

Cross-cultural managerial perceptions of foreign investment

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In this paper some generic results are presented concerning managerial perceptions with regards to foreign investment. It draws on research and fieldwork carried out at some European Universities¹ within the EBC network and at the University of Macau within the EuroLink Program. These were part of a common project in the field of cross-cultural management, which had as its objectives the study of:

- Expectations about the present and future economic situation
- Evaluation of management styles
- Perspectives about incoming and outgoing foreign investments
- Preferences for foreign countries.

In the Pearl River Delta a sample of 551 respondents was obtained, whereas in Europe a total of 688 managers were interviewed by means of systematic sampling.

Here we will be concerned only with the third part of the research, that of opinions and perceptions of foreign investment in the country or region of the respondent and investments abroad of national firms.

Statistical tests (Chi-square independence tests) were conducted regarding the four European countries only, since we did not work with the original database of the Asian sample. Comparisons between European and Asian results rely, for the Asian part, on the results previously published² upon which the present commentaries are based.

For Europe, with two exceptions³, the perceptions of foreign investment were related to the nationality of the managers, at the 1 percent level. As the samples are quite large, this means that differences, although not greatly pronounced in some cases, are statistically significant. Of more importance is the meaning of these differences, as addressed in the text.

In the part of the questionnaire relating to our subject, a five-point scale was used, from Disagree Totally to Agree Totally. Later on, and for certain purposes only, three

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categories were used – disagree totally and disagree (1 and 2), neither nor (3), and agree and agree totally (4 and 5).

As stated previously, this paper presents some rather general results. A more in-depth analysis and more thorough comparisons are possible and indeed should be pursued, including the consideration of control variables⁴.

It is widely recognised that national culture is a very important explanation for the differences encountered and identified around the world regarding management perceptions, attitudes and practices⁵.

The universal approach, favoured by the founding fathers of Management, has indeed lost ground. It can be argued, still, that a considerable number of the differences found in cross-cultural comparisons may be due, to some extent, to the level of economic development of the countries concerned and thus to the level of modernisation and sophistication of the majority of their firms. As long as economic systems develop and progress, enterprises tend to be faced with similar problems and respond using instruments and organisational models which are increasingly similar to those of the more advanced systems⁶.

There would then exist two main opposing forces regarding management attitudes and methods:

- A divergent one, caused by differences in cultures among countries, and
 - A convergent one (the "road to similarity"), brought about by economic development, which would lead firms to use more modern and universal methods of management.
- Probably both forces, along with other minor ones, which are more relevant concerning specific issues, are important and should be taken into account in cross-cultural management research, as in this case.

CONSEQUENCES OF INVESTMENTS MADE BY FOREIGN COMPANIES

We should expect some differences in perceptions to show up regarding this issue.

First of all, we expect differences due to strong cultural differences between the four European countries and the three regions in South China.

Secondly, there will be differences between the two territories of Hong-Kong and Macao and China, due to differences in the political-economic environment.

And also among the European countries different managerial perceptions are to be expected, firstly due to cultural reasons (Germany versus the three Latin-Mediterranean countries), secondly due to different levels of development and wealth accompanied by different entrepreneurial systems and dynamics.

At the same time, at least until the emergence of the situation of economic and financial crisis in East Asia and elsewhere, foreign investment was generally highly regarded and seen as a means to achieve fast economic growth and a more capable eco-

nomic system. So, as well as being clearly defended theoretically by economists, it generally met with the support of authorities and was in line with the strong trend towards globalisation and openness.

As can be seen from the figures presented, there is a generally very favourable opinion regarding the possible positive effects of foreign investments in the interviewed executives' own country. All of them agree that incoming foreign investments:

- Create new jobs
- Improve the skills/qualification of their own workforce
- Improve their technological know-how
- Result in an import of capital, which is important for the country
- Overall are very important

Yet some differences do exist. German managers tend to consider it less likely that foreign investments will improve the skills and qualification of the German workforce along with German technological know-how. This is understandable, since Germany is one of the most advanced countries in these two areas and so foreign investment is not so important for their advancement and improvement.

The other differences to single out concern the less favourable (albeit positive) opinions from Spanish and Portuguese managers regarding the overall importance of foreign investment and, specifically, the role of the associated import of capital. These not so positive perceptions may be due to the threat that foreign investment and the import of capital may present for the firms of less economically advanced countries, as these two are.

In accordance with the results shown in Figure 1 and 2, possible negative effects of incoming foreign investments include:

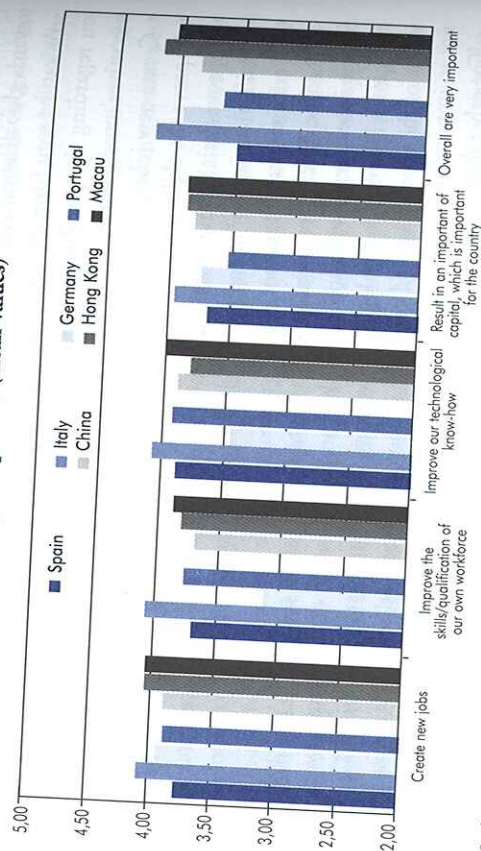
- Lead to an economic dependence on foreign countries
- Present a threat for domestic companies
- Lead to an exploitation of the domestic workforce
- Have a negative influence on our culture
- Generally are seen to be negative

As can be observed, Portuguese and, to a greater extent, Spanish managers tend to consider that there is a real danger of foreign investment leading to economic dependence on other countries and posing a threat for domestic companies.

Except for the cases just described, in general, managers do not agree that the other issues can really be serious problems.

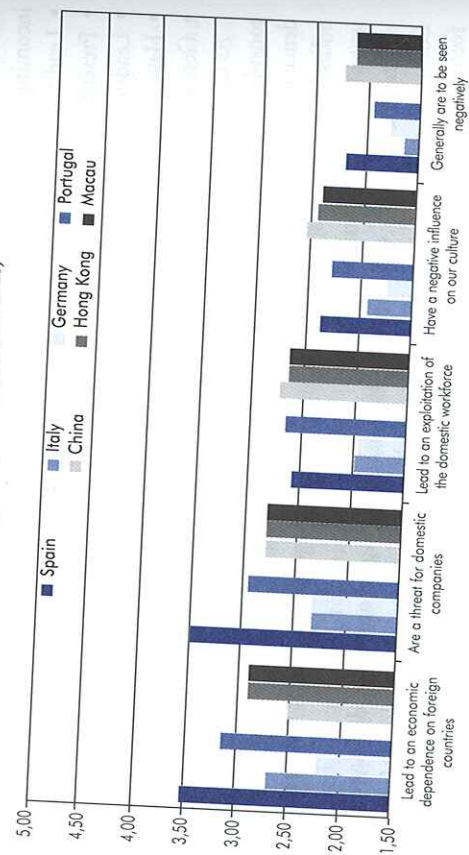
Despite this, one can consider that Asian managers are more diffident than European ones and that, in practically all cases, German and Italian Managers seem to be little concerned with the possible negative effects of incoming investments. Probably, as these countries possess stronger entrepreneurial systems, these threats are really not so important. Of more concern for them could be cer-

FIGURE 1
Consequences of foreign investments in own country (I)
Managers' opinions (mean values)



Scale: 1 - disagree absolutely to 5 - agree absolutely

FIGURE 2
Consequences of foreign investments in own country (II)
Managers' opinions (mean values)



Scale: 1 - disagree absolutely to 5 - agree

rain aspects of outgoing investments, as indeed is the case, as we shall see from Figure 3 and 4.

CONSEQUENCES OF INVESTMENTS ABROAD MADE BY DOMESTIC COMPANIES

We turn now to the possible positive consequences of foreign investments by domestic firms:

- Keeping and creating jobs
- Increasing the competitiveness of domestic firms
- Leading to a transfer of know-how back to own country
- Strengthening the domestic economy
- Overall are very important

There is a generally favourable opinion from all managers, but this is not as homogeneous as the opinions mentioned earlier towards foreign investments in their own country.

The lowest values were obtained concerning the issue of keeping and creating jobs at home, especially from German managers, which is only natural, since an important part of German investments abroad constitutes an outplacing of less modern activities seeking lower wages and lower employee benefits. This is in accordance with the opinion of the same managers lending less importance to the transfer of know-how back to Germany. The Italian managers show an almost invariably favourable opinion, followed this time by favourable opinions from the Spanish and Portuguese too, these latter two countries showing evidence of a need and desire for the internationalisation of their firms. Concerning possible positive consequences of foreign investment, in relative terms the Asian managers seem to be slightly more favourable to incoming than to outgoing investment by domestic firms.

The last group of results (see Figure 4) has to do with the following possible negative consequences of investments abroad by domestic firms:

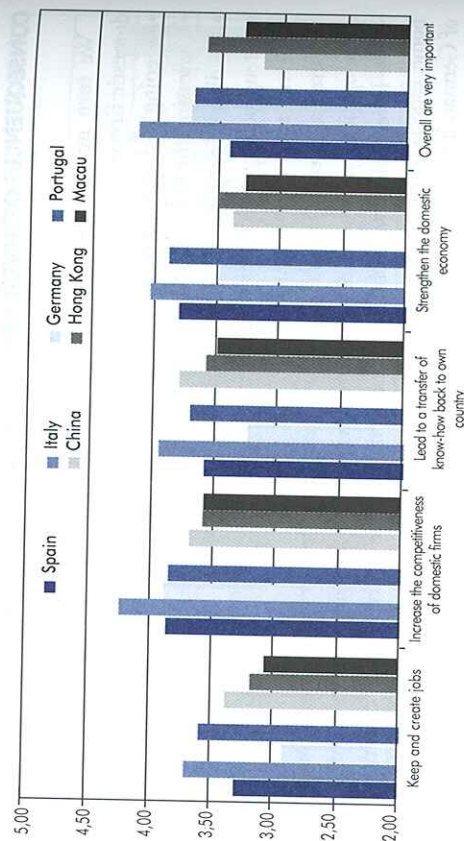
- Destroy jobs
- Weaken their international technological competitiveness
- Export of capital, weakening domestic economy
- Lead to reduced tax payments, due to a transfer of profit abroad
- Overall are seen to be negative

In general, managers do not agree that these constitute really negative points of outgoing investments.

Yet there are some values worth noting. Germans do think jobs at home are destroyed and that a phenomenon of tax avoidance is also involved. This is in line with the above-mentioned point concerning the outplacing of many activities from Germany to other countries with lower wage and social costs.

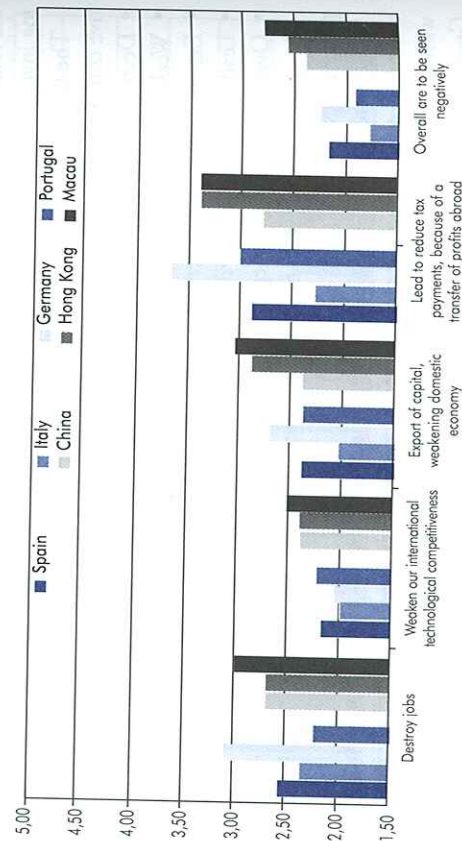
Also relatively important is the opinion of managers from Macao and from Hong-

FIGURE 3
Consequences of foreign investments by Domestic Firms (I)
Managers' opinions (mean values)



Scale: 1 - disagree absolutely to 5 - agree

FIGURE 4
Consequences of foreign investments by Domestic Firms (II)
Managers' opinions (mean values)



Scale: 1 - disagree absolutely to 5 - agree

-Kong that investments outside lead to reduced tax payments, due to a transfer of profits abroad.

FINAL CONSIDERATIONS

To sum up, it can be said that the present results seem to illustrate the two main forces mentioned at the beginning. Differences and similarities among managers' perceptions and practices seem to be related to 1) the culture to which they belong and 2) to the context in which they operate, that is, mainly to the level of economic advancement and the degree of modernisation of their firms.

Concerning culture, it is apparent that the values obtained from managers from South China, Macao and Hong-Kong are much closer to each other (same culture) than is the case with the European ones and also among these (different cultures).

Concerning the second explanation, attention can be drawn to differences between Germany and Italy on the one hand, and Spain and Portugal on the other, as these countries are characterised by differently placed economic systems in terms of their economic achievement.

In general terms, however, what shows up as more important is the generally favourable view that managers from these countries tend to have regarding foreign investment, be it incoming or outgoing from the country concerned.

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NOTES

1. Pforzheim, Ancona, CEU-Madrid and ISCTE-Lisbon.
2. "Euro-Link Programme 96, Macau", Academic Coordination: António, Nelson and Kreuzer, Siegfried, and Academic Supervision at Macau: Trigo, V., Hong, J., Vong, F. and Kuan, W.
3. Concerning whether foreign investments by domestic firms increase the competitiveness of domestic firms and whether they weaken the international technological competitiveness of the country.
4. For example, sex, position in the organisation's hierarchy, firm dimension, branch of activity, etc.
5. See Hofstede (1996) and Neghandi (1975) among many others.
6. See the earlier work of Kerr et al. (1961), (1954).