To the Graduate Council:

I am submitting herewith a dissertation written by Diane J. Garsombke entitled "An Analysis of Environmental and Decision Characteristics, Their Influence on Participation of Corporate, Regional and Subsidiary Executives and the Impact on Multinational Strategy Evaluation." I have examined the final copy of this dissertation for form and content and recommend that it be accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy, with a major in Business Administration.

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AN ANALYSIS OF ENVIRONMENTAL AND DECISION CHARACTERISTICS, THEIR INFLUENCE ON PARTICIPATION OF CORPORATE, REGIONAL AND SUBSIDIARY EXECUTIVES AND THE IMPACT ON MULTINATIONAL STRATEGY EVALUATION

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ABSTRACT

The purpose of this study is twofold: (1) to analyze possible common environmental and decision characteristics of an international market entry decision that are related to executive participation; and (2) to test empirically the relationship between evaluation of these strategies and executive participation. This study examines the way top administrators of a multinational firm conceptualize the strategic decision process.

The methodology consisted of a field study of the market decision to enter a new product/market overseas in 30 American multinational firms. To guide the collection and analysis of data, relevant literature in the strategic management and human resources areas was synthesized into a research model. The collection of data was done primarily through personal interviews with top management personnel in the 30 subject companies.

A semi-structured questionnaire format was used to conduct the interviews. The analysis of data consisted of two parts: (1) a generation of descriptions of the strategic decision-making process and the role played by executives at different levels in the multinational firm; and (2) a quantitative analysis of the data focused on testing hypotheses suggested by the research model. Both multivariate and univariate regression analyses were used in the study.

The results of the study indicate that international market entry decisions which were shared by executives at regional, subsidiary and corporate levels were most strongly linked with these environmental characteristics:

(1) importance of corporate goal

(2) industry conditions and competition crucial, and

(3) firm highly multinational

Therefore, the hypothesis suggesting a relationship between environmental and decision characteristics and the participation of executives at different levels in the organization was strongly supported by the data. The backward stepwise multiple regression statistical tests indicated the importance of the previously listed conditions.

The research model suggested that the amount of executive participation at corporate, regional and subsidiary levels would be a significant influence on the evaluation of such a strategy. This hypothesis was supported by the univariate statistical tests using successfulness and goal attainment of strategy as measures of strategy evaluation. Although all measures of strategy evaluation were positively related to participation, goals of subsidiary sales and profit contribution were not shown to be significant.

The study has several implications for the academician and practitioner. For the academician, this study suggests that the human perspective is a very important mediating variable in environmental analysis of strategic decisions and the outcome of such decisions. The study suggests that academics in strategic management should focus on the strategic management process and the development of management skills which would foster understanding of when and how fully to utilize participative decision-making in multinational firms.

For the practitioner, the strategy formulation process should ensure compatibility between the environmental conditions of the particular strategy and the participation of executives at different levels within the multinational. The executive may be able to redesign the decision-making process to new environmental conditions and to ensure a more successful strategy through the use of this research.

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CHAPTER I

INTRODUCTION

Due to stiff competition in U.S. markets, growing opportunities overseas and tremendous advances in worldwide communications technology, more and more U.S. companies are becoming multinational and interfacing with the global environment. The complexities of the environmental conditions are greater in the international arena since differences in culture, language and business practices widen the discrepancies in economic, legal, financial, social and competitive environments.

One of the most crucial decisions made by the multinational firm is the international market entry decision. Which new markets and new products should be entered overseas? These choices determine the very nature of the business the firm is in and delineate resource priorities. All functional and operational decisions regarding the new product/market flow from this choice.

Comprehensive knowledge of the international market entry decision, including the interaction of participants, key environmental variables and the decision-making process, therefore, could better prepare the multinational executive to make international market entry decisions which would best utilize the firm's resources and build upon global opportunities while minimizing the firm's weaknesses and external risks. Such proactive strategic decision-making is the hallmark of excellent companies throughout the world.

The influence of environmental and decision characteristics on different level executives participation is the focus of this research. In addition, the linkage between participation and strategy evaluation will be examined; i.e., how executives evaluate a particular international market entry decision that was made and if executive participation is related to that evaluation.

The first chapter is divided into four sections. Following the introduction section, the major citations of past research related to the topic are given. The next section describes the purposes of the research. The chapter closes with the significance of the study.

A. MAJOR LITERATURE CITATIONS

The literature which is most cited for strategic management in multinational firms include process, content and structural research studies.

Process studies which described how strategic decisions were made in multinationals, included works in various strategic decisions ranging from foreign investments to research and development funds (Berg, 1965; Aharoni, 1966; Ackerman, 1970; Bower, 1970). These works confirmed that decision-making occurred throughout the organizational hierarchy and that top management's control of structure could be very important in decision-making.

Aylmer (1970) also looked at strategic decision-making in general and international market entry decisions in particular. His contrasting of business or corporate level product/market decisions with functional or operating level marketing decisions such as pricing, distribution and advertising agreed with the previous assessment of differences in the strategic decision-making locus. These findings of the product design decisions being made at U.S. headquarters and advertising decisions most often formulated at the subsidiary level showed that decision-making was appropriately given to the organizational level which was most affected by and knowledgeable about that particular decision.

Two similar studies by Terpstra (1967) and Boddewyn and Hansen (1973) showed that the locus of decision-making can also be affected by the type of product the firm sells. Product policies in both research works were found to be delegated to the subsidiary for consumer non-durables and made at the headquarter level for industrial goods. In the consumer durable product category, the two studies disagreed on the locus of decision-making.

Other variables besides the type of product can affect how decisions are made and by whom. In 1973, Khandwalla showed that delegation of decision-making authority and the use of management controls (decision-making processes) were increased as product competition increased.

Under the content studies, those works which described the nature of strategies chosen, the efforts of Pitts (1977), Fayerweather (1981), and Ayal and Zif (1979) were most noteworthy. These studies described the characteristics of different strategies and how they were aligned with specific environmental conditions. For example, Fayerweather's strategy of "Unified Transmission Labor" strategy was based on a highly competitive environment, global labor availability, and a stable technological environment.

Understanding the type of strategies and the environmental opportunities that are addressed was the purpose of the content research works. In the structural works, the focus was on the structure-strategy linkage. This internal focus was initiated by Chandler in 1962 and refined by many others (Wrigley, 1970; Channon, 1971; Pooley and Dias, 1972; Thanheiser, 1972; Brandt and Hulbert, 1975; and Egelhoff, 1982). The most recent of these such "structure follows strategy" studies (Egelhoff, 1982) emphasized that the strategy-structure "fit" was dependent on product diversity, size of foreign manufacturing and the size of the foreign operations in general. The structure-strategy studies emphasized that certain corporate level strategies were most often associated with particular structures.

Certainly, the field of strategic management in multinational firms is pertinent to this research work since the international market entry decision is both a strategic (since it defines the essence of the firm's business and sets resource allocation levels) and multinational (since it pertains to overseas new market and new product entry) decision.

The second area of literature, which deals with strategic management of human resources in multinational firms, was reviewed because decision makers, themselves, were considered to be a vital element in the decision-making process for international entry.

In the process area, Margulies (1969) suggested that the "socio technical systems architecture" positively influenced individual psychological growth of its workers. If this is so, managers will want to learn techniques to change the culture of the firm.

One of the most important processes a manager can use to show that human resources are considered valuable is human resources accounting. Both Halal (1977) and Megginson (1983) discussed the implications of viewing human resources as an asset and planning for long-term human resource development.

To accompany the process focus research are a number of works which describe the content of organizational change strategies. Hornstein, et al. (1971) categorized these strategies from "technostructural" and "cultural" to "coercion" types; Ticny (1974) identified four similar strategies ranging from "outside-pressure" to "people-change technology." Other organizational development strategies endorsed by Tagliere (1975) were "sociotechnical analysis," "conflict resolution" and "team building."

In addition to the research of different methods for organizational change and development, some content researchers studied compensation and incentive strategies. Lear (1979) and Crafts (1979) found such strategies to be tied directly to human resources effectiveness.

Just as strategies in general are linked with structure in the strategic management area, the management of human recources is affected by the structure of an organization. Burns and Stalker (1961) noted that workers were taking on more "professional" roles and developing a career-mindedness as the organization became more organic. The implication is that structural changes can affect how workers view themselves in an organization and ultimately, how the person performs in the organization.

In fact, Hall and Morgan (1983) gave rather convincing arguments for a matrix structure since multinational firms using such a structure were utilizing personnel policies such as transfers and rotation of managers which offered employees wider directions for career movement.

Although he did not emphasize the new matrix structure, Pitts (1974, 1977) found that the two structural types of internal diversifiers and diversifiers by acquisition differed on the number of managerial transfers (internal diversifiers had more) and compensation evaluation criteria used in assessing divisional performance.

Through process, content and structural perspectives, researchers have studied the important aspects of strategic human resources management in multinational firms. These studies along with works on strategic management in multinational firms form the theoretical basis for this study on the multinational strategy of international product/market entry.

B. PURPOSES OF THE STUDY

The purposes of this study are: (1) to analyze possible common characteristics of an international market entry strategy that areassociated with executive participation in the choice of a strategy; and (2) to test empirically the relationships between executive participation and evaluation of specific international market entry strategies.

C. SIGNIFICANCE OF THE STUDY

This study is significant to the field of strategic management for two reasons:

1. It provides a focused approach of assessing the importance of managerial participation in the strategy decision, a phase of strategic management (Glueck, 1980).
2. It is an empirical study using statistical methods to analyze environmental characteristics, strategy decisions and the evaluation of strategy (few studies of this nature have been attempted).

By focusing on strategic management in multinational firms, this study is important because multinational firms account for roughly two-thirds of the output, investment, employment and three-quarters of the profits of U.S. industry (Berg and Pitts, 1979). The study provides academicians with a focus on the decision makers in strategic management, the factors which may determine who will make the strategic decisions, and how these decisions will be conducted. This research also identifies those managerial practices which are crucial to the success or failure of certain entry strategies.

For executives, this study provides a pattern of appropriate managerial decision making participation which may be used as a guideline for future strategic decisions. Executives may take advantage of this opportunity to analyze the process they currently use, and more importantly, to consider alternative processes that may help them develop effective strategies.

It also illustrates to the executive which environmental characteristics influence executive participation in strategy formulation. This may have an impact on the depth and quality of the environmental analysis that maybe undertaken by organizational planners in the future.

From a human resources perspective, a company that has a strategy formulation process which does not involve executives at all levels may fail to utilize the talents and expertise that it has available as well as the synergistic effects of participative decision making (Hall, 1979). The formulation process used may also affect the implementation of a company's functional plans because the formulation process excluded individuals who possessed a specific expertise required for implementation (Kelly and McLellan, 1982).

By its inclusion and exclusion of human resources, the formulation process used by a company may affect the attitudes, feelings and behavior of its managers (Burton and Pathak, 1978). Ginter and Whie (1982) described the relationship between strategic behaviors (such as strategic planning and resource allocation) and management perspectives (which included motives, values and attitudes) as a reciprocal one. This theory supports Burton and Pathak's (1978) past research and suggests that the attitudes and values of executives may have a profound affect on the strategy formulation and planning processes. This research study, which examines the relationship between the participation of different level executives and the strategy formulation process, is significant then since it is easily related to the theoretical underpinnings of past research. These theories in turn form the frameworks which guide executives in their creation of strategic management systems within their firms.

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CHAPTER II

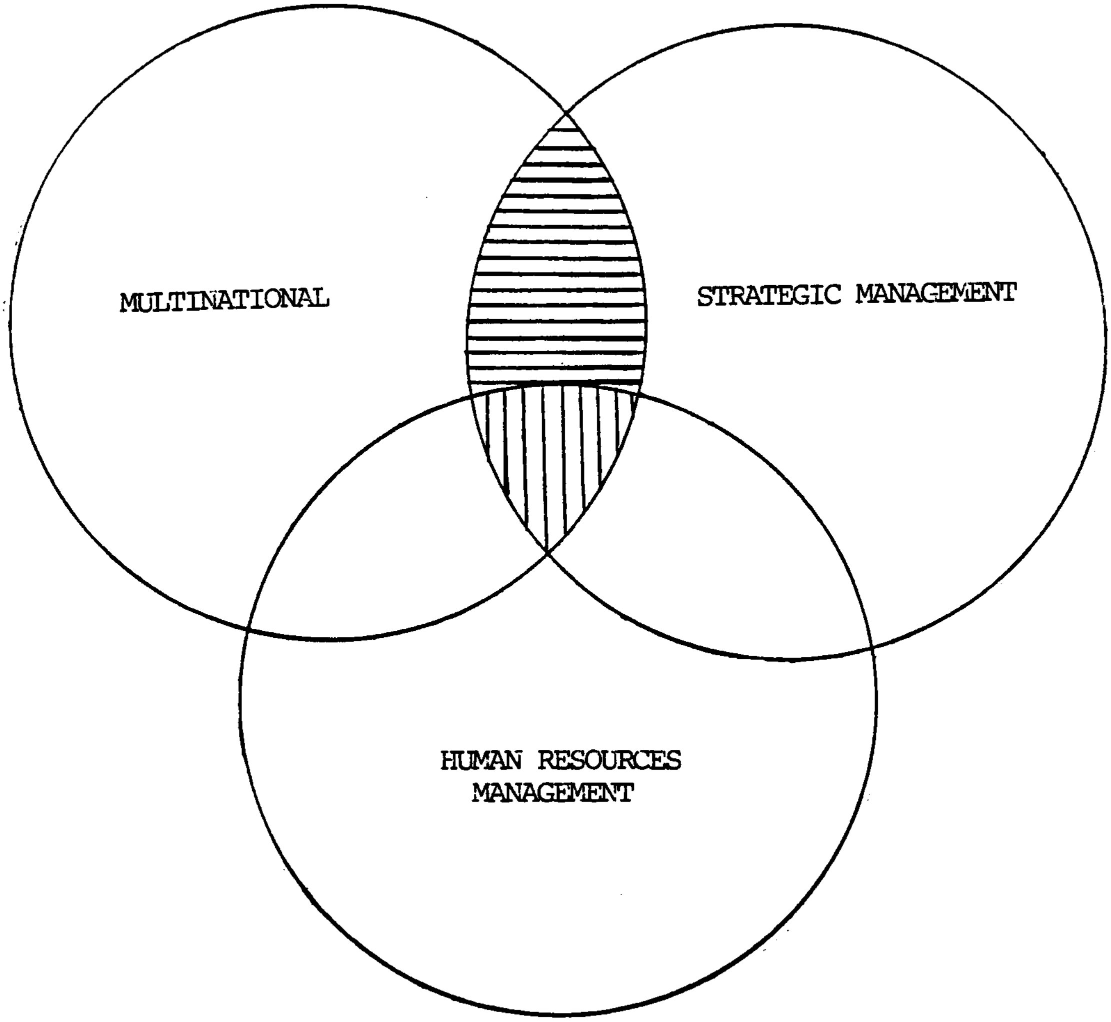
BACKGROUND OF THE STUDY

Due to the vast literature on the Multinational Firm, two criteria were used for inclusion in this review:

1. Works which study strategic management in multinational firms,
2. Works which study both human resource management and strategic management in multinational firms.

The Venn diagram in Figure 2.1 illustrates the inclusion and exclusion of research studies. These two categories of literature are subdivided further into process, content and structural research streams. Empirical studies and important conceptual works are discussed in each research stream (see Figure 2.2 for summary).

Each research study of multinational firms was analyzed to determine which research stream or streams (i.e., process, content, or structural) was being followed. Each study was also classified by the research method involved. The following classification schema used by Wortman (1979) was followed: (1) documentary--included both archival, historical, and secondary source data; (2) case study; (3) survey; (4) models and simulation; (5) statistical--included hypotheses testing and generation; (6) quantitative--included mathematical models; and (7) experimental. The research techniques varied from interviews to correlational statistics to content analysis.



Works included: Strategic Management in Multinational Firms

Works included: Interplay between Strategic Management and Human Resource Management in Multinational Firms

Works excluded: Strategic Management and Human Resource Management in Non-Multinational Firms; Multinational and Human Resource Management not dealing with Strategic Management

Figure 2.1. Venn Diagram of Inclusion and Exclusion of Works in Literature Review.

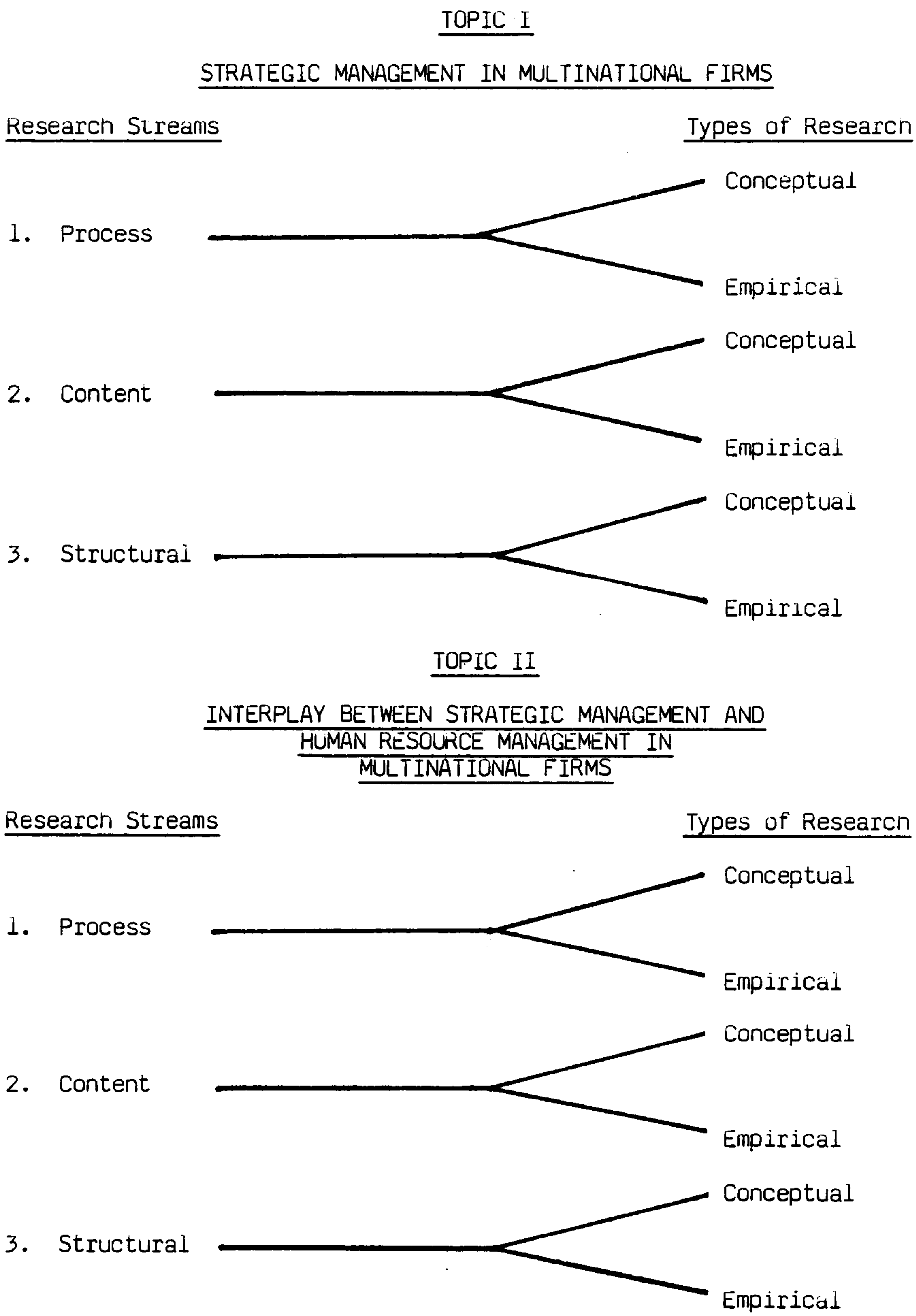


Figure 2.2. Organization of Background Materials According to Topics, Research Streams and Types of Research.

A. STRATEGIC MANAGEMENT IN MULTINATIONAL FIRMS

Empirical and conceptual study of strategic management in multinational firms have followed the three basic research streams of process, content and structural. These categories have been adapted from the research streams envisioned by Berg and Pitts (1979).

Research Stream I: Process

The first stream, Process, includes works which describe how strategic decisions are made in multinational firms (see Table 2.1). The first of these investigated strategic choices in the areas of strategic funds expenditures, foreign investments, research and development, and capital investments (Berg, 1965; Aharoni, 1966; Ackerman, 1970; Bower, 1970). Two major findings of these studies were: (1) strategic choices are a result of a sequence of choices made by a variety of decision makers at all organizational levels; and (2) changes in structure are the way top management influences the decision process.

In 1982, Sethi envisioned a blend of administrative and institutional types of multinational corporate plans to be used in the future. To stress the difference between domestic and multinational planning, he identified some complex aspects of international business such as multiple environments, and greater communication difficulties due to cultural and national differences, geographical distance, and variations in business practices. His conclusions were drawn from a

TABLE 2.1

STRATEGIC MANAGEMENT FOR MULTINATIONAL FIRMS:
CURRENT RESEARCH REVIEW, 1950-1984

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
I. PROCESS				
Berg (1965)	Strategic Funds Expenditure	Large Diversified Firms	Survey/Field Documentary	Interviews/ Obser-vation/ Documentary
Aharoni (1966)	Foreign Investments	38 U.S. Corporations	Statistical/ Field Survey	Interviews (Open Ended)
Terpstra (1967)	Autonomy and Marketing Policies	25 Large U.S. Firms	Survey	Interview
Ackerman (1970)	Research and Development Decisions	4 Diversified Corporations with division in Paper Industry	Statistical	Interviews/ Documentary
Aylmer (1970)	International Marketing	26 European Operations of 9 U.S. Multi-nationals	Survey/ Documentary	Observa-tions/ Field Interviews/ Documentary
Bower (1970)	Capital Investment Decisions	Single Large Diversified Company (4 Levels of Management)	Survey/Case Study	Interview/ Observation

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Hulbert et al. (1972)	Marketing Info Systems	Several Corporations	Survey	Interview/ Flow Chart
Khandwalla (1973)	Competition and Management Control	96 Large Manufacturing Firms in Diverse American Industries (Million Dollar Directory)	Survey	Questionnaire/ Correlation
Steiner and Schollhammer (1976)	Pitfalls in Multinational Long Range Planning	460 Corporations in 6 Different Countries	Survey	Questionnaire
Young and Hood (1976)	Marketing Strategy Perspectives of U.S. Multinationals	88 U.S. Manufacturing Affiliates Operating in Scotland	Survey/ Documentary Operating in Scotland	Mail Survey/ Documentary
Gotcher (1977)	Strategic Planning Practices in European Multinationals	14 European Multinationals	Survey	Interview
Terpstra (1977)	International Product Policy	None	Documentary	Documentary

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Hayashi (1978)	Multi-national Planning (Japanese)	19 Japanese Multinationals	Survey	Interviews
Sethi (1982)	Multi-national Planning	U.S. and Non-U.S. Multinationals	Documentary/ Model	Documentary
II. CONTENT				
Berg (1973)	Diversifi-cation Strategies	5 Internal and 5 Acquisitive Diversifiers	Statistical/ Survey	Interview
Rumelt (1974)	Strategy, Structure and Performance	246 Firms (Fortune 500)	Statistical/ Documentary	Anova/ Regression
Hackett (1976)	International Expansion Strategies	80 U.S. Franchise Firms	Survey	Question-naire
Pitts (1976)	Diversifi-cation Strategies	4 Internal Diversifiers; 7 Acquisitive Diversifiers	Survey/ Statistical	Interviews
Jauch, et al. (1977)	Short Term Success in Large Business Organizations	358 Large Business Firms (Fortune 500)	Longitudinal/ Documentary/ Survey	Content Analysis/ Correla-tion/ Regression

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Hatten, et al. (1978)	Strategic Group Identification	13 Firms in the Brewery Industry	Documentary/ Statistical	Documentary/ Cluster Analysis/ Regression
Miles and Snow (1978)	Organizational Strategy and Structure	16 Publishing, 22 Electronic and 27 Food Processing Firms	Survey/ Statistical	Interviews/ Chi-Square/ Questionnaire
Ayal and Zif (1979)	Market Expansion Strategies in Multinational Marketing	None	Documentary/ Model	Documentary
Berg and Pitts (1979)	Strategic Management in Multi-Business Corporations	Multi-Business Firms	Documentary	Literature Review
Bourgeois (1980)	Strategy and Environment	None	Documentary/ Model	Documentary
Rugman (1980)	Theory of Internalization	None	Documentary/ Model	Documentary
Fayerweather (1981)	Strategies for the International Organization	None	Documentary/ Model	Documentary

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Murray (1981)	Multinational Transfer Pricing	None	Documentary	Literature Review
Piercy (1981)	Company Inter-nationali-zation Policy	250 Exporting Firms in North England	Survey/ Documentary	Interview/ Mail Question-naire/ Literature Review
III. STRUCTURAL				
Chandler (1962)	Strategy and Structure	70 Large American Corporations	Survey/ Documentary/ Case Study	Interview/ Documentary
Mace and Montgomery (1962)	Corporate Acquisitions	None	Documentary	Documentary
Wrigley (1970)	Divisional Autonomy and Diversifi-cation	100 Corp. (Fortune 500)	Documentary	Documentary
Channon (1971)	Strategy and Structure	100 Largest British Manufacturing Companies (Times 500)	Documentary/ Survey/ Statistical	Documen-tary/ Interviews (Structur-ed)

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Scott (1971)	Stages of Corporate Development	None	Documentary/ Model	Documentary
Wooton (1971)	The Multi-national Corporation in a Political System	None	Documentary	Documentary
Pavan (1972)	Strategy and Structure of Italian Enterprise	100 Largest Manufacturing Firms in Italy	Documentary	Documentary
Pooley-Dias (1972)	Strategy and Structure of French Enterprise	100 Largest Manufacturing Firms in France	Documentary	Documentary
Stopford and Wells (1972)	Multi-national Management	200 Very Large American Based Firms with International Operations	Documentary/ Survey	Documen-tary/ Interview
Thanheiser (1972)	Strategy and Structure of German Enterprise	100 Largest Manufacturing Firms in Germany	Documentary	Documentary
Berg (1973)	Strategy and Structure of Diversified Firms	5 Internal Diversifiers 5 Acquisitive Diversifiers	Survey/ Statistical	Interviews

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Brandt and Hulbert (1975)	Structure and Strategy in Multinational Subsidiary	63 Brazilian Subsidiaries of U.S., Japanese, and European Multinationals	Survey	Interviews
Weinshall (1975)	Role of Multinational Corporation	None	Documentary	Documentary
Hedu (1976)	Corporate Divisional Relationships	4 Large Firms: St. Regis, Itek, Coca Cola, Ayco	Case Study/ Documentary	Interview/ Documen-tary
Brandt and Hulbert (1977)	Headquarters Guidance in Multinational Subsidiary	63 Brazilian Subsidiaries of U.S., Japanese, and European Multinationals	Survey	Interviews
Wind and Perlmutter (1977)	Multinational Marketing	None	Documentary	Documentary
Hedlund (1980)	Foreign Subsidiaries' Role in Strategic Decisions	6 Large Swedish Multinational Corp.; 27 Subsidiaries	Documentary/ Survey/ Case Study	Interview/ Documentary
Drake and Caudill (1981)	Management of the Large Multinational	9 Large European and U.S. Based Multinationals	Survey	Interview

TABLE 2.1-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Bartlett (1982)	Evolution of Multinationals	None	Documentary	Documentary
Egelhoff (1982)	Strategy and Structure in Multinationals	50 U.S. Multinationals, 50 European Multinationals (Fortune 500)	Statistical/ Survey	Documentary/ Anova/ Discriminant Analysis/ Interviews
Yunker (1982)	Transfer Pricing and Peformance Evaluation	52 Multinational Firms (Fortune 500)	Survey	Mail Questionnaire/ Regression/ Correlation

representative sample of multinational companies, both U.S. and non-U.S. based.

Environmental change has become increasingly important to the multinational firm. Modifications in strategic planning practices were field tested by Gotcher (1977) in European multinationals. The predominant changes observed were the compression of time horizons and the increase in flexibility and decentralization (Gotcher, 1977). The past and future impacts of three broad environmental variables (political-legal, economic-technological, and socio-cultural) on the strategic postures of multinationals in Third World countries were also discussed by Wright, Townsend, Kenaid and Iverstine (1982).

Although past research has been more concerned with the environmental variables, a few studies have focused on the actual decision makers in the strategic formulation phase of strategic management. In an exploratory study on international marketing issues, Aylmer (1970) found that product design decisions tended to be centralized and made at the U.S. headquarters level, whereas advertising, distribution and pricing decisions tended to be made at the subsidiary level.

Aylmer (1970) also recognized the following two organizational forces which appeared to affect the location in primary authority of marketing strategies: (1) relative importance of the firm's international operations; and (2) relative importance of the local affiliate's position (scale of operation, capabilities due to size and development of the local market, its market share and existence of manufacturing facilities) within the firm.

Although many of the decisions studied by Aylmer seem more operational in nature, the strategic question of standardization versus adaptation is implied. He found that the frequency of higher level management participation was found to increase significantly in product design, pricing and distribution decisions as the percentage of the firm's international to total sales increased.

In addition, management of major affiliates shared authority with corporate management more often than management did of the less important affiliates. In the smaller affiliates, higher level management more often imposed decisions upon local management. This would suggest that as the size of the affiliate increased so did the power of the affiliate to influence headquarter's decisions on key marketing mix elements which could have a great effect on the affiliate in the future.

Certain environmental forces were studied by Aylmer (1970) which encouraged standardization of particular marketing decisions and which indirectly influenced the location of their authority. Fiercer competition in length of production runs, increased shipping across national boundaries, and tariff reductions within the EEC increased standardization and authority tended to come more directly from headquarters. Differences among market share positions of local affiliates and national channel traditions made standardization extremely difficult and local management needed to rely on local traditions and existing institutions more heavily.

Other empirical studies on American corporations in the European Economic Community have described the locuses of decision-making. Using 49 interviews, Terpstra (1967) studied 25 U.S. firms in Western Europe (10 consumer nondurables, 10 industrial goods and 5 consumer durables). In the area of product policy, he found adaptation to local conditions and hence higher local autonomy in consumer durables and nondurables compared with industrial goods. Advertising and pricing decisions were usually delegated to the individual subsidiaries.

Six years later in a replicative study, Boddewyn and Hansen (1973) used a mail survey with responses from 12 consumer nondurables, 6 consumer durables and 32 industrial goods firms. Levels of product decision making relied mainly on joint decision making between two or more levels for manufacturers of consumer nondurables. For consumer durables and industrial goods, the general rule was to centralize decision-making at the U.S. or European headquarters.

In his paper on the relationship between the types of competition and top management control dimensions, Khandwalla (1973) studied 96 manufacturing firms in diverse American industries. The data showed that product competition has a significant positive influence on all four of the management control variables: (1) delegation of authority by chief executive; (2) selectivity in delegation of authority; (3) use of management controls; and (4) selectivity in the use of controls.

Another clue to the importance of whom should participate in strategic decisions is the emphasis on the top management decision-makers in over half of the top ten pitfalls (Pitfall Number 1, Assumed they could delegate the planning function to a planner; Pitfall Number

11, Failed to create a climate conducive to planning; Pitfall Number 12, Failed to have planner high enough in hierarchy; Pitfall Number 16, Failed to ensure that top and line managers understood planning nature and purposes; Pitfall Number 24, Spent insufficient time on long range planning; and Pitfall Number 42, Failed to review strategic plans with departmental and divisional heads) to be avoided in multinational long range planning (Steiner and Schollhammer, 1975).

In the process research stream (see Table 2.1), most of the studies have examined strategic investment, marketing, and resource allocation decisions. The types of organizations have ranged from affiliates of U.S. multinationals to large diversified firms. Almost all of the studies have employed survey research and have used either questionnaires or interviews.

Research Stream II: Content

While the first stream considered the determination of the process by which strategy is formulated in the multinational firm, this section focuses on the content of strategy itself (see Table 2.1). Content refers to the makeup of strategies actually implemented as contrasted with focusing on the decision processes involved in formulating some of those strategies (Bourgeois, 1980).

Research in this stream has been limited to attempts to profile multinational firms according to their strategies. Fayerweather (1981) outlined four winning strategies for the international corporation based on a thorough assessment of the global environment and the firm's capabilities in such areas as labor, marketing, management and technology. In an empirical study conducted by Ayal and Zif (1979), two successful strategies for increasing exports, concentration and diversification were found to be influenced by a myriad of factors such as market growth rate, need for product adaptation, economies of scale in distribution and the extent of constraints, both internal and external.

Piercy (1981) conducted research in the exporting firms of North England to profile two groups: reactive versus active exporters. Significant differences in export pricing methods used, size of company, pricing utilization and export currency strategy adopted were found between the active and reactive groups.

In his theory of the multinational enterprise, Rugman (1980) saw two overall strategies: internationalization versus internalization. The two differ in the sequence of the market entry modes chosen by multinational firms. Rugman's theory was a response to a new environmental threat; the licensee as a competitor.

Other researchers have used global categories such as "diversified majors" versus "conglomerates" (Berg, 1973), "internal" versus "acquisitive" diversifiers (Pitts, 1976) or "related" versus "unrelated" diversifiers (Rumelt, 1974) to identify the two ends of a continuum which describe multinational firms.

While these studies have been more economics-based, a more case-oriented approach to the study of content has been established by Glueck (1980) and others (Jauch, et al., 1977). All of these studies developed "categories" of strategies from publicly available sources and usually with a high number of cases. The Purdue group (Hatten, et al., 1978) attempted to cluster the strategies into "strategic groups" of companies, but the group average was little more than two firms which practically renders the groupings to a case-by-case description (Bourgeois, 1980).

Berg and Pitts (1979) commented that this Stream II research fails to clarify satisfactorily the nature of these strategies. Broad classifications are somewhat superficial in their analysis. The efforts of Pitts (1977), Fayerweather (1981), and Ayal and Zif (1979) probed more clearly the environmental opportunities toward which strategy is directed and the underlying organizational competences.

Most of the studies in the content research stream (see Table 2.1, p. 17) have described strategies of diversification, international expansion and market expansion. Internal and acquisitive diversifiers as well as Fortune 500 firms comprised the samples of the majority. The types of research used were fairly evenly split between survey and documentary research. In the survey research, interviews and questionnaires with statistical analysis were used. In the documentary research, literature review and documentary techniques were conducted.

Research Stream III: Structural

This is perhaps the best known and extensive research area in multinational firms (see Table 2.1, p. 19). The major finding has shown that as firms diversify, they divisionalize (or form "divisions"). The research has been conducted in Western democracies: United States (Chandler, 1962; Wrigley, 1970; Brandt and Hulbert, 1975); Britain (Channon, 1971); France (Pooley and Dias, 1972); Italy (Pavan, 1972); and Germany (Thanheiser, 1972).

A recent empirical study by Egelhoff (1982) attempted to extend current understanding of the relationship between a multinational's structure and strategy by using an information processing approach. The strategy-structure "fit" concept was generally verified for the three strategic elements of product diversity, size of foreign manufacturing and size of foreign operation relative to four structural types (functional, product, geographical, and international).

Implicit in any discussion of strategy and structure is the evolution of the organization from an entrepreneurial form to a multi-business/multi-structure matrix type. Several important studies of this nature have been conducted; stages range from 3 to 6 levels (Wooton, 1971; Scott, 1971; Wind and Perlmutter, 1977). The importance placed on organizational structure evolutions in multinational firms may be indicative of the role played by different managerial levels in strategic decision making (Stopford and Wells, 1972; Weinshall, 1975; Bartlett, 1982).

Research on headquarter-divisional relationships, a separate stream in the Berg and Pitts categorization, also fits into the Structural Research Stream. Mace and Montgomery's (1962) research on headquarter-divisional relationships, one of the earliest field studies performed in the international arena on such topics, found evidence of increasing involvement by corporate management in the acquisition's affairs. Many times a crisis preceded this intervention.

In a selected sample of internal and acquisitive diversifiers, Berg (1973) found significant differences in R & D, marketing, manufacturing, traffic and purchasing. Heau (1976) later investigated the relationship between corporate influence on divisional long-range planning and the extent of the firm's diversification. As diversity decreased, he found that corporate influence increased. The interaction of strategy, purpose and structure of corporate divisions on the autonomy of corporate divisions was conceptualized in this study (Heau, 1976).

Two types of corporate influence were identified: (1) substantive--top management directly involved in divisional long range planning; and (2) administrative--top management only involved through organizational context. Divisions of conglomerates were found to be more autonomous and substantive influence was infrequent (Heau, 1976).

The issue of home-office guidance from a subsidiary point of view was raised in the empirical research done by Brandt and Hulbert (1977). A strong relationship was observed between the amount of different types of guidance received and the subsidiary's strategic objective.

Another study on autonomy of individual geographic operations found that: (1) as development of international markets progresses from initial entry to subsequent growth phases, autonomy for the regional or local management increases; and (2) degree of autonomy depends on such factors as types of products marketed, size of markets and managerial resources (Drake and Caudill, 1981).

Swedish multinationals often let their foreign subsidiaries have a great deal of autonomy. Hedlund (1980) suggested that much strategic conflict is caused by not assuring strategic integration between headquarters and foreign subsidiaries. Increased headquarter communication channels, involvement in strategy formulation, and membership on the boards of directors for subsidiary management is recommended. For a chronological and topical listing of works in the area of Strategic Management in Multinational Firms, see Table 2.1,pp. 15-22.

For the structural research stream in strategic management (see Table 2.1, pp. 19-22), most of the works have probed either the concept of strategy-structure linkage or headquarter-divisional relationships. Large firms from all parts of the world were usually selected for this research. Most of the works were case study or documentary in nature and used either interviews or secondary reading sources to document their facts.

B. STRATEGIC MANAGEMENT OF HUMAN RESOURCES IN MULTINATIONAL FIRMS

In this section, studies were included if the authors specified applications to multinational firms or if the research sample included multinational firms. All the topics in this section emphasized the long term planning of human resources. The following conceptual and empirical works were again subdivided into process, content and structural research streams (see Table 2.2).

Research Stream I: Process

The process by which managers of multinational firms can formulate human resource strategies is a complex one. In one international firm, Margulies (1969) suggested that the type of organizational culture can have a profound effect on self-actualization of the workers. The chief executive should become aware that "sociotechnical systems architecture" has been shown to influence positively individual psychological growth.

In a descriptive work at Esso Standard Oil Company, four process techniques were discussed: (1) off-site management conferences; (2) development groups; (3) data feedback; and (4) laboratory training. The elements of an "Action Research Model" were presented as well as processes for dealing with intergroup competition (Peek, 1960). These processes were seen as being vital to the management of human resources.

A few years later, Winn (1966) described the sequence of change efforts which occurred over 30 years in a major company (ALCAN). The sequence of change efforts included lectures (in the 1940s), case studies and role-playing (in the 1950s), T-groups (in the 1960s) and family and interface laboratories. The risks and comparative advantages were examined in this documentary work.

TABLE 2.2

STRATEGIC MANAGEMENT OF HUMAN RESOURCES IN MULTINATIONAL FIRMS: CURRENT RESEARCH REVIEW, 1950-1984

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
I. PROCESS				
Mace (1950)	Growth and Development of Executives	25 Large Manufacturing	Survey/ Documentary	Interview/ Documentary
Riegel (1952)	Executives Development	50 Large American Corporations; Majority are MNFs	Survey	Interviews
Greenewalt (1959)	Individual in the Organization	DuPont--A Multinational Firm	Case Study	Observation
Peek (1960)	How to Improve Organizational Performance	Esso Standard Oil--A MNF	Case Study/ Model	Documentary
Basil (1964)	Executive Development	Small to Large Company	Survey	Questionnaire
Winn (1966)	Sequence of Change Efforts	Alcan Co.--A MNF	Documentary	Documentary
Glickman (1968)	Top Management Development and Succession	13 Large Corporations in Banking, Retailing, Manufacturing, and Public Utilities	Survey	Interview

TABLE 2.2-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
McClelland and Winter (1969)	Motivating Economic Achievement	Business Entrepreneurs in Germany, Brazil, U.S., and Japan	Field Test/ Statistical	Question-naire/ Documentary/ Anova/ Correlations
Rush (1969)	Behavioral Science Concepts and Applications	Small to Large, Various Industries	Survey	Questionnaire
Haimann and Scott (1970)	Executive Growth and Development	None	Documentary	Documentary
Flippo (1971)	Executive Growth and Development	None	Documentary	Documentary
Patten (1971)	Manpower Planning and Human Resources Development	None	Documentary	Literature Review
Hulbert and Capon (1972)	Marketing Communications	None	Documentary	Literature Review
Helmich (1974)	Organization Growth	191 Manufactur-ing (Million $ Directory)	Documentary/ Statistical	Chi-Square Statistics/ Documentary

TABLE 2.2-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Helmich and Brown (1974)	Successor Type and Organizational Change in Corp. Enterprise	208 Chemical and Allied Product Corp. (Million $ Directory)	Documentary/ Statistical	Gamma & Chi-Square Statistics Documentary
Hall (1976)	Organizational Technology and Executive Succession	417 Organizations (Million $ Directory)	Survey	Questionnaire/Chi-Square Statistics
Halal (1977)	Return-on-Resources	None	Documentary/ Model	Documentary
McBeath (1978)	Manpower Planning	None	Documentary	Documentary
McCaskey (1982)	Patterns of Behavior Coping with Ambiguous Problems	Large Bank; High Tech Research; General Motors	Case Study/ Survey	Interview
Megginson (1983)	Manpower Planning	None	Documentary	Same
II. CONTENT				
Hornstein, et al. (1971)	Social Intervention Strategies	Compilation of Articles, Large to Small Organizations, Indian and Colombian Studies	Documentary	Literature Review

TABLE 2.2-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Tagliere (1975)	Organization Development Strategies	None	Documentary	Documentary
Tichy (1974)	Strategies for Change	None	Survey	Question-naire
Crafts (1979)	Overseas Trips for Board	None	Documentary	Documentary
Lear (1979)	Compensation Strategies for Board	None	Documentary	Documentary
Osborn, et al. (1981)	CEO Succes-sion, Performance and Conditions	313 Large Industrial Corporations	Documentary/ Survey	Content Analysis/ Multiple Discriminant Analysis
III. STRUCTURAL				
Burns and Stalker (1961)	Changes in Human Resources Associated with Tech-nological and Structural Change	Major Electronics Development in Scotland and England	Survey/ Field Test	Observation/ Lab Groups/ Interview/ Conversations
Inkson, et al. (1970)	Concentration of Authority and Structure	40 Small and Large Firms in English Midlands	Survey	Interview/ Correlations

TABLE 2.2-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Bowers and Seashore (1971)	Changing the Structure and Functioning of an Organization	Large Packaging Materials Firm	Case Study	Observation/ Documentary
Pitts (1974)	Incentive Compensation and Organization Design	6 Internal Growth and 4 Acquisition Growth Diversifiers (Fortune 500)	Survey/ Case Study/ Statistical/ Documentary	Interviews/ Documentary
Murthy and Salter (1975)	CEO Compensation and Performance in Related vs. Unrelated Diversifiers	53 Major U.S. Companies	Survey	Correlation/ Statistical
Helmich and Browne (1975)	Structural Characteristics of Board and CEO Style	97 Corporations	Survey	Questionnaire LPC Scales/ Correlations
Pitts (1976)	Managerial Transfers	4 Internal Growth Diversifiers 7 Acquisitive Diversifiers (Fortune 500)	Survey/ Statistical	Interviews
Pitts (1977)	Managerial Transfers	18 Large Corporations (Fortune 500)	Survey	Interview

TABLE 2.2-Continued

Studies Done By	Content of Study	Types of Organizations Studied	Nature of Studies	Research Techniques Used
Allen (1978)	Organizational Management Choices and Networks in Divisionalized Firms	46 Large Divisionalized Firms (Opportunistic, Fortune 500)	Survey/ Statistical	Questionnaire/Chi-Square Correlation/ Documentary
Wommack (1979)	Strategy as Structural Means to Review Investment Situations	None	Documentary	Documentary
Cavusgil and Nevin (1981)	Managerial Commitment and Experience in Marketing Overseas	473 Manufacturing Firms	Survey	Mail Questionnaire
Hall and Morgan (1983)	Career Development and Planning	3M Co.; AT&T; Travelers Insurance	Case Study/ Documentary	Documentary

The process of formulating strategies for change in the organization was the focus of the works examined previously. From a systems perspective, Halal (1977) conceptualized a Return-on-Resources Model which related to the evaluation of overall corporate performance. This model put a dollar value on the resources of the firm including the human resources. The strategic implications of viewing human resources as an asset extended from compensation to job dissatisfaction issues.

Megginson (1983) also discussed this new concept in manpower planning. He said that managers were becoming more concerned with accounting for their human resources, both in terms of cost involved and in terms of general information to be used in "long-range manpower planning" and decision-making purposes.

Both national and international trends on relevant economic factors must be considered in human resource planning as well. Wage and salary levels, taxation changes or legislation changes can have a profound effect on the profitability of the multinational firm (McBeath, 1978).

Hall (1976) studied the process of executive succession and how it was related to organizational technology. This linkage was seen to be very important to the long-term management of human resources. Level of education and organizational technology were found to be strongly related; years of education was curvilinearly related to technology; organizational technology volatility and functional specialization were strongly related to attainment of the CEO position.

Helmich and Brown (1974) examined successor type and organizational change. The data base of 208 chemical and allied product corporations consisted of a majority of multinational firms. The results indicated that organizations experiencing inside succession, tended to exhibit less organizational change in the executive role constellation than did outside succession firms.

Furthermore, Helmich (1974) suggested that companies' growth strategies influenced their succession strategies. Companies experiencing two successive presidents promoted from inside the organization were associated with less expansionary plans via acquisitions than were companies with more adaptive succession patterns.

In conclusion, the process research of human resource management in multinational firms (see Table 2.2) included the topics of executive development, motivating organizational performance and manpower planning. Although most of the works did not list any organizations studied, there were some large multinationals and Million Dollar Directory firms mentioned in the survey type works. Documentary techniques were used for most of the studies; the survey research primarily used questionnaire techniques.

Research Stream II: Content

Strategies for human resources planning in multinational firms proliferate in the many conceptual works done in this area (see Table 2.2). The content stream lists or categorizes strategies as shown in most of the research; few studies delve into the circumstances surrounding selection of these strategies.

In 1971, change strategies for social intervention were categorized as "individual," "technostructural," "data-based," "cultural," "coercion," and "non-violent" (Hornstein, et al.). Three years later, four strategy or change agent types were identified as "outside-pressure," "organization development," "people-change technology," and "analysis for the top" (Tichy, 1974).

Tagliere (1975) offered descriptions of several organizational development strategies including management by objectives, team building, job enrichment/enlargement, sociotechnical redesign, forcefield analysis, conflict resolution, future shock absorbing, intergroup merging, team development and multiple management training. Organizational development strategies were defined as planned efforts towards helping organizational members interact more effectively in achieving the organization's goal (Tagliere, 1975).

Compensation is another area in which strategic planning is essential. Lear (1979) and Crafts (1979) recommended up-dated compensation strategies and overseas trips for directors to increase board effectiveness.

Succession of the CEO constitutes a major event in the life of a corporation. Financial and merger strategies of the corporation were found to influence profoundly the succession strategies of the CEO; succession firms were found to be less profitable (Osborn, et al., 1981).

The Process which has been previously described for a one-company case was analyzed in a slightly larger sample size of 10 by Rush (1969). In firms ranging from small to extremely large and varying in industry, his survey analyzed each firm's interest in and experience with organizational behavior theories from the most influential scientists [McGregor, Maslow, Herzberg, Argyris, Likert] and prevalent techniques [sensitivity training, managerial grid, Menninger Foundation seminars].

Previously, change strategies have been examined, but these strategies are just one aspect of strategic management of human resources; top management development and succession strategies also are vital to future resource allocation. Surveys of the extent, content and problems of executive development programs have been abundant (Mace, 1950; Reigel, 1952; Greenewalt, 1959; Basil, 1964; Glickman, 1968; McClelland and Winter, 1969; Patten, 1971).

In Table 2.2, the content research of human resources management has focused on how to develop organizational change, compensation and succession-strategies. Almost none of the studies mention any particular organizations by name, but they depend on documentary and literature review research techniques to discuss different types of strategies.

Research Stream III: Structural

The relationship between structure and strategy has been well examined in the area of human resources planning. In the structural research stream, the majority of these studies have been empirical in nature (see Table 2.2).

In their framework of "organic" and "mechanistic" organizations, Burns and Stalker (1961) described changes in the electronics industry. The rate of change in the technical field was increasing rapidly at the time and the personnel were forced to cease thinking of themselves as "nine-to-fivers" and were pushed into being "professional" as their organizations became more "organic" in structure.

Using a case study of large packaging materials firms, Bowers and Seashore (1971) concluded that an organization was likely to achieve its goals better if there were emphasis on the work group; if there were a high rate of interaction and mutual influence among members; if there were a high degree of participation in decision making and control activities in the lower levels of the organization; and if supervisors were highly supportive of subordinates.

Structural changes are an important way that the Board of Directors can carry out its function more effectively. As a structural means for reviewing investment recommendations given by the firm's top management, a corporate objective or strategy committee was recommended by Wommack (1979).

In a correlational study done by Helmich and Browne (1975) on Board size and composition, the CEO's span of management and the CEO's perceptual style, the structural characteristics of Boards were further examined. The relationship between the composition of the

Board and the CEO's style was found to be statistically significant; the president had high complexity perceptual style scores more frequently with boards composed of higher percentages of inside directors. For a measurement of perceptual style, a modification of Fiedler's (1967) Least Preferred Co-Workers (LPC) scales was used.

By offering people more directions for career movement and career planning services, the new matrix structures which are currently evolving affect the strategic management of the people within organizations, both domestic and multinational (Hall and Morgan, 1983). Rotation of managers, job rotation, transfers, tenure, and dual career employees were just a few of the changing personnel policies discussed by Hall and Morgan (1983).

Murthy and Salter (1975) investigated compensation strategies for top corporate officers and found that in companies with one dominant business, there was a noticeable lack of correlation between pay and financial performance. In companies with a variety of unrelated businesses, the fluctuations in pay level tended to be greater, but were tied more closely to firm performances. The practice of letting executives' salaries get out of phase with profitability seemed to be having debilitating effects on company morale and was subjecting the corporation to both inside and outside criticisms.

In several empirical studies by Pitts (1974, 1977), the two human resource issues of managerial transfers and executive compensation were pursued. He concluded that managerial transfers between headquarters and divisions were more common in internal diversifiers than acquisitive diversifiers, and divisional performance evaluation criteria for incentive compensation were substantially different in the two types of diversifiers.

In summary, structural researchers have studied relationships between structural changes and areas like authority concentration, compensation, and managerial transfers (see Table 2.2, pp. 36-38). The firms examined vary from small to large, manufacturing firms to insurance companies and internal to acquisition growth-diversified type firms. In these research studies, the survey approach was dominant and used with interview, mail questionnaire and statistical techniques.

C. THEORETICAL MODEL

In order to facilitate understanding of the research design, first the relationship among the hypothesized variables and a strategic management framework is described (see Figure 2.3). Next, the hypothesized variables are tied to another more descriptive strategic management framework which is built on the elements of the first framework. Then a theoretical model of hypothesized variable relationships with comparison of research relationships is illustrated. In the next chapter entitled "Sources and Methods," hypotheses are presented, terms are defined and methodology is examined.

The first variables to be tested are the environmental characteristics. These conditions are the internal and external

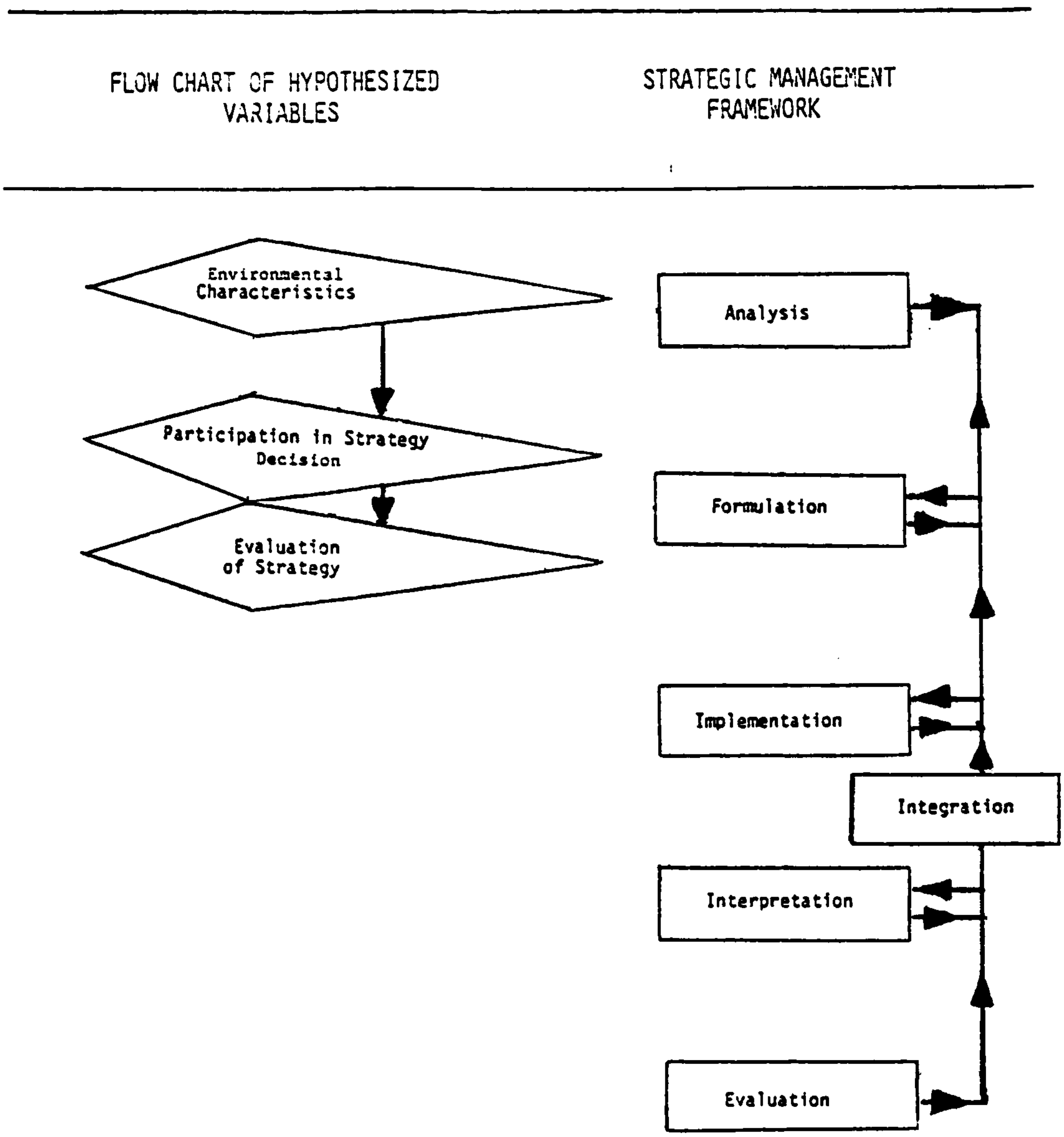


Figure 2.3. Relationship of Hypothesized Variables to Strategic Management Framework Elements.

Source: The Strategic Management Framework used here is a simplification of the Wortman Model--Max Wortman, Jr., "Strategic Management and Changing Leader-Follower Roles," The Journal of Applied Behavioral Science, 18 (July-September, 1982):374.

factors which are examined during the first phase of strategic management, namely the analysis phase. Once the effects of the internal and external environments are ascertained, the strategic manager formulates appropriate solutions and responses (see Figure 2.4). For this research, the hypothesized variable of "participation in the strategic decision" occurs during this formulation phase. Just as the analysis phase leads to and influences the formulation phase, so too it is hypothesized that the environmental characteristics may influence and effect the participation variable (see Figure 2.3).

The Wortman Model (see Figure 2.4) next shows how the executive implements solutions and responses. This in turn leads to an "interpretation of policies" phase where clarification and revisions of policies occur as needed. After such communications are made, controls and evaluation mechanisms for organizational performance are determined. In Figure 2.3, the final phase of evaluation in the Wortman Model corresponds to the hypothesized variable named "evaluation of strategy." The link between organizational and strategy evaluation exists because both the organization and strategy are directed towards the accomplishment of a set of goals. Figure 2.3 illustrates the linkages between the research variables and the simplified Wortman Model. The Wortman Model, shown in Figure 2.4, is a strategic management framework which discusses the five phases of strategic management as functions of the executive. The framework was selected for its ease of understanding, its comprehensive coverage of the basic phases of strategic management and its focus on the executive decision maker.

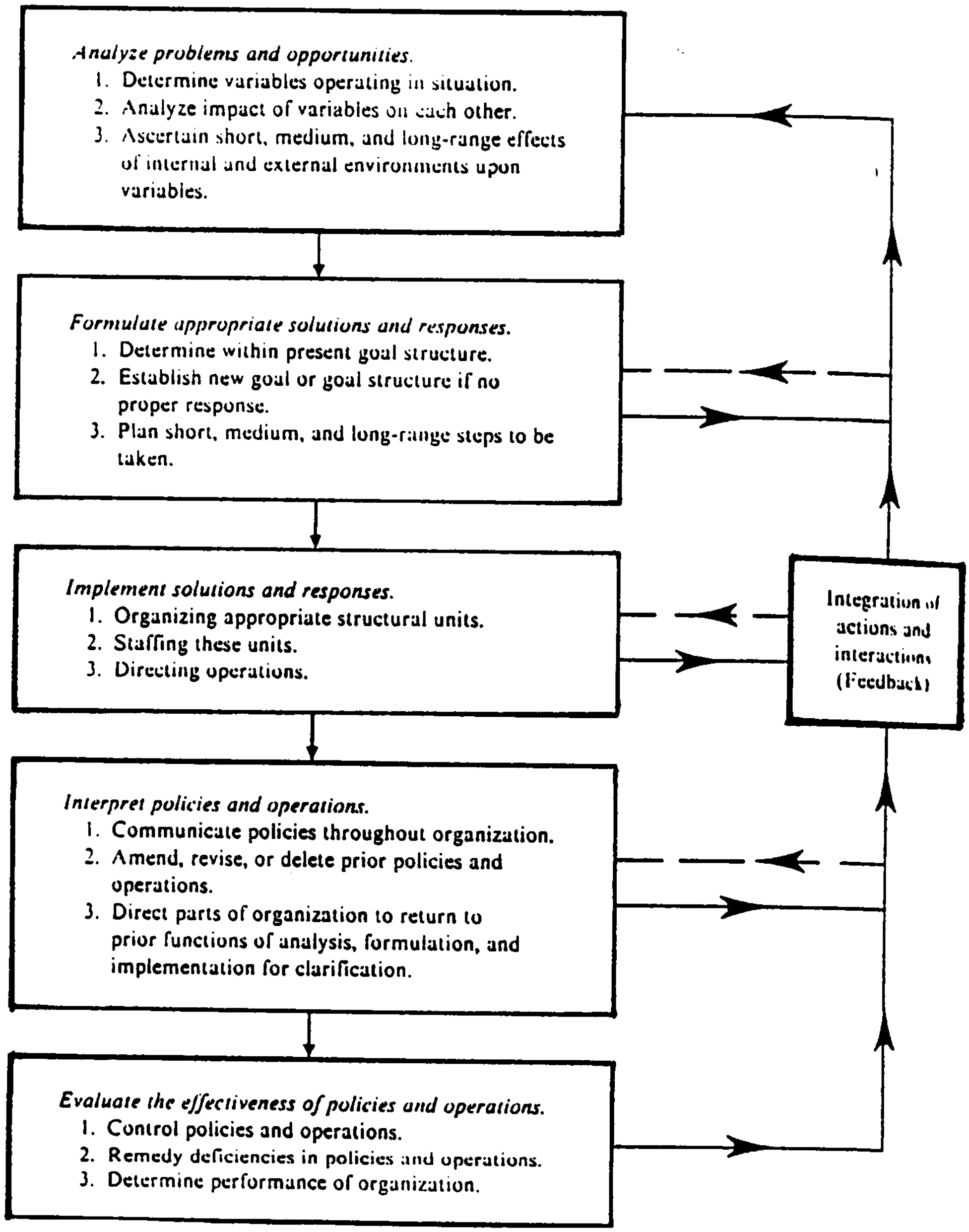


Figure 2.4. The Strategic Management Functions of the Executive.

Source: Max S. Wortman, Jr., "Strategic Management and Changing Leader-Follower Roles," The Journal of Applied Behavioral Science, 18 (July-September, 1982):374.

In addition to selecting the Wortman Model for comparison to the research variables, the Ginter and White Model was examined to see if it could be linked to the Wortman Model. This second model was chosen for its unique behavioral approach to strategic management and its particular use of the "strategic management perspective" which served as a pivotal point of the framework.

Just as Ginter and White (see Figure 2.5) show a reciprocal relationship among normative strategic behaviors, strategic management perspectives and environment, the Wortman Model (see Figure 2.4) shows forward arrows and feedback loops from the analysis phase to the evaluation phase and describes each phase from the perspective of the executive. The environmental factors are implicit in Wortman's analysis phase (see Figure 2.4).

The strategic management perspective of the Ginter and White Model includes the values, attitudes and feelings of the managers and could be referred to as "organizational climate" by others (Gellerman, 1960; Gilmer, 1966; Tagiuri, 1968). The behavior, or normative strategic behaviors as seen in Figure 2.6 of the Ginter and White framework, can be exhibited throughout the six phases of this strategic management model: Analysis; Strategy Development (which may be the same as Strategy Formulation in the Wortman Model) (see Figure 2.4); Development of Organizational Policy and Structure; Development of Functional Tactics; Implementation (these last three categories could be considered comparable to the Interpretation and Implementation phases described in the Wortman Model); and Control/ Evaluation.

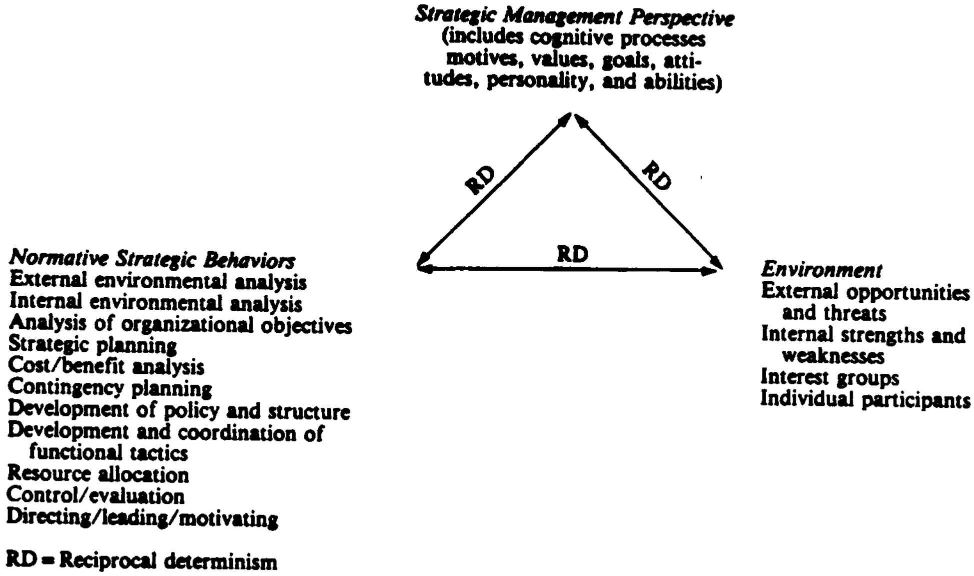


Figure 2.5. A Social Learning Theory of Strategic Management.

Source: Peter M. Ginter and Donald D. White, "A Social Learning Approach to Strategic Management: Toward a Theoretical Foundation," Academy of Management Review, 7 (April, 1982): 256.

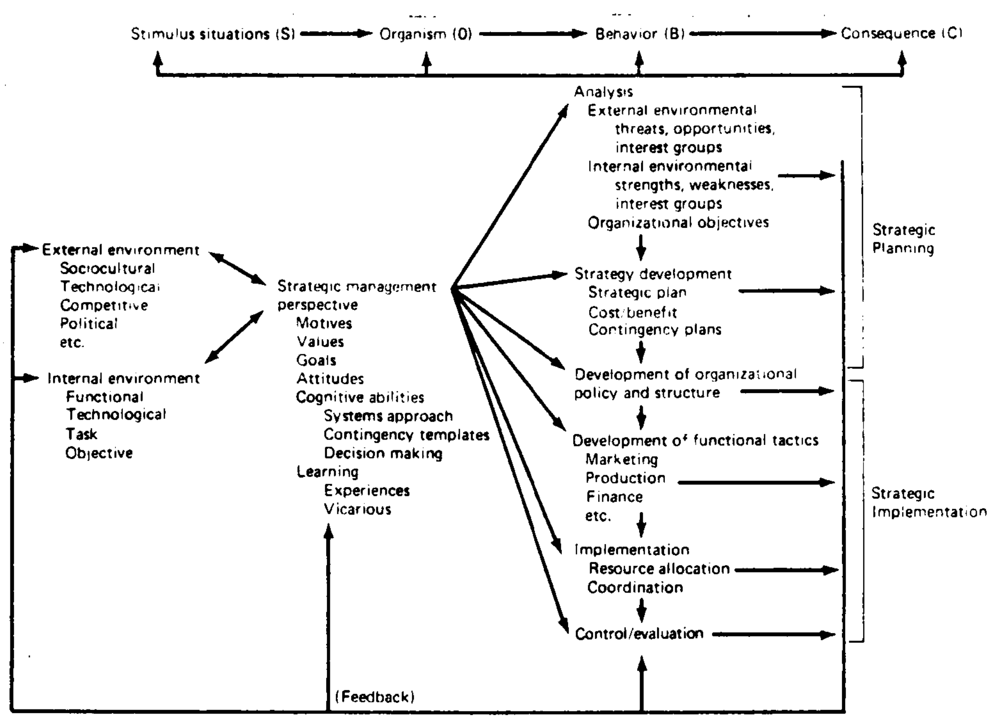


Figure 2.6. Strategic Management System Within a Stimulus, Organism, Behavior and Consequence (SOBC) Framework.

Source: Peter M. Ginter and Donald D. White, "A Social Learning Approach to Strategic Management: Toward a Theoretical Foundation," Academy of Management Review, 7 (April, 1982): 256.

The Ginter and White framework refines the five phase strategic management model of Wortman while adding explicitly the importance of environmental influences and the perspective of the decision maker on the strategic management behaviors or phases. The hypothesized variables can be easily related to these strategic management frameworks which give theoretical support to the research design. Variables tested in past empirical and conceptual research works can also be tied to the hypothesized variable relationships of this research.

The environmental characteristics which are hypothesized to influence executive participation can be divided into two general categories of internal and external environments (see Figure 2.7). In the internal environment, both human and organizational characteristics are included. Potential contribution of knowledge and skill by different levels of managers is the human characteristic that is studied; multinationality of the firm, corporate philosophy/goal, and structure of the firm are three organizational characteristics to be analyzed.

Past research has indicated there is a relationship between the internal environment and strategy. Strategy-structure (Chandler, 1962; Channon, 1971; Thanheiser, 1972; Rumelt, 1974; Hulbert and Brandt, 1980; Grinyer, Yasai-Ardekani, and Al-Bassas, 1980) and people-strategy research (McClelland, 1961; Susbauer, 1969; Cooper, 1973; Pitts, 1974, 1976; Anderson and Paine, 1975) is evidence of this relationship (see Arrow c in Figure 2.7).

FLOW CHART OF HYPOTHESIZED VARIABLES

FLOW CHART OF RESEARCH TESTED VARIABLES

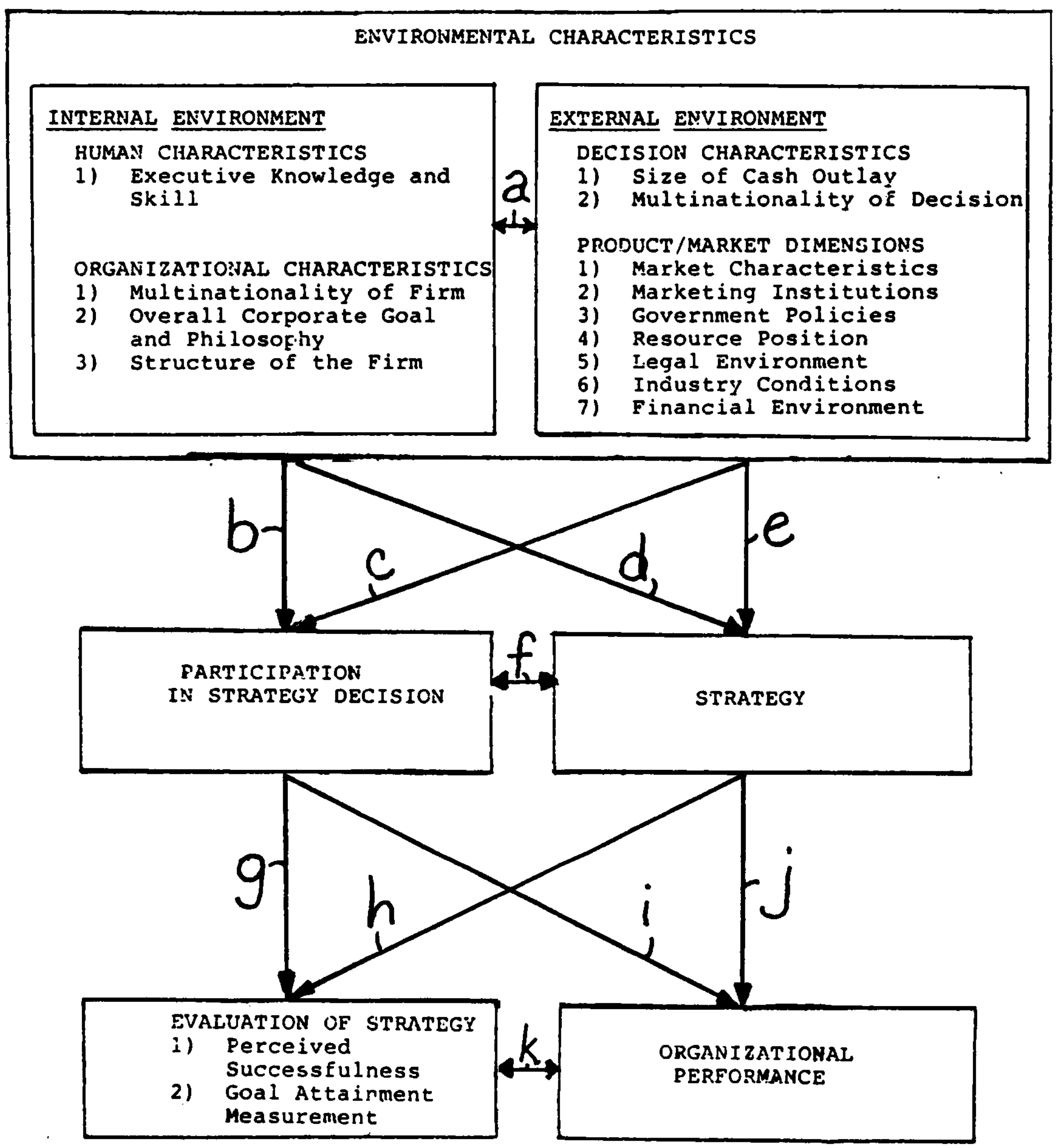


Figure 2.7. Theoretical Model of Hypothesized Variable Relationships with Comparison of Research Tested Variable Relationships.

In the external environment, both characteristics of the decisions themselves and the product market dimensions are incorporated. Included in the decision characteristics are size of cash outlay involved and multinationality of the decision. The product-market dimensions include the external environment categories of market characteristics, marketing institutions, government policies, resource position, legal environment, industry conditions and financial environment. External environment-strategy-internal environment research has been extensive: external environment-internal environment relationships have been studied (see Linkage a in Figure 2.7) (Woodward, 1965; Lawrence and Lorsch, 1967; Harvey, 1968); internal environment-external environment-strategy-performance linkages have been tested (Rumelt, 1974; Jauch, Osborn and Glueck, 1980; Lenz, 1980; Christensen and Montgomery, 1981) (includes Arrows a, c, e, and j in Figure 2.7).

The past research has dealt with <u>strategy</u> per se and not <u>participation</u> in strategy decision-making. This study attempts to extend the analysis of environmental characteristics and their relationship with respect to executive participation in the strategy decision (see Arrows b and d in Figure 2.7). The second part of this research also focuses on participation, not the strategy itself as it relates to strategy evaluation (Arrow g in Figure 2.7). Strategy evaluation variables include the executive's perceived successfulness of the strategy as well as measures of how well the strategy met specific goals.

The explicit linkage between evaluation of strategy and organizational performance (refer to Arrow k in Figure 2.7) is not the intent of this study. Ginter and White model's (see Figure 2.6) Control/Evaluation phase is comprised of both strategy evaluation and overall organizational performance evaluation, which implies this linkage. Arrow f (see Figure 2.7) similarly shows a tie between participation in strategy decision and strategy which also is not tested in this research work. The strategic management perspective and the normative strategic behaviors of Ginter and White's framework (see Figure 2.6) most closely parallel the participation-strategy relationship in this theoretical model (see Arrow f in Figure 2.7). Who is deciding (participation) and what is being decided (strategies) interface in the Strategy Development phase (Ginter and White, 1982).

D. SUMMARY

The chapter begins with a Venn diagram illustration of criteria used to screen literature related to this research project. Included works were focused on the following topics: (1) strategic management in multinational firms; and (2) the interplay between strategic management and human resource management in multinational firms. Works which were excluded in this literature review dealt with strategic management and human resource management in non-multinational firms or were multinational and human resource management oriented without focusing on strategic management in the firm.

From the perspective of a Venn diagram showing the criteria of inclusion and exclusion used in the literature review to a chart for categorizing the topics, research streams, and typologies of research, Chapter II examines and classifies research works which look at strategic management in multinational firms. In addition, the topic of strategic management of human resources in multinational firms is analyzed. Summaries of works in each of the process, content and structural streams for both topics are given after each area is selectively reviewed.

For each research work in a given research stream and topic area, the authors names, a description of the study's content, the type of organizations studied, the nature of the study and research techniques used are given. The nature of the study category describes the research methodology, i.e., documentary, case study, survey, model, statistical, and quantitative. In the research technique description, interviews, mail questionnaires, and statistical techniques such as content analysis, regression, and chi square are given in the summaries for each work. Tables 2.1, p. 15 and 2.2, p. 33 serve as chart summaries of the literature and research reviews.

The latter part of Chapter II describes the theoretical model for the research hypotheses. First, the hypothesized variables are related to the Wortman (1982) strategic management framework. Then the Wortman framework is compared to the "Social Learning Theory of Strategic Management" (Ginter and White, 1982). The hypothesized variables and the past research tested variables are formed into a theoretical model which hinges upon the strategic management frameworks and theoretical underpinnings previously laid down. The study, defined as testing relationships between environmental and decision characteristics, participation and strategy evaluation, forms a direct correspondence with historic research works studying the linkages among the environment, strategy and organizational performance.

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CHAPTER III

SOURCES AND METHODS

This chapter includes sections on definition of terms, theoretical and operational hypotheses, methodology of the study, and a summary of sources and methods.

A. DEFINITIONS OF TERMS

In this section, terms are provided for an understanding of the theoretical model, hypotheses, purpose statements and significance of the study. The definitions of terms commences with explanation of strategy and strategy related terms. Then, the levels of executive managers and their knowledge/skills are clarified.

After these terms are defined, there is a listing of definitions for the external and internal environment factors which are studied in this research. The term executive participation is discussed next followed by examinations of the strategy evaluation term and its two specific measures of successfulness and goal attainment.

1. Strategy: Pattern of objectives, goals, major policies and plans for achieving these goals which define what businesses the company is in or is to be in and the kind of company it is or is to be (Learned, Christensen, Andrews, and Guth, 1965).

2. Strategy Decision: A future-oriented, long term, complex decision which is made by top management, involves substantial resource deployment, has a significant impact on the long term prosperity of the firm, and necessitates consideration of factors in the firm's external and internal environment (Pearce and Robinson, 1982).

3. Strategy Formulation Process: How managers engage in the intellectual and political processes of determining the basic character of a firm and what business it is in (Chandler, 1962; Bower, 1970). (Also called simply Process.)

4. Strategy Choice: Identifying desired options uncovered when the set of possibilities is considered in light of the company mission, company profile and external environment constraints, and selecting a particular set of long-term objectives and strategies needed to achieve these desired options (Pearce and Robinson, 1982).

5. International Market Entry Strategy: Decision to select a new product/new market overseas; diversification into particular product/markets outside home country (Bourgeois, 1980; Root, 1982).

   According to the framework suggested by Root (1982) (see Figure 3.1), the product/market choice precedes the setting of objectives, selecting an entry mode such as exporting, licensing or direct foreign investment and the selecting of marketing mix elements such as price, promotion and distribution. This initial choice is the focus of this study.

6. Corporate Executive: Chief Executive Officer, President, Senior Vice President or Vice President of the Home Office (Root, 1982).

7. Regional Executive: Head of the Regional offices or Geographical subdivisions. For example, European, Latin American and Asian Divisions would be considered geographical subdivisions. Managers who are in charge of subsidiaries in a grouping of countries would also qualify as regional executives. If no such regional or geographical subdivision exist, the head of the International Division or Worldwide Product Division should be selected (Root, 1982).

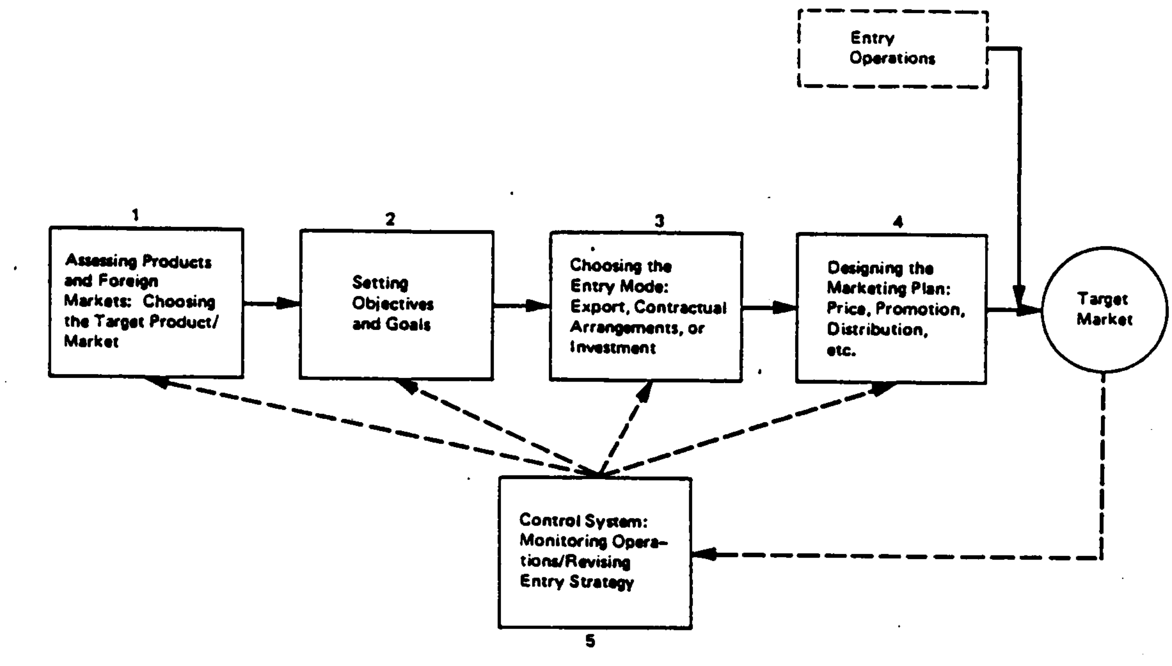

Figure 3.1. The Elements of an International Market Entry Strategy.

Source: Franklin R. Root, Foreign Market Entry Strategies (New York: AMACOM, 1982), p. 241.

8. Subsidiary Executive: Head of a subsidiary or international operation (Root, 1982).

9. Executive's Knowledge and Skill: Specialized education, experience and/or ability which would enable the regional or subsidiary manager to add relevant input to the strategic decision (Root, 1982).

10. Multinationality of the Firm (MNF): Global perspective of the firm (theoretically); at least 15 percent international to total sales ratio in the firm (operationally) (Egelhoff, 1982).

    Drake and Caudill's (1981) survey covered a mix of large European- and U.S.-based multinationals whose international sales ranged from 30-97 percent of total sales. All companies with less than 15 percent international sales were excluded in Egelhoff's (1982) strategy-structure research as not being sufficiently multinational. In his typology framework, Fayerweather (1981) did not define the term "international corporation," but illustrated his strategy types with corporations whose international operations were 50 percent of total sales volume.

    Theoretically, Weinshall (1975) defined the multinational organization as one which based its growth and survival wholly on the interests of the organization itself and not on those of a particular nation or government. Due to the difficulty of measuring such an abstract concept, the more objective definition of international to total sales percentage will be used to operationalize the construct of multinationality of the firm.

    The firms in this research were considered "multinational" firms because they all fulfilled the requirement of at least 15 percent international to total sales ratio. However, other authors may feel that this requirement may mean that they are "international" firms not "multinational." This author agrees with Keegan, (1984) that these terms have been used interchangeably by researchers. For this reason, the terms "international" and "multinational" firms were used synonymously in this research. To assess if a firm was truly multinational (world oriented) was difficult because of the term's abstraction and was not attempted in this study.

11. Overall Corporate Goal and Philosophy: Purpose or mission of the multinational firm, includes the basic aims, characteristics and creed of the corporation (Pearce and Robinson, 1982).

12. Structure of the Firm: The way a corporation is organized in terms of formal reporting relationships, lines of authority and spans of control. This variable represents the operating structure which can be different from the legal structure of MNFs (Egelhoff, 1982).

13. Size of Cash Outlay: Actual amount of money spent to pursue the particular strategy as estimated by the CEO or corporate executive (also referred to as the Financial Commitment Required to Carry Out a Decision) (Root, 1982).

14. Multinationality of the Decision: Two or more countries affected by the particular target product/market choice (Root, 1982).

15. Market Characteristics: Environmental dimensions of the market stage of development, stage of product life-cycle saturation level, buyer behavior, social/cultural factors, physical environment and size of market/rate of growth (Keegan, 1980).

16. Marketing Institutions: Channels of distribution, communications and marketing research (Keegan, 1980).

17. Government Policies: Way in which multinationals are treated by host country governments in relation to strictness of laws and friendliness of attitude (Keegan, 1980).

18. Resource Position: Availability of skill, potential and cost of manpower are included along with availability and cost of money (Keegan, 1980).

19. Legal Environment: Laws, regulations, codes, tariffs, and taxes (Keegan, 1980).

20. Industry Conditions: Conditions of competitive size and practices and technical development (Keegan, 1980).

21. Financial Environment: Balance of payments, foreign exchange, financial regulations and constraints (Keegan, 1980).

22. Executive Participation: Process of power/influence a manager employs in decision-making. Five decision methods constitute an influence-power sharing continuum (IPC) (see Figure 3.2) (Heller and Yukl, 1969; Heller and Wilpert, 1981). (Also referred to as Participation.)

I	II	III	IV	V
Decision without explanation	Decision with explanation	Prior consultation	Joint decision	Delegation

Influence/Power

Figure 3.2. The Influence-Power Continuum (IPC)

Source: Adapted from Frank A. Heller and Bernhard Wilpert, Competence and Power in Managerial Decision-Making (Chichester, England: John Wiley and Sons, Ltd., 1981), p. 71.

23. Strategy Evaluation: Perceived judgment of strategies by the CEO. Both overall degree of successfulness and specific goal attainment will be assessed (Bass, McGregor and Walters, 1976; Root, 1982).

24. Successfulness: Perceived degree of overall goal attainment of the strategy as evaluated by the CEO or corporate executive (Bass, McGregor and Walters, 1976; Hall, 1977).

25. Specific Goal Attainment: Degree to which organization meets measurable objectives or end states (Jobson and Schneck, 1982).

26. Technology of the Industry: Intensity of innovation within the industry (theoretically); at least 2.54 percent research and development costs to total sales ratio in the firm (operationally)

B. HYPOTHESES

The hypotheses section consists of theoretical hypotheses and their corresponding operational hypotheses. A discussion of related research works will follow after each of the hypotheses.

Theoretical Hypothesis: H1

Environmental characteristics influence perceived executive participation in strategy decisions.

Although numerous studies have shown environmental linkages with strategy (Chandler, 1962; Woodward, 1965; Lawrence and Lorsch, 1967; Rumelt, 1974; Pitts, 1974, 1976; Tung, 1979; Bourgeois, 1980; Lenz, 1980; Egelhoff, 1982), this study ties environmental characteristics with perceived executive participation in the strategy decision. Both internal and external environmental factors have been shown to influence strategy selection. Therefore, it seems reasonable that environmental characteristics also will influence how executives from different levels participate in the strategy decision. The specific environmental characteristics to be studied are given in the following operational hypothesis.

Operational Hypothesis: H1A

There is a statistically significant relationship between the degree of perceived executive participation and the following environmental characteristics:

a. Executive's knowledge and skills
b. Multinationality of the firm
c. Perceived importance of overall corporate philosophy and goal
d. Structure of the firm
e. Size of cash outlay
f. Multinationality of the decision.
g. Perceived importance of product/market dimensions including
   1. Market characteristics
   2. Marketing institutions
   3. Government policies
   4. Resource position
   5. Legal environment
   6. Industry conditions and
   7. Financial environment.

In previous research on perceived executive participation in strategy decision making, (Aylmer, 1970; Brandt and Hulbert, 1977; Heller and Yukl, 1969; Heller and Wilpert, 1981) environmental characteristics were most often cited to be significantly related to perceived executive participation.

The perceived degree of executive participation may depend on the skills and knowledge of the executive. In an empirical study of educational characteristics of manufacturing executives in large U.S. firms, Gaither (1979) found a positive relationship between educational variables (level of education, years since last degree, technical level of education, post graduation seminars) and firm size and technology of the industry. From the research of Heller and Wilpert (1981), the amount of executive participation was shown to be strongly related to the perceived skill and knowledge of those executives.

Although multinationality of the firm has been utilized as a criteria of inclusion for selection of firms in multinational research (Drake and Caudill, 1981; Egelhoff, 1982), multinationality of the firm, as an internal environment characteristic, has not been tested extensively. In his exploratory research, Aylmer (1970), said that multinationality of the firm is an important factor in who makes marketing decisions, but with a sample size of nine firms, additional research could add to the strength of that finding.

When Brandt and Hulbert (1977) focused on the issue of headquarter guidance in marketing strategy, evidence of linkages between home-office guidance and subsidiary marketing objectives was given. Headquarters which had applied substantial pressure on the subsidiary to achieve corporate objectives (such as profit objectives) also gave more marketing assistance to the subsidiary executive to insure that goals were met.

Two overall patterns of control, centralized decision making and standardization, are cited by Brandt and Hulbert (1977). These control practices adopted by headquarters allow a degree of integration and cohesion among international subsidiaries. The importance of the corporate philosophy/goal could conceivably influence the amount of participation executives in the subsidiary have in marketing strategy decisions.

Strategy-structure research has been extensive (Chandler, 1962; Channon, 1971; Thanheiser, 1972; Rumelt, 1974; Hulbert and Brandt, 1980; Egelhoff, 1982), yet the relationship between structure and participation has not been empirically shown. In extensive interviews with company executives, Davidson and Harrigan (1977) gathered information about the 3M Company which implied evidence of this linkage. At the time of their research, the 3M Company had nine major product divisions which operated on a global basis. Each division, through a marketing executive overseas, assessed environmental opportunities. These assessments were then communicated to divisional headquarters where they were evaluated by a central staff.

At the subsidiary level, top management evaluated opportunities for new business across all product lines and determined priorities. Then the subsidiary managers consulted with the product divisions to coordinate the introduction of new products. Participation at divisional and regional levels apparently has been a factor in 3M's successful product-market introductions, and may be tied to its structural form (Davidson and Harrigan, 1977).

In his normative book on international market entry strategies, Root (1982) said that the size of the cash outlay of a particular strategy may determine who participates in the decision. He predicted that if the cash outlay is large, the decision will be made primarily in headquarters. The smaller the cash outlay, the farther down the hierarchy the decision will go. This research examines whether the relationship between participation and cash outlay is statistically significant and in the direction that Root (1982) suggested.

Root (1982) also addressed the issue of multinationality of the decision. If the international market entry decision affects only one country, it is likely that the subsidiary executive will participate in the decision. When the number of countries affected by the product-market decision increases, Root suggested that the participation by regional and subsidiary managers decreases. In the extreme case, product-market decisions which involve all the countries the multinational is selling in, the strategy is one of complete standardization with headquarter executives dictating strategy to lower level executives.

The relationship of product-market dimensions to strategy decision-making has been established in the marketing field normatively (Wind and Perlmutter, 1977; Douglas and Dubois, 1977; Cravens, Hills and Woodruff, 1980; Keegan, 1980). Empirical evidence for these linkages is more difficult to find.

In the area of market characteristics, Stopford and Wells (1972) found income levels, stage of development and product life cycle to be correlated with extent of diversification. Both size of the market and market growth rate were important variables in strategy decisions in the research done by Knickerbocker (1973). For this research study, the relationship between marketing characteristics and participation in strategy decision making is being investigated. Of the market characteristics (as defined by Keegan, 1980), size of the subsidiary, size and importance of the market, and type of industry have been empirically tied to participation (Aylmer, 1970; Boddewyn and Hansen, 1977; Drake and Caudill, 1981; Terpstra, 1977).

As a second category of the product-market dimension, marketing institutions are believed to be critical in the marketing function (Keegan, 1980). In their research of Brazilian subsidiaries, Brandt and Hulbert (1977) discussed the importance of marketing institutions. Executives of subsidiaries with an international market research capacity experienced a greater degree of autonomy than those subsidiaries which did not have such a capacity.

Governmental policies and their impact on multinational strategies have been an issue widely addressed (Blough, 1966; Behrman, Boddewyn and Kapoor, 1975; Curzon and Curzon, 1977; Doz, 1979; Gladwin and Walter, 1980; Wooten, 1971). Empirical research connecting attitudes and policies of government with participation of executives in international market strategies needs to be developed.

Another product-market characteristic, resource position, also is implicitly tied to the involvement level of different executives (Boddewyn and Hansen, 1977; Terpstra, 1977). The categorization of the product offering as consumer durable, industrial goods, or consumer nondurables affected the choice of a centralization versus decentralization mode of decision-making.

Legal environmental factors can also have an impact on strategy formulation (Keegan, 1980). Little empirical evidence of the link between the legal/political environment and participation in strategy decision making exists. Within the European Economic Community, Aylmer (1970) found that greater standardization in strategic decision making was influenced by tariff reductions in the EEC.

In the area of industry conditions, both Aylmer (1970) and Khandwalla (1973) said that industry conditions, such as strong product competition and fiercer competition in length of production runs, affect the amount of delegation by the chief executive.

Financial environmental issues such as balance of payments, foreign exchange, financial regulations and constraints can have a great impact on the international marketing entry strategies that multinationals choose as well as industry and market conditions discussed thus far (Zenoff and Zwick, 1969; Aylmer, 1970; Weston and Sorge, 1972; Ayal and Zif, 1979; Keegan, 1980; Root, 1982).

Although the majority of works which support the operational hypothesis have been descriptive or normative in nature, there were some empirical studies showing evidence for the product-market dimension and strategy linkage. Research on the relationship of the characteristics within this product-market dimension with participation in the international market entry strategy is relatively unexplored. This study synthesizes new findings and existing empirical studies within a broad environmental framework.

Theoretical Hypothesis: H2

Perceived executive participation at the corporate, regional and subsidiary levels is related to the evaluation of specific international entry strategies used by multinational firms.

This research also emphasizes the variable of evaluation of strategy. The dominant literature on evaluation attempts to define and measure overall corporate performance (McCarthy and Healy, 1971; Petry, 1975; Hood and Young, 1975; Ward, 1973; Halal, 1977; Horovitz and Thietart, 1982). The strategy-performance relationship has been widely tested (Rumelt, 1974; Jauch, Osborn and Glueck, 1980; Lenz, 1980; Christensen and Montgomery, 1981) while the "participation in strategy formulation-performance" linkage which this study addresses is a fairly untested phenomenon (Bourgeois, 1980).

The emphasis in this research is not on overall corporate performance, but rather strategy evaluation. How do executives evaluate a particular international market entry decision that was made and was the amount of executive participation in any way related to that evaluation?

Operational Hypothesis: H2A

There is a statistically significant relationship between degree of CEO's perceived executive participation and perceived successfulness of the selected entry strategy.

The concept of evaluation of strategy is the focal point of these last two operational hypotheses. The first hypothesis tested the linkage between executive participation and perceived successfulness of the international market entry strategy. "Perceived successfulness" or overall goal attainment is the criterion of effectiveness which has been utilized in research by Bass, McGregor and Walters (1976).

The "perceived successfulness" measure is part of the feedback process which Ginter and White (1982) explain transfers information about how the organization was able to meet its performance and strategic goals or objectives. Information for this feedback process is gathered in the final phase entitled "Control/Evaluation" of the Strategic Management System (Ginter and White, 1982) (see Figure 2.6, p. 51, for illustration of the model).

In the "Control/Evaluation" phase, the strategy is usually evaluated from two perspectives: (1) how well the strategy enabled the organization to accomplish its goals; and (2) how well the strategy itself was implemented. For this study, the "perceived successfulness" measure as a criterion for effectiveness focuses on the first perspective of overall goal attainment as it relates to the international market entry strategy.

The strategy-performance linkage has been studied by many researchers (Rumelt, 1974; Pitts, 1974, 1976; Tung, 1979; Lenz, 1980), but the participation-strategy evaluation tie-in has not been explicitly researched. Perhaps the case study research of 3M (Davidson and Harrigan, 1977) comes closest to examining implicitly this relationship.

Operational Hypothesis: H2B

There is a statistically significant relationship between degree of CEO's perceived executive participation and perceived successfulness of goal attainment measures including:

1. Percentage of profit contribution goal
2. Percentage of subsidiary sales goal
3. Percentage of industry sales goal
4. Percentage of regional sales goal and
5. Percentage of market share goal.

As suggested by Root (1982), specific goal attainment measures appropriate to the multinational firm and related to the international market entry decision have been incorporated in the second hypothesis as a means of strategy evaluation. Root (1982) based his measures on interviews with over 1,000 executives of multinational firms. To utilize fully the goal approach, it is imperative to select criteria appropriate to the type of organization studied, in this case multinational firms (Scott, 1977; Cameron, 1978).

The selection of strategy-specific goals differentiates this study from past research aimed at the strategy-performance "fit" concept. Past research of this kind has most often used economic performance measures such as ROI (Bower, 1970; Rumelt, 1970; MacMillan, et. al., 1982; Anderson and Zeithaml, 1984; Gupta, et. al., 1984), ROA (Meyer and Glauber, 1964; Bourgeois, 1980; Lenz, 1980; Cochran and Wood, 1984; Dess and Davis, 1984), ROS (Bourgeois, 1980; Lindenberg and Ross, 1981; Cochran and Wood, 1984), and market share (MacMillan, et. al., 1982; Anderson and Zeithaml, 1984; Hambrick, 1984).

This study examines the relationship between executive participation in decision-making and the perceived successfulness of strategy-specific goal attainment measures. In 1980, Bourgeois studied the relationship of consensus and organizational performance. Consensus among the top management team on means (same as strategies) was strongly tied to higher economic performance. The measure of consensus is not exactly the same as participation, but there seems to be an implicit linkage between the two.

Another study related to this study was conducted on organizational effectiveness of brokerage organizations (Pennings, 1975). He found a high correlation between participation in decisions and the effectiveness criteria. Five measures of organizational effectiveness were specifically related to goal attainment in the areas of morale, anxiety, loss due to errors, total production and decline in production. Such research gives credence to the assertion that participation and strategy evaluation are related.

C. METHODOLOGY

In this section of the study, detailed explanation of the survey instrument, sample selection and research procedures are given.

Instrument

A semi-structured questionnaire instrument was developed to analyze the relationship between possible common environmental characteristics of international market entry strategies and executive participation and evaluation of the particular strategy.

The questionnaire was organized as shown in Table 3.1. The

TABLE 3.1

DESCRIPTION AND PURPOSE OF QUESTIONS IN SURVEY INSTRUMENT

Description of Question (Sequence of Questions in Survey)	Purpose of Question
I. Description of Strategy Type (Nos. 1, 2, and 3)	I. Describes Population
II. General Background on Past Choice of Strategy Type (No. 6)	II. Describes Population
III. Executive Participation in Strategy Choice (Nos. 9, 10, 10a, b, c, d)	III. Relates to H1A, H2A, and H2B
IV. Executive's Knowledge and Skills (No. 13)	IV. Relates to H1A
V. Cash Outlay (No. 12)	V. Relates to H1A
VI. Perceived Importance of Overall Corporate Philosophy/Goal (No. 11, Item 21)	VI. Relates to H1A
VII. Structure of the Firm (Nos. 14 and 15)	VII. Relates to H1A
VIII. Multinationality of the Decision (Nos. 14 and 15)	VIII. Relates to H1A
IX. Product/Market Dimensions (No. 11, Items 1-20)	IX. Relates to H1A
X. Perceived Successfulness of the Past Strategy (No. 7)	X. Relates to H2A
XI. Specific Goal Attainment (Nos. 8, 8a, b)	XI. Relates to H2B

relationships to the hypotheses or the purpose of gathering specific information also have been given in this table.

General background questions (I and II) on the strategy type, specific descriptions of the product/market segment and the approximate date of the decision were asked to gain information on the decision itself and the population being tested.

From Table 3.1, the first variable included the degree of executive participation (III) in the strategy choice. Questions in this section proceed from the general to the specific.

The first question was open-ended and dealt with the decision-making process in general. The interviewer covered details regarding communications, information flows and organizational policies or procedures regarding strategic decisions. The process for decision-making may be a "top-bottom," "bottom-top" or "combined" approach. In their research on "Communications in Multinationals," Brandt and Hulbert (1977) initiated a flow charting process which was used in this research to assess which process of decision-making was predominant.

Specific information about the decision makers was sought next. The third question on executive participation (III) asked the Chief Executive Officer "Which decision-making method did you use?"

I. Your <u>own</u> decision without detailed explanation to subordinate(s).

II. Your <u>own</u> decision with detailed explanation to the subordinate(s) before the decision is made (in writing or through meetings).

III. Prior consultation with subordinate(s).

IV. Joint decision with subordinate(s).

V. Delegation of decision to subordinate(s)."

These methods describe what is called an influence-power sharing continuum (IPC) (Heller and Yukl, 1969; Heller, 1971). The range of five alternatives in the IPC constitute a Guttman-type scale in the sense that, with regard to power-sharing, each step logically contains the previous steps. Consultation requires giving information, joint decision-making is based on consultation and delegation is a division of responsibilities which contain information, consultation and some form of joint agreement about what degree of autonomy is given to any particular group or person (Heller and Wilpert, 1981).

The next three questions were devoted to finding out how far down the hierarchy the decision making process goes. If the decision included a Regional (or Divisional) Manager, the interviewer asked for the CEO's perception of the amount of involvement by this Manager. Similarly, when the decision-making went down to the subsidiary level, the amount of involvement by the Subsidiary Manager was assessed.

By asking a series of questions, progressing from the general decision-making process to the specific assessment of quality and quantity of executive participation in a particular product-market entry decision, it was hoped that the strategic decision-making processes in multinationals would be more fully analyzed and understood.

Executive's Knowledge and Skills (IV) was measured by questions on the executive's level of education, major, years of experience with the company, and language abilities. The questions were adapted from similar questions in the research by Gaither (1979) and Heller and Wilpert (1981).

The question "estimate the approximate cash outlay required by this particular international market decision" was used to measure Cash Outlay (V). Cash Outlay meant actual amount of money spent for the new product/new market development. For the financial estimate, the CEO was requested to include market research, promotion, sales, distribution and additional manufacturing costs needed to implement the international entry strategy.

The Multinationality of the Decision Question (VIII) was determined by the question "In how many countries was this product or market entered?"

Because of the large number of constructs to be measured and limited time available from sample respondents for an interview, constructs in Questions VI and IX were measured with a Likert scale comprised of multiple statements with scale points labeled from "strongly disagree" to "strongly agree."

Two constructs for structure of the firm (Question VII) were used: (1) type of structure; and (2) span of control. Actual categorization of structure as used by Stopford and Wells (1972) was formulated through information in annual reports and from the CEO. An organizational chart was requested from each interviewee. Based on a similar question which Lenz (1980) researched, this study determined the average span of control of different level executives within the organization.

Structure is a widely studied variable, but the constructs to measure it are often at a micro level, where the units are individuals or small groups like in a department. For example, in her research on impacts of organizational environments on structure, Tung (1979) utilized four criterion to measure departmental structure: (1) degree of standardization-degree department is subject to rules; (2) formalization-extent to which rules are written down; (3) role specialization-division of labor; and (4) degree of decentralization in decision-making. All of these variables were highly correlated. Other macro and micro research measures of structural characteristics have been lateral and vertical communication, frequency of meetings, power, social interdependence, differentiation, integration and span of control (Pennings, 1975; Lenz, 1980).

From the strategy-structure contingency research, a number of different categorizations of multinational's structure have been found. Egelhoff (1982) used four types of macro-structure commonly used by multinationals: worldwide functional divisions, international divisions, geographical regions and worldwide product divisions. His classification system worked well to differentiate parent-subsidiary information processing of both operational and strategic decisions.

Since this research is focusing on <u>strategic</u> decision making between <u>very large</u> organizational <u>subunits</u> from the <u>corporate executive's perspective</u>, the more macro-structure constructs of span of control and structural type categorization seem more appropriate than some of the more micro-structure measures of role specialization or lateral communications. However, the structural classifications as presented by Stopford and Wells (1972) (six categories), rather than by Egelnoff (1982) (four categories), were incorporated because they permit classification of a wider range of organizations.

Using the Stopford and Wells (1972) system, each multinational was categorized into the following types: (1) Domestic Function Divisions; (2) Domestic Product Division with International Division; (3) Global/Worldwide Product Division; (4) Global/Worldwide Functional Division; (5) Global Geographical Regions; and (6) Global/Matrix. In addition, a final category of "other" was used in this question to allow for classification of organizations which do not have a "pure" type of structure.

Questions on Strategy Evaluation (X and XI) were measured by two sets of constructs: successfulness and specific goal attainment. Overall degree of successfulness will be measured by the question "Overall, looking back on it, how would you evaluate your product/market decision?" "Highly successful" decisions will be scored "4," "Successful" decisions will be scored "3," "Somewhat Successful" decisions will be scored "2," and "Not So Successful" as "1." This measurement was adapted from Bass, McGregor and Walters (1976).

The CEO was asked if there were any predetermined goals in mind for the entry decision and how well these goals were met? The measurement of goal attainment included percentage of market share, percentage of profit contribution, percentage of sales increases at the subsidiary or regional levels as suggested by Root (1982). Since organizations may pursue various goals, this question was open-ended to invite the organization to give its specific predetermined goals. The scoring categories from "Highly Successful" to "Not So Successful" (Bass, McGregor and Walters, 1976) also were used for this question (see Appendix A for Sample Questionnaire guidelines).

Measurement of Constructs

Calculation of the participation variable was done by taking the average of questions 10a, 10c and 10d. A coefficient alpha reliability test was performed on this group of questions to insure that all three indeed measured the construct.

For the executive knowledge and skills measure, the more quantitative variables of years of education, years of experience in the firm, overseas and at headquarters were aggregated to a composite average. A reliability test (coefficient alpha) was performed on these questions to constitute a scale.

The measure of cash outlay was an approximate number given by the interviewee. The estimate included financial costs of promotion, sales, market share, distribution and manufacturing.

In the data analysis, the measures of market characteristics, marketing institutions, government policies, resource position, legal environment, industry conditions and, financial environment were each calculated by averaging the Likert scale scores of the series of questions under that heading. Coefficient alphas were done to test for internal reliability consistency.

The structure variable was measured using type of structure and span of control. The span of control figures for headquarter, regional, and subsidiary managers were averaged together with the six-scale categorical number which headquarter executives assigned to their organizational structure. If the organization had a combination of structures, the mean of the scales was taken (for example, firms with both global functional divisions, a score of 4, and geographical region divisions, a score of 5, would be given a 4.5 rating).

The multinationality of the firm was measured by the international to total sales ratio computed from the firm's annual report for the year 1982. The technology of the industry was derived from the Standard and Poor's Industry Survey of 1982.

Selection of Sample

The questionnaire instrument provided the guideline for personal interview sessions with top executives in multinational firms. For this study, firms were included in the sample if they met the following criteria:

1. Sufficiently multinational (at least 15 percent I/T Ratio);
2. Headquartered in Boston SMSA (standard metropolitan statistical area);
3. In an industry characterized as high technology and multinational; and
4. Relatively large sized (more than 500 employees and more than $50 million in sales).

To be included in the sample, the MNF is defined as having at least a 15 percent ratio of international to total operations. Sales were used, when available. When not available or ambiguous, data on assets were used. As previously mentioned, the I/T Ratio was computed from the firm's annual report for the year 1982. This is the most recent year for which this information can be found for the majority of firms. Rugman (1981) defined the firm as multinational when it attained a 30 percent ratio of international to total operations, but argues convincingly that this ratio is somewhat arbitrary. He continued by saying that it is unlikely that it would affect the nature of the sample for research purposes if this percentage were lowered. One of the most recent empirical studies on multinational firms has in fact used 15 percent international to total sales as the cut off point for inclusion in the research (Egelhoff, 1982).

Since the focus of this research is from the perspective of the corporate headquarter's top management, the home office firm needed to be contacted. The geographical delimitation of the Boston SMSA was chosen for the following reasons: (1) a large number of multinational firms in high technology industries were headquartered in the Boston SMSA; (2) the Boston SMSA is a highly defined area and some homogeneity in environment would be present if all firms were selected from one SMSA; (3) location was convenient to researcher who resides in New England and would pose fewer time constraints; (4) overall costs of the research could be kept lower (WATTS line telephone for New England area, travel to Boston compared with travel to SMSAs in other regions of the United States, and accommodation with friends in Boston versus hotel accommodation in other SMSAs).

The level of technology of the industries (measured as a percentage of research and development costs to total sales) which fell in the top ten industries of the U.S. ranged from 2.54 to 5.6 percent (see Appendix B). The percentage of international to total sales of the top ten U.S. industries ranged from 15 to 90 percent. The industries which were categorized as top ten both in technology and multinationality were Office Equipment, Health Care, Automobiles, Rubber Fabrication, Electronics, and Chemicals. This research study utilized four of these industry areas: (1) Office Equipment; (2) Health Care; (3) Electronics; and (4) Chemicals. The reason for this further delimitation was that firms headquartered in the Boston SMSA in the Automobile and Rubber Fabrications Industries were nonexistent or few in number.

Only relatively large-sized multinationals were included in this study. The cutoff point for large firms was according to the number of employees (minimum of 500) and total sales (minimum of $50 million). These inclusion criteria have been utilized either jointly or singly in several empirical studies (Helmick and Brown, 1974; Galbraith, 1976; Jauch, Osborn and Glueck, 1977; Tung, 1979).

By controlling for the immediate environment (headquarter location in Boston), technology (firm in an industry with relatively high technology), multinationality (all firms have 15 percent or more of their total sales as international sales), and size of the firm (relatively large), it was felt that differences in variables which were detected among firms would be more meaningful. The firms were selected at random from the Million Dollar Directory using a computerized random number generator for each decision point. For a summary of decision procedures, please see Appendix C.

The CEOs of the selected firms were contacted by telephone and an interview scheduled. The first preference of the interviewer was to speak with the CEO. However, when the CEO was unavailable, the person who was in charge of the firm's international operations was sought. The telephone conversation went as follows:

> My name is Diane Garsombke. I am Assistant Professor of Management at the University of Maine at Orono. I would like to interview you for research used to complete my dissertation in Business Administration.
>
> I will be scheduling interviews for the week of (give dates) in Boston. The interview will take approximately twenty to thirty minutes and will deal with the decision-making process you and your organization use in international marketing and/or product (service) development. All the information will be kept confidential and neither your name nor your organization's will be used in any publication.
>
> Would you be available for such an interview? (If "no," terminate interview with thank you statement.) (If "yes," continue interview.) When would you like to meet (give dates and set a time)? Thank you for your time and consideration. I look forward to meeting with you on (date).

A confirmation letter was sent the week after the interview was scheduled (see Appendix D for the letter format). Information about firms declining to participate in the study was kept to test for bias in the selection of a sample. Although the exact number of firms which met the inclusion requirements of this study were not known, it was estimated that fewer than one hundred such firms exist. Given the small population size, a sample size of thirty firms was considered to be very representative of the population.

Research Procedures

Each scale within the preliminary questionnaire was pilot tested in onsite interviews with executives from four selected multinational firms in the New England area (one in each different industry). The intent of a preliminary study was to check for ambiguous questions/format problems and to determine the number of scale points such that item variances and intercorrelations were significant.

The pilot test results were incorporated into the final questionnaire design. Two practice interviews with executives of two paper companies in Maine were conducted to check on coding, ordering of questions, and interpretation of responses by the interviewer. Practice interviews are a way to minimize interviewer bias and make the interviewing sessions more standardized, which in turn may increase reliability of the study.

The pretested questionnaire for this study was then used to gather the research information needed. The information was obtained through personal interviews with 30 chief executive officers (or the top executive at headquarters who the chief executive officer deemed most knowledgeable about the international market entry decision process).

Analysis of responses from the interview session was done immediately following completion of the thirty interviews. Backward elimination stepwise regression was performed to assess the relationships between the characteristics of the environment (independent variables) and managerial participation of different leveled managers in the choice of a strategy (dependent variable). The stepwise regression procedure was used to search for linear combinations of explanatory variables that jointly maximized the multiple correlation with the dependent variable and minimized the number of explanatory variables.

For this research, the predictive equation for m independent variables was:

$$Y_i = a + b_1X_1 + b_2X_2 + \ldots + b_mX_m$$

where X_1, X_2, ... X_m are the independent variables and a, b_1, b_2, ... b_m are the regression coefficients generated from the sample data. Multiple regression requires that both the dependent and independent variables be intervally scaled. However, nominal independent variables were used in the regression context by use of the dummy-variable multiple regression procedure. This process converts nominal variables into a series of binary variables that were coded 0-1.

An F-test was used to compare the explained variance with the error variance to see whether the regression as a whole explained a significant amount of variance in Y. In addition, t-tests were performed to tell which coefficients were statistically significantly different from zero. The degrees of freedom for the whole sample was n - 1 (n is sample size); error degrees of freedom will be n - 1 - m (n is sample size and m is number of independent variables); explained degrees of freedom was m (number of independent variables in the study).

The coefficient of multiple determination, which is R^2, is calculated. This gives the proportion of the variation in Y (dependent variable) explained by the regression. Multiple regression with backward elimination first selects the variable to enter which explains the most variation in Y. The next variable to enter is the one that explains the greatest amount of variation in Y after the effect of the first variable has been removed. The process continues until no significant variation remains. The technique permits variables to be included or excluded at each step of the stepwise procedure.

Univariate Pearson Product-Moment Correlations were used to test the associations between managerial participation in strategy choices and strategy evaluation measures of successfulness and goal attainment. The equation $Y = a + bX$ represents the relationship between the dependent variables of strategy evaluation (Y) and the independent variables of managerial participation (X). The coefficient of determination, r^2, represents the proportion of the total variation in Y explained by fitting the regression line. The t-test is performed on the regression coefficient for the univariate analysis to test for significance.

In the power analysis that was done the degree of freedom for the entire sample was n-1 (where n is the sample size) and the probability of a type one error -- the rejection of a hypothesis which is true -- was selected as .01 (alpha = α = .01). For the appropriate function chart, please see Appendix E.

D. SUMMARY

In the section entitled Definitions of Terms, all important terms are defined and the sources of the definitions given. In addition, other terms which may be used in place of the defined term are listed after the definition. Particular attention is directed to the definition of the key terms of "international market entry strategy," "multinationality of the firm" and "executive participation."

The hypotheses are organized into two major theoretical hypotheses followed by operational hypotheses. After each type of hypothesis, the development of the hypothesis and how previous researchers have studied the variables or related concepts are explained further. The first theoretical hypothesis describes the relationship between environmental characteristics and executive participation. Then, the influence of executive participation on strategy evaluation is given in theoretical hypothesis H2.

In the operational hypothesis H1A, the environmental characteristics are delineated into seven areas including skills, structure, goals, and product/market dimensions. Each area is reviewed for past research findings. The majority of these findings related to the environment-strategy linkage which was then implicitly tied to the hypothesized environment-participation relationship.

Similarly, the operational hypotheses (H2A and H2B) following theoretical hypothesis H2, delineated the specific measures of strategy evaluation to be studied. These measures included the general construct of "perceived successfulness" (H2A) and the more specific constructs such as "percentage of profit contribution goal" or "percentage of market share goal" (H2B) achieved. In almost all of the past studies, the relationship between strategy and organizational performance was examined. How the participation and strategy evaluation relationship is implicitly suggested in previous works is a major topic of the discussion following these operational hypotheses.

The three areas explained under the Methodology section included the survey instrument, sample selection and research procedures. The semi-structured questionnaire was described fully in the survey of instrument area. Eleven topic areas, the sequencing of specific questions relating to these areas and what the areas were to be used for in the study were explained under this first area and summarized in Table 3.1, p. 87.

The four criteria for selection of the sample firms were given under the next area: (1) Sufficiently multinational; (2) Headquartered in Boston SMSA; (3) In an industry characterized as high technology and multinational; and (4) Relatively large sized. Through the use of these criteria, this research study focused on firms in the office equipment, health care, electronics and chemicals industries.

The procedure for scheduling and confirming interviews with the CEOs of selected firms was discussed at the end of the sample selection topic. A sample size of 30 firms was selected since it was estimated only 100 firms existed in the population. Given the estimated population size and the control in the homogeniety of that population due to careful selection criteria, a sample size of 30 firms is considered a large enough sample size for the multiple regression (Reichard, 1972; Conover and Iman, 1984; Weiers, 1984).

The final area of Methodology pertaining to research procedures began with a discussion of the pilot test and respective item reliability tests. Then, research procedures focused on the personal interviews to be conducted with 30 CEOs (or top executive officers) and subsequent statistical analyses of collected data.

The first operational hypothesis (H1A) regarding the participation-environment characteristics linkage was analyzed with a backward elimination stepwise regression procedure. Univariate analysis was performed on the question responses to assess the linkage between participation and the various strategy evaluation measures as described in the last two operational hypotheses (H2A and H2B).

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CHAPTER IV

RESULTS

Descriptions of the pretest and sample firms, events and changes in the data gathering phase, and results as they relate to the hypotheses are examined in this chapter.

A. DESCRIPTION OF PRETEST FIRMS

This section includes a description of the type of firms pretested, location of these firms, a schedule of interviews conducted, a description of the decision characteristics, background information on the regional/subsidiary executives affected by the international market entry decision and decision-making processes.

Type of Firms Pretested

Four multinational firms located in the New England area, one in each of the four high technology/highly multinational industries (chemicals, office equipment, health care and electronics) were selected to pretest the questionnaire. Practice interviews with two general managers in the paper industry of Maine were also conducted during the pretest phase. Although these general managers were not the

CEOs of the parent company, they were executives of divisions in two large multinational firms.

The intent of the practice interviews was to gain experience in asking questions and recording responses as well as to discover if any questions were ambiguous or difficult to answer. The paper industry, although not one of the four industries used for this research, is also a highly multinational industry. Questions regarding multinational environmental characteristics and decision-making participation were applicable to the paper industry and discernible by these two general managers. The averages of multinationality (international to total sales ratio), 1982 sales and number of employees for the pretested firms and practice interview firms were .28, $680 million and 9,270 respectively. For a listing of firms in which pretest and practice interviews were conducted, their multinationality, 1982 sales figures, number of employees, and industry categorization, see Table 4.1.

Location and Schedule of Pretest and Practice Interview Firms

The pretest and practice interview firms were selected on the basis of location as well as on the criterion of high technology/high multinationality as previously mentioned. All firms in this phase were in the New England area. Four firms, two practice interview and two pretest, were located in Maine since the researcher resided there. Not all pretest firms were located in Maine because firms in each of the four selected high technology/highly multinational industries could not

TABLE 4.1

PRETEST AND PRACTICE INTERVIEW FIRMS IN NEW ENGLAND AREA BY MULTINATIONALITY, 1982 SALES, NUMBER OF EMPLOYEES, AND INDUSTRY

Firms	Multinationality (Ratio International Sales to Total Sales	1982 Sales (in millions of dollars)	Number of Employees	Industry
Pretest				
P1	.24	1,200	10,000	Chemicals
P2	.41	500	11,000	Office Equipment
P3	.20	230	4,500	Health Care
P4	.16	310	4,700	Electronics
Practice Interview				
R1	.50	1,340	20,000	Paper
R2	.25	520	5,400	Paper

be found. The other two firms were located in the Boston Standard Metropolitan Statistial Area and Nashua, New Hampshire (a fairly new thriving center of high tech activity approximately twenty minutes from the Boston SMSA). The practice interviews were done in the latter part of April, 1984 and pretesting was continued during the latter half of May, 1984 (see Appendix G for location, date and time schedule of the interviews with executives of pretested and practice interview firms).

Description of Decision Characteristics in Pretest

Three types of decisions were characterized in this study: (1) new product, (2) new market, and (3) both new product and new market. In the six pretest and practice interview firms, one-half of the decisions discussed were the new product type. Nine of the executives talked about new market decisions and only one firm executive covered a new product and new market decision type (see Table 4.2).

The type of markets/products which executives described were commercial and industrial, fertilizer, surgical equipment, toilet paper, and electronic homing devices. The number of countries in which the new product/market was entered ranged from 1 to 15 with the average being six countries.

The chemical firm (P1) operated in the largest number of countries, but concentrated on the South East Asia Region, whereas the other pretest firms had relatively fewer countries which they entered. The office equipment and health care firms in the pretest (P2 and P3) were located in countries which were in close proximity, but the

TABLE 4.2

DESCRIPTION OF DECISION CHARACTERISTICS IN PRETEST AND PRACTICE INTERVIEW FIRMS IN NEW ENGLAND AREA BY TYPE OF DECISION, TYPE OF PRODUCT/MARKET, NUMBER OF COUNTRIES ENTERED, COUNTRIES/REGIONS/CONTINENTS, AND YEAR DECISION MADE

Firms	Type of Decision	Type of Product/ Market	Number of Countries Entered	Countries/ Regions/ Continents	Year Decision Made
Pretest					
P1	New Product	Fertilizer	15	South East Asia	1979
P2	New Product	Commerical	3	Northern Europe	1981
P3	New Product	Surgical Equipment	2	Middle East	1982
P4	Both	Electronic Homing Device	5	Japan, Korea, Mexico, Canada and Germany	1983
Practice Interview					
R1	New Market	Commercial	1	Canada	1983
R2	New Product	Toilet Paper	10	Europe	1981

electronics firm (P4) was utilizing a more global strategy in entering its new product simultaneously in selected European Asian, Northern and Central American countries. The two firms in the paper industry (R1 and R2) had made decisions to enter Canada and Europe respectively.

In addition to number and names of countries entered, firm's executives in the pretest were asked what year the market entry decision was made. In the electronics firm (P4) and one of the paper firms (R1), the decision was made most recently in 1983; whereas in the chemical firm (P1), the decision was made back in 1979. The rest of the firms made their decisions either in 1981 or 1982. For a summary of decision characteristic descriptions in pretest and practice interview firms, see Table 4.2.

Background Information on Executives in Pretest

Decision-maker background was collected in the pretest and practice interview firms and included level of education, major studied, years since last degree, special language ability, and years with firm at headquarters and overseas. The differences between the pretest and practice interview firms regarding the various categories were seen to be decision and industry-related (see Table 4.3). In particular, the majors of engineering and science were seen more often for firms in the chemicals, health care and paper industries and business majors were more prevalent in office equipment and electronics firms. The average number of years with firms of most executives involved in the new product/market decisions overseas was 16; the electronics managers were much lower than the others at 4 years. The

TABLE 4.3

BACKGROUND INFORMATION ON EXECUTIVES INVOLVED IN THE INTERNATIONAL MARKET DECISION FOR PRETEST AND PRACTICE INTERVIEW FIRMS IN NEW ENGLAND AREA, 1984

Firms	Industry Category	Level of Education	Major Studied	Special Language Ability	Years Since Last Degree	Years With Firm	Years at Headquarters	Years Overseas
Pretest								
P1	Chemicals	5	Engineer/ Science	None	20	15	5	10
P2	Office Equipment	4	Engineer/ Business	European	30	21	2	10
P3	Health Care	4	Science	Middle Eastern	25	14	---	2
P4	Electronics	5	Engineer/ Business	European and Asian	5	4	---	2
Practice Interview								
R1	Paper	4	Engineer/ Science	None	30	14	5	2
P2	Paper	4	Engineer/ Science	European	25	15	10	4

chemicals and office equipment managers spent relatively more years overseas (average of 10) and at headquarters (average of 4) than did the managers in the health care and electronics firms (2 years overseas with no headquarter experience). In the paper industry, regional and subsidiary managers involved in the overseas decision spent an average of 7 years at headquarters and 3 overseas.

In addition, the decision-makers in the electronics firm were more recent graduates than their counterparts in the other industries; 5 years elapsed since their last degree yet for the rest the average was closer to 25 years since they were in a degree program (see Table 4.3).

Description of Decision-Making Processes in Pretest and Practice Interview Firms

Of the three approaches to decision-making (top-bottom, bottom-top or combined), the pretest chemicals and health care firms used the "top-bottom approach" where decisions were centralized at headquarters and dictated to regional and subsidiary managers. The electronics and office equipment pretest firms used the "combined approach" with upwards and downwards communications as the norm and different level managers were involved in decision-making at different times in the planning period.

In the practice interview of paper firms, one used a "top-bottom approach" and the other was very decentralized with a "bottom-top approach" to decision-making. Regional and subsidiary executives made strategic decisions in their units and plans were consolidated at headquarters.

B. DESCRIPTION OF SAMPLE FIRMS

The description of sample firms covers the following areas: (1) type of firms sampled; (2) schedule of interviews; (3) description of the decision characteristics; (4) educational/experiential background of the regional/subsidiary executives affected by the new market/product decision; and (5) description of decision-making processes.

Type of Sample Firms

The sample firms satisfied four selection criteria: (1) sufficiently multinational (all had at least a 15 percent International Sales to Total Sales Ratio); (2) headquartered in the Boston SMSA; (3) all firms were in one of the high technology and highly multinational industries (7 office equipment, 7 health care, 8 electronics, 8 chemicals); and (4) relatively large-sized (all had more than 500 employees and more than $50 million in sales). For a listing of sample and nonresponse firms, multinationality (Ratio of International Sales to Total Sales), 1982 sales, number of employees, and industry categorization, see Table 4.4.

The average multinationality of sample firms was 35 percent, well above the 15 percent criteria of multinationality. The ratios went from a low of 17 percent for a chemicals firm to a high of 80 percent for an office equipment firm.

For 1982 sales, a majority (47 percent) of the firms had sales between 50 and 150 million dollars. One-fourth of the firms had sales

TABLE 4.4

RESPONDENT AND NONRESPONDENT FIRMS HEADQUARTERED IN BOSTON SMSA BY MULTINATIONALITY, 1982 SALES, NUMBER OF EMPLOYEES, AND INDUSTRY

Firms	Multinationality (Ratio of International Sales to Total Sales)	1982 Sales (in millions of dollars)	Number of Employees	Industry
A	.46	265	3,500	Electronics
B	.30	46	700	Health Care
C	.50	3,450	40,000	Chemicals
D	.20	60	1,400	Office Equipment
E	.50	3,500	63,000	Electronics
F	.40	100	50,000	Health Care
G	.25	3,700	79,000	Electronics
H	.55	930	10,000	Chemicals
I	.28	55	44,300	Health Care
J	.51	5,000	50,000	Chemicals
K	.50	18,000	54,000	Chemicals
L	.50	2,000	15,000	Office Equipment
M	.30	480	10,000	Health Care
N	.80	70	550	Office Equipment
O	.47	3,060	30,000	Health Care
P	.30	55	800	Electronics
Q	.25	60	505	Office Equipment
R	.30	15,000	45,000	Chemicals
S	.35	11,500	85,000	Electronics
T	.16	1,000	25,000	Chemicals
U	.30	65	600	Office Equipment
V	.25	560	6,000	Chemicals
W	.17	500	10,500	Chemicals
X	.30	69	1,070	Health Care
Y	.30	65	510	Health Care
Z	.33	700	15,000	Office Equipment
AA	.35	4,330	80,000	Office Equipment

TABLE 4.4 (continued)

Firms	Multinationality (Ratio of International Sales to Total Sales)	1982 Sales (in millions of dollars)	Number of Employees	Industry
BB	.30	108	2,000	Electronics
CC	.30	123	2,500	Electronics
DD	.20	194	1,200	Electronics
EE (Non-response)	.30	95	15,000	Health Care
FF (Non-response)	.35	70	650	Office Equipment

Sources: Million Dollar Directory. Parsippany, NJ: Duns Marketing Services, 1983.

John Stopford, John Dunning and Klaus Haberich, The World Directory of Multinational Enterprises. NY: Facts on File, Inc., 1980.

Annual Reports and Interviews with Executives of Sampled Firms.

more than $150 million yet less than $1 billion. Of the remaining firms, 8 had sales between $1 and $5 billion, while 3 had sales above $10 billion, although below $20 billion.

In the sample firms, the mean of the number of employees was found to be 22,000. The number of employees ranged from 510 to 79,000 for a health care and electronics firm respectively.

Two firms declined participation in the interview process of the study (firms labeled EE and FF). The explanations for not participating were: (1) the corporate executive most knowledgeable of international marketing had recently left the company and the replacement would be unable to answer historical questions about past strategic decisions and levels of participation; and (2) due to the overwhelming requests for information by outside researchers, as well as time and expense required, the company was unable to participate in any research studies.

The characteristics of the two nonresponding companies (one in health care and one in office equipment) were not different from those of the participating firms.

Schedule of Interviews in Sample Firms

The schedule for interviews covered approximately two months span from June 28, 1984 through August 16, 1984 (see Table 4.5). Two considerations dictated the interview dates: (1) date when the firm was initially contracted; and (2) schedules of the executives to be interviewed.

TABLE 4.5

DATES AND TIMES OF INTERVIEWS WITH TOP CORPORATE
EXECUTIVES OF SAMPLE FIRMS IN BOSTON SMSA
JUNE - AUGUST, 1984

Sampled Firms	Dates	Times
A	June 28	10:00 a.m.
B	28	1:00 p.m.
C	29	8:00 a.m.
D	29	10:00 a.m.
E	29	1:00 p.m.
F	July 9	9:00 a.m.
G	9	2:00 p.m.
H	10	8:00 a.m.
I	10	11:00 a.m.
J	10	2:00 p.m.
K	19	10:00 a.m.
L	19	1:00 p.m.
M	20	8:30 a.m.
N	20	10:00 a.m.
O	20	1:30 p.m.
P	20	4:00 p.m.
Q	23	9:00 a.m.
R	23	11:00 a.m.
S	23	2:00 p.m.
T	24	10:00 a.m.
U	24	1:30 p.m.
V	24	4:00 p.m.
W	August 13	10:00 a.m.
X	13	1:30 p.m.
Y	14	2:00 p.m.
Z	15	9:30 a.m.
AA	15	1:00 p.m.
BB	16	10:00 a.m.
CC	16	1:00 p.m.
DD	16	4:00 p.m.

Times of interviews were fairly evenly split between morning (17 interviews) and afternoon (13 interviews) appointments. The earliest appointment was 8:00 a.m. and the latest interview was 4:00 p.m. Twelve separate days were scheduled with several appointments on any given day. The dates were grouped into four distinct trips to lessen the interviewer's traveling time: June 28-29; July 9-10; July 19-24; and August 13-16.

Description of Decision Characteristics for Sample Firms

This section describes decision characteristics for sample firms. These decision characteristics encompass type of decision, type of product/market, number of countries entered, countries/regions/continents entered and year the decision was made (see Table 4.6).

When analyzing the decision types of the 30 sample firms, 18 firms (60 percent) had been initiating a new product overseas, 9 firms (30 percent) were entering a new international market and 3 firms (10 percent) were doing both--a new product in a new market overseas.

Commercial, industrial and governmental markets as well as life style/age group market niches were cited as overseas market targets. New products ran the gamut from semiconductors and automotive oil to surgical blades and minicomputers in factories. The scope of countries entered extended from a single country to worldwide coverage. The overall average of countries entered was 18, albeit the most (9 firms) frequent response was "1 country." The majority of firms sampled

TABLE 4.6

DESCRIPTION OF DECISION CHARACTERISTICS IN SAMPLE FIRMS HEADQUARTERED IN BOSTON SMSA BY TYPE OF DECISION, TYPE OF PRODUCT/MARKET, NUMBER OF COUNTRIES ENTERED, COUNTRIES/REGIONS/CONTINENTS, AND YEAR DECISION MADE

Sampled Firms	Type of Decision	Type of Product/ Market	Number of Countries Entered	Countries/ Regions/ Continents	Year Decision Made
A	New Market	Computer Firms	1	Brazil	1979
B	New Product	Anti-arthritic Oral	100	Worldwide	1979
C	New Product	Chemicals	12	Europe	1982
D	New Product	Memory Typewriters	12	Europe/Asia	1982
E	New Product	Electronics	12	Middle East/ India	1983
F	New Product	Lab Instrument	12	Asia/South America	1982
G	New Product	Computer Hardware	13	Japan/ Europe	1983
H	New Market	Chemicals for Packaging	1	Korea	1980
I	New Market	Hospitals	1	Saudi Arabia	1983
J	New Product	Adhesive Polymer	25	Europe, Brazil Canada, South East Asia	1982
K	New Market	Governmental & Commercial	1	Yugoslavia	1983
L	New Product	Personal Computer	12	Europe	1981
M	New Product	Weight Control	1	Germany	1980
N	Both	Typewriters in West Africa	1	Nigeria	1980
O	New Product	Medicinal	100	Worldwide	1980
P	New Market	Microprocessor	1	Japan	1981
Q	Both	Computer for Professionals	12	Europe	1983

TABLE 4.6 (continued)

Sampled Firms	Type of Decision	Type of Product/ Market	Number of Countries Entered	Countries/ Regions/ Continents	Year Decision Made
R	New Product	Pharmaceuticals	10	Australia/ Asia	1982
S	New Market	Adult Males	1	Japan	1983
T	New Market	Commercial	1	Sweden	1983
U	New Product	Copying Machines	100	Worldwide	1983
V	New Market	Commercial	20	Europe/Asia	1981
W	New Market	Automotive Oil	10	Mexico/South America	1980
X	New Product	Lab Equipment	12	Europe	1981
Y	New Product	Scanning Equipment	10	South East Asia/U.S.S.R.	1982
Z	New Product	Personal Computer	12	Europe	1983
AA	New Product	Memory Typewriter	12	Europe	1981
BB	Both	Microcomputer in Factories	12	South East Asia, China,	1982
CC	New Product	Electronics Equipment	10	South America/ Africa	1982
DD	New Product	Semiconductor	13	Europe/Japan/ Australia	1983

(83 percent) entered into less than 15 countries with their new product/market initiatives. The three firms with world saturation were in the health care (Firms B and O) and office equipment (Firm U) industries. Europe and South East Asia were the two most popular geographic areas for international entry of product/markets; 18 firms (60 percent) were found to be in these regions.

Decision years were given from 1979 through 1983. A 63 percent majority of firms made their international market entry strategies in the more recent years of 1982 and 1983. Only two firms talked about decisions made in 1979, one was in health care and the other was an electronics firm (see Table 4.6).

Educational/Experiential Background of Executives in Sample

The same executive background information which was gathered during the pretest was also found in the sample firms. Table 4.7 summarizes the level of education, major studied, years since last degree, special language ability, and years with firms at headquarters and overseas which regional and subsidiary executives possessed who had been affected by the international market entry decision.

Majors of engineering and science were most often seen (44 percent) in chemicals and health care firms; whereas business majors were found primarily (55 percent) in the electronics and office equipment industries. Overall, engineering majors accounted for 42 percent of all regional and subsidiary executives in the 30 sampled firms and business majors comprised 38 percent of these executives.

TABLE 4.7

EDUCATIONAL/EXPERIENTIAL BACKGROUND OF EXECUTIVES AFFECTED BY THE INTERNATIONAL MARKET DECISION FOR SAMPLE FIRMS IN THE BOSTON SMSA

Sampled Firms	Industry Category	Level of Education	Major Studied	Years Since Last Degree	Years with Firm	Years at Head-quarters	Years Over-seas
A	Electronics	6.0	Engineer	4	10	5	4
B	Health Care	7.0	Pharmacy	2	20	15	5
C	Chemicals	4.0	Liberal Arts/ Science	20	30	10	1
D	Office Equipment	6.0	Business	10	15	10	5
E	Electronics	4.0	Engineer	20	15	12	2
F	Health Care	6.0	Science	10	20	18	2
G	Electronics	6.0	Engineer	10	25	20	10
H	Chemicals	4.0	Liberal Arts/ Business	25	35	20	3
I	Health Care	5.0	Engineer	10	20	15	2
J	Chemicals	5.0	Engineer/ Business	15	20	18	1
K	Chemicals	4.0	Business	30	25	20	2
L	Office Equipment	5.5	Engineer	10	15	7	3
M	Health Care	4.0	Law/ Business	10	5	4	1
N	Office Equipment	4.0	Engineer/ Business	10	12	10	1
O	Health Care	4.0	Business	10	8	5	2
P	Electronics	4.0	Business	8	5	2	1
Q	Office Equipment	4.0	Business	7	10	3	2
R	Chemicals	7.0	Business	5	15	7	5
S	Electronics	4.0	Business	5	20	15	4
T	Chemicals	6.5	Business/ Science	10	25	20	2
U	Office Equipment	6.0	Engineer	5	10	9	1

TABLE 4.7 (continued)

Sample Firms	Industry Category	Level of Education	Major Studied	Years Since Last Degree	Years with Firm	Years at Head-quarters	Years Over-seas
V	Chemicals	6.0	Engineer/ Business	10	12	8	3
W	Chemicals	7.0	Business	7	5	4	1
X	Health Care	7.0	Science	2	6	2	4
Y	Health Care	6.0	Science	10	25	12	3
Z	Office Equipment	6.0	Engineer	15	30	10	15
AA	Office Equipment	4.0	Business/ Engineer	25	20	5	10
BB	Electronics	4.0	Engineer	10	25	2	10
CC	Electronics	5.0	Engineer	10	10	3	2
DD	Electronics	6.0	Engineer	5	7	4	2

Years of experience with the firms had a mean of 16 years for the executives involved in the international market entry decision which had been implemented by the sample firms (see Table 4.7). In the 30 sampled firms, regional and subsidiary executives averaged 10 years experience at headquarters and 3.5 overseas. The majority (63 percent) of executives had three years or less of overseas experience.

Similar to the pretest firms, electronics industry companies had more recent graduates of formal degree programs (with an average of 1.7 years elapsed since last degree) than the other three high tech/high multinationality industries (average of 5 years since last schooling) studied in this research (see Table 4.7).

Description of Decision-Making Processes in Sampled Firms

The sample firms could also be divided into three distinct groups based on their decision-making processes. The largest group of firms (18 firms or 60 percent) were those who practiced what has been called a "combined approach" to decision-making. That is, strategy formulation and decision-making took place at both corporate headquarters and in the subsidiary. Subsidiary executives submitted their plans for corporate approval; corporate executives evaluated decisions and plans, in light of the business as a whole, and revised subsidiary plans and decisions when appropriate.

The number of firms using the other two decision-making approaches was fairly evenly split; 5 firms made "bottom-top approach" their standard and 7 firms utilized the "top-bottom approach" for strategic decisions. The "bottom-top approach" was characterized by a more decentralized type of management where decisions were essentially made at lower levels, subsidiary and regional. Plans made at lower levels were specifically tailored to the needs of each subsidiary and corporate executives usually simply consolidated these plans into an overall corporate plan with little revision.

In the "top-bottom approach," strategic decision-making was the responsibility of corporate executives. Plans and decisions were handed down to regional and subsidiary executives for their implementation and lower level executives were required to gain corporate approval before any changes in the overall plan were made.

C. DATA GATHERING

Three major areas are examined in this part. The instrument, measurement and data collection description were important aspects of the data gathering phase.

Instrument

The instrument used in this research study was the personal on-site interview. Although most executives were told on the telephone that the interview would take twenty to thirty minutes, the normal interview time was approximately fifty to sixty minutes with fifteen to twenty minutes taken to establish rapport with the interviewee.

Measurement

During the interview phase, the questionnaire guideline (see Appendix A) was followed quite closely. The question on goals (Question 8b) was made more directive by naming the five goals as given in Operational Hypothesis H2B (profit contribution, subsidiary sales, industry sales, regional sales and market share) and then asking for open-ended "other" goals. In the practice interviews, executives were able to respond more easily when goals were given (see Appendix F for this revision).

In Question 9 of the questionnaire guideline, "Describe briefly the decision-making process in your organization (communications, information flows, organizational policies)," executives were given the opportunity to expand on how decisions in general were made in the organization. From this information, each firm was categorized into the following 3 types of decision-making processes: (1) Top-Bottom Approach; (2) Bottom-Top Approach; and (3) Combined Approach as was done previously in the description of the sampled firms.

In addition, Question 9 was helpful in examining the reliability of the influence-power continuum questions on participation. For example, in a firm which used the "top-bottom approach," the interviewee answered Question 10a, "Which decision-making method did you use?" with Answer 1 - "Your own decision without detailed explanation to the subordinate(s)" or Answer 2 - "Your own decision with detailed explanation to the subordinate(s)." The direction of the decision-making process "top-bottom approach" was downward and decisions were determined by the corporate executive.

For comparison purposes, after the backward elimination stepwise regression was performed on the sample firms, a backward elimination stepwise regression sort procedure was run on descriptive groups within the set of 30 sample firms. The sort procedure divides the sample into descriptive groups and reruns a backward elimination stepwise regression on each group. The descriptive groups were classified by: (1) Type of Decision; (2) Decision-Making Process; (3) Language Abilities; (4) Majors, and (5) Industry. Although the sample size may be too small for interpretation of significant relationships within each group, the data can be used as an exploratory tool to check if any grouping of firms follows a different pattern than the samples firms taken as a whole. These deviations could be starting points for future research into specific groupings of firms.

Data Collection

One of the problems in collecting the data was making initial contact with executives to set up the interview. Many executives were difficult to reach due to business travel and personal vacations. Considering that the summer was the time period for the interviewing, this was to be expected. The interviewer was very flexible in arranging the executive interviews.

When the interviewer said "I will be scheduling interviews for the week of (give dates) in Boston," the executive was given the opportunity to set a date and time that was most convenient, even if that meant that the interview was scheduled for an entirely different week than the interviewer suggested. If the executive left the choice open, the interviewer gave suggested times and dates from which the executive could choose. In all cases, an interview appointment was arranged and kept. The letter reminder of the appointment was mailed out at least one week prior to the appointment which insured that executives had the correct date and time for the interview.

D. RESULTS

Reliability

After the interview phase was completed, the data were coded for the computer reliability tests (Coefficient Alphas) on the variables which encompassed at least two items on the questionnaire. Results of these tests confirmed the use of multiple items for both internal and external environmental variables (see Table 4.8). The majority of coefficients indicated that the questionnaire measures for these variables were very reliable (all but one were greater than .70).

Dowdy and Wearden (1983, p. 234) said that a reliability coefficient greater than .70 is regarded as sufficient and acceptable for research since it is close enough to 1, which is a perfect correlation. In their questionnaire research, Bello and Williamson (1985, p. 81) used coefficient alphas above .5 to indicate that the individual items reliability constituted an overall scale. Table 4.9 shows the means and standard deviations of the dependent and independent variables used in the research as well as the intercorrelation matrix from the regression analysis procedure.

Multiple Regression Analysis

Multiple regression with backward elimination was used to test the first Theoretical Hypothesis, H1.

Theoretical Hypothesis: H1

Environmental characteristics influence perceived executive participation in strategy decisions.

The final equation contained thirteen predictors accounting for

TABLE 4.8

COEFFICIENT ALPHA RELIABILITY COEFFICIENTS OF QUESTIONNAIRE INDICES OF A STUDY ON MULTINATIONALS IN THE BOSTON SMSA, JUNE - AUGUST, 1984

Variables	Reliability Coefficient
External Environmental Variables (Independent)	
Marketing Characteristics	.861
Marketing Institutions	.930
Government Policies	.627
Resource Position	.731
Legal Environment	.982
Industry Conditions	.853
Financial Environment	.774
Internal Environmental Variables (Independent)	
Structure	.865
Knowledge	.827
Strategy Variable (Dependent)	
Participation	.921

TABLE 4.9

MEANS, STANDARD DEVIATIONS AND INTERCORRELATION MATRIX FOR VARIABLES IN REGRESSION ANALYSIS OF A STUDY ON MULTINATIONALS IN THE BOSTON SMSA, JUNE - AUGUST, 1984

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Dependent Variable																
1. Participation	3.13	.99	---													
Independent Variables																
2. Knowledge	15.93	7.88	.24	---												
3. Multinationality of the Firm	.37	.16	.08	.26	---											
4. Goal	3.60	1.13	.76***	.24	.09	---										
5. Structure	13.26	11.07	-.16	.26	.47**	.02	---									
6. Cash Outlay (Mil)	.99	1.29	.36*	.46**	.25	.45**	-.15	---								
7. Multinationality of the Decision	18.00	28.46	.30	.28	.07	.34	.11	.66	---							
8. Marketing Characteristics	3.91	.67	.18	.21	-.16	.09	.14	-.17	.13	---						
9. Marketing Institutions	3.51	.84	.30	.28	.19	.33	-.02	.23	.27	.53	---					
10. Government Policies	3.16	1.26	.13	.23	-.08	.13	-.01	.29	.29	.07	.33	---				
11. Resource Position	3.66	1.00	-.23	-.35*	-.27	-.12	-.13	-.34	-.12	-.16	-.35*	.11	---			
12. Legal Environment	3.23	1.25	.29	.31	.16	.20	.04	.20	.28	.46**	.31	-.33	-.04	---		
13. Industry Conditions	3.59	.62	.40*	-.13	-.05	.27	-.13	.03	.35	.39	.14	.13	.03	.31	---	
14. Financial Environment	2.83	1.22	.03	.05	.07	.09	-.04	.07	.04	-.15	-.39*	-.14	.21	.24	.17	---

* p ∠ .05
** p ∠ .01
*** p ∠ .001

.734 of the variance in changes in perceived executive participation in strategy decisions.

The multiple regression equation used was $y_1 = a + b_1x_1 + b_2x_2 + \ldots + b_{13}x_{13}$. Where x_1, x_2; x_{13} were the thirteen independent variables and a, b_1, b_2, ..., b_{13} were the corresponding regression coefficients. For cross-validation of the regression results, the following formula for correcting a multiple correlation was used:

$$\hat{R}^2_{\text{corrected}} = 1 - \frac{(N-2)}{(N-P-1)} \cdot \frac{(N-2)}{(N-P-2)} \cdot \frac{(N+1)}{(N)} \cdot (1-R^2)$$

Where N was the number of sampled executives and P was the number of predictor or independent variables. This formula was refined by Darlington (1968) attributed to Stein (1960), and recommended after testing by Schmitt, Gyle and Rauchenberger (1977) for research studies where sample size is relatively small and the number of predictors relatively large.

For a summary graph comparing R^2 and Corrected R^2 values, please see Appendix H. The two most significant factors are discussed separately in the next sections followed by a summary discussion of the other 11 predictors which were not as significant or where Corrected R^2 values did not show a significant or positive contribution.

Perceived Importance of Overall Corporate Philosophy and Goal

The environmental characteristic variable entitled "perceived importance of overall corporate philosophy and goal" (hereafter abbreviated to the word "goal") proved to be the dominant predictor of participation (Beta = .675, Corrected R^2 = .53, $p \leq .0001$) (see Table 4.10 and Appendix H). Nearly 68 percent of the variation in the participation measure was accounted for by the goal variable. This result strongly supports the following operational hypothesis.

Operational Hypothesis: H1A, part c

There is a statistically significant relationship between the degree of perceived executive participation and perceived importance of overall corporate philosophy and goal.

As the executive perception of goal and philosophy importance increased, executives at different levels throughout the organization participated more in the international market entry decision.

Discussion of Goal Variable

The overall corporate philosophy and goal of an organization can often establish linkages throughout the hierarchy of the firm. When the goal and philosophy of the organization are dominant and shared by executives from different levels, cooperation seems to increase in organizational decision-making.

The strong relationship between philosophy/goal and participation found in this study also fits quite appropriately with the current interest in corporate culture and strategy. "Building a strong corporate culture" has been given as a prerequisite to creating a successful strategy.

In addition, the importance of the goal-participation linkage found in this study parallels the importance of corporate objectives which Brandt and Hulbert (1977) found in Brazilian subsidiaries. When

TABLE 4.10

REGRESSION RESULTS FOR ENVIRONMENTAL EFFECT ON PARTICIPATION OF STUDY ON MULTINATIONALS IN BOSTON SMSA, JUNE-AUGUST, 1984

Environmental Variables	R^2	R^2 Change	Beta	P
Knowledge	.684	.027	.091	.0001
Multinationality of the Firm	.694	.005	.517	.0010
Goal	.584	.584	.675	.0001
Structure	.708	.008	.063	.0010
Cash Outlay	.703	.005	-.028	.0010
Multinationality of the Decision	.734	.001	.002	.0500
Marketing Characteristics	.734	.000	-.061	.0500
Marketing Institutions	.726	.006	-.132	.0100
Government Policies	.689	.005	.064	.0001
Resource Position	.651	.026	-.161	.0001
Legal Environment	.720	.012	.070	.0100
Industry Conditions	.625	.039	.340	.0001
Financial Environment	.734	.007	-.094	.0500

corporate objectives were considered important for the subsidiary to achieve, more communications were made with and more marketing assistance was given to the subsidiary executives so that corporate goals could be achieved.

The research finding of "high importance of corporate goal tied to high participation in decision-making" also makes sense in light of Bourgeois' (1980) research which suggested that greater consensus on goal formulation led to more effective strategy formulation.

Industry Conditions

As hypothesized, the importance of industry conditions (second strongest predictor) was positively related to the degree of participation in the entry decision (Beta = .340, Corrected R^2 = .55, $p \leq .0001$) (see Table 4.10 and Appendix H). Industry conditions included relative size of the competition, price and product strategies of competitor firms, performance and distribution patterns of competitive products and broad, but untested technological advancements which impacted on the industry.

Discussion of Industry Conditions

The research data showed that as industry conditions became more competitive (i.e., competition increased in size, prices became more cutthroat, competitor products carried more attractive features, competitors performed better and the technological edge of competitors increased), the greater was the need for participation of regional and subsidiary managers in strategic decisions such as which international market/product to enter.

This result substantiated Khandwalla's (1973) finding in a study of nearly 100 diverse manufacturing firms; product competition was positively and significantly related to delegation of authority by the chief executive and the selectivity/use of management controls. This study expanded the variable of product competition to industry conditions which included a wider array of competitive factors (size, pricing, product, performance, and technology of competitors) as compared to Khandwalla's product competition variable (competition in product quality and variety).

When a firm faces increasing competitive pressures, the selection of an integrative mechanism such as a more participative, organic management style characterized by open communications and highly sophistocated information gathering was more likely (Khandwalla, 1973). This research specifies that the choice of greater participation in decision-making was significantly influenced by competitor size, pricing, product, performance and technology in the high tech/highly multinational industries of electronics, office equipment, health care and chemicals.

The Khandwalla research combined with these findings suggests that the industry condition variable may be an important variable to a variety of different types of manufacturing firms. The industry condition-participation relationship may have generalizability to manufacturing firms. This could indicate that managers need to assess a wider range of strategies of the competition. These include corporate strategies for growth and profitability related to size and performance to more functional strategies such as marketing strategies in pricing/product selection or research and development strategies in keeping abreast of technological advances. This assessment, in turn, can help executives determine how participative decision-making should become.

Other Predictors of Participation

The other predictors of participation included the following independent variables in order of importance based on absolute value of Beta weight: (1) Multinationality of the firm (Beta = .517, Corrected R^2 = .49, p $\leq$ .001); (2) Resource position (Beta = -.161, Corrected R^2 = .55, p $\leq$ .0001); (3) Knowledge (Beta = .091, Corrected R^2 = .56, p $\leq$ .0001); (4) Government policies (Beta = .064, Corrected R^2 = .53, p $\leq$ .0001); (5) Structure (Beta = .063, Corrected R^2 = .42, p $\leq$ .001); (6) Cash outlay (Beta = -.028, Corrected R^2 = .46, p $\leq$ .001); (7) Legal environment (Beta = .070, Corrected R^2 = .38, p $\leq$ .01); (8) Marketing institutions (Beta = -.132, Corrected R^2 = .33, p $\leq$ 01); (9) Financial environment (Beta = -.094, Corrected R^2 = .27, p $\leq$ .05; (10) Marketing characteristics (Beta = -.061, Corrected R^2 = .18, p $\leq$ .05); and (11) Multinationality of the decision (Beta = .002, Corrected R^2 = .07, p $\leq$ .05) (see Table 4.10 and Appendix H).

Since taken as a whole, this group of independent variables decreases dramatically in Corrected R^2 value, and except for the multinationality of the firm variable, their individual Beta weights were relatively small, a very cursory discussion of each variable will be given in the next section.

Discussion of Other Predictors of Participation

Although the multinationality of the firm variable has a Corrected R^2 value of .49 which is on the downward trend of Corrected R^2 values for the regression variables (Appendix H), the Beta wieght of .517 does give some evidence of significance. The Corrected R^2 formula is a very conservative one and this variable is at the top rather than the bottom of the downward trend.

For these reasons, a more thorough discussion of the multinationality of the firm variable seems appropriate. This strong Beta weight (.517) indicates a strong positive relationship between the international sales to total sales ratio and participation of different level executives in strategic decisionmaking.

In the high technology industries such as chemicals, office equipment, electronics and health care, there is an increasing trend toward decentralization and participation in market entry strategic decisions as the firm becomes more international. This trend may be part of the evolutionary process of all multinationals and a generalizable phenomenon which has been found in this research.

As Brandt and Hulbert (1980) so aptly express it, for a company to be multinational or global in the fullest sense, relationships must be "cooperative and integrative" between corporate, regional and subsidiary managers. Generally, headquarters should be involved in the subsidiary planning process in order to keep informed of global threats and opportunities, whereas subsidiary and regional managers must participate in and influence strategic decisions when their efforts and skills provide the firm with a competitive advantage (Terpstra, 1967).

The problems faced by corporate executives in balancing the participation of different level managers were found to increase as the firm became more multinational since the cultural and experiential background of these executives was seen to be more divergent (Weichmann and Pringle, 1979).

The three variables of resource position, marketing institutions and financial environment (Betas of -.161, -.132, and -.094, respectively) were negatively correlated with participation. This means that as resource position, marketing institutions and financial environment were seen to be more important to the strategic entry decision, the corporate executives felt that headquarters should have greater control of these strategic market/product entry decisions.

The next four variables, which were even smaller in their Beta weights, showed a positive relationship with participation. That is, as the variables of knowledge, structure, government policies and legal environment (Betas of .091, .063, .064 and .070, respectively) grew in importance, the participation of regional and subsidiary executives increased. These variables were in the desirable direction, however, further research needs to be conducted in light of their weak predictive quality. The Corrected R^2 values of the knowledge, government, and structure variables were the next largest, .56, .53 and .42 in the order given.

As marketing characteristics (Beta = -.061) and cash outlay (Beta = -.028) variables increased in importance, headquarters' control in decision-making increased. For the weakest predictor of participation, as international market entry decisions affected more countries, the need for decentralization in decision-making increased (Beta = .002). These findings of the last three variables must be taken as suggestive of their relationship with the participation variable due to the very small Beta weights found. The Corrected R^2 values for marketing characteristics, cash outlay and multinationality of the decision fell from middle values of .33 and .46 to the low value of .07.

Even though the Corrected R^2 value decreased rapidly and the predictors were weaker (in terms of Beta weights) which in turn shows less significance or importance for these variables, these results can be compared to other research findings and conceptual frameworks.

For example, the positive relationship between participation and cash outlay which was found in this research was in the direction that Root (1982) outlined in his normative study. He predicted that when the cash outlay was large, the entry decision would be made primarily in headquarters.

Within Root's normative framework, the financial environment's and resource position's negative relationship with participation would fit quite well with the cash outlay prediction. The findings of Boddewyn and Hanson (1977) and Weston and Sorge (1972) showing these two variables to have a positive relationship with strategy selection seem to contradict these findings. However, the contradiction may be due to the use of <u>participation</u> in strategic decision-making in this study as compared to the use of strategy selection itself as the dependent variable in their studies.

Similarly, marketing characteristics and institutions were seen as important and positive determinants of <u>strategy</u> by Knickerbocker (1973) and Keegan (1980), but their influence on participation was found to be in the opposite direction. The importance of marketing institutions and characteristics to the decision may mean that corporate headquarters saw the decision as very market dependent and therefore wished to control the decision process more closely. Whether or not the subsidiary carries on marketing research was not specifically determined as in the Brandt and Hulbert study (1977), so their finding of the degree of autonomy increasing when the subsidiary has its own market research capability can not be refuted or confirmed from this study.

Results of the knowledge, legal environments, government policies, and structure variable linkages with participation follow the normative suggestions and empirical directions of Khandwalla (1973), Davidson and Harrigan (1977), Doz (1979), Gaither (1979), and Keegan (1980), being positively related to participation. The findings of this study provide weak evidence to refute Root's (1982) suggestion that as multinationality of the decision increased, meaning as more countries were affected by the decision, less participation by regional and subsidiary managers took place. In fact, the participation and involvement of these executives was found to increase as more countries were affected by the international market entry decision. Perhaps this is because the lower level executives seem to have more knowledge of the international markets. Since the Beta weight was so small (Beta = .002 and Corrected R^2 value so low) (Corrected R^2 = .07), no strong conclusions can be drawn and only future research can clarify the issue.

Univariate Analysis of Participation as Predictor of Strategy Evaluation

In Table 4.11, the overall product moment correlations suggested that the strategy evaluation variables were significantly and positively related to perceived executive participation as originally predicted in Theoretical Hypothesis H2.

Theoretical Hypothesis: H2

Perceived executive participation at the corporate, regional and subsidiary levels is related to the evaluation of specific international entry strategies used by multinational firms.

Specifically supporting Operational Hypothesis H2A, the univariate analysis indicated that the selected entry strategy was more likely to be perceived as successful in firms that had greater perceived executive participation ($r = .18$, $p \leq .05$).

Operational Hypothesis: H2A

There is a statistically significant relationship between degrees of CEO's participation and perceived successfulness of selected entry strategy.

Operational Hypothesis H2A was fully supported by this research; as participation increased in decision-making there was an increased perception of strategy success.

Just as the strategy successfulness - participation linkage was supported, the research supported the following operational hypothesis concerning the goal attainment successfulness - participation relationship.

TABLE 4.11

UNIVARIATE ANALYSIS RESULTS FOR PARTICIPATION EFFECT ON STRATEGY EVALUATION (HYPOTHESES H2A and H2B) OF STUDY ON MULTINATIONALS IN BOSTON SMSA, JUNE - AUGUST, 1984

Dependent Variables: Strategy Evaluation	Independent Variable: Participation
Successfulness of Selected Entry Strategy	.18**
Successfulness of Goal Attainment Measures:	
1. Percentage of profit contribution goal	.03
2. Percentage of subsidiary sales goal	.04
3. Percentage of industry sales goal	.18**
4. Percentage of regional sales goal	.10*
5. Percentage of market share goal	.19***
6. Percentage of strategic cost base goal	.18**

* $p \leq .10$

** $p \leq .05$

*** $p \leq .01$

Although Operational Hypothesis H2A was supported by this research, the results relating to the following operational hypothesis were more mixed.

Operational Hypothesis: H2B

There is a statistically significant relationship between degree of CEO's perceived participation and perceived successfulness of goal attainment measures including:

1. Percentage of profit contribution goal.
2. Percentage of subsidiary sales goal.
3. Percentage of industry sales goal.
4. Percentage of regional sales goal.
5. Percentage of market share goal.

The Operational Hypothesis H2B was supported by the univariate analysis; the goal attainment measures of industry sales ($r = .18$, $p \leq .05$), regional sales ($r = .10$, $p \leq .10$), and market share ($r = .19$, $p \leq .01$) goal percentages were highest when perceived executive participation was strongest.

"Increasing the strategic cost base" was the goal most often given when the respondent was asked if the company had "other" goals tied to the market entry decision (see Appendix F, Question 8b). This goal, specifically, was to reduce risk and expand the product/market to fit the overall strategic portfolio of the company. Six firms (20%) gave this type of description to their goal (three office equipment, one chemical, one health care, one electronics firm). "Return on investment" was also mentioned by one chemicals firm as a goal, but no correlation was done since this was not considered a significant number of firms. As participation increased in the Boston SMSA multinationals, the perceived successfulness of attaining the strategic cost base goal also increased ($r = .18$, $p \leq .05$).

Discussion of Participation as Predictor of Strategy Evaluation

In the sales, market share and cost base goals, more direct linkages can be seen and executives at all levels may strive harder for these goals when they feel involved in their formation and can participate in the strategic decisions which they feel will help to reach these goals. The finding of a "participation-strategy evaluation" linkage in this research parallels the results of the Bourgeois (1980) study which discusses a "participation in strategy formulation-performance" linkage. The results may indicate that overall performance is directly tied to strategy evaluation measures. How well the strategy enabled the organization to accomplish its goals would be identical to corporate performance if the strategy helped the organization to reach all of its goals and performance was measured as effective goal attainment.

As Brandt and Hulbert (1977) cautioned if objectives are stated exclusively in terms of sales, profits or profitability, subsidiary and regional managers may become too "short-run in their time perspective and very financially oriented." If these attitudes are combined with heavy intervention from headquarters, what they call "strategic myopia" of the firm and "manipulation of plans by subsidiary and regional managers to ensure success in meeting objectives" will result. Both of these occurrences could be debilitating to the long term performance and stability of the multinational.

However, neither the percentage of profit contribution goal nor the percentage of subsidiary sales goal was significantly related to perceived executive participation. This may be because subsidiary sales goals were not so easily related to strategic corporate decisions such as new market or product introductions. Possible explanation of why the percentage of profit contribution goal did not correlate highly with participation may be related to the origination of the profit contribution goal. If such a goal is more or less dictated to the regional, divisional and affiliate levels by corporate level executives, it is likely that this goal would be most difficult to reach even with increased participation in strategy formulation by executives from these levels. Bourgeois (1980) says that participation in both goal and strategy formulation is necessary for satisfactory goal attainment.

The participation-strategy evaluation result of this study refines the strategy-performance linkage that has been studied by many researchers (Rumelt, 1974; Pitts, 1974, 1976; Tung, 1979; Lenz, 1980) in the past decade. It is not only important to pick the right strategies to get better overall organizational performance; it is equally important to see that participation is high in the selection of strategies in order for each strategy to be successful. This refinement also fits into the strategic management framework of Ginter and White (1982) which will be examined more specifically in the next section.

Discussion of Strategic Management Framework and Results

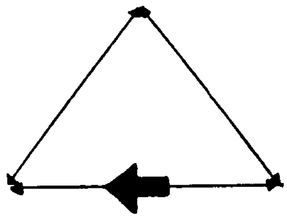
In addition to providing comparisons with previous research findings and normative suggestions for strategic management, this study gives more empirical backing to the triangular framework used by Ginter and White (1982) to describe what they refer to as "A Social Learning Approach to Strategic Management" (see Figure 4.1). Environmental characteristics, both internal and external, make up what Ginter and White call the "environment;" participation in strategy decision is a process in their "strategic planning" which falls under the category of "normative strategic behaviors;" the hypothesized variable of knowledge and skill of executives seems to fall under both categories of "strategic management perspective" and "internal environment" as labeled by Ginter and White.

Through this study, the relationships of environment, strategic management perspectives and normative strategic behaviors can be examined with tentative conclusions supporting the framework (see Figure 4.1).

In this research, external environmental characteristics were shown to be important factors affecting the level of participation in decision-making. The external factors of legal environment, government policies, industry conditions and multinationality of the decision were all positively and significantly related to participation of different

STRATEGIC MANAGEMENT PERSPECTIVE

(includes abilities of executives)



NORMATIVE STRATEGIC BEHAVIORS

Strategic Planning

* Participation in Strategy Decision

ENVIRONMENT

Environmental Characteristics

External

* Market characteristics
* Marketing institutions
* Government policies
* Resource position
* Legal environment
* Industry conditions
* Financial environment
* Size of cash outlay
* Multinationality of the decision

Internal

* Executives' knowledge and skills
* Multinationality of the firm
* Importance of corporate goal
* Structure of the firm

Figure 4.1. Research Variables (H1A) in Relation to the Triangular Ginter and White Strategic Management Framework.

Source: The Strategic Management Framework has been adapted from Peter M. Ginter and Donald D. White, "A Social Learning Approach to Strategic Management: Toward a Theoretical Foundation," Academy of Management Review 7 (April, 1982):256.

Note: Research variables are found in Operational Hypothesis H1A in this study and are asterisked in the framework above. Enlarged arrow shows direction of relationship among research variables; small arrows show direction of relationships as conceptualized by Ginter and White.

level executives as predicted. A negative relationship which was significant with participation resulted with the external conditions of resource position, size of cash outlay, financial environment, marketing characteristics and marketing institutions.

The importance of these external conditions parallels the past and current trends in firms; a financial management orientation was dominant in the 1970s and a marketing management orientation has been viewed as critical in the 1980s (Webster, 1981). From this research, the high technology firm executives interviewed seemed to be keenly aware of both of these orientations. When the external conditions which were direct influences on the financial and marketing functions were highly important to the market entry decision, top executives made more of these decisions on their own.

The findings of this investigation further extend knowledge in this area of research by demonstrating the influence of both internal and external environmental characteristics on participation in strategy decision-making and synthesizing these results within the Strategic Management Framework of Ginter and White (1982). These results also reinforce recent findings that environmental factors in general can have a significant impact on participation and autonomy of regional and subsidiary managers (Aylmer, 1970; Khandwalla, 1973; Brandt and Hulbert, 1977; Gaither, 1979; Root, 1982; Brook, 1984).

This study confirms the influence of environmental factors on participation in market entry decisions but does not clarify what level of participation should be utilized when conflicting environmental factors exist. For example, if cash outlay of the decision is high, competitors' positioning is threatening and the decision affects a large number of countries, should participation by regional and subsidiary executives be purposely increased, lowered, or remain the same?

In this study, higher participation levels of executives were related to the successfulness and goal attainment of the strategies. The "strategy-performance" linkage is being expanded here to a "participation in strategy decisions--strategy evaluation" linkage. This new, more specific linkage defines the evaluation phase of strategic management more narrowly and in a way not tested with participation in strategy decisions empirically.

The measurement of strategy evaluation, successfulness and various goal attainments, were all positively related to participation. Yet, such goals as profit contribution, regional and subsidiary sales were not significantly tied to participation by regional and subsidiary managers. The significance of this finding to research needs to be further investigated, but there seems to be some differentiation between types of goals and participation in decision-making.

The theoretical model discussed in Chapter II stands as an excellent framework for the relationships found in this study between participation, environmental characteristics and strategy evaluations. To summarize results of the variables as they appear in the theoretical model, Figure 4.2 denotes positive and negative significant relationships with participation.

FLOW CHART OF HYPOTHESIZED VARIABLES | FLOW CHART OF RESEARCH TESTED VARIABLES

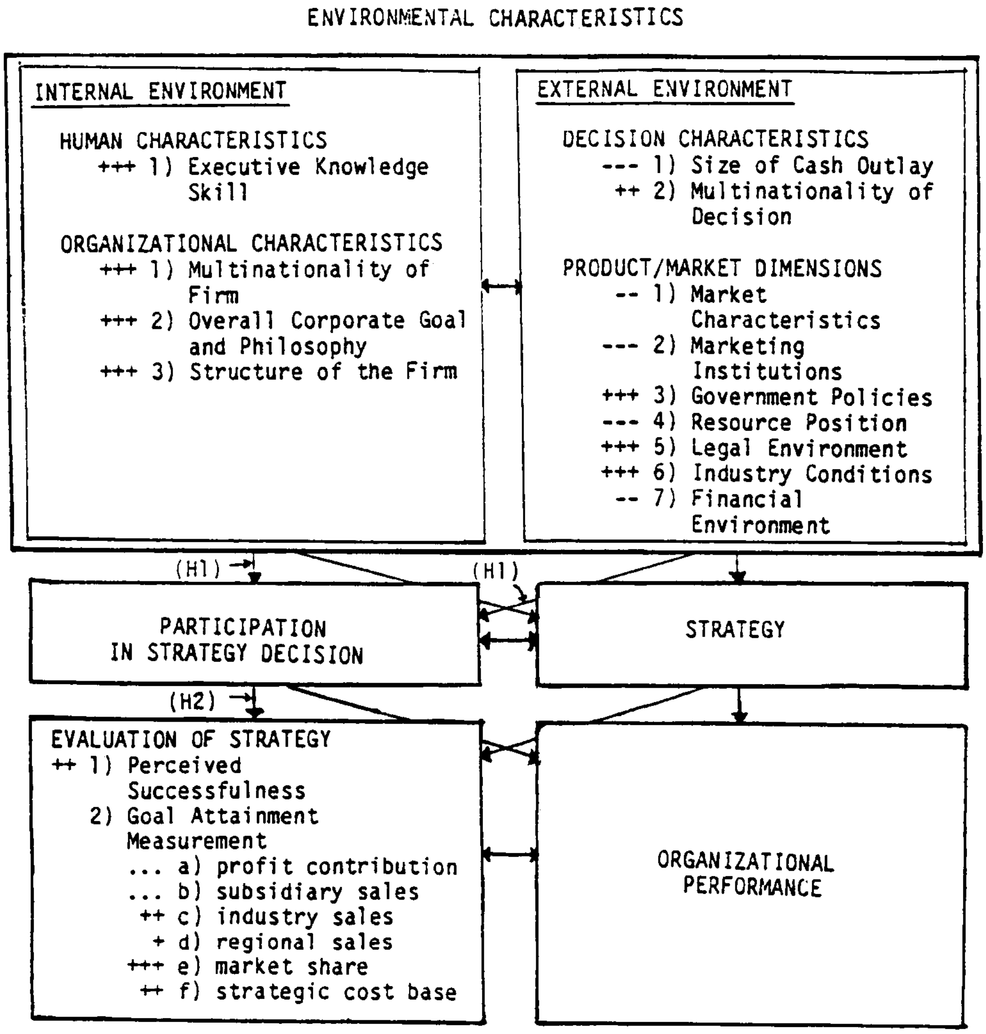


Figure 4.2. Summary of Results as Variables are seen in the Theoretical Model (H1 and H2)

Note: + = positive relationship; - = negative relationship; + or - indicates p ≤ .10; ++ or -- indicates p ≤ .05; +++ or --- indicates p ≤ .01; ... indicates not significant.

E. SUMMARY

In the first part of this results chapter, the pretest and sample firms were described. Four pretest firms were selected in the New England area in each of the high technology/highly multinational industries and two practice interviews with executives in the paper industry were conducted in Maine. These firms were highly multinational (28 percent average international sales to total sales) and large ($680 million average sales and over 9,000 employees).

The interviews during the pretest phase took place in April and May, 1984. In addition to the timing and schedule of interviews in the pretest phase, decision characteristics such as types of decisions, number of countries entered and timing of decisions were analyzed. Next, the background facts on executives interviewed were compiled.

For their decision-making approaches, the pretest chemicals and health care firms and one of the practice interview firms were characterized as having "top-bottom" approaches which is similar to a centralized autocratic decision-making style. The other paper firm was described as a "bottom-top" approach or decentralized organic type of management. The "combined approach" which incorporated both of the other approaches with upwards and downwards communications was used in the pretest electronics and office equipment firms.

Similar descriptions of the sample firms were then given including types of firms, schedules of interviews, decision characteristics, and background of regional and subsidiary executives. The international sales to total sales ratio averaged 37 percent for the sample firms.

Most of the sample firms had sales more than $150 million and the average number of workers was 22,000 for the sample firms.

The two firms which declined participation in the study were in the health care and office business industries. The characteristics of these two nonresponding companies were similar to those of the 30 sample firm characteristics.

The schedule of interviews for the sample firms began on June 28, 1984 and ended on August 16, 1984. Times ranged from 8:00 a.m. to 4:00 p.m. interview appointments and the dates were grouped into four clusters for interview trips to the Boston SMSA. The majority of sample firms conducted international market entry strategies involving new products overseas. A variety of product/markets was given in the decision characteristics section for sample firms. Europe and South East Asia were cited as the most frequently mentioned geographic markets in the sample interviews. Most decisions were made in 1982 and 1983.

The background descriptions of executives in the sample firms included level of education, major studied, years since last degree, special language ability, and years with firms at headquarters and overseas of subsidiary and regional executives.

In the majority of sample firms, the decision-making approach was said to be a "combined approach" where strategy formulation takes place simultaneously at different levels within the organization. A cooperative, open communications is at the base of such a method for strategic decision-making.

In the second part of this results chapter, occurrences and changes in the data gathering phase denote the beginning of the discussion. Next, results of the study and discussion of these results were given.

The data gathering section included describing the length and initial phase of the interview, the changes made in the questionnaire guideline (see Appendix F), use of the backward elimination stepwise regression sort procedure for descriptive groupings of the sampled firms and difficulties of reaching executives in the initial telephone contacts.

Results were subdivided into reliability and multiple regression analysis descriptions. The reliability tests (Coefficient Alphas) confirmed the use of multiple items for all environmental variables. All but one of the coefficients were greater than .70, which is considered a very reliable coefficient ratio.

The general findings of the multiple regression with backwards elimination showed thirteen environmental predictors which accounted for .734 of the variance in the participation variable. The theoretical Hypothesis was described and findings shown to be very supportive of this Hypothesis.

A description and discussion of the two most significant predictors affecting participation (goal, Beta = .675, Corrected R^2 = .53; and industry conditions, Beta = .340, Corrected R^2 = .55) were given separately after the general multiple regression equation and correction of multiple correlation equation were provided. The least significant predictors were taken as a group, results given and tie-ins to past research were made as appropriate.

The Results section concluded by giving the Strategic Management Framework of Ginter and White (1982) as a model to which the research findings could be drawn into a coherent whole.

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CHAPTER V

CONCLUSIONS

This chapter is subdivided into four sections: a summary of the study, implications, limitations of the study, and future research directions.

A. SUMMARY

Purposes of the Study

The purposes of this dissertation were: (1) to analyze possible common characteristics of an international market entry strategy that are associated with executive participation in the choice of a strategy; and (2) to test empirically the relationships between executive participation and evaluation of specific international market entry strategies.

Hypotheses

The following two Theoretical Hypotheses served as a basis for the research study and were derived from the purposes.

Theoretical Hypothesis: H1

Environmental characteristics influence perceived executive participation in strategy decisions.

Theoretical Hypothesis: H2

Perceived executive participation at the corporate regional and subsidiary levels is related to the evaluation of specific international entry strategies used by multinational firms.

Sources and Methods

In addition to presenting the theoretical and operational hypotheses, the chapter on Sources and Methods defined the terms which were important to the research and examined the methodology of the study. Some of the key terms defined included "strategy decision," "multinationality of the firm," "international market entry strategy," "executive participation" and "strategy evaluation."

In the section on methodology, the survey instrument, sample selection process and research procedures were explained.

The survey instrument was a semi-structured questionnaire instrument used as a guideline for on-site personal interview sessions with top executives in multinational firms. The questionnaire progressed from general questions on strategy type, description of product/market segments and decision dates which were used to describe the sample and pretest firms to specific questions relating to the independent and dependent variables in the hypotheses.

Constructs for hypothesized variables were presented to describe the measurement to be used in the questionnaire guideline. Previously used constructs were examined for their empirical basis. The majority of constructs were measured with a Likert scale comprised of multiple statements with five scale points labeled from "strongly disagree" to "strongly agree." The sample size was thirty firms. To be included in the sample, the firms were required to be: (1) sufficiently multinational (meaning at least a 15 percent international sales to total sales ratio); (2) headquartered in the Boston Standard Metropolitan Statistical Area; (3) in an industry which was high technology and multinational (office equipment, health care, electronics and chemicals industries were chosen); and (4) relatively large sized (meaning more than 500 employees and sales greater than $50 million per year). Firms were randomly selected from the Million Dollar Directory which satisfied the previously mentioned criteria.

Research procedures for administration of the instrument included pilot testing the survey in onsite interviews with executives from four selected multinational firms in the New England area from the high technology/multinational industries mentioned previously as well as two practice interviews with executives from two multinationals in the paper industry. Reliability tests (coefficient alphas) for variables with two or more items were conducted next.

Statistical analysis for the first Operational Hypothesis (H1A) regarding relationships between executive participation and environmental characteristics used backward elimination stepwise regression. Univariate Pearson product-moment correlations were performed to test the second and last Operational Hypotheses (H2A and H2B) dealing with executive participation and strategy evaluation measure of successfulness and goal attainment.

Major Results

The multiple item constructs proved very reliable. The results of the backward elimination stepwise regression indicated that importance of overall corporate philosophy and goal, industry conditions and multinationality of the firm were the strongest positive predictors of perceived executive participation. Other factors which correlated positively with participation were knowledge of the executives, structure, government policies, and legal environment. In general, the first Operational Hypothesis was supported since 73 percent of the variance in participation was explained by the environmental variables.

The R^2 value was maximized using a correction factor giving the four variables of goals, industry conditions, resource position and knowledge the best true R^2 values of the thirteen predictors. However, when closer examination of the Beta Weights of the variables was done, nearly a fourth were negatively related to participation. Although they do not have a large magnitude (.161 is the largest absolute value of Beta Weight), the fact that as the cash outlay, importance of marketing characteristics and institutions, resource position and financial environment increased so did the authority and control in strategic decisions by corporate executives tighten. These variables were of two types: (1) resource limitations (primarily financial); and (2) market conditions. Both types constrained the product/market decision directly, were seen as critical to the decision and influenced a reduction of participation by regional and subsidiary executives in the decision process.

In the Pearson r product correlation analysis, the strategy evaluation variables were all positively related to the degree of executive participation. Operational Hypothesis H2A was confirmed; the selected entry strategy was perceived to be more highly successful when participation was greater.

Participation was the strongest predictor of market share goal attainment, followed by its ability to predict industry sales and strategic cost base goal attainment, and lastly a moderate predictor of regional sales goal attainment. The relationship between attainment of the profit contribution goal and the subsidiary sales goal with participation was in the expected direction but not significant; Operational Hypothesis H2B was also supported by this analysis.

B. IMPLICATIONS OF THE STUDY

This study has several implications for strategic management research, practice and teaching. How the research relates to the field of strategic management will be examined first. Next, the relevance of the study to executives and managers of multinational firms will be discussed. Finally, the significance of the research to academic professionals will be analyzed.

Relationship to the Field

For strategic management researchers, this study conceptualizes executive participation as an element in the strategic management paradigm. In the sense that this research is focused on the decision maker, it is based on a behavioral/political conception of strategic management as outlined by Bower and Doz (1979). As discussed in the findings of this study, executive participation seems to be related to many internal environmental characteristics such as multinationality of the firm, structure of the firm, and organizational goals. There is also some evidence of linkages between executive participation and strategic management perspectives such as abilities and knowledge of executives. These perspectives dynamically affect the internal environment of the firm which in turn influences the normative strategic behavior of participation in strategic decision-making.

In addition, this research shows the relationship between executive participation and the external environmental characteristic of industry conditions. "Competitive advantage" and "distinctive competence" are both concepts in the strategic management field which assume that the firm needs to conduct competitor analysis. In this research, empirical backing for the need of competitor analysis and greater decision-making participation has been given. Knowledge of highly competitive industry conditions in the areas of size, pricing, product strategies, technological edge, and performance of competitor firms would indicate that corporate executives increasingly involve regional and subsidiary executives in their new product/market decisions overseas. The more competitive the conditions, the more a participative management style seems to be appropriate.

In this research, external environmental characteristics were shown to be important factors affecting the level of participation in decision-making. The external factors of legal environment, government policies, industry conditions and multinationality of the decision were all positively and significantly related to participation of different level executives as predicted. A negative relationship which was significant with participation resulted with the external conditions of resource position, size of cash outlay, financial environment, marketing characteristics and marketing institutions.

The importance of these external conditions parallels the past and current trends in firms; a financial management orientation was dominant in the 1970s and the marketing management orientation has been viewed as critical in the 1980s (Webster, 1981). From this research, the high technology firm executives interviewed seemed to be keenly aware of both of these orientations when the external conditions were directly influencing financial and marketing aspects.

The strategy formulation process can be rationalized and made more efficient by redesigning the decision-making process in organizations. The design principle suggested by this research involves ensuring compatibility between the strategic decision-making process and the environmental characteristics of the multinational firm.

From this research, the contingency theory of environment-strategy has been shown to have applicability to the environment-participation link. Not only are the strategies themselves important, but also who participates in forming these strategies can be equally important. The environmental factors, both inside and outside the firm, influence the amount of participation in strategic decisions as well as the strategic options which are best suited to the situational context of the company.

Although a strict prescription for autonomy or participation can not be given, a firm can become more aware of the contextual factors which surround a strategic decision and determine which set of factors best describes its present and perhaps future context. The level of autonomy given to regional and subsidiary executives can be planned around these factors rather than unconsciously or haphazardly occurring. Hopefully, more successful firms will be shown to satisfy many of the environmental-participation fits simultaneously just as these firms incorporated the structure-strategy fits in the Egelhoff (1982) study.

Implications for the Practitioner

Although the findings of this investigation are not conclusive and more research is needed, several practical implications for managers may be derived from the research. The relationship between CEO's perception of executive participation in strategic decision-making and the environmental characteristics in this and other investigatons [e.g., Hulbert and Brandt (1980); Heller and

Wilpert (1981); Egelhoff (1982)] indicate that executive participation in strategic decision-making may be limited as a result of certain environmental characteristics of the firm.

Future efforts, if successful in corroborating the linkages suggested by this study, could prove quite useful to practitioners. The nature of the constraints which executive participation and environmental characteristics pose for each other could be clarified.

First, this research might help the practitioner to involve the executives in the firm throughout the hierarchy to the extent warranted by the set of environmental conditions existing in the firm.

Second, the practitioner may learn to avoid ill-advised shifts in this executive's level of participation unless there are corresponding shifts in external environment characteristics such as changes in industry conditions or corresponding shifts in internal environment characteristics such as structure or multinationality of the firm. Third, it could be beneficial for the practicing executive who assesses the orientation of corporate level executives and its compatibility with organizational factors. Does the type of decision warrant a strong financial or marketing orientation? Will this orientation be just a fad (i.e., global market and worldwide branding) or is it inherent in the type of products/services being offered? Centralization in decision-making and a strong marketing/financial orientation by corporate executives may be the road to success for some high technology multinationals when decisions are highly constrained by resource limitations and market conditions.

Last, this research may give the practitioner a reason to increase participation in decision-making when environmental conditions are generally in favor of more decentralization. Evaluation of market entry strategies improved as participation increased. These strategies were considered more successful, overall, and in particular, helped executives to reach their goals of improved market share, sales and strategic cost base.

Academic Significance

Contingency Theory is an important model being taught and utilized in our colleges of business today (Bourgeois, 1980; Jemison, 1981; Lenz, 1981). Additional linkages which support a contingency viewpoint support the teaching and study of such a theory. Caution, however, must be taken not to oversimplify the research findings to prescriptions for students and colleagues. The complexity of the research findings and their limitations should also be given. Academics should emphasize consideration of broad environmental context and how to deal with conflicting characteristics of that environment.

Organizational climate and organizational power, two issues which surface in the findings of this research, encompass the idea of participation in strategic decision-making. When participation is increased, greater decentralization of authority and decision-making takes place, intrinsic motivation is positively affected and hence organizational climate improved (Sherman and Smith, 1984).

Yet this does not necessarily mean that participation of all executives in the firm is necessary to every strategic decision or even desirable. The environmental context may precipitate how much power is shared by the corporate executive and the appropriate organizational climate. Strategic management and business policy academics can help to foster an understanding of when and to what extent participative management is applicable in an organizational setting.

Strategy formulation and strategy evaluation are often two phases stressed in the teaching and study of strategic management (Bower and Doz, 1979; McLellan and Kelly, 1980; Egelhoff, 1982; Thompson and Strickland, 1984; Christensen, Berg, Salter and Stevenson, 1985). The of this research to the strategy formulation and evaluation phases by the positive relationships found between participation and strategy evaluation can serve as an empirical basis of the strategic management models in our business textbooks and academic publications.

C. LIMITATIONS OF THE STUDY

This study has several limitations. The most important limitation of this research is the nature of the sample--all firms were located in the Boston SMSA, fairly large, high technology and multinational. However, since some of the environmental factors which correlated positively with participation in this study were also the same factors which were significant in other studies with different types of firms and locations (i.e., European multinationals; Brazilian subsidiaries of U.S., Japanese and European multinationals; U.S. Fortune 500; consumer durables; consumer nondurables; industrial firms), this limitation has minor significance. Certainly the findings may not be generalizable for all firms, but many high technology and multinational firms may benefit from the application of these findings.

Another limitation of the sample related to the methodology is the small sample size. Certainly a sample size of 60 to 70 firms would be better to give more data points to use in the multiple regression. However, since the sample was designed to be high tech, highly multinational, fairly large firms in the Boston SMSA, a sample size of thirty firms was considered adequate for two reasons.

First, the sampled firms were estimated to represent 30 percent of the population of firms that satisfied the research criteria. This size is considerable when compared to the sample size of a majority of research studies involving sampling--sample size is less than five percent of the population size (Weiers, 1984). One of the advantages of using such a high percentage of the population for a sample is that sampling error is minimized. This, of course, improves the reliability and accuracy of the study (Conover and Iman, 1984).

Second, the variability of the population was controlled through the use of selection criteria. All firms in the population were in one of four high tech, highly multinational industries. All firms were large in size with sales above $50 million and over 500 employees. The location of headquarters for all firms was the Boston

SMSA. Since the variability of the population was seen as small, a smaller sample was needed to gain accuracy in sampling (Reichard, 1972; Lipstein, 1975). For these reasons and for practical research reasons (time and cost involved in interviews), a sample size of 30 firms was chosen.

Although the environmental factors do not explain all of the changes in participation levels, together they account for much of it that is, almost three-quarters of the variance in participation of subsidiary and regional managers. One qualification should be noted. The corrected R^2 values showed that the variance explained by the predictors may be smaller than originally found in the multiple regression due to the small sample size and large number of predictors. Another limitation of the study was that all the measures used in the study were self-report in nature. This leads to common method variance, which may distort the results of the analysis investigating the relationships among the variables (Cook and Selltiz, 1964; Neter and Wasserman, 1966; Cochran and Snedecor, 1967; More, 1978).

Lastly, the viewpoint of the corporate executive was the exclusive focus of this research and certain biases of these individuals may be inherent in the measurement of the variables. But the results are still fairly consistent with research on participation done by Brandt and Hulbert (1977) who interviewed subsidiary managers and Heller and Wilpert (1981) who administered questionnaires and interviewed three levels of management in the hierarchy. Perhaps, such biases may be small or may not affect the measures in a significant way.

Other methodological limitations include the cross-sectional nature of the study and the fact that the decisions were studied *post hoc* rather than during the decision process. Longitudinal studies would certainly add to the validity of the research, however, the difficulty of studying "intended" strategies rather than "realized" strategies leads to a problem in measurement since oftentimes "realized" or "implemented" strategies are not the same as "intended" strategies verbalized by managers. The time lag may make the strategies subtly different at best and unrecognizable at worst.

D. FUTURE RESEARCH

Specific Recommendations Related to the Hypotheses

Future research related to the hypotheses in this study may concentrate on the following issues. First, businesses in other industries should be examined. Businesses in low and middle technology areas could have a different pattern of participation and environmental factors. Smaller size and not-for-profit firms may show less need for awareness of the environmental influences on participation in decision-making. Similarly, these different types of firms may show that the way strategy is evaluated is not dependent on the autonomy of managers within the hierarchy of the firm.

Second, the finding of a negative relationship between multinationality of the decision and participation (albeit a small

Beta weight of .002) may provide a springboard for future research. Perhaps more specific questions could be asked on the possibilities of world branding, world products and world advertising to assess more broadly the multinationality of the decision and its relationship to participation in market/product decisions.

Third, the financial and marketing constraints which negatively correlated with participation and positively correlated with strong corporate control in decision-making should be monitored closely for changes in these patterns. Will financial and marketing orientations continue to be equally important in the 1990s or will a production or human resources orientation supercede them and thus affect the pattern of participation in strategic marketing decisions?

Fourth, although this research was conducted for participation in strategy decisions, the decisions were limited to new product and/or new market entry overseas for the firm. Other market entry strategic decisions such as entry modes and marketing mix selection may be less influenced by the environmental factors and participation may be duly affected. Research of other types of strategic decisions, such as plant locations, acquisitions, or information processing systems and the interplay of participation and environment related to those decisions is suggested.

Just as the strategy-structure linkage has been recently shown to be reciprocal (Hall and Saias, 1980), future research may test the proposition that participation in strategy and structure are also reciprocal variables. Structural evolution of a multinational firm may mean greater participation of regional and subsidiary executives or decentralization of decision-making may necessitate a more divisionalized structure or more evolutionary stage of structure. Whichever way the relationship flows, top management certainly may have an influential role in the organizational changes to take place.

Finally, the concept of strategy evaluation was defined and measured in this study. How is strategy evaluation tied to organizational performance? Do organizational performance measures relate to participation in the same way as the strategy evaluation measures did in the present research? Differentiation between the goals of subsidiary sales, profit contribution and regional sales with those of market share, industry sales, strategic cost base show the later to be more strongly related to participation.

Additional research is needed to examine the explanations offered for this discrepancy. Probably even more important than all the other areas already suggested, what other factors besides participation correlate positively and significantly with strategy evaluation? These factors may be of greater consequence since they are easily manipulated or they are intervening variables in the implementation process, which recently has been heralded as a crucial and often unstudied phase of strategic management.

General Recommendations for Strategic Management of International Market Decisions

From a generalist perspective, the research in strategic management of international entry decisions lacks a theoretical basis or linkage to existing strategic management frameworks and fails to build or add on to previous research work. This problem has plagued the entire field of international marketing (Cavusgil and Nevil, 1981). Future research should attempt to tie the findings into a theoretical model or existing strategic management frameworks such as was done in the present study with the Social Learning Approach Framework outlined by Ginter and White (1982).

Although many works in this area are still very unsophisticated, some recent works and the present research are being more rigorously designed, hypotheses are being formed and tested and a wider variety of qualitative and quantitative statistical research methodologies are being employed. This trend is a positive one for future research.

Process Research Stream. In the Background Section of Chapter Two, the topic of strategic management of international market decisions was categorized into the three research streams of process, content and structural in this study. For the process research stream, the direction of future research may be in describing the decision-making mode for different kinds of companies, industries and decisions. Research on substantive and administrative modes of decision-making by Heau (1976) could be a starting point. What specific organizational processes and controls could be implemented which will create changes in the decision mode and how would these changes be reflected in the decentralization-participation issue? How would various control processes in communications, marketing mix elements and organizational acculturation directly contribute to the success of international marketing strategies?

Content Research Stream. Important future research topics in the content research stream could utilize the theoretical framework given by Fayerweather (1981) or build upon the "profiles" concept of Ayal and Zif (1981). What empirical evidence is there that the four "winning" strategies for international corporations as outlined by Fayerweather are truly effective? What other patterns could be added to these possibilities? How would the environmental variables which Ayal and Zif studied differ when applied to other marketing strategies besides concentration and diversification?

When the idea of strategic groups of companies arises, some controversy clouds the issue. Future research in this area may clarify the importance of this topic including the following questions: would the trend toward strategic grouping move towards marketing strategies such as cost leadership, uniqueness of product, and market segmentation, and does this result from the newly seen marketing orientation of the 1980s? How will environmental opportunities and threats as well as organizational resources match the selection of generic marketing strategies for groups of multinational firms? Will certain environmental variables be unique to a strategic group of firms and determine the decision mode used (i.e., greater competition in health care multinationals seemed to suggest greater centralization in decision-making)?

Structural Research Stream. In this research stream, the strategy-structure linkage has been well researched, but the headquarters-subsidiary relations research could serve as a focus for future research. Longitudinal research could be utilized to detect the changes in the headquarter-subsidiary relationship over time: Is it a sequential relationship, perhaps going from centralization to decentralization and then to a middle ground as the international to total sales volume and importance of the international market to the firm increase?

What other processes can be utilized to improve the effectiveness of the headquarter-subsidiary relationship? How do processes such as "systemwide transfers" affect strategy evaluation, motivation of subsidiary executives and organizational or unit performance? In which environmental situations do local executives really know "best"? What can multinationals do to encourage innovation and autonomy at the subsidiary and regional levels, while still benefitting from the controls and advantages of standardization and centralization at the corporate level?

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APPENDICES

APPENDIX A

SAMPLE QUESTIONNAIRE

QUESTIONNAIRE GUIDELINE FOR INTERVIEWS

LINKAGES OF ENVIRONMENTAL CHARACTERISTICS, DECISION METHODS AND STRATEGY EVALUATION

I. DECISION CHARACTERISTICS AND EVALUATION

A. BACKGROUND

1) In the past five years, think of a particular international market decision that was made. This decision could be of a new international market to be entered, new product to be sold overseas or both. Was it a:

____ new product overseas ____ new market overseas ____ new product in new market overseas

2) Briefly, describe type of product:____________________

____

3) Or market entered:____________________

____

4) In how many countries was this product or market entered?

Number ____

5) What countries were these? ____________________

a) or name of continents:____________________

b) or geographical areas:____________________

6) Approximately when was the decision made?

____ 1979 ____ 1980 ____ 1981 ____ 1982 ____ 1983

B. EVALUATION

7) Overall, looking back on it, how would you evaluate your international product/market decision? Was it:

Not So Successful	Somewhat Successful	Successful	Highly Successful
1	2	3	4

8) Did you have any specific predetermined goals in mind when you made this decision?

Yes _____ No _____

8a) If yes, what were your specific goals? (Such as percentage of market share, percentage of profit contribution, or percentage of sales increase for region or subsidiary.)

8b) If yes, how well did you meet each of these pre-determined goals?

	Type of Goals	Not So Successful	Somewhat Successful	Successful	Highly Successful
a.)	__________	1	2	3	4
b.)	__________	1	2	3	4
c.)	__________	1	2	3	4

II. DECISION PROCESS AND EXTERNAL FACTORS

9) Describe briefly the decision making process in your organization (communications, information flows, organizational policies):

10) Who was involved in <u>this</u> decision?

Titles:____
____

Locations of Person:______________________________
____

Levels:____
____

10a) Which decision-making method did you use?

1.) _____ Your own decision without detailed explanation to the subordinate(s).

2.) _____ Your own decision with detailed explanation to the subordinate(s).

3.) _____ Prior consultation with subordinate(s).

4.) _____ Joint decision making with subordinate(s).

5.) _____ Delegation of decision to subordinate(s).

10b) To what level or levels was there involvement in the decision making process?

10c) How much involvement was there at the Regional or Divisional level in the decision making process?

None	Little	Moderate	Considerable
1	2	3	4

10d) How much involvement was there at the Subsidiary (or Overseas Operations) level?

None	Little	Moderate	Considerable
1	2	3	4

11) Please rate the following characteristics in their importance to the decision.

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
A. MARKET CHARACTERISTICS					
1. The industrialization of the countries involved in this decision	1	2	3	4	5
2. The maturity of the product (product life cycle)	1	2	3	4	5
3. Irregular buyer behavior or low ownership of consumer goods in affected countries	1	2	3	4	5
4. Strong international cultural traits, habits or norms exhibited in target countries	1	2	3	4	5
5. Large market size	1	2	3	4	5
B. MARKETING INSTITUTIONS					
6. Inability or ineffectiveness of channels of distribution	1	2	3	4	5
7. Unavailability, high cost or ineffectiveness of media	1	2	3	4	5
8. Availability cost and effectiveness of market research services overseas	1	2	3	4	5
C. GOVERNMENT POLICIES					
9. Lack of U.S. Government incentives or regulations	1	2	3	4	5
10. Strict laws and unfriendly government attitudes overseas	1	2	3	4	5
D. RESOURCE POSITION					
11. Availability, cost and skill of manpower	1	2	3	4	5
12. Unavailability or high cost of money for company use	1	2	3	4	5

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
E. LEGAL ENVIRONMENT					
13. New or existing laws or regulations overseas	1	2	3	4	5
14. Tariffs, codes or taxes overseas	1	2	3	4	5
F. INDUSTRY CONDITIONS					
15. Large size of competition	1	2	3	4	5
16. Low prices and unique features of competitors' products	1	2	3	4	5
17. Poor sales performance or ineffective distribution of competitive products	1	2	3	4	5
18. Major developments in technology with broad but relatively untested implications	1	2	3	4	5
G. FINANCIAL ENVIRONMENT					
19. Information concerning positive changes in foreign exchange rates	1	2	3	4	5
20. Balance of Payment in the countries involved in this decision	1	2	3	4	5

VIII. INTERNAL CONDITIONS/FACTORS

A. CORPORATE GOAL

	Strongly Disagree	Somewhat Disagree	Neutral	Somewhat Agree	Strongly Agree
21. Perceived importance of overall corporate philosophy/goals	1	2	3	4	5

B. CASH OUTLAY

12. Estimate the approximate cash outlay required by this particular international market decision. (Could include promotion, sales, market research, distribution and manufacturing costs.)

Amount ________________

C. DECISION MAKER BACKGROUND

13. Describe educational/experiential background of the managers at regional and subsidiary levels who were affected by this decision.

	Regional	Subsidiary
a. Level of education	________	________
b. Major studied	________	________
c. Years since last degree	________	________
d. Special language ability	________	________
e. Years with firm	________	________
f. Years at headquarters	________	________
g. Years overseas	________	________

D. STRUCTURE

14. Approximately how many administrators or managers report to you?

	U.S.	Overseas
To Regional Manager?	________	________
To Subsidiary Manager?	________	________

15. How is your organization structured? (Ask for chart.)

[ ] Domestic Function Division with International Division.

[ ] Domestic Product Division with International Division.

[ ] Global/Worldwide Product Divisions.

[ ] Global/Worldwide Functional Divisions.

[ ] Global Geographical Regions.

[ ] Global Matrix.

[ ] Other:____

APPENDIX B

TECHNOLOGY OF INDUSTRIES

TECHNOLOGY OF TOP 10 INDUSTRIES:

R and D OUTLAYS AS A PERCENTAGE OF SALES IN 1981

Ranking	Industry	Technology (R & D Outlays to Total Sales Ratio)
1	Office Equipment	5.87
2	Health Care	4.73
3	Leisure Time	4.47
4	Aerospace	3.93
5	Electronics	3.61
6	Autos	3.43
7	Chemicals	2.54
8	Machinery	2.47
9	Rubber Fabricating	1.96
10	Oil-Gas Drilling	1.67

Source: Ravi Bhavnani, "R&D Costs Special Report." Standard and Poor's Industry Surveys, 150 (Number 45, Section 1, 1982):1-5.

APPENDIX C

RANDOM SELECTION PROCEDURES

DECISION PROCEDURES FOR RANDOM SELECTION

OF SAMPLE FIRMS IN BOSTON SMSA

1. Look up Geographical Section in Million Dollar Directory for Massachusetts. Use random number generator for Page Number Selection.

2. Select Column and Firm within column with Random Number Generator.

3. For each firm, check to see if industry, multinational, location and size criteria are upheld.

4. Repeat procedure until 30 firms are selected with no more than 8 firms in each of the four industries which are highly technological and multinational.

APPENDIX D

CONFIRMATION LETTER

UNIVERSITY OF MAINE *at Orono*

College of Business Administration

Stevens Hall, South
Orono, Maine 04469
207/581-1982

August 2, 1984

Dear :

This letter is to confirm our meeting in your office on

Date:______________________________ Time:_________________________

The interview will take approximately 20-30 minutes and will deal with the decision-making process you and your organization use in international marketing and/or product (service) development. All information will be confidential and neither your name nor your organization's will be used in any publication.

The research is for my dissertation in Business Administration. I thank you for your time and consideration and look forward to meeting with you in August.

Sincerely,

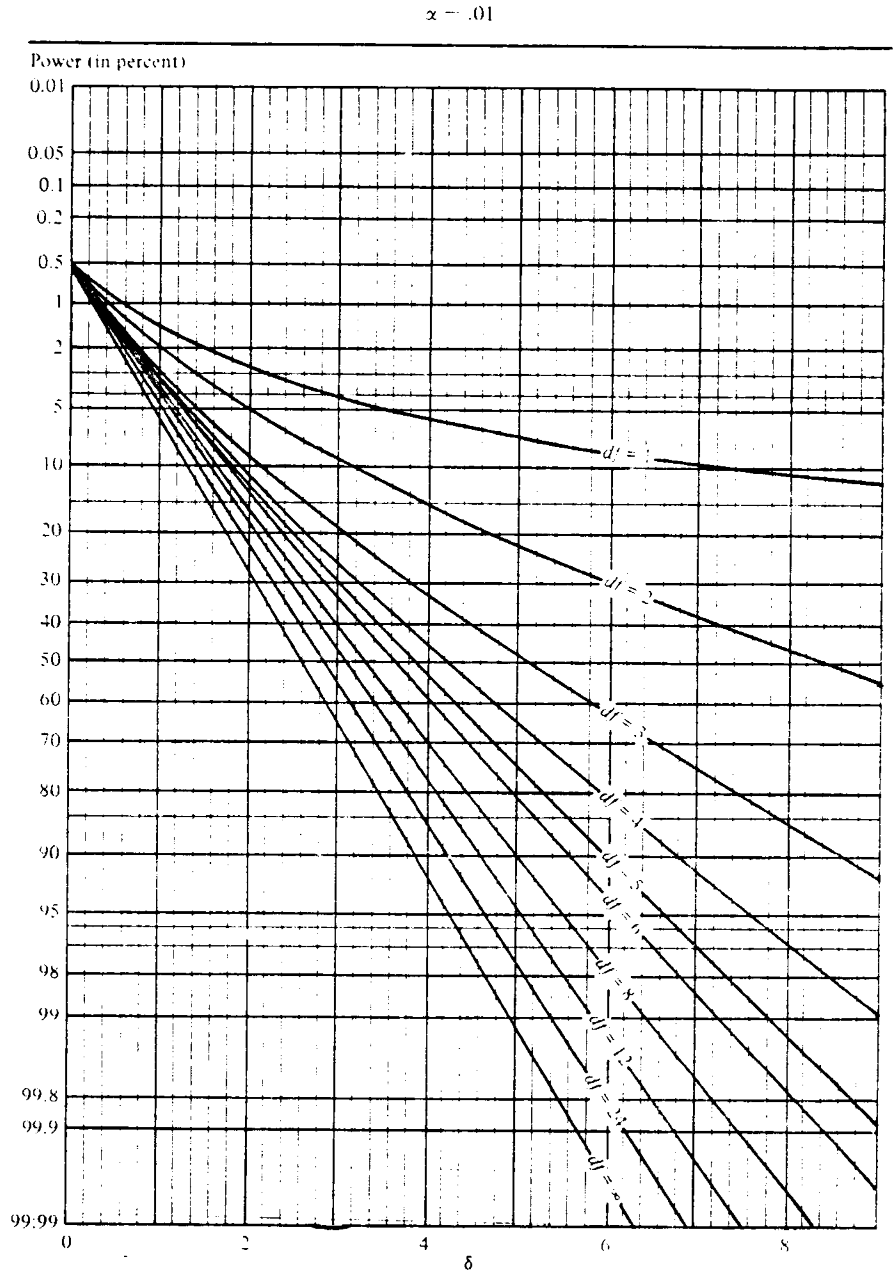
Diane J. Garsombke
Assistant Professor of Management

DJG:ls

APPENDIX E

POWER FUNCTION

POWER FUNCTION FOR TWO-SIDED
t-test, Alpha = .01



Source: Neter, John and Wasserman, William. Applied Linear Statistical Models. Homewood, IL: Richard D. Irwin, 1974 (p. 815).

APPENDIX F

REVISIONS ON QUESTION EIGHT

REVISIONS ON QUESTION EIGHT OF QUESTIONNAIRE GUIDELINE FOR INTERVIEW

8) Did you have any specific predetermined goals in mind when you made this decision?

Yes _____ No _____

8a) If yes, what were your specific goals? (Such as percentage of market share, percentage of profit contribution, or percentage of sales increase for region or subsidiary.)

8b) If yes, how well did you meet each of these pre-determined goals?

Type of Goals	Not So Successful	Somewhat Successful	Successful	Highly Successful
a.) Profit Contribution	1	2	3	4
b.) Subsidiary Sales	1	2	3	4
c.) Industry Sales	1	2	3	4
d.) Regional Sales	1	2	3	4
e.) Market Share	1	2	3	4
f.) _____________	1	2	3	4

APPENDIX G

INTERVIEWS FOR PRETEST

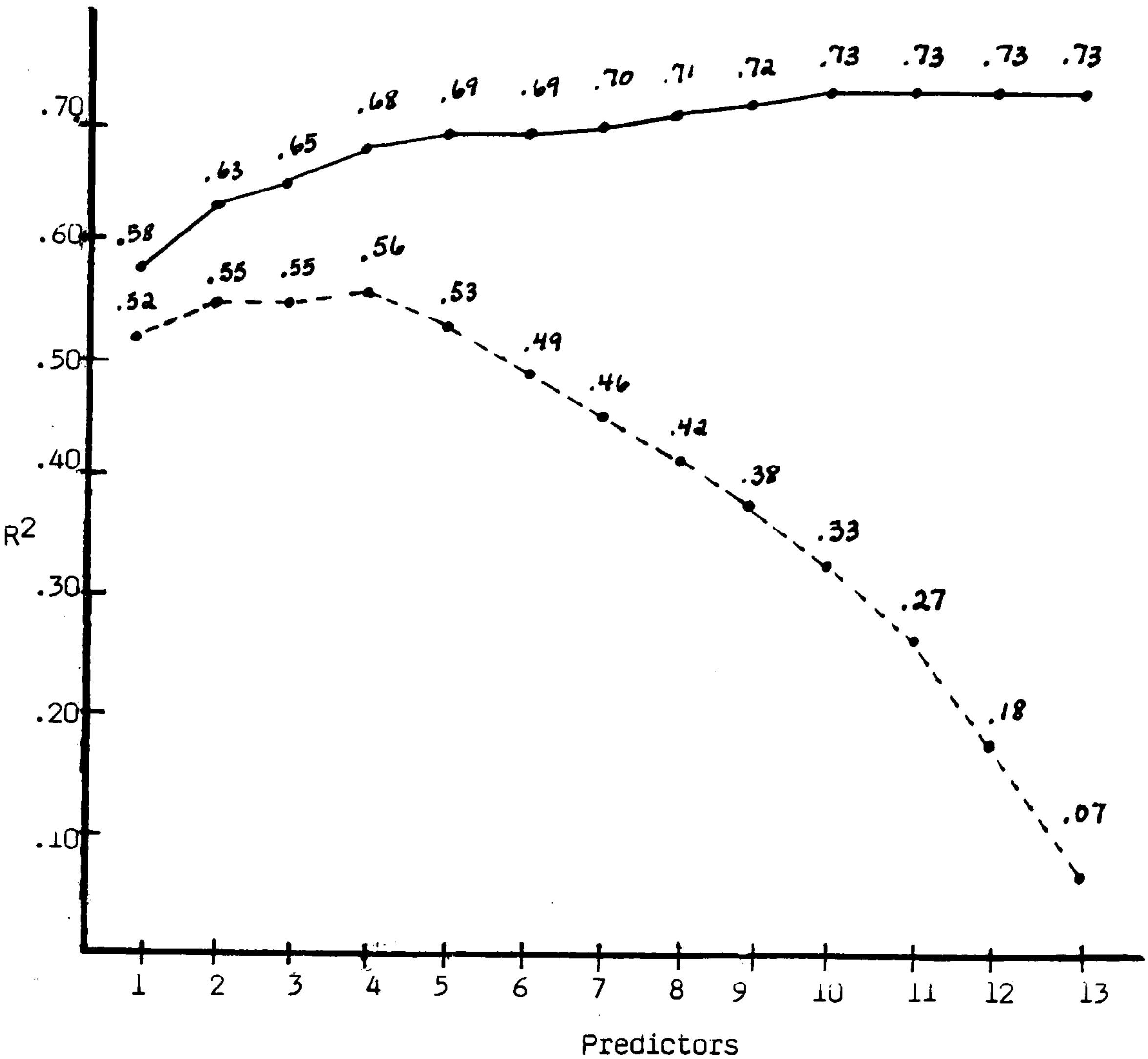
PRETEST AND PRACTICE INTERVIEW FIRMS IN NEW ENGLAND AREA BY LOCATION, DATE, AND TIME OF INTERVIEWS, APRIL-MAY, 1984

Firms	Location	Date	Time
Pretest			
P1	Boston SMSA	May 30	9:00 a.m.
P2	Maine	May 15	1:00 p.m.
P3	Maine	May 20	10:00 a.m.
P4	New Hampshire	May 29	10:30 a.m.
Practice Interview			
R1	Maine	April 22	10:00 a.m.
R2	Maine	April 26	11:30 a.m.

APPENDIX H

COMPARISON OF R^2 AND CORRECTED R^2

COMPARISON OF R^2 AND CORRECTED R^2 IN REGRESSION RESULTS FOR ENVIRONMENTAL EFFECT ON PARTICIPATION OF STUDY ON MULTINATIONALS IN BOSTON SMSA, JUNE-AUGUST, 1984



Note: ____ R^2 ---- Corrected R^2

Predictor variables in order are: (1) Goal; (2) Industry Conditions; (3) Resource Position; (4) Knowledge; (5) Government Policies; (6) Multinationality of the Firm; (7) Cash Outlay; (8) Structure; (9) Legal Environment; (10) Marketing Motivations; (11) Financial Environment; (12) Marketing Characteristics; and (13) Multinationality of the Decision.

APPENDIX I

SCHEDULE OF THE STUDY

SCHEDULE OF THE STUDY

Proposal defense	November 11, 1983
Revise proposal	March 28, 1984
Develop questionnaire for pilot study	April 11, 1984
Obtain names and addresses of firms to be included in final sample, do pilot study	April 16, 1984
Obtain results from pilot study to revise questionnaire	May 30, 1984
Interview in selected sample firms	June 28, 1984 - August 16, 1984
Get data on computer	August 25, 1984
Perform multiple regression and univariate correlations	August 30, 1984
Submit first three chapters to dissertation chairman	September 14, 1984
Complete analysis	December 20, 1984
Chapters 4 and 5	February 27, 1985
Revisions Chapters 4 and 5	August 28, 1985
Revisions Chapters 1,2, and 3	October 13, 1985
Complete Revisions	November 11, 1985
Dissertation Defense	November 27, 1985

VITA

Diane Joyce Garsombke was born in Milwaukee, Wisconsin on October 10, 1950. She graduated from Holy Angels Academy. The following September, she entered the University of Wisconsin in Milwaukee and received a Bachelor of Science degree in Mathematics and Secondary Education, cum laude.

After teaching mathematics in the U.S. and two-and-a-half years of service in the Peace Corps as a mathematics teacher in a Malaysian higher education institution, she accepted a research assistantship at the School for International Training, Southern Vermont University and began study towards the Master in International Administration degree. This degree was awarded in June 1980. During this time, she worked as a small business consultant to the Belizean government in Central America and liaison with U.S. international agencies of CARE, Heifer International and Peace Corps.

From Central America, she continued her interest in business by accepting a position as Assistant to the Dean in the College of Business Administration at Northeastern University, Boston. She entered the Graduate School of the University of Tennessee, Knoxville, as a Teaching Assistant in September 1979 and was awarded a department fellowship. In November 1985, she received the Doctor of Philosophy (Ph.D.) in Business Administration degree with a concentration in Strategic Management and International Administration.

The author is a member of the Academy of Management, the International Council of Small Business, the Academy of International Business and Phi Beta Kappa. Ms. Garsombke has been Assistant Professor of Management at the University of Maine at Orono since January, 1984.