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To adapt or not adapt: The moderating effect of perceived similarity in cross-cultural business partnerships[☆]

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ABSTRACT

We study the relationship between adaptation and joint venture satisfaction and the moderating effect of perceived similarity on this relationship. The research setting is the Sino-Western joint ventures in China. Our contention is that levels of perceived similarity may determine a partner's view of the effect of adaptation and such views could vary across cultures. In this study, we find that adaptation is positively associated with satisfaction among Chinese joint venture partners, but negatively associated among Western joint venture partners. However, at high cultural similarity, Chinese managers experience lower satisfaction with increasing adaptation whereas Western managers experience higher satisfaction with increasing adaptation.

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1. Introduction

When U.S. President Barack Obama met with Japan's emperor Akihito on November 14, 2009, Obama greeted the Emperor with a simultaneous handshake and nearly 90-degree bow. While this gesture is considered appropriate in Japan, Obama's apparent sensitivity to the Japanese culture sparked furious online commentary in the U.S., much of it negative (Associated Press, 2009). This isolated incident questions a seemingly common sense approach in international partnership that is, adapting one's behavior to a different culture (Thomas & Ravlin, 1995).

While culturally adaptive behavior is widely promoted for reducing cultural distance and smoothing interactions in the international arena (Child, Faulkner, & Tallman, 2005; Harvey, Novicevic, Hench, & Myers, 2003; Pornpitakpan, 2003), there remain unresolved issues concerning its universal effectiveness (Francis, 1991; Mohr & Puck, 2005). Particularly, the relationship between adaption and joint venture performance may be conceived differently between people of different cultural backgrounds, such that organizations from certain cultural backgrounds may have a stronger or weaker tendency toward adapting to other cultures (Selmer, 2000). For example, Asians are often perceived as more adaptive to multicultural environments (Newburry & Yakova, 2006). In U.S.-Japanese joint ventures, American partners are historically known for insisting on home-grown practices against adjusting to local norms, whereas Japanese partners are branded as keen adapters in international joint ventures (IJVs) (Hamel, 1991). In the Daimler Chrysler merger case, it was also found that German and American management took different approaches toward mutual adaptation due to cultural differences (Pruett, 2003). However, prior research has yet to consider such differences systematically and to critically analyze the reasons behind them.

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Besides national culture, we suspect that perceived similarity between interacting parties may also have a moderating effect on the link from adaptation to satisfaction. Intuitively, a certain degree of dissimilarity is necessary for adaptation to occur. However, parties' latitude for dissimilarity may vary such that adaptation is perceived as manageable only at a certain degree of dissimilarity (Witte, 1993). While the similarity–attraction paradigm (Byrne, 1971) considers increased similarity as the reason for adaptation, similarity may not play the same role across groups, for example, between ethnic majorities and minorities (Osbeck, Moghaddam, & Perreault, 1997). There is evidence that “cultural similarity could be as difficult to adjust to as cultural dissimilarity” (Selmer & Luring, 2009, p. 430), and we suspect that this might have to do with some motivational effects in cross-cultural encounters (Chen, Kirkman, Kim, & Farh, 2010). Since adaptation could represent a demanding and sometimes painful experience, the effort must be justified by a perceptible gain.

Our objective is thus twofold. First, we empirically test whether cultural adaptation leads to increased satisfaction for all involved firms. We argue that national culture may exert influence on a party's beliefs, attitudes, and behavioral propensity toward adaptation. Besides differences in national culture dimensions, we also consider the relative positions of the interacting parties. Second, we consider the moderating effect of perceived similarity in the adaptation–satisfaction relationship and how such a moderating effect holds between managers who enter a relationship with cultural and motivational differences.

Our research setting is Sino-Western joint ventures in China, a major destination for foreign direct investment which has witnessed extensive interactions between local and Western business partners. China's foreign direct investments increased from \$55 billion in 2004 to \$138 billion in 2007 (World Bank Indicators, 2009)—most of which are directed into IJVs (US Fed News, 2008). Importantly, the Chinese culture is considered to be vastly different from those of Western countries, making an ideal testing ground for cross-cultural effects such as those proposed in the present study.

2. Cultural adaptation and satisfaction

Cultural adaptation refers to adjusting one's “behavior to one that is more typical of behavior in another's national culture.” (Thomas & Ravlin, 1995, p. 133). It is the ability to step outside a person's cultural boundary, to adjust his/her perspectives to an unfamiliar one, and to act on the changed perspective (Byram, 1997). It is built upon earlier literature in cross-cultural psychology and is viewed as consisting of several interrelated and incremental stages progressing from appreciation, adjustment, to integrated learning (Lin, 2004). For improving intercultural relations, for example, Triandis (1975) examines the notion of isomorphic attributions, i.e., the idea of “putting oneself in another's shoes” when making sense of the other's behavior. In essence, this idea corresponds to the notion of cultural empathy (Cui & Awa, 1992) and the appreciation component of cultural adaptation defined in this paper.

Cultural adaption is often advocated for its constructive individual and organizational outcomes, including satisfactory relationships. The psychology literature often identifies a positive correlation between cultural adaptation and satisfaction (e.g., Brislin, 1981; Kamal & Maruyama, 1990). For management scholars, the benefits of cultural adaptation are found in a wide range of business interactions. In a deeply globalized economy, cross-cultural alliances such as IJVs are widely used but managing them is difficult due to the partners' different and sometimes conflicting cultural backgrounds. Since cultural differences have been considered a major barrier to alliance performance, the ability to adapt culturally is naturally seen as a necessary approach to assure satisfactory partnerships (Child et al., 2005; Jansens, 2001; Parkhe, 1991; Pornpitakpan, 1999). This effect of cultural adaption is informed by the similarity–attraction paradigm. According to this paradigm, adaptation leads to a perception of similarity that, in turn, increases interpersonal attraction (Evans, 1963). Much subsequent research has tested this effect, often through certain mediating factors. In an experimental setting, for instance, Thomas and Ravlin (1995) show that cultural adaptation induces intention to trust and association as positive relationship outcomes. Most researchers believe that cultural adaptive behavior should help improve inter-organizational relationships through enhanced mutual understanding and communications, thus increasing efficiency of the involved parties (Lane & Beamish, 1990; Parkhe, 1991). Besides partner satisfaction as a proxy for performance (Anderson & Narus, 1990), another key outcome of cultural adaptation is competency learning. The ability to adapt culturally has been long assumed to be associated with knowledge attainment in an educational setting (Ogbu, 1992). Examining the effectiveness of expatriates in international assignments, management scholars highlight the ability to adapt to a host culture as a key contributor to acquiring and transferring knowledge (Sanchez, Spector, & Cooper, 2000). While rarely tested, it is a widely held belief among management scholars that cross-cultural adjustment facilitates global competence acquisition (Furuya, Stevens, Bird, Oddou, & Mendenhall, 2009).

3. Cross cultural/country differences

The often-claimed positive effects of adaptation, that is, from increased similarity to increased satisfaction, have not been established empirically in the literature (Ren, Gray, & Kwangho, 2009). Some authors call for attention to contingency factors (e.g., Parkhe, 1991), while others suggest a potential non-linear relationship (Francis, 1991). In the current study, we offer an explanation from three *cross-cultural* perspectives—power relations, cultural understanding of a relationship, and self-evaluation in the identity confirmation process. Table 1 shows how each of these perspectives can explain the different approach used by Chinese and American JV managers toward cultural adaptation.

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