

Nationality, Cultural Distance, and Expatriate Status: Effects on the Managerial Network in a Multinational Enterprise

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We study the role of three characteristics of international managers—nationality, cultural distance, and expatriate status, for their network ties. A network analysis of cross-subsidiary interactions among 457 managers in an MNE demonstrates that managers form strong expressive ties with peers with

smaller cultural distance and from the same status group. However, managers form strong instrumental ties with peers who are different on these background characteristics. The implications for international management theory and practice are discussed.

The exchange of physical, financial, and informational resources across large distances and borders is essential for the existence of multinational enterprises (MNEs): according to internalization theory, they exist by replacing market-type contractual arrangements with transactions within a single organization to minimize costs (Rugman, 1981; Buckley & Casson, 1985).

Intra-company transfers become ever more important with the increased interdependence of subsidiaries: a significant share of the enormous contribution of MNEs to world trade and investment comes from intra-firm trade that involves dispersed sourcing of raw materials, manufacturing of components, and use of transnational distribution channels.

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These exchanges are accompanied by interpersonal interaction among managers in different organizational units—headquarters and subsidiaries. Such interactions across borders are the channel for achieving coordination on a global scale. Interactions across distance are critical because they ensure the MNE's integration and existence as a single entity. Managers in an MNE form a complex social network that stretches across countries and continents. Although recent theoretical developments have led to the conceptualization of interactions across subsidiaries as a network (cf. Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997), little empirical research has been carried out to date on this topic. The present study explores the role of nationality, cultural distance, and expatriate status for the formation of strong ties in the managerial network in an MNE.

THE MANAGERIAL NETWORK IN THE MNE

In recent decades, the MNE structure has evolved into a complexly differentiated system. To achieve integration without destroying subsidiary autonomy, administrative means of coordination and control are increasingly complemented by normative ones that are based on enhanced socialization to instill espoused corporate values and increased reliance on lateral linkages to maintain them (Hedlund & Rolander, 1990). International management thought suggests that the horizontal links between the managers of the various subsidiaries of the MNE are important factors for organizational learning in the MNE (Edström & Galbraith, 1977; Doz & Prahalad, 1991). Such relationships provide the basis for normative control and coordination and

consequently facilitate cooperative behaviors such as exchange of knowledge between subsidiaries and fast and successful adoption of organizational practices across them.

We refer to the set of these relatively stable interactions among the managers in the MNE as the managerial network. Managerial networks are important forces for coordination and integration in the MNE. They are the "conduit for information exchange [. . .] and serve as the glue that holds these vast geographically dispersed and internally differentiated organizations together" (Nohria & Ghoshal, 1997:151). Through these networks, managers accrue social capital that facilitates innovation and improves the performance of their subsidiaries (Tsai & Ghoshal, 1998).

Key properties of network ties are their strength and multiplexity. Tie strength is defined as a "combination of the amount of time, the emotional intensity, the intimacy (mutual confiding) and reciprocal services which characterize the tie" (Granovetter, 1973:1361). Strong ties are indicative of in-depth exchanges between managers. Managers would most likely "compare with and come to agree with others to whom they are most strongly tied" (Erickson, 1988:115). Strong ties are more likely than weak ties to facilitate learning and the transfer of complex managerial routines because of the needed substantial investment in time and relationships (Hansen, 1999).

An important aspect of the network framework is the understanding that in a network, just as in a pair of actors, relationships can be multiple. Social network theory distinguishes between instrumental and expressive ties (Tichy, Tushman, & Fombrun, 1979; Ibarra & Andrews, 1993). Instrumental ties arise in the performance of work and facilitate

the transfer of physical, informational, or financial resources. Expressive ties provide friendship and social support. Most of interactions among managers in the MNE have both instrumental and expressive aspects, and it is usually hard to disentangle the two. For example, formal vertical reporting relationships are often complemented by informal coaching and mentoring, while friendships and informal collegiality can lead to successful teamwork in formally appointed groups.

In this paper, we study the network in an MNE as comprised of interpersonal ties that connect managers across geographical borders. The network includes dyadic relationships among managers who work in different subsidiaries as well as between managers working in subsidiaries and managers in headquarters. In particular, we examine the role of background factors in forming and maintaining relatively strong instrumental and expressive network ties. We propose hypotheses about the effects of three attributes of individuals that are intrinsically international: managers' nationality, cultural distance in a dyad, and expatriate status on the strength of ties in the managerial network.

Managers' Nationality and the Strength of Ties

Nationality is a key personal attribute that shapes interactions among managers in an MNE. A common nationality, much like gender and age in any organization, generates shared perspectives and potential conversational content (DiMaggio, 1992). For example, an Indian accountant in an operational subsidiary in Africa may maintain regular contact with his compatriot who manages MIS at the European headquarters just on the basis of their shared nationality. Such shared attributes often lead to

homophily because managers would be more likely to have strong ties with those who have similar attributes, values, and perceptions (McPherson & Smith-Lovin, 1987; Marsden, 1988). Under circumstances of threat and conflict, nationality is a highly salient attribute which may signal managers to bypass the hierarchy and contact a compatriot directly. People from the same nationality create a cultural group within the MNE with its own routines transmitted through communication channels across geographical boundaries that are often closed to non-members (Kilduff, 1992).

Thus a shared nationality is a basis for managers to establish and maintain strong network ties. It evokes especially friendships and social support which are components of expressive ties. Social ties such as friendship are more likely to develop between people who share a common background (Tsui & O'Reilly, 1989; Ibarra, 1992). Thus the effect of nationality on tie strength is expected to be stronger for expressive ties than for instrumental ties. Therefore:

Hypothesis 1. Managers of the same nationality are more likely to develop stronger instrumental ties than managers of different nationalities.

Hypothesis 2. Managers of the same nationality are more likely to develop stronger expressive ties than managers of different nationalities. In addition, members of the same nationality are more likely to develop stronger expressive ties than instrumental ties as compared to managers of different nationalities.

Cultural Distance Between Managers in a Dyad and the Strength of Ties

Cultural distance is the degree to which the cultural norms in one country

are different from those in another country (Kogut & Singh, 1988). This concept is based on Hofstede's (1980) classical four dimensions of national culture: individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity. Cultural distance has important implications at both the macro and micro levels. At the macro level, large cultural distances hinder the integration of a subsidiary (Jemison & Sitkin, 1986). However, cultural diversity also encourages the learning of new routines and may result in improved performance (Ghoshal, 1987; Morosini, Shane, & Singh, 1998). At the micro-level, cultural distance creates difficulties for managers when they adapt to a different culture (Black & Mendenhall, 1992). Thus greater cultural distance may lead to misunderstanding, friction, and conflict between managers (Lincoln, Hanada, & Olson, 1981; Adler, 1997).

Managers in an MNE increasingly engage in cross-cultural interaction in the contacts they establish in their network. The previous section argued that managers in the MNE are more likely to develop strong network ties with compatriots than with people from different nationalities. Extending this argument, if few compatriots are available in a diverse and globally spread MNE, managers would seek peers from similar rather than different national cultures to establish strong network ties. Similarity in national culture, or smaller cultural distance, facilitates interaction in a dyad, while dissimilarity, or larger cultural distance hinders it. Smaller cultural distance means a higher degree of similarity in personal background, which facilitates relationships of social support and friendship (Tsui & O'Reilly, 1989; Ibarra, 1992). That is why, similarly to the hypothesized effects of nationality, we ex-

pect the relationship of cultural distance with expressive ties to be stronger than the relationship of cultural distance with instrumental ties. Therefore:

Hypothesis 3. Managers of different nationalities are more likely to develop stronger instrumental ties if the distance between their national cultures is smaller than if the distance is larger.

Hypothesis 4. Managers of different nationalities are more likely to develop stronger expressive ties if the distance between their national cultures is smaller than if the distance is larger. In addition, members of the different nationalities are more likely to develop stronger expressive ties than instrumental ties if their cultural distance is smaller rather than larger.

Expatriate Status and the Strength of Ties

MNEs send expatriates abroad to transfer managerial expertise and technology as well as maintain control over host country subsidiaries (Edström & Galbraith, 1977; Kobrin, 1988; Boyacigiller, 1990). Because sending expatriates overseas incurs significant direct and indirect costs, MNEs usually select managers of significant career promise for such assignments (Adler, 1997). MNEs need to carefully evaluate the performance of expatriates (Gregersen, Hite, & Black, 1996) and help them with adjustment overseas (Mendenhall & Oddou, 1986) and repatriation (Harvey, 1989). Still, a host of individual, organizational, and environmental factors may result in costly expatriate failure (Birds-eye & Hill, 1995).

To cope with the significant challenge of moving and working overseas, managers often form closely-knit expatriate

communities. Sometimes contact with local people is so scarce that expatriates miss an opportunity to learn about the host country culture (Adler, 1997). Often their one-way, top-down communication with locals is inadvertently enhanced by a significant difference in rank. The social difference between a superior and a subordinate becomes even greater, especially in less developed countries, because of three factors. First, local employees see the culture of the home country as less accessible and may rarely initiate contact with expatriates. Second, the cultures of countries of less national wealth are often characterized by higher power distance (Hofstede, 1980/1984: 97), which discourages local staff in those countries from interacting with expatriates. Third, communication is affected by the language abilities of both expatriates and local staff—they are often less than perfect, which forces expatriates to use indirect (e.g., interpreters, assistants) or selective modes of communication (Du-Babcock & Babcock, 1996). In summary, the status distinction between expatriate managers in a host country and local managers becomes a barrier for ties in the MNE managerial network.

Expatriates, on the one hand, and local staff, on the other, form two status groups that are likely to influence interactions in the managerial network in the MNE (below we shorten the term “expatriate status” to simply “status”). Sharing a status group (expatriate vs. local) provides common experience and points of view and therefore leads to potential conversational content. That is why we expect shared status groups to result in stronger network ties. Again, the effect is hypothesized to be stronger for expressive ties than for instrumental ties because of the significance of shared status

for friendship, social ties, and support. Therefore:

Hypothesis 5. Managers of one and the same status group are more likely to develop stronger instrumental ties than managers of different status groups.

Hypothesis 6. Managers of one and the same status group are more likely to develop stronger expressive ties than managers of different status groups. In addition, members of the same status group are more likely to develop stronger expressive ties than instrumental ties as compared to members of different status groups.

To summarize, the conceptual model guiding this research states that the background of individual managers determine in part their behavior: shared personal characteristics result in identification with a larger group, increased conversational content, and ultimately stronger network ties¹.

METHODOLOGY

Site and Data Collection

We tested these hypotheses through an in-depth analysis of the managerial network in an MNE. The research site chosen, “GlobalAction” (a fictitious name), a large multinational non-governmental organization with headquarters in UK, was an ideal site for testing for several reasons. GlobalAction is an MNE of moderate size, with a network that is not inordinately large, yet it operates globally. GlobalAction was also open to disclosing information about its network of ties across subsidiaries, which many for-profit MNEs would not allow for competitive reasons. This organization raises funds in 9 developed countries and in-

vests them in projects to help children in more than 30 countries of the Third World. Examples of such projects are renovation of schools, construction of hospitals and maternity wards, building wells for potable water, immunizations, and scholarships. It operates through a sponsorship mechanism, linking individual sponsors from the developed world with children who benefit from the money. GlobalAction employs about 5,000 people worldwide, aids more than 700,000 children, and has an annual budget above \$200 million.

The study employed a two-stage design. In the first stage, qualitative data were gathered about its mission, history, structure, and operations through review of archival data, interviews with key informants, and observation. Visits were made to Headquarters and seven field offices in five countries on two continents (Kenya, Tanzania, Zimbabwe, Sri Lanka, and Nepal). Semi structured interviews were conducted with 55 key informants about the formal structure and managerial network of both the whole organization and the respondent's subsidiary.

In the second stage of the research, a questionnaire was administered to collect sociometric and background data. The target population was defined as all managers with significant decision-making authority. Before administration, it was pre-tested with five managers and was then revised to improve its clarity and acceptability to people from different cultures. Respondents were asked to mail the completed surveys to 6 intermediaries from GlobalAction who were located in Africa, Asia, and Latin America. To ensure confidentiality, intermediaries sent the surveys to the researchers unopened. Respondents were assured that the survey would not be used for perfor-

mance evaluation. After a reminder letter, 203 usable surveys were collected out of 273 sent out, or 74%. In return for its help with logistics, GlobalAction was provided with a summary of the survey's findings.

To obtain network data for interaction across borders and organizational units, respondents identified peers working in subsidiaries other than their own, with whom they talked on a regular basis "to get the job done." They were then asked to describe on a Likert-type 1-5 scale each of these relationships on a number of dimensions (see Appendix). After receiving the completed surveys, the list of managers in the network of both respondents (egos in network terms) and those that were cited by them (alters) was determined through an exhaustive iterative process to identify reliably the managers who indeed interacted with colleagues from other subsidiaries². The database was cleaned of repetitions, i.e., managers who appeared under more than one name. Those who were cited as alters, but clearly did not act in a managerial capacity, were dropped. The database which was obtained as a result of this process includes 457 managers located in 36 countries.

Measures

Independent variables. Difference in nationality (diff_nation) is a binary variable that is coded 1 if managers in a dyad are from different nationalities, and 0 if from the same nationality. Cultural distance was computed as a Euclidean distance:

$$CD_{ij} = \sqrt{\sum_{k=1}^4 (D_{ik} - D_{jk})^2}$$

where CD_{ij} is cultural distance between managers i and j , and D_{ik} and D_{jk} are the

indices for the k -th dimension in i 's and j 's national cultures. Scores of respondents' countries on the four major dimensions of national cultures are obtained from Hofstede (1980; 1983). Some nationalities in our sample were not studied by Hofstede. When testing hypotheses about cultural distance these ties are treated as missing. Difference in status (diff status) is a binary variable that is coded 1 if managers in a dyad are from different status groups (expatriates vs. local staff), and 0 if they are in the same status group.

Dependent variables. Because tie strength is a multifaceted construct (Marsden & Campbell, 1984), it was measured in this study separately as the strength of instrumental ties and the strength of expressive ties. The strength of instrumental ties was measured as the sum of the values for perceived importance of the tie for work, and degree of involvement in the exchange of resources, technical assistance, and managerial information. Interviews indicated that these exchanges were an important part of managers' work in GlobalAction. The strength of expressive ties was obtained as the sum of the values for the degree to which managers in a dyad are acquainted personally with each other and talk about things beyond work.

These measures were based on both previous research (Marsden & Campbell, 1984; Baker, 1992) and our own fieldwork. To validate them, we performed a factor analysis of the network questions, which produced two factors. As shown in the Appendix, the four items that were intended to measure the instrumental aspect of ties loaded highly on one of them, while the two items measuring expressive relationships loaded on the other. This shows that our measures have substantial convergent valid-

ity. Further, the items that loaded high on one factor were low on the other, which is a sign for discriminant validity. The Cronbach alphas for the two indices were .752 and .734 respectively, which indicates that the measures are reliable.

Control variables. Three variables were introduced to control for the possible impact of spurious factors. First, managers in the network may communicate simply because they work in the same organizational function³. That is why we controlled for the difference in function (diff function). Second, geographical location also influences cross-subsidiary interaction: managers in the same country are likely to communicate more than managers in different countries. We entered a control variable for the difference in country (diff country). Third, a difference in gender (diff gender) variable was added to control for the possibility for gender homophily in communication. Any of these three variables takes the value of 1 if the two managers in a dyad work in different functions, countries, or are from different genders and 0 if same⁴.

Analytical Methods

The hypotheses were tested independently by two methods, QAP and OLS regressions. QAP (Quadratic Assignment Procedure) is a non-parametric regression that uses a Monte Carlo simulation. It has been found superior to other techniques (such as OLS or GLS) for testing regression hypotheses based on network data where observations may be correlated because one respondent can name a number of different people in response to a network question (Krackhardt, 1988). This analysis was performed in UCINET V (Borgatti, Everett, & Freeman, 1997). We first constructed the adjacency matrix which lists network members as egos row-wise and as alters column-wise

and contains ones if there is a direct tie between ego and alter or zeros otherwise. The variables at the dyadic level (cultural distance and the strength of instrumental and expressive ties) were arranged into valued matrices. These are similar to the adjacency matrix but have the values from the Likert-scaled questions. Following procedures used by others (cf. Burkhardt, 1994; Mehra, Kilduff, & Brass, 1998), all matrices were symmetrized under the assumption that a tie exists if either individual lists the other as an alter. As in Krackhardt (1988), missing values in all matrices (i.e., no tie between ego and alter) were replaced with zeros.

This study deals with large and thus fairly sparse matrices in which the high number of zeros would produce a biased correlation estimate: it would overstate the strength of the relationship and skew it to the positive side. To correct for this bias, in all QAP regressions the adjacency matrix for the network was added as a control variable. One would expect the adjacency matrix to be a positive and highly significant predictor in each QAP equation. However, since the meaning of a coefficient in a multiple regression is partial correlation between the particular predictor and the dependent variable controlling for all other predictors, the effects, if any, of the real predictor variables would be independent of the positive effect of the many zeroes in such matrices with low density.

Because OLS regression is a better-known technique of analysis, OLS regression results are also shown. OLS regressions were performed on dyadic interactions, i.e., the non-zero elements of the network matrices.

NETWORK DESCRIPTION AND RESULTS

Descriptive statistics are presented in Table 1, and the correlations between the

dyadic variables in Table 2. The 457 managers in the sample represent 41 nationalities and work in 36 countries (see Table 1). The mean age is 40.3 years (SD 7.2), and managers in the sample are fairly highly educated—5.8 years of formal education after high school on the average (SD 2.2). The mean degree centrality (i.e., how many direct ties a manager has with others) is 5.2 (SD 4.9). Expatriates come from both the UK and third countries. One hundred twelve or 79% of them come from countries in the developed world, the remaining 30 or 21% come from developing countries. Sixty percent of dyadic relationships are between managers at different rungs of the hierarchy, while in 90% both managers work in subsidiaries.

While there are still significant differences between expatriates and local staff in terms of responsibility, pay and social status, GlobalAction has actively sought to transfer responsibility from expatriate managers to local staff. This process of decentralization and empowerment is guided by GlobalAction's philosophy to see their clients, the communities, do the development work themselves. The organization has phased out (or "graduated," in its own terms) operations in areas and countries where the standard of living has been substantially improved. To emphasize this goal of empowerment, GlobalAction even had a freeze on the hiring of expatriates at the time of the study. A certain number of expatriates were still deemed necessary to ensure learning and continuity by transferring accepted policies and routines of aid and development to program areas. In some of the world's poorest countries, expatriates also provided a guarantee that the organization's integrity would not be compromised under pressure from local corrupt public figures. The organiza-

TABLE 1
DESCRIPTIVE STATISTICS

Attributes of Managers	Attributes of Dyadic Ties	Mean	SD	Min	Max	N
Nationality of managers (N)	Diff_nation	.583	.493	0	1	2358
Argentine (1), Bangladeshi (1), Belgian (1), Bolivian (18), British (18), Burkina (12), Canadian (4), Colombian (30), Dominican (7), Dutch (16), Ecuadorean (43), Egyptian (17), Ethiopian (1), Filipino (35), French (2), Guatemalan (16), Haitian (4), Honduran (7), Indian (14), Indonesian (31), Irish (1), Japanese (2), Kenyan (21), Liberian (1), Malian (13), Nepali (14), Nicaraguan (2), Palestinian (1), Paraguayan (1), Peruvian (6), Salvadorian (4), Senegalese (13), Sierra Leonean (1), Sri Lankan (6), Sudanese (5), Swiss (2), Thai (21), Ugandan (6), US (39), Vietnamese (3), Zimbabwian (3); unknown (14)						
Status (N, %)	Cultural distance	34.265	25.418	0	125	1790
Function (N, %)	Diff_status	.339	.474	0	1	2358
	Diff_function	.121	.327	0	1	2358
Country of operation (N)	Diff_country	.390	.488	0	1	2358
Expatriates 142, 31% Local managers 315, 69% Programs 118, 26% Donor Services 47, 10% MIS 41, 9% Accounting 104, 23% Line managers 147, 32% Bangladesh (4), Benin (1), Bolivia (18), Burkina Faso (14), Colombia (31), Dominican Rep. (7), Ecuador (50), Egypt (18), El Salvador (3), Ethiopia (1), Ghana (2), Guatemala (21), Haiti (7), Honduras (8), India (6), Indonesia (34), Kenya (25), Malawi (1), Mali (15), Nepal (17), Nicaragua (3), Paraguay (2), Peru (8), Philippines (41), Senegal (23), Sierra Leone (6), Sri Lanka (12), Sudan (3), Tanzania (2), Thailand (24), Togo (1), Uganda (7), UK (30), Vietnam (4), Zambia (1), Zimbabwe (7)						
Gender (N, %)	Diff_gender	.304	.460	0	1	2358
	Strength of instr. ties	12.134	3.856	1	20	2358
	Strength of expr. ties	6.792	1.961	1	10	2286

TABLE 2
PEARSON CORRELATIONS BETWEEN DYADIC VARIABLES

Variables	1	2	3	4	5	6	7
1. Diff_function							
2. Diff_country	-.004						
3. Diff_gender	.026	.001					
4. Diff_nation	-.091***	.363***	-.017				
5. Cultural distance	-.081*	.280***	-.022	.820***			
6. Diff_status	.025	-.092***	.033	.243***	.228***		
7. Strength of instrumental ties	-.044	-.007	-.055	.106***	.067†	.074**	
8. Strength of expressive ties	-.126***	-.015	-.082**	-.021	-.010	-.082***	.322***

***p < .001
 **p < .01
 *p < .05
 †p < .10

tion’s espoused values encouraged interaction between expatriates and local staff as a way to educate and transfer responsibility.

The results of the tests of the hypotheses are presented in Table 3⁵. In all QAP regressions, the adjacency matrix for the network is the most significant predictor. Significant results for the other predictors mean that even controlling for the many zeros in sparse matrices, the independent variables have an effect on the dependent variable. The QAP and OLS regressions produce similar estimates, in all models with identical signs. The QAP test provides higher results for the significance of some predictors (because of the rather high N, effectively 457*457). That is why we describe results as definitive only when the two tests converge in their results. The regressions explain a relatively low proportion of the variance in the dependent variables; nevertheless this effect is statistically highly significant. A positive sign of a coefficient means that a tie is likely to be stronger between managers from different groups

of the independent variable, and a negative sign, from the same group.

We find that, contrary to Hypothesis 1, respondents of different rather than the same nationalities were more likely to have strong instrumental ties. By contrast, Hypothesis 2, that managers of the same nationality are likely to develop strong expressive ties with each other received partial support. All of the different nationality coefficients (diff_nation) are negative as predicted, indicating that managers of the same nationality have stronger expressive ties as compared to those of different nationalities. However, support is weak in that only the QAP regressions show significant negative coefficients.

The effect of cultural distance on the strength of ties is similar to the effects of difference in nationality. As shown in Table 3, managers had stronger instrumental ties with peers from more distant rather than similar cultures, which contradicts Hypothesis 3. However, as proposed in Hypothesis 4, managers appeared to maintain stronger expressive

TABLE 3
THE EFFECT OF MANAGERS' NATIONALITY, CULTURAL DISTANCE, AND EXPATRIATE STATUS ON THE STRENGTH OF TIES

Independent Variables	Dependent Variables					
	Strength of Instrumental Ties			Strength of Expressive Ties		
Intercept						
QAP	.001***	.001***	.001***	.000***	.000***	.000***
OLS	12.350***	11.911***	11.773***	7.008***	7.067***	7.126***
(SE)	(.118)	(.142)	(.133)	(.060)	(.073)	(.068)
Adj. matrix						
QAP	12.208***	11.725***	11.981***	6.866***	6.965***	7.022***
Diff function						
QAP	-.447***	-.307***	-.469***	-.565***	-.600***	-.574***
OLS	-.495*	-.367	-.518*	-.737***	-.754***	-.623***
(SE)	(.244)	(.243)	(.243)	(.123)	(.124)	(.139)
Diff country						
QAP	.094	.090	.151†	-.218***	-.122***	-.248***
OLS	-.052	-.394*	.004	-.062	-.016	-.074
(SE)	(.163)	(.174)	(.163)	(.083)	(.089)	(.100)
Diff gender						
QAP	-.569***	-.553***	-.591***	-.417***	-.421***	-.412***
OLS	-.449**	-.435*	-.474**	-.336***	-.338***	-.372***
(SE)	(.174)	(.173)	(.173)	(.089)	(.089)	(.101)
Diff nation						
QAP	1.048***	1.072***	.911**	-.263***	-.127	-.160**
OLS	.944***	.944***	(.344)	-.127	-.088	-.129
(SE)	(.173)	(.173)		(.088)		(.183)
Cultural distance						
QAP	.004**	.004***	.004***	-.002***	-.002***	-.002**
OLS	.005*	.005*	.005	-.001	-.001	-.001
(SE)	(.002)	(.002)	(.005)	(.001)	(.001)	(.001)
Diff status						
QAP	.631***	.631***	.631***	-.328***	-.327***	-.280***
OLS	.631***	.631***	.631***	-.327***	-.327***	-.293***
(SE)	(.169)	(.169)	(.169)	(.086)	(.086)	(.113)
N	2334	2334	2334	2286	2286	1742
R ²	.005**	.017***	.011***	.012***	.023***	.020***
						.024***

***p < .001 **p < .01 *p < .05 †p < .10

ties with peers with whom their cultures had a smaller cultural distance, though this is supported only in the QAP tests.

Once again, when examining the impact of expatriate status on strength of ties, in contrast to Hypothesis 5, Table 3 indicated that instrumental ties were stronger across status groups than within groups. Lastly, Hypothesis 6 was supported: expressive ties were stronger within status groups than across groups.

The effects of the control variables were generally in the expected direction, though not always significant. We expected that if managers in a dyad work in different countries, their tie would be weaker than if they work in the same country. That was true for expressive ties but the evidence for instrumental ties was contradictory. As expected, there was strong evidence that difference in function had a negative effect on the strength of expressive ties, and weak evidence that it may have a negative effect on the strength of instrumental ties as well. Finally, difference in gender was negatively associated with the strength of both instrumental and expressive ties.

DISCUSSION

This study demonstrates that international background characteristics of managers have a measurable impact on the MNE network. As hypothesized on the basis of extant theory, managers establish and maintain strong expressive ties with peers who come from similar cultures. Managers' status groups exercise a similar effect: an expatriate is likely to maintain a strong expressive tie with another expatriate, while a local manager would have a strong expressive tie with another local manager. Prior research has suggested that the background characteristics of managers play a stronger role for the strength of expres-

sive ties than for instrumental ties (Marsden, 1988; Tsui & O'Reilly, 1989; Ibarra & Andrews, 1993). Our study shows that the difference between instrumental and expressive ties may not be a matter of degree only. Unlike strong expressive ties, strong instrumental ties appear to be maintained by managers with different rather than similar background characteristics.

One explanation for the impact of international background characteristics on the strength of instrumental ties is that expatriate managers in the organization we studied make a conscious effort to overcome the barriers of their cultural background and status and work extensively with local staff. At the same time, apparently, they maintain expressive ties with peers of similar national cultural background and status. Our observations and interviews in GlobalAction lend credence to this explanation.

Another reason for this result may be the relatively low numbers of expatriates and the wide diversity of nationalities represented in the sample. These narrow down the pool of compatriots, those from similar cultures, and peers from the same status group as possible network contacts for a lot of managers. For example, there was only one Irish manager, one Argentine, one Belgian, and two Frenchmen in the network studied here. If these managers are to establish strong instrumental ties in the network, they would obviously have to look for people from nationalities other than their own to talk to. Nevertheless, this distribution of nationalities makes the similarity in expressive ties more significant. Managers would have to engage in some effort to establish and maintain strong expressive ties in this MNE.

This examination of the managerial network brings both good news and

causes for concern for the establishment of the so-called transnational MNEs (Bartlett & Ghoshal, 1989). The good news is that the contemporary MNE may bring together individuals from very diverse nationalities and provide a setting for the establishment of many strong ties across cultures. Rather than being compartmentalized by individual managers' separate nationalities, the network of instrumental ties stretches across borders and nationalities. However, the fact that managers may seek individuals of the same nationality and status or similar culture with whom they can create strong expressive ties, shows a certain degree of ethnocentrism and isolation between nationalities and cultural groups as well as between expatriates and local managers. The possibility that expressive network ties may lag behind the establishment of instrumental ties constitutes a potential drawback for the transnational solution for MNEs which calls for geocentrism and de-emphasizes different nationalities (Kobrin, 1994).

Previous research has indicated that while large cultural distance may create difficulty at the micro level because of the possibility of misunderstanding and slow adaptation between managers (Black & Mendenhall, 1992; Lincoln et al., 1981), it may be beneficial at the macro level for MNEs to the extent that it facilitates learning (Ghoshal, 1987; Morosini et al., 1998). This study suggests that large cultural distance may not always present insurmountable problems at micro level either. Managers appear to be able to bridge large cultural distances with peers from different culture with strong instrumental ties, even if these do not translate into comparable expressive ties.

We also examined the relationships between expatriate and local managers

and showed that they are multifaceted. Expatriates and local managers may be more successful in overcoming cultural and status barriers in communicating about work than in the purely social aspect of their relationships. The voluminous literature on expatriate management has focused extensively on issues related to the expatriate and his/her family as well as HRM policies and practices of MNEs (cf. Peterson, Napier, & Shul-Shim, 2000, for a recent review). However, it has lagged in examining the cross-cultural relationships that the expatriate forms with other expatriates and especially local staff. Competency in the management of these relationships is a key factor for successful adjustment in the host country and performance on the assignment (Leiba-O'Sullivan, 1999). A dyadic focus, i.e., examining the interpersonal relationships that expatriates maintain rather than studying expatriates alone, holds promise for important theoretical developments and practical insights.

This study has faced certain limitations that need to be considered when its results are generalized. First, the setting for this study is a non-profit organization in the development sector. Even if there are more similarities than differences between the focal organization and any for-profit multinational corporation (e.g., formalized structure and processes, role of expatriates, division of functions, and strict financial accountability), still managers in a non-profit organization might feel less competitive pressure and therefore be more inclined to collaborate with and learn from each other which would influence how they interact with one another. Future research in for-profit MNCs is needed to substantiate the findings about the effect of international back-

ground characteristics on the strength of instrumental ties.

Further, while we included a rich variety of interactions among managers, we had to exclude some types of ties from the network. In particular, within-sub-sidiary communication in the network has been left out. Also, we focused on relatively strong ties across subsidiaries, excluding weak ties which are also important for the flow of information (Granovetter, 1973). More research is needed to study the role of these types of ties in the MNE network. Finally, we used secondary data for the cultural distance measure which has been criticized as dated. Future improvements in the measurement of national culture will result in a better understanding of the role of cultural distance for network ties in the MNE.

These limitations notwithstanding, this study makes a contribution to the field of international management by moving from a conceptual view of the MNE as a network (Ghoshal & Bartlett, 1990; Nohria & Ghoshal, 1997) towards a concrete definition and empirical examination of a broad managerial network. It has suggested a framework for measuring the impact of intrinsically international factors for its composition. The empirical results are encouraging: we have shown that ties in the network are related to managers' nationality, their cultures, and expatriate status in a complex way. Further attention is warranted in examining other factors for the creation and maintenance of network ties such as the role that top management plays. A particularly interesting topic for future research is which properties of this network produce competitive advantage for the MNE. Besides this study's substantive findings, we have demonstrated the utility of network analysis for studying

MNEs. This study has also extended social network research by developing and validating multiple-item measures for the strength of instrumental and expressive ties in place of the previously used single-item measures.

MANAGERIAL IMPLICATIONS

This study demonstrates that managers in MNEs form complex networks of interpersonal relations that link them across different countries, nationalities, and status groups. This network exists somewhat independently of the formal structure, yet network ties are highly relevant to work: initiatives are often coordinated through the network rather than through the hierarchy. As highly complex entities, MNEs cannot be led effectively only through a formal system of vertical reporting and top-down coordination. An increasingly important task for management is normative integration through creating a shared culture and facilitating lateral contacts (Baliga & Jaeger, 1984). Management should particularly focus on the creation and support of the managerial network to encourage the exchange of information and learning (Nohria & Ghoshal, 1997). In fact, managing such networks of cross-subsidiary ties may need to become the major activity of top management in MNEs related to organizational design.

Management should also be aware that instrumental networks can diverge from expressive networks. A diverse group of managers may be skillful at developing instrumental ties across cultures, but they still rely on colleagues of similar background for social ties. Management's task should then be to promote communication across diverse groups of managers through arranging forums for meeting, encouraging teamwork across subsidiaries, and using the social capital

of centrally located managers in the network.

NOTES

1. Note that expatriate status is a background characteristic which is different from social status. It may be possible for someone who has more network ties across borders to gain higher social status in the MNE (Pettigrew, 1973; Marschan-Piekkari, Welch, & Welch, 1999). However, social status does not equate with expatriate status. Our focus in this paper is whether two people sharing the same group (expatriate or local) have stronger ties.

2. Some network methodologists recommend providing respondents with a list of network members from which they would choose their alters. However, GlobalAction did not have a full list of all managers a priori. Because of the high complexity, rapid change, and relatively low centralization in this MNE, keeping such list would be cumbersome and unnecessary. That is why respondents were asked to select their alters themselves. This amounts to a realist rather than nominalist approach according to which the boundaries of the network are delineated where the research subjects themselves see them (Laumann, Marsden, & Prenski, 1983).

3. GlobalAction is organized in four major functions: Programs (organizing the different projects that GlobalAction funds to benefit children in developing countries), Donor Services (facilitating communication of those children with sponsors in the developed world), Accounting, and MIS.

4. We performed tests with other control variables as well (such as differences in hierarchical rank, type of office, age, education, and tenure in the organization), which produced results substan-

tively similar to those reported in this paper.

5. Separately, we also analyzed the subsidiary-subsidiary block which is the overwhelming proportion of our data, and reached results similar to those for the whole network. QAP tests are impossible for the rectangular headquarters-subsidiary blocks alone.

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APPENDIX

PARTIAL LIST OF QUESTIONS FROM GLOBALACTION'S SURVEY

1. My contacts with [alter] are very important for my work [1 strongly disagree, 5 strongly agree]
2. How much are you involved with [alter] for receiving or sending money, personnel, equipment, supplies? [1 not at all, 5 very much; same scale used for the remaining questions]
3. How much are you involved with [alter] for receiving or sending technical assistance (e.g., consultants)?
4. How much are you involved with [alter] for receiving or sending information for coordination, control, planning or evaluation?
5. I am well acquainted personally with [alter].
6. I talk with [alter] about things beyond work.

FACTOR ANALYSIS OF QUESTIONS		
(PRINCIPAL COMPONENTS ANALYSIS, VARIMAX ROTATION)		
Question #	Factor 1 Instrumental Tie Component	Factor 2 Expressive Tie Component
1	.482	.382
2	.809	.021
3	.823	.209
4	.712	.389
5	.199	.847
6	.153	.857
Eigenvalue	2.135	1.793
Variance explained	35.582%	29.880%

CONSTRUCT CORRELATIONS		
Construct	1	2
1. Strength of instrumental ties	.752 ^a	
3. Strength of expressive ties	.322 ^b	.734 ^a
^a Cronbach alpha; ^b Pearson correlation		