avoided personally sensitive and organizationally confidential information and the respondent was assured of the productive nature of the survey as well as reassured of completely anonymity thus prompting a holistic perception of the entire subsidiary. Respondent selection bias was avoided by initiating the survey with no preconceived preferences for particular MNC participation within the industry clusters; there was complete equal eligibility from the initial pool of MNCs (and thus MNC managers) within the manufacturing and pharmaceutical industry lists provided by the focus countries' commerce of trade departments. Initially, attrition (the loss of potential respondents that were meant to participate in the study but opted not to) was the primary concern for the internal validity of the survey questionnaire as the designated respondents required intense motivation to actively participate in the study. This concern proved even more threatening to the data validity as attempts at offsetting attrition losses were thwarted by the difficulty in increasing the MNC sample amount. Accordingly, the threat of attrition invalidity of the survey questionnaire is a genuine concern and it must be acknowledged that the MNC managers that did participate in the survey somehow differ from the potential participants that opted to abort participation. Consequently, attrition, to some indefinable extent, skews the pristine representation of MNC managers. However, although attrition validity is a concern, the remaining participating respondents, those who opted to participate for the duration of the survey, are representative of a valid sample size themselves.

In order to further discount external invalidity, a sincere effort was made to install similar survey conditions that desensitized the participants to interceptive pre-measures that could result in atypical results. Especially in a multinational study as this, the range of varying pre-measures within the different countries of MNC operation that can distort the sought for results is particularly large and can warp the respondent perspectives on the particular management aspects to a detrimental extent. To overcome this involved standardizing the reactive effects of the testing so that uniform conditions impacted the survey respondents.

The respective merits of the two complementary data analysis techniques (Spearman rank - and standard linear correlation tests) to a large degree provide solid analytical advancements that appropriately investigate the current data. However, it must be noted that the combined use of both techniques does harbour some shortcomings that warrant attention. First, the cardinal benefit of the Spearman rank correlation test is that it considers the data from each survey questionnaire individually (opposed to an amassed indication as with the standard linear correlation test) and assigns a corresponding rank value to each survey questionnaire sub-categorical response. For the sub-categorical management aspects this posed no difficulties as there was an exact and differentiated sub-categorical value for each survey questionnaire that could be ranked and used in the analysis. However, the data from the four economic cultural drivers obtained from the survey questionnaire was not utilized in the analysis as its sole purpose was to provide an indication of observed economic culture alignment with the EVS data. Consequently, the EVS data, and not the empirical economic culture data, was ranked and correlated with the five empirical management aspect rankings. Although this was the overall goal all along, it presented the problem of utilizing the same country score for each economic cultural driver across many sub-categorical management aspects. Although the Spearman rank correlation test provides a methodology to overcome replicate scores when ranking the results, it must be acknowledged that utilizing only four EVS scores that are ranked altogether 50 times in four different quantities for each sub-categorization does not provide the perfect spread of results optimal for differentiated ranking.

Second, normally standard linear correlation tests can adequately account for a full spectrum of data, ranging from peripheral to neutral data, providing that the sample is large enough to discount the effect of a few extreme data results that digress from the overall sample. However, with a decrease in the quantity of sample data, the threat of peripheral data contaminating the overall sample set increases and appropriate countermeasures must thus be taken. This is a weakness the current analysis suffers from; the sample data for the correlations is insufficiently large to discount the possibility of one or more potential peripheral management aspect responses to be correlated to the economic culture country groupings. In itself, this was not problematic as this deficiency could be overcome by including only economic culture scores in the analysis that were at respective highs and lows as it was felt that neutral and peripheral data responses of an extreme economic culture score could be broadly categorized against neutral and peripheral data responses of the opposite economic culture extreme. In other words, the greater the distance between the independent variables (in this case the economic culture scores) the greater the likelihood of the dependant variables (the management aspects scores) to be distributed within a visible and differentiated cluster. This, however, does not apply to the neutral economic culture scores as a normal distribution of correlated management aspects would be equally dispersed in between the two extremity clusters and thus provide vagueness to the results. Therefore, to overcome this, neutral economic culture scores and their correlated management aspect scores were initially omitted from the standard linear correlation tests as their impartiality would yield indistinguishable results. The repercussions of this inevitably imply that some data valuable to the overall research is lost because of the tests inability to appropriately process all the data.

Conclusion

The study shows that there are some direct linkages between capitalistic and authoritarian economic cultures on managerial aspects of a HSR. Strong evidence was found that knowledge flows are influenced by the extent to which MNCs are authority vs. subordinate driven. Highly subordinate driven MNCs tend to have a bias towards two-way knowledge flows and highly authority driven MNCs utilize smaller extents of two-way knowledge flows. Further evidence was found that supports that the level of decentralization has a negative correlation, although not pristine, to the MNCs authoritative economic cultural stance; high levels of authority driven preferences induce less decentralization.

Mixed results were found regarding capitalistic vs. communitarian driven stances. Input and behaviour control mechanisms do appear to be positively correlated to communitarian driven economic cultures and, accordingly, output control to capitalistic driven cultures. However, no consensus was found regarding the utilization of motivational and maintenance factors with regard to being capitalistic or communitarian driven.

The results of this study provide further nourishment for researchers and practitioners who subscribe to the notion that national management models do persist in Europe (Klarsfeld/Mabey 2004). Although the results of this research do not provide indications that Eastern and Western economic culture and HSR management are continuously at opposing poles, it does imply that the Slovenian economic culture and consequent HSR management substantially differ, in some ways, to the three longstanding EU members also included in this survey. This could further complicate the manner in which Slovenian EU integration occurs and the mode through which Slovenian international companies can reap economic gains through the common market.

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