International Management and Organisation

Insights from the Institute of Strategy and Management at Corvinus University of Budapest

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International Management and Organisation: Insights from the Institute of Strategy and Management at Corvinus University of Budapest

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Content

1. INTRODUCTION

1.1. Editorial (Balázs Vaszkun)

In an increasingly interconnected and globalized world, the field of International Management has become essential for understanding how businesses operate across diverse cultural, economic, and regulatory environments. As companies expand beyond national borders, managers face challenges that demand a nuanced understanding of different management practices, cultural sensitivities, and the complexities of operating within various institutional frameworks. This book addresses these challenges by providing a comprehensive guide to the key concepts, theories, and practical insights necessary for effective international management. Designed for a broad audience—including academics, students, and practitioners in management, international business, and organizational studies—it offers a framework supported by empirical studies, making it an indispensable resource for today's business leaders and scholars.

The book is structured to cover essential aspects of the discipline: an **introduction** that outlines the importance of International Management, followed by clear definitions of foundational concepts such as Comparative Management, International Business, and International Management. Each of these disciplines offers distinct perspectives on how businesses operate and manage across borders. Together, these three fields provide a robust framework for understanding the complexities of managing businesses in a globalised world, offering valuable insights into the diverse challenges faced by firms operating across different environments.

In Chapter 2, the book delves into the **theoretical foundations**, exploring institutional theory, contingency theory, agency and transaction cost theories to support readers in studying management.

Contingency theory, as outlined by Vaszkun and Koczkás (2024), posits that there is no single best way to manage an organisation. Instead, the optimal structure and strategy depend on the fit between the organisation's internal subsystems including its external environment. This theory remains relevant for understanding how firms adapt to dynamic environments.

Institutional theory, as described by Koczkás (2024a), emphasises how the institutional environment shapes organisational behaviour. It highlights that firms must conform to societal norms and regulatory frameworks to gain legitimacy. Institutions are categorised into formal and informal, with the former including legal and political systems, while the latter encompasses cultural and social norms.

The section on agency and transaction cost theories focus on the governance of firms and the potential conflicts between owners (principals) and managers (agents). Agency theory addresses information asymmetry, where managers may pursue self-interested goals rather than those of shareholders. Transaction cost theory explains how firms internalise transactions to reduce costs associated with market inefficiencies. Both theories are crucial for understanding corporate governance and managerial behaviour in global contexts (Vaszkun, 2024d).

The **methodology** section (Chapter 3) discusses research methods like attitude surveys, interviews, and content analysis, drawing on practices developed by leading institutes.

The sub-section on attitude surveys highlights their value in quantitatively assessing beliefs, feelings, and opinions. Using structured questionnaires, typically measured by Likert scales, attitude surveys are vital for understanding consumer behaviour, employee satisfaction, and cross-cultural differences (Vaszkun, 2024a).

The interview method essay focuses on qualitative research, explaining the use of structured, semi-structured, and unstructured interviews in IB and IM studies. It details how interviews allow for in-depth exploration of complex issues, especially in cross-cultural contexts. The process, from preparation to data analysis, is emphasised, along with challenges such as cultural sensitivity and language barriers (Vaszkun, 2024c).

The final essay covers content analysis, a method used to systematically examine communication in texts and media. In IB, IM, and CM, it is used to explore how cultural, political, and economic contexts shape managerial practices and corporate strategies. The essay describes the coding process and distinguishes between quantitative, qualitative, and mixed-methods approaches. Challenges such as cultural sensitivity and ensuring validity and reliability are also discussed (Vaszkun, 2024b).

After the methods, the section on **regional studies** offers comparative analyses of management practices across various regions, including Western, Japanese, Chinese, and Gulf Arabic management.

Vaszkun (2024e) explores the evolution of management theories and practices that have originated from the Western world, particularly focusing on North America and Europe. Western management's influence stems from foundational theories such as scientific management, administrative theory, and bureaucratic management, all of which have laid the groundwork for modern organisational practices. A key shift in Western management thinking occurred with the introduction of human relations and behavioural theories, or the contingency theory with the structural adaptation movement. The essay also explores how globalisation and the rise of international competition, especially from Japan in the late 20th century, forced Western companies to re-evaluate their management strategies, leading to the development of strategic management.

Koczkás (2024b) on Chinese management synthesises empirical research on Chinese organisations from 2017 onwards, contributing to the academic study of Chinese management by identifying key themes in current research. The study reveals that organisational behaviour, particularly individuals and HRM practices, has been the most studied aspect of Chinese organisations, followed by corporate strategy, with an emphasis on innovation and sustainability.

The chapter on Japanese management seeks to uncover the main indicators of Japanese Management through empirical research of the Japanese business society. Vaszkun and Szukits (2024) provide readers with the most significant (albeit latent) dimensions along which members of Japanese society express measurable attitudes towards these theoretical constructions. The attitude survey conducted between 2009 and 2010 in Japan enabled the authors to reduce the original number of 67 variables to 10. Based on these, all aspects which seemed to have measurable importance for respondents have been highlighted.

Following on East-Asia, Al-Dalahmeh (2024) explores the unique management practices within the Gulf Cooperation Council (GCC) countries. Despite sharing cultural, linguistic, and religious ties, each GCC country has developed distinct management practices shaped by varying economic conditions and cultural nuances. The influence of vast oil wealth has significantly shaped the economic structures of these nations, but recent shifts towards sustainability, technology, and innovation have led to efforts in diversifying their economies. The effect of cultural factors (e.g.: wasta, majlis), along with hierarchical structures, collectivism, and Islamic traditions are also discussed. The author highlights the economic challenges posed by over-reliance on oil revenues and the ambitious plans for economic diversification, such as Saudi Arabia's Vision 2030.

Following on the studies of specific regions, authors also explore some of the **practical insights** of IB / IM / CM. In the chapter on the dual role of a subsidiary CEO, Salamon (2024) – a former subsidiary CEO himself – explores the complex position held by CEOs of subsidiaries within multinational corporations. The central focus is on how subsidiary CEOs navigate the balance between their independence in local operations and their subordination to the parent company. Due to advancements in information technology, parent companies increasingly exert control not only over strategic decisions but also over daily operations, often perceiving the subsidiary CEO as a middle manager rather than an independent leader. This dynamic creates tension between the CEO's need for autonomy and the parent company's desire for uniformity and control across its global operations.

Based on historical records, Szabó (2024) examines international change management from a new perspective, focusing on King Louis I of Hungary's reign and his efforts to rule Poland through a personal union. The study is rooted in historical events and applies modern change management theories to examine Louis I's successes and failures in governing the two countries. The author highlights the complexity of governing Poland and Hungary simultaneously, emphasising the different political environments in each country. Louis I's attempt to centralise power from Hungary while governing Poland remotely is scrutinised through modern change management lenses, such as Lewin's three-stage model and Kotter's eight-step change model.

From a corporate governance perspective, Csedő and Zavarkó (2024) elaborate on different external conditions and internal organizational systems of the Anglo-Saxon, Continental European, Latin-type, and Far-Eastern models. The authors discuss how shareholder-based and stakeholder-based systems affect the work and responsibilities of directors and top managers. Finally, implications of corporate governance on international management are also highlighted in different regional contexts, regarding, for example, the drivers of growth, the role of rule compliance or relationship management.

Last but not least, in Chapter 6, we underwent to consider **emerging trends and potential developments** that will shape the disciplines of IB / IM / CM. More specifically, Primecz (2024) investigates how non-mainstream paradigms, such as interpretive and critical studies, have influenced the field of international business, specifically within the domain of language management. Her study analyses 37 articles from four special issues and eight key publications, demonstrating that alternative paradigms have contributed significantly to advancing the field. The essay contrasts these findings with the dominance of functionalist (versus interpretative and critical) research in international business, arguing that non-mainstream publications—particularly those in language management—play a pivotal role in driving innovation and scientific progress.

Then, in the final chapter, Stocker (2024) underscores the vital importance of strategic analysis in IB. He argues that firms must integrate institutional conditions, industry competition, and their own resources when formulating global strategies. By employing frameworks like PESTEL, Hofstede's cultural dimensions, and Ghemawat's CAGE model, this chapter illustrates how understanding both formal and informal institutions in home and host countries is essential. It also discusses developing entry strategies—addressing why, where, when, and how to enter foreign markets—and emphasises the interconnectedness of environmental layers in shaping a firm's competitive advantage.

By combining rigorous theoretical analyses with conceptual texts, real-world examples and case studies, this book equips readers with the knowledge and tools needed to succeed in the complex world of International Business, and International and Comparative Management. It has been prepared by the faculty members, lecturers, and external partners of the Department of Management and Organization, operating within the Institute of Strategy and Management of Corvinus University of Budapest. The aims and scope of this work include the promotion of the various research areas of our department members, enhance our academic visibility, and broaden our research cooperation possibilities. Therefore, the following paragraphs will shortly summarize all co-authors research interests and current activities.

Ms. **Al-Dalahmeh, Maha** (PhD) is an assistant professor at Corvinus. Her teaching focuses on management and organization, change management, and the management practices in the GCC region, while her main research interests are the ESG practices and sustainable development, and organisational theory.

Mr. **Csedő, Zoltán** (PhD Habil.) is an associate professor and Head of Department of Management and Organization at Corvinus University of Budapest. He teaches MSc and MBA courses related to change management, management of inter-organizational networks, and corporate governance. His main research interests include sustainability change management, management of inter-organizational innovation networks and innovation ecosystems, and sustainable corporate governance.

Ms. **Koczkás, Sára** (PhD) is an assistant research fellow at Corvinus. Her teaching focuses on Chinese management and organization design, while her main research interests are the Chinese aspects of international management, organization design, innovation, and management and organization theory.

Ms. **Primecz, Henriett** (PhD, Habil.)

Henriett Primecz, Ph.D., is a Professor of Cross-Cultural Management. Her main research interest is cross-cultural management, gender and diversity, and paradigm plurality in organization studies. Henriett is Europe Associate Editor of the International Journal of Cross-Cultural Management, and associate editor of Qualitative Research in Organizations and Management, and book review editor of Tamara: Journal for Critical Organization Inquiry.

Mr. **Salamon, Károly** (PhD)

Károly Salamon served as top executive in various companies for almost 25 years. Previously partner at Ernst and Young, CFO and later Chairman and CEO of Allianz in Hungary, Chairman and CEO of MKB Life and Non-Life Insurers (subsidiaries of Versicherungskammer Bayern), he is currently a member of the Presidency of the Institution of Directors in Hungary. As a guest lecturer at Corvinus University of Budapest, his teaching and research focuses on management control and organization development.

Mr. **Stocker, Miklós** (PhD Habil.)

Miklós Stocker, Ph.D., is a habil. Associate Professor and the Head of Institute of Strategy and Management at Corvinus University of Budapest. Miklós is the Vice President of Academy of International Business Central and Eastern Europe Chapter, and serves in the editorial board of several international journals as well. His research activity focuses on strategy, international strategy, knowledge management and sports management. He teaches Global Strategy and strategy-related case studies in the Case Track of Corvinus University.

Mr. **Szabó, Gyula Márton** is an Assistant Lecturer at Corvinus and teaches management and management history courses. His research interests are twofold. In his role of researcher at the Corvinus Center of Family Business, he delves into the managerial aspects of family businesses. As the Executive Officer of the Hungarian Society of Management History, he seeks to contribute to the literature of management history.

Ms. **Szukits, Ágnes** (PhD) is an Assistant Professor at Corvinus. She teaches management control, performance management and strategy implementation related courses. Her research focuses on the organizational implications of technological advancements, such as how advanced analytics techniques and related analytical culture are shaping information processes of the companies.

Mr. **Vaszkun, Balázs** (PhD) serves as an Associate Professor at Corvinus and teaches mainly management, international management, and management history courses. His research interests include organisational design, comparative management, management history, and online learning and development.

Mr. **Zavarkó, Máté** (PhD) is an Assistant Professor at Corvinus University of Budapest. He teaches courses in change management. His research focuses on corporate governance and sustainability efforts, emphasising eco-innovation and green transformation.

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1.2. Comparative Management, International Business, International Management (Balázs Vaszkun)

1.2.1. Introduction

The study of management in a global context has evolved significantly over the past few decades, giving rise to specialised fields that address various aspects of managing businesses across borders. Among these fields, International Business (IB), International Management (IM), and Comparative Management (CM) have emerged as critical areas of academic inquiry. Each of these fields offers distinctive perspectives on how businesses operate and manage their activities on a global scale, yet they differ in scope, focus, and academic orientation. This essay aims to provide a comprehensive overview of IB, IM, and CM, highlighting their specificities, academic directions, and the key differences that separate them from each other.

1.2.2. International Business (IB)

International Business (IB) is concerned with the study of business activities that transcend national borders. It encompasses a wide range of topics, including global trade / international markets, foreign direct investment (FDI), international marketing, business dynamics and strategies, and global supply chain management (Cavusgil et al., 2017; Griffith et al., 2008; Rugman et al., 2006; Shenkar et al., 2021). The primary focus of IB is to understand the complexities involved in conducting business across different countries, including the economic, legal, and cultural challenges that firms face in the global marketplace, or more recently emerging areas such as greening, small business, or international entrepreneurship (Hofstede, 1994; Wright & Ricks, 1994). Many of these aspects are explained by business history (Jones & Khanna, 2006).

One of the key academic directions in IB is the exploration of global trade theories, which provide a framework for understanding why countries engage in international trade and how they can gain a competitive advantage (James R., 2001). Grosse and Behrman (1992) highlight that an international business theory must explain both trade barriers (interventions, distortions…) imposed by governments and the firms' responses to those barriers. Classic theories, such as comparative advantage and the Heckscher-Ohlin model, have been foundational in explaining trade patterns, while more recent developments, such as Porter's diamond model, have provided insights into the competitiveness of nations in specific industries (Baskaran et al., 2011; Harzing & Giroud, 2014).

Another significant area of study within IB is Foreign Direct Investment (FDI). Research in this area focuses on why firms choose to invest in foreign countries, exploring factors such as market potential, resource availability, and regulatory environments. The Eclectic Paradigm, also known as the OLI framework, developed by Dunning (2015), remains a cornerstone in understanding the determinants of FDI.

Global supply chain management is another critical area within IB, particularly as businesses increasingly rely on complex, cross-border supply chains. Research in this area examines the strategies that firms use to manage their global supply chains, addressing challenges such as logistics, risk management, and sustainability (Christopher, 2016; Csedő et al., 2024). The rise of digital technologies and the push towards more sustainable practices have also become important research themes within this domain (Magyari et al., 2022).

The field of IB is distinct in its focus on the macroeconomic and institutional factors that influence business operations across borders. It is primarily concerned with understanding the broader environment in which international business activities take place and the strategic decisions that firms must make to navigate this environment successfully. Its dominant research methods seem to be quantitative (mainly mail questionnaire surveys) rather than qualitative methods (Doz, 2011; Z. Yang et al., 2006). Yang, Wang and Su (2006) pointed out that nearly 61% of empirical research use a one-country sample in IB, out of which 89% are Western countries. Albeit dominated by Western research, IB has a well-established academic core in Hungary (Balaton, 2008; Chikán et al., 2018; Czakó, 2011; Hooley et al., 1996; Stocker, 2019), without an exhaustive list.

1.2.3. International Management (IM)

International Management (IM) refers to the application of management principles and techniques in a global context. Unlike IB, which focuses on the macroeconomic and institutional environment, IM is concerned with the micro-level processes of managing a firm's international operations. It involves coordinating, planning, leading, and controlling business activities across different countries, with an emphasis on effectively managing people, resources, and processes in a globalised business environment (Bartlett & Ghoshal, 2008; J. J. Boddewyn et al., 2004; Eden et al., 2010; Werner, 2002).

One of the main academic directions in IM is the study of international strategy, which explores how firms can achieve competitive advantage on a global scale. This includes examining different types of strategies, such as global, multi-domestic, and transnational strategies, and understanding how firms can balance the need for global integration with the need for local responsiveness. The work of Bartlett and Ghoshal (2008) on the typology of multinational corporations has been particularly influential in this regard.

Global leadership is another significant area of research within IM. As firms expand their operations internationally, the ability to lead and manage across cultures becomes increasingly important. Research in this area focuses on the skills and competencies required for effective global leadership, including cultural intelligence, adaptability, and global mindset (House, 2014; Werner, 2002). The development of these competencies is crucial for managers who must navigate the complexities of managing diverse teams and operating in different cultural contexts.

International Human Resource Management (IHRM) is also a critical sub-field within IM. IHRM focuses on the management of human resources in multinational firms, addressing issues such as expatriation / expatriate management, global talent management, and managing diversity in the workplace (Paik et al., 2002; Schuler et al., 1993, 2002; Werner, 2002). As firms become more global, the need to effectively manage their international workforce has become a key area of concern, making IHRM a central focus of IM research (Ricks et al., 1990).

The distinction between IM and IB lies in their scope and focus. While IB is primarily concerned with the broader economic and institutional environment, IM focuses on the internal management processes and strategies that firms must adopt to operate successfully in a global context (Eden et al., 2010). IM, rather than IB represents one of the key research areas of the Department of Management and Organization at Corvinus University. We are privileged to be able to build on earlier works of leading Hungarian scholars (Blahó et al., 2021; Nagy & Primecz, 2014; Nemes, 1999; Poór et al., 2018; Szunomár, 2024; Zsolnai & Tencati, 2009).

1.2.4. Comparative Management (CM)

Comparative Management (CM) is the study of management practices across different countries, with the aim of understanding how cultural, economic, and political differences (external constraints) influence management strategies and practices

(Farmer & Richman, 1964). Schollhammer (1969) points out that the field emerged as a distinctive academic entity around 1960 due to the limitations of earlier management theories and schools perceiving management-related phenomena as being universal. CM departs from the idea of universalism and deals with problems of management and managerial efficiency in various countries – highlighting differences and/or similarities between those countries (Farmer & Richman, 1964). The distinction between CM and the other fields lies in its comparative approach. While IB and IM focus on international business activities and management processes, CM is concerned with understanding how and why management practices differ across countries. This comparative approach provides valuable insights into the diversity of management practices globally and helps identify best practices that can be applied in different contexts. Comparative Management, including descriptive, conceptual, and hypothesis-testing studies, is thus distinct from both IB and IM in that it specifically focuses on comparing and contrasting management practices in different national and/or historical contexts, rather than on the broader international business environment or the management of international operations. Boddewyn and Nath (1970) argue that "Comparison implies a research design in which a system (or part thereof) is studied in relation to another. Thus, studies comparing research and production managers, hospital and industrial administrators, or European and American business leaders, are comparative studies." (p.3.) By this definition, not all foreign or international management-related studies are comparative.

The primary academic direction in CM could be cross-cultural management, which explores how cultural differences impact management practices (Primecz, 2018; Redding, 1994; Romani, Barmeyer, et al., 2018; Romani, Mahadevan, et al., 2018). This includes examining how cultural norms and values influence leadership styles, decision-making processes, communication patterns, and organisational behaviour in different countries (Hofstede, 2002; Primecz, 2006). Originally published in 1984, the work of Hofstede (2002) on cultural dimensions has been foundational in this area, providing a framework for understanding cultural differences and their impact on management practices (Redding, 1994). Cross-cultural management aspects are in particular important in research comparing Western and East or South-East Asian (especially Chinese) practices (J. Liu & Mackinnon, 2002) which highlights the importance of papers such as Koczkás (2023; 2024).

In broader perspective, cross-cultural management, often combined with organisational behaviour theories focuses on understanding how individuals behave within organisations in different cultural and institutional contexts. Research in this area examines how factors such as power distance, individualism versus collectivism, and uncertainty avoidance influence organisational behaviour and management practices across countries (Hofstede, 2001).

International Human Resource Management (IHRM) also plays a significant role in CM, particularly in understanding how HR practices differ across countries. Unlike IHRM within IM, which focuses on managing an international workforce, IHRM in the context of CM is concerned with comparing HR practices in different national contexts, such as in Paik et al. (2019) or Paik and Teagarden (1995). This includes examining differences in recruitment, selection, training, and compensation practices, as well as understanding how these practices are influenced by cultural and institutional factors (Budhwar & Debrah, 2001; Hendry, 1991; Pieper, 1990; Primecz, 2020).

At the Department of Management and Organization of Corvinus University, we assume that Management History also contributes to the literature of Comparative Management when comparing management practices and theories between historical eras (see Vaszkun (2012) for instance). Looking at Management History with CM lenses can help not only in developing a better understanding of past but also predict management trends and practices of the forthcoming years.

1.2.5. Conclusion

In conclusion, International Business, International Management, and Comparative Management are distinct yet interrelated fields that provide valuable insights into the complexities of managing businesses in a global context. International Business focuses on the macroeconomic and institutional environment, examining how firms engage in international trade, FDI, and global supply chain management. International Management, on the other hand, is concerned with the micro-level processes of managing a firm’s international operations, with a focus on strategy, leadership, and human resource management. Comparative Management offers a unique perspective by comparing and contrasting management practices across different countries, providing insights into how cultural, economic, and political differences shape management strategies and practices. Together, these fields contribute to a comprehensive understanding of global business operations and the challenges that firms face in an increasingly interconnected world.

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2. THEORETICAL FOUNDATIONS

Theoretical foundations are crucial in the study of any academic discipline because they provide a structured framework for understanding complex phenomena, guiding both research and practical applications. Theories help organize and connect various concepts within a field, enabling systematic analysis and interpretation of relationships between variables. They also serve as a basis for generating and testing hypotheses, which advances knowledge by allowing scholars to refine or challenge existing ideas. Theories facilitate interdisciplinary connections, enriching the understanding of issues that span multiple fields. Additionally, they establish academic rigor, ensuring that the discipline is grounded in systematic inquiry rather than anecdotal evidence. Furthermore, theoretical foundations foster intellectual debate, providing a platform for critique and discussion that is essential for the continuous development and refinement of the discipline. Without strong theoretical foundations, the systematic development and application of knowledge in any academic field would be significantly impaired. In the following sub-sections, we will review some of the main theories which are used in the study of academic areas related to the fields of IB, IM or CM.

2.1. Contingency theory (Balázs Vaszkun and Sára Koczkás)

2.1.1. Introduction

Contingency theory has been a cornerstone of organizational studies since its inception in the 1960s (Koczkás, 2024; Vaszkun, 2012). It has offered valuable insights into how organizations adapt to varying environments, emphasizing that there is no one-size-fits-all approach to management. The theory fundamentally argues that the effectiveness of an organization depends on the fit between its internal subsystems (e.g., strategy, structure, behaviour) and the external environment. While its popularity waned in later decades, contingency theory remains a valuable tool for understanding how organizations can optimize their performance in changing environments, and provides a theoretical framework especially useful for comparative management studies. This chapter elaborates on key insights on contingency theory, providing a detailed exploration of its development, key concepts, modern applications, and criticisms.

2.1.2. Origins, development and key concepts of contingency theory

Contingency theory was first developed in the 1960s, with influential work from researchers like Burns and Stalker (1961), or Lawrence and Lorsch (1967) setting the stage for its widespread adoption. These early theorists studied organisations, especially their structural characteristics and their relationship with the external environment. With these early results, they challenged traditional management approaches, such as Taylor's scientific management and Weber's bureaucracy, which sought to identify "the best way" to manage organizations regardless of contextual circumstances (Vaszkun, 2012). Instead, contingency theorists argued that the best management practices depend on the organization's environment and specific situational factors.

As the theory gained traction in the 1970s, it became the dominant paradigm for studying organizations (Burton & Obel, 2018; Volberda et al., 2012). During this period, the theory evolved to include a broader range of contingencies along the external environment, such as intra-organizational context, structure, strategy, organisational behaviour and performance, all interacting with each other (Donaldson, 1987, 2001; Vaszkun, 2012). By the late 20th century, contingency theory began to lose some of its prominence as other approaches, such as resource-based theory and institutional theory, gained popularity. However, its core principles remain relevant today, particularly in understanding how organizations can align their internal processes with external demands, and how a particular management system can be compared with another one (e.g. from a different time period or geographical area).

The central premise of contingency theory is that organizational effectiveness is achieved through a proper fit between organizational subsystems (e.g., strategy, structure, behaviour) and the contextual factors. This section will explore the main subsystems addressed by contingency theory and how they contribute to organizational performance.

One of the primary concerns of early contingency theory is the relationship between organizational structure and performance. Theorists like Lawrence and Lorsch argued that there is no universally optimal structure for all organizations; instead, the structure must fit the specific environment in which the organization operates (Lawrence & Lorsch, 1967). Lawrence and Lorsch (1967) focused on how different organizational subsystems interact with the environment. They argued that organizations facing highly uncertain environments should adopt more flexible structures, such as decentralized decision-making and less formalized processes. Conversely, organizations operating in stable environments could benefit from more centralized structures with formalized rules and procedures. This early work laid the foundation for later research on structural contingency theory. Burton and Obel (2018) built on this foundation by examining the impact of environmental turbulence on organizational structure. They suggested that organizations facing high levels of uncertainty, such as those in rapidly changing industries, should adopt decentralized structures to enable quick decision-making and flexibility. For example, a technology company operating in a fast-paced industry like software development would benefit from a more fluid structure, allowing teams to pivot quickly in response to market changes.

Drazin and Van de Ven (1985) also explored the relationship between structure and performance, emphasizing the importance of specialization, standardization, and hierarchy. Their research showed that organizations with highly specialized and standardized processes tend to perform well in stable environments, where efficiency and predictability are key. On the other hand, organizations with flatter hierarchies and more flexible processes tend to excel in dynamic environments, where the ability to adapt is critical.

Another critical aspect of contingency theory is the role of strategy in aligning organizational subsystems with the external environment. The theory suggests that organizations must adapt their strategies to fit both their internal resources and the external environment. Donaldson (1987, 2001) highlighted the importance of strategic fit, arguing that a well-aligned strategy enables organizations to leverage their strengths while mitigating external threats.

In highly competitive and uncertain environments, organizations must adopt more flexible strategies to remain competitive. Lee and Miller (1996) explored the impact of environmental uncertainty on strategy, finding that organizations facing high levels of uncertainty should adopt flexible, adaptive strategies. For instance, companies operating in volatile markets should prioritize innovation and differentiation, while those in stable markets can focus on efficiency and cost control. Strategic decisions are also influenced by other contingency variables, such as organizational size, structure, and technology. For example, large organizations with more resources may pursue diversification strategies, while smaller firms with fewer resources may focus on a narrow niche or cost leadership. Additionally, organizations with more advanced technology may adopt strategies focused on innovation and differentiation, while those with less advanced technology may emphasize efficiency and cost reduction.

Burton and colleagues have dealt with the contingency approach in multiple works. They address environmental factors: changes of competition and technology (Burton et al., 2004), environmental uncertainty (Burton & Obel, 2018), complexity and unpredictability (Burton et al., 2021). Organizational size, ownership and technology (Burton et al., 1999), and workforce size and capabilities (Burton et al., 2021) are also addressed. All of the four referenced studies deal with the structural (e.g., configuration, span of control, formalization, centralization, communication, coordination); behavioural (e.g., organizational climate, leadership style) and performance aspects. Goals and strategic focus are also a main concern of the studies. (Burton et al., 1999, 2004, 2021).

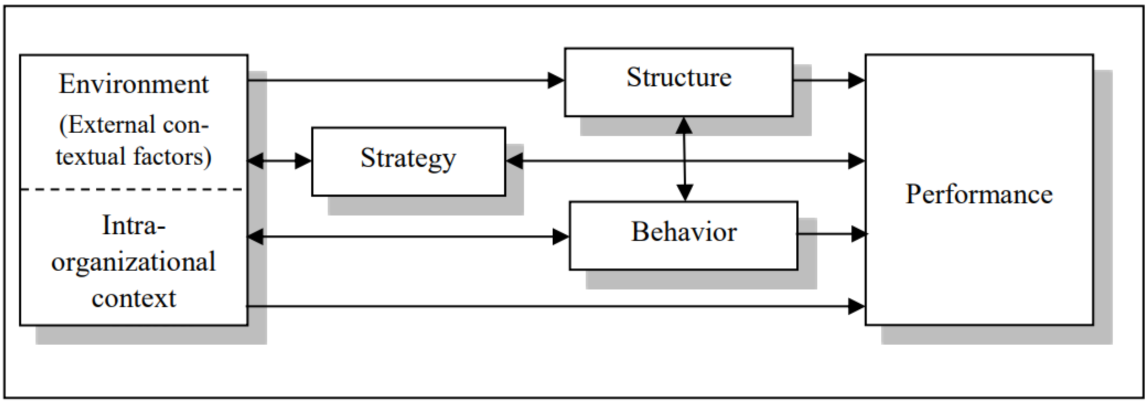
Behavioural and cultural factors in general became important elements of contingency theory. Luthans and Stewart (1977) introduced the idea that both management practices and employee behaviour must align with the organization's strategy and structure. In recent years, the importance of organizational culture in shaping employee behaviour and aligning it with organizational goals has become more widely recognized. Volberda *et al* (2012) also take a more comprehensive approach to organizations: they address environmental turbulence, the applied technology and the structure of the organization, as well as organizational culture and firm performance (as dependent variable). They argued that organizations with strong, adaptive cultures are better able to navigate uncertain environments by fostering innovation, flexibility, and collaboration.

These researchers pointed out that organizational behaviour is the result of interactions between the human elements of the organization and its formal structure. Leadership style, communication patterns, and organizational culture significantly influence employee motivation, morale, and, ultimately, organizational performance. Leadership styles must be adapted to fit the organization's context. For instance, in dynamic environments where innovation is critical, transformational leadership styles that encourage creativity and risk-taking may be more effective. In contrast, in stable environments where efficiency is the primary goal, transactional leadership styles that focus on clear goals and rewards may be more appropriate.

Most recently, Burton and colleagues completed the contingency approach with other environmental factors: changes of competition and technology (Burton et al., 2004), environmental uncertainty (Burton & Obel, 2018), and complexity and unpredictability (Burton et al., 2021). Organizational size, ownership and technology (Burton et al., 1999), and workforce size and capabilities (Burton et al., 2021) have also been addressed. All of the four referenced studies deal with the structural (e.g., configuration, span of control, formalization, centralization, communication, coordination); behavioural (e.g., organizational climate, leadership style) and performance aspects. Goals and strategic focus are also a main concern of the studies (Burton et al., 1999, 2004, 2021). New external pressures such as sustainability and digitalisation have been added to contingency elements (Csedő 2023; Magyari et al., 2022). It became evident that organizations with advanced sustainable technology and greater resources tend to have more flexibility in adapting to environmental changes. Larger organizations typically have more resources, which allow them to implement more complex strategies and structures. However, large organizations may also face more significant challenges in coordinating their activities and maintaining flexibility, especially in dynamic environments. Smaller organizations, on the other hand, may be more agile but lack the resources to implement large-scale changes.

In 1988, Dobák summarized the findings of contingency researchers in the following way, representing groups of dependent and independent variables with their relationships.

Figure 1: A representative model for contingency theory



Source: Dobák (1988)

Based on Figure 2, we can sum up the main ideas of the "matured" contingency theory as follows.

(1) Organizational efficiency and therefore the output depend heavily on the structure.

(2) There is no structure valid for every kind of environment and organization. This basic assumption was subjected to scrutiny in the earliest studies.

(3) Contingencies can be manipulated by elite groups (“dominant coalitions”).

(4) Strategy interacts with both contingencies and performance, it is sensitive to them, and affects both. Basically, all elements are connected.

(5) With appropriate information on the organizational context and environment, managers are facilitated in choosing the adequate form (structure) and strategy for any company, developing adequate behavioural characteristics, and therefore optimizing performance.

2.1.3. Modern Applications of Contingency Theory

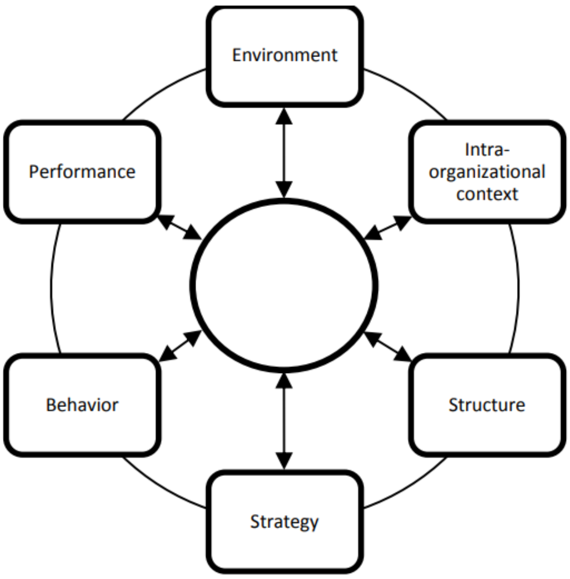
Contingency theory remains relevant today, particularly in understanding how organizations can navigate complex and rapidly changing environments. One of the key strengths of contingency theory is its flexibility: it provides a framework for organizations to assess their internal and external environments and make appropriate adjustments to their strategy, structure, and behaviour.

For example, in today's globalized and technologically advanced world, organizations must constantly adapt to changing market conditions, technological advancements, and shifting consumer preferences. The principles of contingency theory can help organizations navigate these challenges by providing a framework for assessing environmental uncertainties and adjusting their structures and strategies accordingly.

However, criticisms of contingency theory suggest that it may oversimplify the complexities of modern organizations without convincing explanations on its assumptions (Morgan, 2011; Schoonhoven, 1981; Shenkar & Ellis, 2022). In today’s globalized economy, organizations often operate in multiple environments simultaneously, making it difficult to identify a single set of contingencies that applies to the entire organization. Moreover, as organizations become more complex, the simple cause-and-effect relationships outlined in traditional contingency theory may no longer hold.

Early theory assumed for example that organizations are passive actors that must adapt to their environment. However, as Morgan (2006) pointed out, many large organizations have the power to shape their environment through lobbying, public relations, and strategic partnerships. This ability to influence the environment challenges the fundamental premise of contingency theory, which assumes that organizations are at the mercy of external contingencies. And external environment can be changed not only by lobbying, PR, marketing, R&D, but also by the business success and failure of any actor, along with new ventures, media news etc. And recent developments affect not only the causalities with external environment. Multinationals have several options to deploy headquarters or build other types of location. Intrapreneurship, growing revenue sources, internationalization may push companies to diversify their scope of activities. Competition and innovation force companies to keep their human resources regularly trained. Behavioural elements can be enhanced by various methods of organization development (OD), coaching, etc. All these elements affect performance and performance affects all. Thus, for the twenty-first century, it could be simpler and also more realistic to represent elements as in Figure 2 where all elements are interconnected: any element in the model might possibly affect the others.

Figure 2: The interconnectivity of contingency elements: a modern approach



Source: Vaszkun (2012)

The (external) environment as a category covers all external factors to companies, e.g. market (economic) characteristics, technical, legal, cultural background, or relations with and positioning to other organizations essential for daily operations (partners, suppliers, etc.).

By intra-organizational context, we mean the size, the origin, the main activity, the operational technology, the location, and the material or human resources of a given company.

Strategy contains elements (variables) describing how the organization wants to make money in the middle or long run (cost advantages, ways of differentiation from competitors, etc.).

Structure covers all structural characteristics of companies (division of work, authority, coordination mechanisms) making a certain configuration and organisational form in each company (functional or unitary "U-form", multidivisional or "M-form", matrix, virtual, agile...).

Behaviour stands for interpersonal relations within the company, issues related to morale, values, motivation, or team efficiency. As formulated by Luthans (1973): "organizational behaviour is the result of the interaction between the human being and the formal organization." (p.69)

Performance includes the means of control and the measurement of output, even the definition of performance itself as the expected outcome in distinct cases may be drastically different.

2.1.4. Conclusion

Contingency theory has made significant contributions to our understanding of how organizations adapt and move towards organisational fit, suggesting that they must always adapt to their environment and look for coherence between context, strategy, structure, behaviour, and performance in order to achieve success. By emphasizing the importance of aligning organizational subsystems with both the external and internal environment, the theory provides valuable insights into how organizations can optimize their performance. However, as organizations become more complex and operate in increasingly dynamic environments, contingency theory must continue to evolve to account for these new realities. Recent developments suggest that organizations may be able to achieve success by defying environmental pressures and pursuing innovative or unconventional strategies. This chapter offered an updated model of contingency theory covering these shortcomings. Thus, while contingency theory may have its limitations, it remains a powerful tool for analysing organizational behaviour and guiding decision-making in today's complex and rapidly changing world.

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2.2. Institutional theory (Sára Koczkás)

2.2.1. Introduction: IBV's significance in international management

The institution-based view (IBV) plays a significant role in explaining international management phenomena. The domestic institutional environment can determine the internationalization of new ventures (Ahmed & Brennan, 2019; Stocker, 2019), the export performance of domestic firms (Ngo et al., 2016), or the exit and re-entry strategy of international firms (Stocker, 2017; Tang, 2023). Moreover, the IBV represents the third leg of the "strategy tripod" in international business as well by addressing issues and strategic decisions such as institutional entry barriers (e.g., antidumping regulations), conducting business with developing countries with unique institutional settings and often underdeveloped regulatory environments, or providing a different perspective on corporate governance more suitable for developing countries, where institutional constraints are more prevalent than principal-agent conflicts (Peng et al., 2008; Stocker & Erdélyi, 2024). Given the relevance of IBV in international management, this study aims to collect the fundamentals of the theory, different classifications of the institutions and introduce informal institutions in more detail.

The development of the institution-based view was closely connected to the development of management research in China, so a significant portion of its conceptualization originates from the Chinese setting (Peng, 2005). The role of this theory can be understood as a response to the necessity of a theory that can incorporate the impact of the firm's environment on its strategic decisions. This is due to the fact that other prominent theories, such as the industry-based or resource-based view, were only able to do so within the significant constraints of the task environment (Peng et al., 2009). The theory's central inquiry is the reason for the similarity of organizations (DiMaggio & Powell, 1983). It posits that the institutional environment is an external force that causes organizations in a specific field to undergo a transformation that induces homogeneity. In his work, Scott (1995) contends that in addition to technical and managerial operations, businesses also prioritize adherence to the norms and conventions of their social environment. This is because organizations are required to comply to societal expectations in order to establish legitimacy.

Rather than prioritizing financial or efficiency concerns, the IBV theory suggests that companies are motivated by social influence to conform by adopting socially beneficial behaviours or socially acceptable management methods (Barney, 1991). The idea emphasises the impact of the external business environment on the process of making decisions and the architecture of organisations. Firms will exhibit greater similarity when subjected to comparable institutional limitations. These limitations impose a state of limited rationality on human actors, so limiting the available options and increasing the likelihood of adopting certain practices and behaviours over others (Barley & Tolbert, 1997). The institutional environment, including regulatory agencies, the legal system, and culture, are often integral components of the national setting. Consequently, management practices and interventions can differ between countries (Kostova & Roth, 2002).

2.2.2. Classifications of institutions

Various efforts were made in academic literature to establish comprehensive definitions of institutions. Put simply, institutions are commonly described as the rules of the game (Boddewyn & Peng, 2021; Peng et al., 2009). As per more precise definitions, institutions refer to “the humanly devised constraints that shape human interaction” (North, 1990, p. 3), or “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour” (Scott, 1995, p. 33). Barley&Tolbert (1997, p. 96) define institutions as "shared rules and typifications that identify categories of social actors and their appropriate activities or relationships".

The fundamental role of institutions is to mitigate the ambiguity experienced by economic actors. Nevertheless, if the institutions lack clarity, are not completely established, or experience instability, they can also contribute to the generation of uncertainty. They impact the validity of practices and behaviours - in relation to what is considered acceptable and legitimate by the surroundings or the organizational domain (Meyer & Peng, 2016).

Institutionalism is commonly categorised into three pillars (Barney, 1991; Scott, 1995), depending on the focal points emphasised by different groups of scholars:

- The regulative pillar limits and controls behaviour, focusing on specific regulatory procedures, such as establishing rules, monitoring, or administering penalties, enforced by regulatory bodies, such as the state or professional organisations (Barney, 1991; Greenwood et al., 2002).

- The normative pillar refers to a framework of values (perceptions of desired or desirable results/goals) and norms (suitable methods of attaining goals) that inform and facilitate the assessment of individual behaviours and social interactions (Trevino et al., 2008).
- The cognitive pillar consists of rules (symbols, words, signs, gestures) which shape our conception of reality through the meanings they attribute the certain objects and activities (Osinubi, 2020).

North (1990) categorises institutions into two main groups: formal institutions and informal institutions, and contends that most institutional limitations are informal rather than formal. The significance of informal constraints is substantiated by the observation that the effects of the same formal institutions vary across different societies. Furthermore, many elements of informal institutions remain constant even when the formal institutions undergo changes, such as foreign occupations or the temporary rule of extremist or authoritarian regimes. The regulative pillar of institutionalism encompasses formal institutions, although informal institutions may be classified within the normative and cognitive pillars.

2.2.2.1. Formal institutions

Formal institutions are deliberately established (Van Essen et al., 2012) typically by political entities (North, 1990), such as national parliaments or governments, rendering them conventionally understood at the national level (Meyer & Peng, 2016). Key to their effectiveness is the inclusion of an enforcement component, a system that guarantees compliance by economic actors (Peng, 2013). Formal institutions include constitutions (North, 1990), legal systems (Boddewyn & Peng, 2021), laws, rules and regulations (Peng, 2013), such as private property rights (Puffer et al., 2010), antitrust and competition laws or labour market rules (Boddewyn & Peng, 2021; Peng et al., 2009; Zhu et al., 2012).

2.2.2.2. Informal institutions

Informal institutions are “socially shared rules, usually unwritten, that are created, communicated, and enforced outside officially sanctioned channels” (Helmke & Levitsky, 2006, p. 5). Informal institutions encompass sanctions, taboos, customs, traditions, and codes of conduct (North, 1990). It is important to note that these elements are separate from a nation's cultural traditions, although sometimes used interchangeably (Boddewyn & Peng, 2021). As opposed to formal institutions, which are deliberately established, informal institutions arise organically within a given social or economic environment and are self-reinforcing, as adherence to them holds greater long-term significance (Van Essen et al., 2012). Academic research refers to multiple different concepts as informal institutions, in the following, three main groups will be introduced: culture and traditions; social conditions and social capital; and economic conditions.

Culture and traditions

Even though culture and informal institutions are not theoretically equivalent (Peng et al., 2008), the concepts are interconnected, and informal institutions are often operationalized as cultural variables. This perspective is especially prevalent in studies dealing with countries outside the European and North American context, mostly in case of Asian and African countries. Most studies use a locally unique cultural construct or a local adaptation of a well-established cultural construct. For example, concepts related to Confucianism are prevalent in studies dealing with Asian countries, such as power distance or perceived individual independence and openness to change (Klein et al., 2022; Vaszkun et al., 2022; Vaszkun & Saito, 2022). Other important components of informal institutions are collectivism (Garrone et al., 2019) and uncertainty avoidance (Fuentelsaz et al., 2019). What is common in these variables is that they all originate form or are similar to the traditional cultural dimensions of Hofstede (1993) and the GLOBE study (Chhokar et al., 2007).

Social conditions and social capital

Another important component of informal institutions are the social conditions of the given context, especially the significance of social capital. Social capital refers to relationship networks which affect the behaviour of its members, and it can be an indicator of the strength of regional social pressures and constraints (Lin & Pursiainen, 2022). Social capital can prevent unethical behaviour and enhance individual and firm-level performance outcomes, for example through the better use of resources and an overall tendency to avoid unethical or unlawful behaviour which is facilitated by the individuals' and organizations' conforming to social norms and social and cultural pressures to fit in with their environment (Gaganis et al., 2024). A special, culturally embedded form of social capital is *guanxi* in China, which can, for example, facilitate Chinese firms' international expansion based on personal networks (Yan et al., 2020).

Economic and political conditions

While many aspects of the economic and political conditions of a region are considered formal institutions, some of them, depending on the context, are less formally developed, thus are typically considered informal institutions. For example, some of the norms regarding business associations (Liou et al., 2021), the investment climate, or corruption belong here, or general perceptions about the rule of law and the government's ability to effectively implement policies, as well as the traditions pertaining to the selection, monitoring, and replacement of political authority and government (Ghulam, 2021). These concepts are more closely related to formal institutions and are most often addressing the perceptions of societal and economic actors concerning formal rules, and how they are implemented.

2.2.3. Summary

Institutions are approached and categorized from multiple different angles, but the differentiation between informal and formal institutions is an overarching theme in this subject area. To summarize the above collected introduction to the fundamentals of the theory, the table below shows the typical classification of institutions with some examples.

Table 1: Summary and examples of the classification of institutions

<table>
<tr><td colspan="4">INSTITUTION-BASED VIEW</td></tr>
<tr><td>Regulative pillar</td><td colspan="2">Normative pillar</td><td>Cognitive pillar</td></tr>
<tr><td>FORMAL INSTITUTIONS</td><td colspan="3">INFORMAL INSTITUTIONS</td></tr>
<tr><td>Constitutions
Legal systems
Laws, rules, regulations</td><td>Culture & traditions</td><td>Social conditions & Social capital</td><td>Economic & political conditions</td></tr>
</table>

	Power distance Collectivism	Social pressures Social relationships	Investment climate Traditions relevant to political authority

Source: author

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2.3. Organizational economics: the agency and transaction cost theories (Balázs Vaszkun)

Contingency theory, as Donaldson (2001) argues, tends to remain a framework isolated from economics. However, due to its traditional concern with performance, it is or should be consistent with economics. To resolve this contradiction, some attempts have been already made to import elements of economics into organizational theory, mostly using agency theory and transaction costs economics. Without trying to combine all these theories, in this essay we will use the economic approach as a complementary to contingency theory (Vaszkun & Koczkás, 2024) and IBV (Koczkás, 2024). Agency and transaction cost theories introduce the personal interests of managers and do enter more into the black box of organizations, compared to classical economic theories. These theories serve as a foundation for a significant number of IB / IM / CM research projects (Benito et al., 2005; Contractor, 2007; Schwens & Kabst, 2009; Tan & Mahoney, 2003).

2.3.1. The agency theory

Developed mainly from the 1970s, agency theory puts focus on a "contract": a situation with information asymmetry where an owner delegates his rights or power onto somebody else to make the best use of his or her belonging. This owner is called a "principal", and the operator an "agent" (Bowie, 1992). Principals, in order to have their interests better represented, would delegate tasks, decisions and power to the agent, who is supposedly compensated for these services. As a benefit, the principal gains the time, the competencies and the experience of the agent. These gains come with a risk however: the agent may use the property for his or her own benefit. The less information the principal has on the agent's daily activity, the bigger is this risk. Agency theory is mainly concerned by this risk and the incentives which can be used to limit this risk (Eisenhardt, 1989).

In a typical scenario, the parties involved in the relationship could be the employer and employee, or the salesperson and customer. In business, this dynamic is often reflected in the relationship between shareholders or owners and the managers of a company. Traditionally, the primary objective of shareholders is to maximize profits. While this goal is also the managers' formal responsibility, they may have personal objectives that conflict with this aim, such as increasing their own compensation or building a reputation to secure higher positions elsewhere. Even if shareholders (principals) attempt to mitigate risk and exert tighter control over managers, an inherent asymmetry exists: managers always possess more knowledge about their actions than the principals (for example, the extent of the manager's contribution to outcomes compared to external factors or the actual performance of the manager).

This issue has persisted since the separation of ownership and management, and it has become even more complex with the rise of stock markets. Modern corporations now have countless owners, each holding small portions of shares, making it impossible for individual shareholders to effectively monitor management. To address this challenge, they elect trustees or directors to represent their interests to the executive management. However, this creates a twofold risk, involving two contracts and three parties.

"In a corporation, the shareholders elect a group, the board of directors, who in turn, are expected to employ others as managers to oversee day-to-day operations. In theory and legally, the board and these senior managers are agents of the shareholders and are expected to maximize the wealth of these investors. In practice, this is not always the case, raising the vital question of corporate governance."(Wren, 2005, p. 415)

Another significant issue is the board's motivation to genuinely assess the performance of the president and executives, ask probing questions, raise concerns, or undertake other uncomfortable corrective actions. This motivation is often diminished by human nature, conformism, or simply the fact that board members are appointed by the president and are often CEOs of other firms themselves (Angyal, 2001). Agency theory addresses relationships and interactions within any organisation as contracts. However, as contracts are inherently limited when written, they cannot cover every possible scenario. This gap in regulation often leads to the fundamental issue of asymmetrical relationships: opportunism (Williamson, 1985).

Self-interest over collective benefit can be mitigated through performance-based pay (such as stock options), careful selection and socialisation, monitoring workplace behaviour, and more. Corporate governance issues, as highlighted by Wren, include the selection, compensation, and oversight of CEOs by the board of directors. In theory, stock options should resolve the problem of information asymmetry by allowing the market (via stock prices) to evaluate the manager's performance. However, as we will observe from an external (Japanese) perspective, stock options can introduce biases, promoting short-term objectives that may be detrimental to the organisation in the long term.

2.3.2. Transaction costs

Commons (1990) identified transactions as the "smallest unit of analysis in the transfer of property rights." His focus on ownership and the transfer of these rights led him to divide them into two categories: those within the firm and those external to it.

Ronald H. Coase, after studying vertical and horizontal integration in the U.S., revisited the concept of transactions and questioned whether the market (i.e., the price mechanism) could efficiently meet human needs without firms. His inquiry became the foundation for transaction cost theories. Coase (1937) concluded that relying solely on the market mechanism for every production process is less efficient than internalising certain transactions within firms, as monetary exchanges were cheaper than bartering.

Building on Coase's work, Williamson (1996) incorporated concepts such as bounded rationality and opportunism (the pursuit of individual gains in transactions) into his theory of the firm. His goal was to identify institutional solutions that minimise transaction costs.

In transaction cost theory, efficiency is achieved by minimising the use of limited resources in both production and transactions. Production costs are tied to creating products and services, while transaction costs cover the expenses involved in facilitating exchanges. Transaction costs are divided into ex-ante costs, which include contract preparation, and ex-post costs, which involve securing transactions and resolving disputes arising from contract interpretation or contextual changes. Williamson's key contribution was his focus on ex-post transaction costs, as contracts are inherently imperfect and unforeseen problems are inevitable (Kieser, 1995).

Transaction costs can be reduced when agreements and their execution are cost-effective. Three key factors influence these costs: transaction-specific investments, uncertainty, and transaction frequency. Transaction-specific investments may lower production costs but increase opportunity costs if the relationship breaks down, thereby raising transaction costs. This investment binds the parties closer together, but there is hesitance to make such investments without assurance of a long-term relationship.

Thus, transaction costs are generally lower within companies than between independent market players.

Uncertainty, whether related to contextual factors or the behaviour of the other party, can also drive up transaction costs. Monitoring opportunistic behaviour is costly, and uncertainty necessitates protective investments, similar to paying for insurance to avoid larger potential losses. Conversely, frequent transactions reduce costs due to economies of scale, synergies, lower production costs, and a more stable long-term relationship. Williamson (1985) identified three institutional forms for managing transactions: market exchanges, hybrid solutions like long-term contracts (e.g., franchise partnerships), and organisations. The appropriate form depends on the type of transaction; organisations are better suited for reducing uncertainty and opportunism, albeit at higher costs, while markets are more efficient for transactions with low uncertainty and minimal need for specific investments.

In conclusion, transaction cost theory examines contractual relationships with a focus on bounded rationality and opportunism, as opposed to agency theory's emphasis on information asymmetry. Transaction cost theory typically covers ex-post costs, while agency theory addresses ex-ante costs. Neither party in a contract possesses perfect information about transactions or the other's behaviour, which may be opportunistic. Institutions are necessary to control such opportunism and protect the interests of all parties.

2.3.3. Further use of economic theories

The primary focus of these two economic theories in this thesis is not merely the opportunistic tendencies of individual managers, but rather the control systems that must be implemented as a result. Drawing on the work of Jensen and Meckling (1976), Donaldson (1995) criticised agency and transaction cost theories as economic models, as they both assume that individuals within organisations act in their own self-interest, often to the detriment of the organisation as a whole. In agency theory, the agent is seen as misusing the authority and trust granted by the principal, while transaction cost theory suggests that market discipline fails in large corporations, allowing managers to inflate their own compensation. To address this, Williamson (1970) advocated for an M-form organisational structure to limit such opportunistic behaviour and closely oversee the performance of various divisions from the centre.

We observe varying levels of uncertainty, mistrust, and time horizons in Japan and the "Western" economies (e.g.: US), leading to different institutional solutions. In the US, market transactions are more widely accepted and play a greater role, whereas in Japan, production costs are highly valued, and centralised action is better explained by transaction cost theory. Japan's hierarchical approach also provides a different perspective on transaction-specific investments, even in "market" relations. Kester (1996) argued that Japan is more focused on reducing transaction costs and fostering stable relationships, with shareholders often bearing significant agency costs. By contrast, the US prioritises reducing agency costs, formal mechanisms, and commercial relationships, leading to higher transaction costs. As a result, the US, with its shareholder-oriented context, is more concerned with regulating shareholders' interests rather than centralising efforts to lower production costs. Japan, aiming for international competitiveness post-World War II, focuses less on reducing information asymmetry and more on lowering production and transaction costs at a national level. These differences will be explored in more detail in the chapters focusing on regional differences.

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3. METHODOLOGY

Methodology is crucial in academic research because it provides a structured approach to inquiry, ensuring that the research process is systematic, transparent, and replicable. It enables researchers to clearly define their research questions, select appropriate methods for data collection and analysis, and justify their choices, which in turn enhances the validity and reliability of their findings. In the field of IB / IM / CM, the importance of methodology is heightened due to the complexity and diversity inherent in studying management practices across different cultural, economic, and institutional contexts. Researchers must carefully consider cross-cultural differences, varying regulatory environments, and the global versus local dynamics that influence management practices. This often requires a mixed-methods approach, combining qualitative methods like case studies and ethnographies, which offer deep contextual insights, with quantitative methods like surveys and statistical analysis, which provide broader generalizability. Additionally, management research must address issues of comparability across different countries, ensuring that constructs and measures are culturally sensitive and applicable across diverse contexts. This specificity demands rigorous methodological rigor to avoid biases and ensure that the research findings are meaningful and relevant across the various settings being studied. Therefore, a well-designed methodology in management research not only strengthens the study's academic rigor but also enhances its practical relevance in a globalized business environment. In the following sections, we will review some of the most commonly used methods when it comes to studying IB / IM / CM.

3.1. Attitude survey (Balazs Vaszkun)

3.1.1. Introduction to Attitude Surveys

An attitude survey is a widely used research method designed to collect quantitative data on individuals' attitudes, beliefs, feelings, and opinions towards particular subjects, events, or entities. Attitudes are psychological constructs that represent an individual's degree of like or dislike for something and are formed through experiences, cultural influences, and personal values. Attitude surveys typically employ structured questionnaires that include items measured on Likert scales, semantic differentials, or other types of scales that allow respondents to express their level of agreement, disagreement, or feelings towards specific statements or questions (Rajecki, 1990).

The importance of attitude surveys lies in their ability to quantify subjective opinions and attitudes, making it possible to perform statistical analyses that can uncover patterns, correlations, and differences among various groups. This method is particularly useful for researchers who aim to explore how different segments of a population feel about a given issue or to track changes in attitudes over time. In social sciences and business research, attitude surveys are essential tools for understanding consumer behaviour, employee satisfaction, cultural differences, and many other management-related (especially IM-/CM-related) phenomena (Williams, 1998; Zeira & Harari, 1979). Lincoln (1989) even emphasized the use and importance of attitude surveys for comparing management practices in the US and Japan.

Attitude surveys are valued for their ability to generate large amounts of data relatively quickly and cost-effectively. Additionally, when properly designed and administered, these surveys can produce data that is both reliable and valid, allowing researchers to draw meaningful conclusions and make informed decisions. However, the effectiveness of an attitude survey depends heavily on the quality of the survey design, the sampling method, and the way the data is collected and analysed (Leonardi et al., 2014).

3.1.2. Methodology of Attitude Surveys

Based on academic experiences, attitude surveys should include a design, a sampling, a data collection, and an analysis phases (Leonardi et al., 2014).

Survey Design

The first step in conducting an attitude survey is designing the questionnaire. This involves defining the research objectives, identifying the target population, and constructing the survey items. The survey items should be directly related to the attitudes being measured and should be clear, concise, and unbiased. Questions are typically phrased as statements, and respondents are asked to indicate their level of agreement or disagreement using a scale, such as a five-point Likert scale (Taherdoost, 2019).

Survey items should be carefully constructed to avoid leading questions, which can bias the responses. Additionally, the survey should be pre-tested with a small sample to identify any potential issues with the wording, structure, or response options. The pre-test allows the researcher to refine the survey before it is administered to the full sample.

Sampling

Sampling is a critical aspect of the attitude survey methodology. The sample must be representative of the population from which it is drawn to ensure that the results are generalisable. Various sampling methods can be used, including random sampling, stratified sampling, and convenience sampling, depending on the research objectives and available resources (Hinrichs, 1975; Verheyen, 1988).

In IB / IM / CM research, where cultural and geographical diversity is a key consideration, stratified sampling is often used to ensure that subgroups (e.g., different countries, industries, or organisational levels) are adequately represented. This is particularly important when comparing attitudes across different cultural contexts, as it allows for a more accurate understanding of how cultural factors influence attitudes.

Data Collection

Data collection can be conducted through various modes, including online surveys, telephone interviews, face-to-face interviews, and mail surveys. Each mode has its advantages and disadvantages. For example, online surveys are cost-effective and can reach a large audience quickly, but they may suffer from lower response rates or sample bias if internet access is not evenly distributed across the target population. Face-to-face interviews, while more time-consuming and expensive, allow for deeper engagement with respondents and can help mitigate issues related to misinterpretation of questions (Heath et al., 2009; Knapp & Mujtaba, 2010; Verheyen, 1988).

In the context of IB / CM / IM, the choice of data collection method may be influenced by factors such as language barriers, cultural norms regarding communication, and the logistical challenges of reaching respondents in different countries. Researchers must carefully consider these factors to ensure that the data collected is accurate and reflective of the respondents' true attitudes.

Data Analysis

Once the data has been collected, it must be analysed to extract meaningful insights. The analysis typically involves descriptive statistics to summarise the data (e.g., mean, median, standard deviation) and inferential statistics to test hypotheses or identify relationships between variables (e.g., correlation, regression analysis). In some cases, advanced techniques such as factor analysis or multi-dimensional scaling may be used to identify underlying dimensions of attitudes or to validate the survey instrument (Heeringa et al., 2017; Vaszkun, 2012; Yu et al., 2005).

In IB / IM / CM research, data analysis may also involve cross-cultural comparisons to examine how attitudes differ across countries or regions. This requires careful consideration of cultural differences that may influence the interpretation of survey items or the meaning of responses. Researchers must ensure that the survey instrument is culturally equivalent across different contexts, often necessitating the use of techniques such as back-translation and pilot testing in multiple languages.

3.1.3. Applications of Attitude Surveys in International Management

Attitude surveys are widely used in the field of international and comparative management to explore a variety of topics, including cultural differences, employee attitudes towards multinational corporations (MNCs), global leadership, and the impact of globalisation on managerial practices. Below are some specific use cases that illustrate the importance and utility of attitude surveys in international management research.

One of the most significant applications of attitude surveys in international management is in the study of cross-cultural management. Researchers use attitude surveys to understand how cultural differences influence management practices, leadership styles, communication patterns, and employee behaviour in different countries (Hofstede, 2001). For example, attitude surveys can be used to measure cultural dimensions such as individualism versus collectivism, power distance, and uncertainty avoidance, which are central to understanding how culture impacts organisational behaviour.

In a classic study, Hofstede (1980) conducted attitude surveys across IBM subsidiaries in different countries to identify key cultural dimensions that influence workplace behaviour. The results of these surveys revealed significant differences in attitudes towards authority, risk, and group dynamics, which have since become foundational concepts in cross-cultural management research.

Similarly, the GLOBE (Global Leadership and Organisational Behaviour Effectiveness) project used attitude surveys to explore cultural dimensions and their impact on leadership effectiveness in different countries (Bakacsi et al., 2002; Brodbeck et al., 2000; House, 2014). The GLOBE study involved surveying thousands of managers across 62 societies to identify cultural variables that affect leadership and organisational practices. The findings have provided valuable insights for multinational companies seeking to develop effective leadership strategies that are sensitive to cultural differences.

Expatriate management is another area of international management where attitude surveys play a crucial role. Expatriates—employees who are sent to work in a foreign country—face unique challenges, including cultural adaptation, social integration, and work-related stress. Attitude surveys are used to assess expatriates' attitudes towards these challenges and to identify factors that contribute to successful expatriation.

For instance, attitude surveys can measure expatriates' cultural adaptability, which refers to their ability to adjust to the host country's culture and work environment (Danisman, 2014; Leung et al., 2001; Wang, 2008). Surveys can also assess expatriates' job satisfaction, commitment to the organisation, and perceptions of organisational support, all of which are critical factors influencing expatriate performance and retention.

Research has shown that positive attitudes towards the host culture, strong organisational support, and effective cross-cultural training are associated with higher levels of expatriate success (Jung & Takeuchi, 2014; Takeuchi, 2010). By using attitude surveys to gather data on these variables, organisations can develop targeted interventions to improve expatriate outcomes, such as tailored training programs, mentoring, and support networks.

Employee engagement and job satisfaction are key concerns for multinational corporations (MNCs) that operate across diverse cultural and geographical contexts. Attitude surveys are commonly used to measure these constructs, providing insights into how employees feel about their work, their leaders, and the organisation as a whole. Understanding these attitudes is essential for MNCs that need to maintain high levels of employee motivation and productivity across different regions.

Attitude surveys can reveal how factors such as leadership style, organisational culture, compensation, and work-life balance affect employee engagement and job satisfaction in different countries (Hofstede, 2001; Lok & Crawford, 2004). For example, employees in collectivist cultures may place a higher value on teamwork and group harmony, while those in individualist cultures may prioritise personal achievement and recognition. By identifying these cultural preferences through attitude surveys, MNCs can tailor their HR practices to better meet the needs and expectations of their global workforce.

Moreover, attitude surveys can help MNCs identify potential sources of conflict or dissatisfaction that may arise from cultural differences. For instance, a survey might reveal that employees in one country feel undervalued or alienated due to a perceived lack of cultural sensitivity in corporate policies or communication practices. Armed with this information, MNCs can take corrective action, such as revising policies, offering cultural training, or implementing more inclusive communication strategies (Kim et al., 2009).

Globalisation has brought about significant changes in the way organisations operate, leading to the adoption of new business models, organisational structures, and management practices. Attitude surveys are useful tools for understanding how employees perceive these changes and how their attitudes may affect the success of organisational change initiatives.

Attitude surveys can measure employees' openness to change, their perceptions of the benefits and risks associated with globalisation, and their level of trust in management during times of transition (Chawla & Kevin Kelloway, 2004; DeWall et al., 2006). This information is critical for organisations that need to manage change effectively, particularly in a global context where change may be perceived differently across cultures.

Research has shown that employees' attitudes towards change are influenced by factors such as organisational culture, leadership communication, and the perceived fairness of the change process. By using attitude surveys to assess these factors, organisations can develop strategies to manage resistance to change, build employee buy-in, and ensure that change initiatives are implemented smoothly across different regions.

3.1.4. Challenges and Considerations in Using Attitude Surveys in International Management

While attitude surveys are valuable tools in international management research, they also present several challenges that researchers must address to ensure the validity and reliability of their findings.

Cross-Cultural Comparability

One of the primary challenges in using attitude surveys across different countries is ensuring cross-cultural comparability. Cultural differences can affect how respondents interpret survey items, how they respond to different types of scales, and what social desirability biases may influence their answers. For example, respondents from high-context cultures may interpret survey questions differently than those from low-context cultures, leading to potential misunderstandings or misinterpretations (King et al., 2004).

To address these challenges, researchers must take several steps to ensure that their surveys are culturally equivalent. This often involves translating the survey into different languages and using techniques such as back-translation to verify that the meaning of the items is preserved across languages. Additionally, researchers may need to adapt the survey format or question wording to better align with cultural norms and communication styles in different countries.

Another approach to enhancing cross-cultural comparability is to use culturally neutral items that are less likely to be interpreted differently across cultures. However, this approach may limit the depth and specificity of the questions, so researchers must carefully balance the need for cultural sensitivity with the need for detailed and accurate data.

Response Biases

Response biases, such as social desirability bias, acquiescence bias, and extreme response bias, can significantly impact the accuracy of attitude survey data. These biases occur when respondents answer questions in a way that they perceive to be socially acceptable, when they consistently agree or disagree with statements regardless of their true feelings, or when they tend to select extreme response options (Gove & Geerken, 1977; Grover & Vriens, 2006).

In international management research, response biases can be particularly problematic because cultural factors may exacerbate these tendencies. For example, in some cultures such as Japan, there is a strong emphasis on maintaining social harmony and avoiding conflict, which may lead respondents to provide socially desirable answers rather than honest ones or simply a low number of answers (Hui & Triandis, 1989; Rindfuss et al., 2015). Similarly, in cultures with a high level of uncertainty avoidance, respondents may be more likely to choose neutral or middle-of-the-scale responses to avoid making definitive judgments.

To mitigate these biases, researchers can use various techniques, such as including reverse-coded items to detect acquiescence bias, using indirect questioning techniques to reduce social desirability bias, and providing clear instructions to respondents on how to interpret and respond to the survey items. Additionally, statistical methods such as factor analysis can help identify and control for response biases during the data analysis phase.

Ethical Considerations

Conducting attitude surveys in an international context also raises important ethical considerations. Researchers must ensure that their surveys are designed and administered in a way that respects the cultural values, norms, and privacy of respondents in different countries. This includes obtaining informed consent, ensuring confidentiality, and being sensitive to cultural differences in how survey questions are perceived.

In some cases, questions that are considered appropriate in one culture may be seen as intrusive or offensive in another. Researchers must be aware of these potential issues and take steps to adapt their surveys accordingly. This may involve consulting with local experts, conducting pilot tests in the target culture, and being flexible in modifying the survey design based on feedback from respondents (Treviño et al., 1998; Weng et al., 2011).

Additionally, researchers must consider the potential impact of their findings on the populations they study. In IB / IM / CM research, the results of attitude surveys can influence organisational policies, management practices, and even public perceptions of certain cultural groups. Researchers have a responsibility to ensure that their findings are presented accurately and ethically, avoiding stereotypes or generalisations that could perpetuate cultural biases.

3.1.5. Conclusion

Attitude surveys are a powerful tool in the field of IB / IM / CM, offering valuable insights into the beliefs, opinions, and feelings of individuals across different cultural and geographical contexts. These surveys play a crucial role in cross-cultural management research, expatriate management, employee engagement, organisational change, and globalisation. By quantifying subjective attitudes, researchers can uncover patterns and correlations that inform management practices and decision-making in multinational corporations.

However, the use of attitude surveys in international or comparative management also presents significant challenges, particularly in ensuring cross-cultural comparability, addressing response biases, and upholding ethical standards. Researchers must be diligent in designing, administering, and analysing their surveys to ensure that the data collected is accurate, reliable, and culturally sensitive.

In an increasingly globalised business environment, the ability to understand and manage the attitudes of a diverse workforce is more important than ever. Attitude surveys provide a critical means of achieving this understanding, helping organisations navigate the complexities of international management and fostering more effective and inclusive business practices.

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3.2. Interviewing in IB, IM and CM research projects (Balázs Vaszkun)

3.2.1. Introduction to the Interview Method

The interview method is a qualitative research technique widely used across various disciplines, including the social sciences, psychology, and business research. Interviews involve direct, verbal interaction between the researcher and the participant, allowing for in-depth exploration of complex issues, personal experiences, and subjective perspectives. The method is particularly valuable when the research aims to gather detailed information that cannot be easily captured through quantitative methods such as surveys or questionnaires. Such cases include international configurations where interpreting quantitative results can be especially challenging due to cultural / geographical / national differences. Interviews can be structured, semi-structured, or unstructured, depending on the research objectives and the level of flexibility required (Drew, 2014; Yeung, 1995; Zhang & Guttormsen, 2016).

3.2.2. Types of Interviews

Structured Interviews

Structured interviews follow a predetermined set of questions, which are asked in the same order to all participants. This approach ensures consistency across interviews, making it easier to compare responses and identify patterns. Structured interviews are useful when the research aims to gather specific information from a large number of participants, particularly when the focus is on quantifiable data or when the research requires standardised responses (Bryman, 2016; Rashidi et al., 2014).

However, the rigidity of structured interviews can limit the depth of the data collected, as participants may not have the opportunity to elaborate on their answers or discuss topics outside the scope of the predefined questions. This limitation makes structured interviews less suitable for exploratory research where the aim is to uncover new insights or understand complex phenomena.

Semi-Structured Interviews

Semi-structured interviews combine the consistency of structured interviews with the flexibility of unstructured interviews. The researcher prepares a list of key questions or topics to be covered during the interview but allows for deviations from this guide based on the participant's responses. This approach enables the researcher to explore issues in more depth while still ensuring that all relevant topics are addressed across interviews (Adeoye-Olatunde & Olenik, 2021; Kvale & Brinkmann, 2009).

Semi-structured interviews are particularly useful in research that seeks to understand participants' experiences, attitudes, and perceptions, as they allow for a more conversational and interactive exchange. The flexibility of this method also makes it easier to adapt the interview to the participant's cultural and contextual background, which is especially important in international management research.

Unstructured Interviews

Unstructured interviews are the most flexible and open-ended form of interviewing. In this approach, the researcher has a general topic or set of themes to discuss but does not follow a strict interview guide. Instead, the interview flows naturally, with the participant guiding the direction of the conversation. This method is particularly useful for exploratory research, where the aim is to gain a deep understanding of the participant's experiences, thoughts, and feelings (Kvale & Brinkmann, 2009; Patton, 2015).

Unstructured interviews allow for rich, detailed data collection, as participants are free to discuss what they consider important. However, the lack of structure can make it challenging to compare responses across different interviews, and the data analysis process can be more time-consuming and complex.

3.2.3. The process of conducting interviews

Preparing for the Interview

Effective interviewing requires careful preparation, including defining the research objectives, selecting appropriate participants, and designing the interview guide. The researcher must have a clear understanding of the research questions and how the interview data will contribute to answering them.

Selecting participants is a critical step in the interview process. In qualitative research, participants are often selected through purposive sampling, where individuals are chosen based on their relevance to the research topic (Creswell & Poth, 2018). In international management research, this might involve selecting participants from specific industries, cultural backgrounds, or organisational roles that are pertinent to the study's focus.

The interview guide is another essential component of preparation. Even in unstructured interviews, having a list of key themes or topics ensures that the conversation remains relevant to the research objectives. In semi-structured and structured interviews, the guide includes specific questions that will be asked of each participant. The questions should be open-ended to encourage detailed responses and should be worded in a way that is clear and culturally appropriate for the participant (Roulston, 2010).

Conducting the Interview

During the interview, the researcher must create a comfortable and trusting environment for the participant. Building rapport is crucial, as it encourages participants to share their thoughts and experiences openly. The researcher should be an active listener, paying close attention to the participant's responses and asking follow-up questions to probe deeper into relevant issues (Rubin & Rubin, 2012).

In IB / IM / CM research, as we have seen before, cultural sensitivity is particularly important during the interview process. The researcher must be aware of and respect cultural norms related to communication, such as differences in verbal and non-verbal cues, expressions of hierarchy or deference, and attitudes towards discussing certain topics. This cultural awareness helps ensure that the participant feels comfortable and that the data collected is accurate and meaningful.

The interview should be recorded with the participant's consent, as this allows for accurate transcription and analysis of the data. Taking notes during the interview can also be helpful, especially for capturing non-verbal cues or contextual details that may not be evident in the audio recording.

Analysing Interview Data

The analysis of interview data typically involves transcribing the recordings, coding the data, and identifying themes or patterns. Transcription is the process of converting the audio recording into written text, which can then be systematically analysed. While transcription can be time-consuming, it is a critical step in ensuring that the analysis is based on a detailed and accurate record of the interview (Gibbs, 2018). Coding involves categorising segments of the text according to themes or concepts that are relevant to the research questions. In qualitative research, coding can be either inductive, where themes emerge from the data, or deductive, where the researcher applies a predefined coding framework based on existing theory or literature (Saldana, 2021).

Once the data is coded, the researcher can begin to identify patterns, relationships, and insights that address the research objectives. This may involve comparing responses across different participants, exploring how certain themes are expressed in different cultural contexts, or examining how the data aligns with or challenges existing theories in the field of international management.

3.2.4. Applications of interviews in international and comparative management

Interviews are a valuable research method in the field of IM/CM, where understanding the complexities of cross-cultural interactions, global business strategies, and organisational dynamics is crucial. Below are some specific use cases that illustrate how interviews are applied in international management research.

One of the primary areas where interviews are extensively used in international management is in the study of cross-cultural management. Understanding how cultural differences affect managerial practices, communication styles, leadership behaviours, and employee expectations is critical for multinational corporations (MNCs) operating across diverse regions (Singh et al., 2017).

For example, interviews can be used to explore how managers from different cultural backgrounds perceive and implement leadership practices (Vaszkun et al., 2022). A study by House et al. (2014) as part of the GLOBE (Global Leadership and Organisational Behaviour Effectiveness) project used interviews to examine cultural variations in leadership styles across different countries. The interviews revealed significant differences in how leadership qualities such as assertiveness, collectivism, and power distance are valued and practised in various cultural contexts.

In another study, researchers used interviews to investigate how expatriate managers adapt to the cultural environment of their host countries and how this adaptation impacts their leadership effectiveness (Tung, 1982). The interviews provided insights into the challenges expatriates face, such as cultural misunderstandings and resistance from local employees, and identified strategies that successful expatriates use to overcome these challenges.

International Human Resource Management (IHRM) is another area where interviews are frequently employed. IHRM involves managing a diverse workforce across different countries, including recruitment, training, compensation, and performance management. Interviews are particularly useful for understanding how HR practices are adapted to local cultural and legal environments and how these adaptations affect employee outcomes.

For instance, interviews can be used to explore how MNCs develop and implement global talent management strategies. Scullion and Collings (2011) used interviews with HR managers in MNCs to investigate how companies identify and develop high-potential employees for international assignments. The interviews revealed that while companies often have global talent management frameworks, these frameworks need to be flexible enough to accommodate local differences in talent availability, employee expectations, and career development practices.

Interviews are also used to examine the effectiveness of expatriate management practices. Interviews with expatriates and HR managers can provide insights into the challenges of expatriation, such as cultural adjustment, family integration, and career progression (McNulty & Brewster, 2017). These interviews can help organisations identify best practices for supporting expatriates before, during, and after their assignments, ultimately improving expatriate retention and performance.

In the context of global strategy, interviews are often used to explore how companies develop and implement strategies that balance global integration with local responsiveness. Interviews can provide rich, detailed information about the strategic decision-making processes in MNCs, including how companies identify opportunities and challenges in different markets, how they allocate resources across regions, and how they manage the tension between global standardisation and local adaptation.

For example, interviews with senior executives can reveal how MNCs approach market entry decisions, such as choosing between exporting, licensing, joint ventures, or wholly owned subsidiaries (Johanson & Vahlne, 2003). The insights gained from these interviews can help researchers understand the factors that influence strategic choices, such as market potential, competitive dynamics, and regulatory environments.

Interviews are also valuable for studying organisational change in MNCs, particularly in response to globalisation. For instance, interviews with managers and employees can be used to explore how globalisation impacts organisational structures, communication flows, and decision-making processes (Bartlett & Ghoshal, 2008; Csedő, 2006). These interviews can help identify the challenges and opportunities that arise from globalisation and provide insights into how organisations can manage change effectively across different regions.

Corporate Social Responsibility (CSR) and business ethics are increasingly important topics in international management, particularly as MNCs are held to higher standards of social and environmental responsibility. Interviews are a useful method for exploring how companies develop and implement CSR strategies across different cultural and regulatory contexts.

Interviews with CSR managers can provide insights into how MNCs align their CSR initiatives with local expectations and norms (Matten & Moon, 2008). These interviews can reveal the challenges of implementing global CSR standards in regions with different legal and ethical frameworks, as well as the strategies that companies use to gain local legitimacy and stakeholder support.

Interviews can also be used to explore ethical dilemmas faced by managers in international contexts. Interviews with managers in emerging markets can provide insights into how they navigate complex ethical issues, such as corruption, labour rights, and environmental sustainability (Donaldson, 2016). These interviews can help researchers understand the factors that influence ethical decision-making in different cultural and institutional environments and identify best practices for promoting ethical behaviour in MNCs.

Innovation and knowledge transfer are critical areas of research in international management, particularly as MNCs seek to leverage global knowledge networks to drive innovation and competitive advantage (Pörzse et al., 2012; Sára et al., 2013). Interviews are often used to explore how knowledge is transferred within and between organisations in different countries, and how cultural and organisational factors influence this process (Csedő, 2023; Csedő et al., 2023).

For example, interviews with R&D managers and engineers can provide insights into the challenges of transferring knowledge across geographically dispersed teams (Gupta & Govindarajan, 2000). These interviews can reveal how differences in language, communication styles, and organisational cultures impact knowledge sharing and collaboration, and how companies can overcome these barriers to facilitate innovation.

Interviews are also used to study the role of subsidiary units in the innovation process. For instance, interviews with managers in MNC subsidiaries can provide insights into how subsidiaries contribute to global innovation initiatives and how they adapt global innovations to local market conditions (Birkinshaw & Hood, 1998). These interviews can help researchers understand the dynamics of innovation in MNCs and identify strategies for fostering innovation across different regions.

3.2.5. Challenges and considerations in using interviews in international and comparative management

While interviews are a powerful research method in IM/CM, they also present several challenges that researchers must address to ensure the validity and reliability of their findings.

Cultural sensitivity is a critical consideration in conducting interviews in international management research. Researchers must be aware of and respect cultural differences in communication styles, power dynamics, and social norms. For example, in some cultures, it may be considered inappropriate to challenge authority figures or to discuss certain topics openly. Researchers must navigate these cultural norms carefully to ensure that the interview is conducted in a respectful and culturally appropriate manner (Hofstede, 2002).

To enhance cultural sensitivity, researchers can engage in cultural immersion or training, consult with local experts, and use culturally adapted interview guides. Additionally, employing local interviewers who are familiar with the cultural context can help build rapport with participants and ensure that the interview is conducted in a culturally appropriate way.

Language barriers can pose significant challenges in IM/CM interviews, particularly when the researcher and participants do not share a common language. Misunderstandings or misinterpretations can occur if the interview questions are not clearly understood or if the participant's responses are not accurately translated (Brislin, 1970).

To address language barriers, researchers can use professional translators or interpreters, and they should ensure that the interview guide is translated and back-translated to maintain the accuracy of the questions (Temple & Young, 2004). Researchers should also be aware of the nuances of language, such as idiomatic expressions or cultural references, that may not translate directly across languages.

Gaining access to participants and building trust are critical challenges in international management research, particularly when interviewing high-level executives or participants in sensitive positions. Researchers must establish credibility and build rapport with participants to encourage open and honest communication. To gain access, researchers may need to leverage personal networks, obtain referrals from trusted individuals, or collaborate with local institutions that can facilitate introductions. Building trust involves being transparent about the research objectives, ensuring confidentiality, and demonstrating cultural sensitivity throughout the interview process (Fontana & Frey, 2005).

The analysis and interpretation of interview data in international management research can be challenging due to the complexity and richness of the data as well. Researchers must carefully code and categorise the data, identify patterns and themes, and interpret the findings in the context of the cultural and organisational environment. One challenge in data analysis is ensuring that the coding process is consistent and reliable, particularly when multiple researchers are involved. Researchers can use coding software or develop a coding manual to standardise the process. Additionally, researchers must be aware of their own biases and ensure that their interpretations are grounded in the data rather than influenced by preconceived notions or cultural stereotypes (Miles et al., 2014).

3.2.6. Conclusion

Interviews are a valuable and versatile research method in the field of international and comparative management, offering rich, detailed insights into the complexities of cross-cultural interactions, global business strategies, and organisational dynamics. The method's flexibility allows researchers to explore a wide range of topics, from cross-cultural management and expatriate adaptation to global strategy, CSR, and innovation.

However, conducting interviews in international management also presents significant challenges, including cultural sensitivity, language barriers, access, and data analysis. Researchers must carefully navigate these challenges to ensure that their findings are valid, reliable, and culturally appropriate.

Despite these challenges, the insights gained from interviews are invaluable for advancing our understanding of international management and for informing the practices of multinational corporations operating in an increasingly globalised world.

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3.3. Content analysis in IB, IM and CM (Balázs Vaszkun)

3.3.1. Introduction to Content Analysis

Content analysis is a widely used qualitative and/or quantitative research method that involves systematically analysing the content of communication to identify patterns, themes, and meanings. This method is employed across various disciplines, including sociology, psychology, media studies, and business research, to examine how messages are conveyed in texts, images, videos, or other media. In the field of IM/CM, content analysis is particularly valuable for exploring how cultural, political, and economic contexts influence managerial practices, corporate strategies, and organisational behaviour. Content analysis involves coding and categorising textual, visual, or audio data to identify patterns, themes, and relationships. The method can be applied to a wide range of materials, including newspapers, magazines, speeches, social media posts, annual reports, and organisational documents. Therefore, content analysis can be either quantitative, focusing on counting the frequency of certain words or themes, or qualitative, focusing on interpreting the underlying meanings and context of the content (Harwood & Garry, 2003; Kleinheksel et al., 2020; Krajcsák & Bakacsi, 2024; Krippendorff, 2019).

3.3.2. Steps in Conducting Content Analysis

According to Krippendorff (2019), a content analysis will include the following elements: (1) design, (2) unitising, (3) sampling, (4) recording and coding, (5) data languages, and (6) analytical constructs.

The first step in content analysis is to clearly define the research question or objective. This involves specifying what the researcher aims to discover, such as identifying common themes in corporate sustainability reports or examining how leadership is portrayed in different cultural contexts. The design phase also includes operationalising existing knowledge and key variables, as well as developing the analytical construct.

During the second step, researchers must define the key measurement units necessary to answer the research question(s), then decide on the content to be analysed and choose the appropriate sampling techniques. This could involve selecting a specific type of document (e.g., annual reports, press releases) or choosing a time frame (e.g., content published over the past decade). The sample should be representative of the larger population of content that the researcher is interested in.

Coding is the process of organising the content into categories that are relevant to the research question. A coding scheme is a set of codes, or labels, that the researcher applies to the content to classify it according to themes, concepts, or other criteria. Data languages / variables are the key elements for that. The coding scheme can be developed inductively, where themes emerge from the data, or deductively, where the researcher applies predefined categories based on existing theory or literature. Once the coding scheme is established, the researcher applies it to the content by marking the relevant sections of the text or media with the appropriate codes. This step requires careful reading and interpretation of the content to ensure that the coding is accurate and consistent.

After coding the content, the researcher analyses the data to identify patterns, trends, and relationships, and verify analytical constructs. This might involve counting the frequency of certain themes or examining how different themes relate to each other (cross-tabulations, multivariate techniques, factor analysis, multidimensional scaling…). In qualitative content analysis, the researcher also interprets the meanings behind the patterns, considering the context in which the content was produced and consumed (Weber, 1990).

The final step is to interpret the results of the content analysis in the context of the research question. This involves drawing conclusions about what the patterns and themes reveal about the content, and discussing the implications of these findings for the broader field of study (reliability, validity, etc.). The researcher then reports the findings in a structured format, often including tables, charts, or quotations to illustrate the key themes.

3.3.3. Types of Content Analysis

As stated in the introduction, content analysis can be broadly classified into three types: quantitative content analysis, qualitative content analysis, and mixed-methods content analysis.

Quantitative Content Analysis

Quantitative content analysis involves counting the frequency of specific words, phrases, themes, or concepts within the content. This type of analysis is useful for identifying trends over time, comparing different groups or sources, and testing hypotheses about the content. For example, a researcher might use quantitative content analysis to examine the frequency of sustainability-related terms in annual reports of multinational corporations (MNCs) over a ten-year period.

Quantitative content analysis is often used in conjunction with statistical techniques to examine the relationships between different variables. For instance, a researcher might use regression analysis to determine whether the use of certain leadership-related terms in CEO speeches is associated with company performance (Neuendorf, 2017).

Qualitative Content Analysis

Qualitative content analysis focuses on interpreting the meanings and context of the content. Rather than counting the frequency of words or themes, qualitative content analysis seeks to understand how and why certain themes are presented, what they mean within their specific context, and how they relate to broader cultural or social phenomena.

This type of analysis is particularly useful for exploring complex, nuanced issues where the context and underlying meanings are more important than the frequency of certain terms. For example, a researcher might use qualitative content analysis to explore how corporate social responsibility (CSR) is framed differently in Western and non-Western countries, considering cultural differences in values and communication styles (Schilling, 2017; Schreier et al., 2019; Selvi, 2019).

Mixed-Methods Content Analysis

Mixed-methods content analysis combines elements of both quantitative and qualitative approaches. This type of analysis might involve first identifying the frequency of certain themes using quantitative methods, and then conducting a deeper qualitative analysis to interpret the meanings behind these themes.

Mixed-methods content analysis is particularly valuable when the researcher wants to combine the strengths of both approaches—quantifying trends or patterns while also providing a rich, contextual understanding of the content. For instance, a study might examine the prevalence of risk-related language in financial reports (quantitative analysis) and then explore how this language reflects underlying organisational culture or risk management practices (qualitative analysis) (Creswell & Creswell, 2017).

3.3.4. Applications of content analysis in IB / IM / CM

Content analysis is a versatile research method with numerous applications in the field of IB / IM / CM (Koczkás, 2024; Vaszkun, 2012). Below are some commonly cited use cases where content analysis has been employed to explore various aspects of business and management studies, including cross-cultural communication, corporate social responsibility, global strategy, and organisational behaviour.

Understanding how communication styles differ across cultures is essential for multinational corporations (MNCs) that operate in diverse international markets. Content analysis can be used to examine how cultural values, norms, and communication styles are reflected in organisational documents, media content, and public communications. For example, content analysis has been used to compare how companies from different cultural backgrounds communicate their corporate identity through websites, press releases, and social media. Okazaki (2005) used content analysis to examine the online communication strategies of global brands in the United States, Japan, and Spain. Similarly, content analysis can be used to explore how cultural differences affect corporate advertising strategies. Ari and Kim (2007) analysed the content of advertisements from different countries to identify how cultural values, such as masculinity/femininity and power distance, are reflected in advertising messages. Harris and Attour (2003) did the same just to shed light on the degrees of standardisation versus adaptation.

Corporate Social Responsibility (CSR) is another area where content analysis is widely used in international and comparative management research (Egri & Ralston, 2008; El-Said et al., 2022). CSR refers to the practices and policies that companies adopt to manage their social, environmental, and economic impacts. Content analysis is often employed to examine how companies communicate their CSR initiatives to stakeholders, and how these communications reflect broader cultural, political, and economic contexts. For example, content analysis has been used to study how CSR is communicated in annual reports, sustainability reports, and corporate websites (Csedő et al., 2023; Jose & Lee, 2007; Magyari et al., 2022). Maignan and Ralston (2002) conducted a content analysis of CSR statements from companies in the United States, France, Germany, and the Netherlands. Silberhorn and Warren (2007) used content analysis to examine the CSR communication strategies of German and British companies.

Content analysis is also used to study global strategy and the internationalisation of firms. Researchers use content analysis to examine how companies articulate their global strategies, market entry decisions, and international expansion plans in public communications, such as press releases, annual reports, and speeches by executives. Several studies used content analysis to examine the annual reports of large enterprises to identify patterns in their internationalisation strategies (Aray et al., 2021; Frista & Fernando, 2020; Satsumi & Morales, 2021). Dimofte, Johansson and Ronkainen (2008) analysed the content of global advertising campaigns to examine how companies balance the need for global brand consistency with the need for local adaptation. Nacar and Burnaz (2011) analysed multinational companies' websites to shed light on their global brand management decisions.

Content analysis is a valuable tool for studying organisational culture and leadership in an international context. Researchers use content analysis to examine how organisational culture and leadership practices are communicated through internal and external documents, such as mission statements, employee handbooks, speeches, and corporate communications (Babnik et al., 2014; Javanmardi Kashan & Wiewiora, 2022). Bligh and Kohles (2014) used content analysis to explore how organisational culture is reflected in the language used in corporate documents and speeches by leaders. Content analysis has also been used to study cross-cultural leadership styles. House et al. (2014), as part of the GLOBE (Global Leadership and Organisational Behaviour Effectiveness) project, used content analysis to examine leadership practices across different cultures.

International Human Resource Management (IHRM) is another area where content analysis is commonly applied. IHRM involves managing a diverse workforce across different countries, including issues related to recruitment, training, compensation, and performance management (Rashid et al., 2011). Content analysis is often used to examine how HR practices are communicated in corporate documents, job advertisements, and training materials, and how these practices reflect broader cultural and institutional contexts. Ferner and Quintanilla (1998) used content analysis to examine how MNCs from different countries communicate their HR practices. Poon and Rowley (2007) looked for changes and trends regarding HR in China.

Content analysis can also be used to study how companies communicate their diversity and inclusion initiatives. For instance, a study by Syed and Özbilgin (2009) conducted a content analysis of diversity statements from companies in the United States, the United Kingdom, and Turkey.

3.3.5. Challenges and Considerations in Content Analysis

While content analysis is a powerful research method, it also presents several challenges that researchers must address to ensure the validity and reliability of their findings. One of the primary challenges in content analysis is the potential for subjectivity and bias in the coding process. Since content analysis involves interpreting the meaning of text or media, there is a risk that the researcher's own biases or assumptions may influence the coding and analysis. To mitigate this risk, researchers can use multiple coders and compare their results to ensure consistency (inter-coder reliability). Additionally, using a clear and well-defined coding scheme can help reduce subjectivity and ensure that the coding is systematic and replicable (Krippendorff, 2019).

In international or comparative management research, cultural sensitivity is a critical consideration when conducting content analysis. Researchers must be aware of the cultural context in which the content was produced and consider how cultural differences may influence the interpretation of the content. For example, certain words or symbols may have different meanings in different cultures, and these differences must be taken into account during the analysis (Hall, 1976). To enhance cultural sensitivity, researchers can consult with local experts, use culturally adapted coding schemes, and conduct pilot studies to test the coding scheme in different cultural contexts. Additionally, researchers should be cautious when making cross-cultural comparisons and ensure that the content being compared is equivalent in terms of meaning and context.

Furthermore, content analysis can be complex and time-consuming, particularly when dealing with large volumes of content or when the analysis involves multiple layers of meaning. Qualitative content analysis, in particular, requires careful interpretation and contextualisation, which can be challenging when the content is rich and multifaceted. Researchers must be prepared to invest significant time and effort into the coding and analysis process to ensure that their findings are robust and meaningful (Weber, 1990).

Ensuring the validity and reliability of content analysis findings is also a key challenge, particularly in qualitative research. Validity refers to the accuracy of the findings—whether the analysis truly reflects the meanings and patterns present in the content. Reliability refers to the consistency of the findings—whether the same results would be obtained if the analysis were repeated by different researchers or with different content. To enhance validity, researchers can use triangulation, combining content analysis with other methods such as interviews or surveys to cross-check and confirm their findings. To improve reliability, researchers can use clear and well-defined coding schemes, conduct inter-coder reliability tests, and provide detailed documentation of their coding and analysis process (Neuendorf, 2017).

3.3.6. Conclusion

Content analysis is a versatile and valuable research method in the field of international management, offering rich insights into how cultural, political, and economic contexts influence managerial practices, CSR, corporate strategies, organisational behaviour and HRM. The method's flexibility allows researchers to explore a wide range of content, from corporate reports and advertisements to speeches and social media posts, making it a powerful tool for examining communication patterns, cultural differences, and organisational dynamics.

However, content analysis also presents challenges, including the potential for subjectivity and bias, the need for cultural sensitivity, the complexity of the analysis process, and the importance of ensuring validity and reliability. By carefully addressing these challenges, researchers can leverage content analysis to generate meaningful and impactful insights that advance our understanding of international management and inform the practices of multinational corporations operating in a globalised world.

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4. REGIONAL STUDIES

In the academic field of international management, the concept of regionality plays a crucial role in understanding how management practices, business strategies, and organisational behaviours are shaped by regional contexts. Regionality refers to the influence of geographical, cultural, economic, and political factors specific to a region on the way businesses operate and manage their activities. These factors are often deeply rooted in the historical and social fabric of the region, making them essential for researchers and practitioners who seek to comprehend the complexities of international business.

The study of regionality in international management recognises that global business is not a homogeneous practice; rather, it is influenced by the unique characteristics of each region. This regional perspective helps to identify and analyse the differences in management practices across various parts of the world, allowing for a more nuanced understanding of global business dynamics. Below is an overview of how regionality is reflected in international and comparative management, with a focus on key geographical areas such as the "Western world," Japan, China, and the Gulf area.

4.1. “Western” management (Balázs Vaszkun)

4.1.1. Introduction

The "Western world," encompassing North America and Europe, has long been at the forefront of shaping global business practices and management theories. This region's influence is deeply rooted in its history of early industrialisation, its pioneering role in the development of modern management thought, and its leading position in global economic and political affairs (Warner, 1997; Wren, 1994). As such, the Western world has significantly contributed to the academic field of IB, IM and CM, not only through the creation and dissemination of management theories but also by setting standards and norms that have been adopted worldwide. As we stated earlier, nearly 61% of empirical research use a one-country sample in IB, out of which 89% are Western countries.

This essay will explore the role of the Western world in international and comparative management, examining key management concepts, the evolution of business practices, and the region's impact on globalisation and corporate governance. The discussion will include an analysis of the cultural, economic, and political factors that have shaped management practices in the West, as well as the challenges and opportunities that arise from the region's dominant position in the global economy.

4.1.2. The Development of Management Models in the Western World

The Western world has been the cradle of many foundational management theories that continue to influence global business practices today. These theories, developed primarily in the United States and Europe, have shaped the way organisations are structured, how managers lead, and how businesses operate in a global context.

The Classical Management Theories

The roots of modern management can be traced back to the classical management theories that emerged during the late 19th and early 20th centuries in Europe and North America. These theories laid the groundwork for systematic management practices and introduced concepts that are still relevant today.

One of the earliest and most influential management theories was scientific management, developed by Frederick Winslow Taylor in the United States. Taylor's work focused on improving productivity through the systematic study of work processes and the application of scientific principles to management (Taylor, 1911). His approach emphasised standardisation, division of labour, and the use of time and motion studies to optimise productivity. Although scientific management has been criticised for its mechanistic view of workers, it has had a lasting impact on management practices (see Ford for example), particularly in manufacturing and operations management (Raff, 1996).

In Europe, Henri Fayol, a French industrialist, developed administrative theory, which focused on the principles of organisation and management. In the 1910s, Fayol identified five key functions of management—planning, organising, commanding, coordinating, and controlling—and proposed 14 principles of management that have become foundational concepts in management education (Fayol, 1956). Fayol's work laid the groundwork for modern management education and has influenced the development of management practices in both the public and private sectors.

Another significant contribution from Europe was Max Weber's theory of bureaucratic management. Weber, a German sociologist, emphasised the importance of a formal organisational structure based on clear rules, a defined hierarchy, and impersonal relationships (Weber, 1947; Weber et al., 1978). His concept of bureaucracy aimed to create a rational and efficient organisational system that minimised the influence of personal relationships and arbitrary decision-making. While the term "bureaucracy" often carries negative connotations today, Weber's ideas have profoundly influenced the design and functioning of large organisations, particularly in government and public administration.

Human Relations and Behavioural Theories

As management practices evolved, there was a growing recognition that the classical theories' focus on efficiency and structure needed to be balanced with an understanding of human behaviour and motivation. This shift led to the development of human relations and behavioural theories, which emphasised the importance of employee well-being and the social dynamics within organisations.

A pivotal moment in the development of human relations theory was the Hawthorne Studies, conducted at the Western Electric Hawthorne Works in the United States during the 1920s and 1930s. These studies, partly led by Elton Mayo and his colleagues, found that social factors, such as group dynamics and employee morale, had a significant impact on productivity (Gillespie, 1991). The Hawthorne Studies highlighted the importance of considering the human element in management and paved the way for the development of theories that focus on motivation, leadership, and organisational culture.

Another significant contribution to the behavioural approach was Abraham Maslow's hierarchy of needs, a psychological theory that has been widely applied in management. Maslow proposed that individuals have a hierarchy of needs, ranging from basic physiological needs to higher-level psychological needs, such as self-actualisation (Maslow, 1943). This theory has been used to understand employee motivation and to design work environments that fulfil employees' needs, thereby enhancing job satisfaction and performance.

Douglas McGregor, an American social psychologist, further developed the behavioural approach with his Theory X and Theory Y. McGregor proposed that managers' assumptions about their employees influence their management style. Theory X assumes that employees are inherently lazy and require strict supervision, while Theory Y assumes that employees are motivated and capable of self-direction (McGregor, 1960). McGregor's work encouraged managers to adopt more participative and empowering management practices, which have become increasingly prevalent in modern organisations.

Structural Adaptation

After WW2, the Marshall Plan brought an exceptional opportunity to American large companies to grow and internationalise their activities. The M-form structure became the dominant organisational form in American corporations by the mid-20th century, as highlighted by Chandler (1962) and Palmer et al. (1987), who saw it as an efficient way to manage territorial growth both domestically and internationally. This structural shift has been the result of an adaptation to the internationalisation of companies (Guillén, 1994).

Parallel to these developments, Bertalanffy's system theory in the 1950s challenged the classical principles of organisation (Bertalanffy, 1951). He argued that these principles were incompatible with the complex, ever-changing environments in which modern firms operated. Their work laid the groundwork for contingency theory, which sought to explain how organisations could achieve "fit" with their external environment (see Vaszkun & Koczkás (2024)). Unlike closed systems, which focused on internal processes, open systems considered the broader environment in which organisations operated. This shift marked a significant departure from earlier management theories that were inwardly focused. Open systems, coupled with contingency theory, encouraged managers to look beyond the confines of their organisations to better adapt to external changes, a critical approach in an increasingly globalised world.

We must notice the lasting influence of Structural Adaptation and contingency theory on management practice, particularly in the field of corporate consulting. Management consultancies such as McKinsey, BCG, and Delta played a significant role in popularising these theories, helping countless organisations restructure to achieve better alignment with their external environments. This practical application of management theory contributed to the enduring relevance of contingency theory as a mainstream organisational framework.

These theories not only provided a framework for understanding how organisations operate in complex environments but also laid the groundwork for future developments in strategic management and leadership. By moving beyond the "one-best-way" approach of earlier management theories, Structural Adaptation and open systems theory helped organisations become more adaptable, flexible, and responsive to external pressures, ensuring their continued relevance in a rapidly changing world.

Strategic Competition

In the late 1960s and 1970s, American companies, once dominant in the global market, began to face unprecedented competition. The economic slowdown in the United States contrasted sharply with the rapid rise of Japan as an industrial powerhouse. By the mid-1980s, the United States' share of global industrial output had dropped to 21%, compared to Japan's 19% (Locke, 1996). Japan’s trade surplus with the US, which reached $56 billion in 1986, further underlined the competitive challenge. This shift prompted American firms to re-evaluate their operations, leading to widespread restructuring, layoffs, and increased emphasis on productivity and efficiency (Kenney, 1993).

In the 1970s and 1980s, the US business sector initiated significant deregulation, aiming to free the economy and enhance productivity. Strategic planning, once considered a corporate luxury, became an essential tool for survival. However, traditional strategic planning proved inadequate to meet the demands of global competition. Instead, a more dynamic approach to strategy, which Mintzberg (1994) describes as "genuine strategic thinking," was required. This shift led to the emergence of strategic management as a core discipline, pioneered by thinkers such as Igor Ansoff, whose work on corporate strategy (Ansoff, 1988) laid the foundation for the field.

Japan’s success during this period served as both a model and a challenge for American firms. Books such as Vogel's Japan as Number One (1979) and Ouchi’s Theory Z (1981) highlighted the effectiveness of Japanese management practices, particularly their emphasis on quality, teamwork, and long-term planning. The adoption of these practices in the US, particularly in the manufacturing sector, led to the rise of lean production, a method that focused on reducing waste and improving efficiency. This approach, heavily influenced by Japanese manufacturing techniques, became a cornerstone of American corporate strategy in the 1980s and beyond.

Ultimately, while Japan’s rise was a catalyst for change, the broader paradigm shift towards global competition was driven by deeper structural forces (Vaszkun, 2012). The opening of global markets, the development of information and transportation technologies, and the rise of emerging economies all contributed to the widening competitive arena. As Porter’s theory (1985) of competitive advantage suggests, companies needed to differentiate themselves by focusing on unique strengths and capabilities to survive in this new environment. This strategic approach, whether through cost leadership, product differentiation, or niche focus, became essential for firms facing increasingly intense global competition.

4.1.3. The Influence of the Western World on Global Management Practices

The Western world's dominance in global economic and political affairs has enabled it to shape management practices worldwide. This influence is evident in the widespread adoption of Western management theories and practices by multinational corporations (MNCs) and in the globalisation of business education.

The Role of Multinational Corporations

Multinational corporations, many of which are headquartered in the United States and Europe, have played a significant role in disseminating Western management practices across the globe. These companies often implement management practices that reflect Western values, such as individualism, innovation, and efficiency, in their subsidiaries and operations around the world.

One of the key challenges for MNCs is balancing the need for global standardisation with the need for local adaptation. Western MNCs often seek to standardise their management practices to ensure consistency and control across their global operations. However, they must also adapt these practices to fit the cultural, economic, and regulatory environments of the countries in which they operate. This tension between standardisation and adaptation has been a central theme in international management research (Bartlett & Ghoshal, 2008).

Western MNCs have also contributed to the development of global leadership practices, which emphasise the ability to manage and lead diverse teams across different cultural contexts. The rise of global leadership as a field of study reflects the growing recognition that effective leadership in a globalised world requires a deep understanding of cultural differences and the ability to navigate complex international environments (Mendenhall, 2008).

The Globalisation of Business Education

The Western world has also played a leading role in the globalisation of business education, particularly through the spread of MBA (Master of Business Administration) programmes. The MBA, which originated in the United States in the early 20th century, has become the standard qualification for aspiring managers and business leaders worldwide.

Many of the world's top business schools, such as Harvard Business School, INSEAD, and London Business School, are located in the United States and Europe. These institutions have been instrumental in shaping global management education, promoting Western management theories, and setting standards for business practices. Graduates of these programmes often carry Western management concepts and practices into their careers, further disseminating them around the world (Pfeffer & Fong, 2002). One of the carriers of these concepts appears to be the case study methodology.

The case study method, which originated at Harvard Business School, has become a cornerstone of business education in the Western world. This teaching approach involves analysing real-world business scenarios to develop problem-solving and decision-making skills. The case study method has been widely adopted by business schools around the world and has influenced how management is taught and practiced globally (Ellet, 2007).

The Western Approach to Corporate Governance

Corporate governance refers to the systems, processes, and principles by which companies are directed and controlled. The Western world, particularly the United States and the United Kingdom, has been a pioneer in developing corporate governance practices that emphasise transparency, accountability, and shareholder value.

The Anglo-American Model of Corporate Governance

The Anglo-American model of corporate governance, which is prevalent in the United States and the United Kingdom, focuses on maximising shareholder value and ensuring that management acts in the best interests of the shareholders. This model is characterised by a clear separation between ownership and control, with shareholders owning the company and a board of directors overseeing management (Shleifer & Vishny, 1997).

Furthermore, in this Anglo-American model, boards of directors are typically composed of a mix of executive and non-executive directors, with a strong emphasis on the independence of non-executive directors. This independence is intended to ensure that the board can effectively monitor management and protect the interests of shareholders. The concept of board independence has been widely adopted in corporate governance codes around the world (Cadbury, 1992).

Shareholder activism is another key feature of the Anglo-American model. In this model, shareholders are encouraged to actively engage with the companies they invest in, using their voting rights to influence corporate decisions and hold management accountable. Shareholder activism has become a powerful force in corporate governance, particularly in the United States, where institutional investors and activist shareholders often push for changes in corporate strategy, governance practices, and executive compensation (Bratton & McCahery, 2015).

The European Model of Corporate Governance

While the Anglo-American model of corporate governance has been highly influential, Europe has developed its own distinct approach to corporate governance, reflecting the region's different legal, cultural, and economic contexts. The European model of corporate governance, particularly in countries such as Germany and France, places a greater emphasis on stakeholder interests and the role of employees in corporate decision-making. Thus, it is often described as stakeholder-oriented, meaning that it considers the interests of a broader range of stakeholders, including employees, customers, suppliers, and the community, in addition to shareholders. This approach reflects the region's social market economy and its emphasis on social welfare and economic justice (Aguilera & Jackson, 2003).

One of the most distinctive features of German corporate governance is the practice of codetermination, where employees are represented on the company's supervisory board (Gorton & Schmid, 2004). This system ensures that employees have a voice in corporate decision-making and that their interests are considered alongside those of shareholders. Codetermination is seen as a way to promote industrial democracy and social harmony, and it has been influential in shaping corporate governance practices in other European countries.

European corporate governance codes, such as the German Corporate Governance Code and the UK Corporate Governance Code, provide in general guidelines on issues such as board composition, executive compensation, and shareholder rights. While these codes are not legally binding, they have become an important tool for promoting good governance practices across Europe (Hopt, 2011). Troilo et al. (2024) found about European CG codes that there is a positive and significant relationship between higher emphasis on strategy in CG codes and return on assets (ROA), the probability of paying dividends, and investing in research and development.

4.1.4. Challenges and Opportunities in the Western World

While the Western world has played a leading role in shaping global management practices, it also faces significant challenges and opportunities as it navigates the complexities of the modern global economy.

Globalisation has both enhanced and challenged the Western world's dominance in international/comparative management. On the one hand, globalisation has enabled Western MNCs to expand their operations and influence worldwide, spreading Western management practices and values. On the other hand, globalisation has exposed Western companies to increased competition from emerging markets, particularly in Asia, where companies are developing their own innovative management practices.

One of the key challenges for Western companies operating globally is managing cultural differences and diversity. While Western management practices are often based on individualism, competition, and short-term results, many other cultures place a greater emphasis on collectivism, cooperation, and long-term relationships. Western companies must adapt their management practices to fit these cultural contexts, which can be challenging but also offers opportunities for learning and growth (Hofstede, 2001). The same is also true today for internationalising Asian companies: their subsidiaries located in the Western world must find their ways in managing diversity.

Another effect of globalising economies weights on Corporate Social Responsibility. As Western companies expand globally, they are increasingly held accountable for their social and environmental impacts. The rise of corporate social responsibility (CSR) reflects a growing recognition that companies have a responsibility to contribute positively to society, beyond merely generating profits. Western companies can lead the way in developing and implementing CSR strategies, but they also face scrutiny and criticism, particularly when their practices are perceived as inconsistent or hypocritical (Carroll & Shabana, 2010). More recently however, large Asian (especially Chinese) companies must also face a higher level of expectations towards CSR practices (Koczkás, 2024a, 2024b).

As concerns about climate change and environmental sustainability grow (Csedő, 2023; Csedő et al., 2024), from the 1990s, Western companies have been under increasing pressure to develop and adopt green technologies and sustainable business practices

(Csedő et al., 2023). The Western world has been a leader in promoting sustainability, but it also faces the challenge of transitioning to a low-carbon economy while maintaining economic growth and competitiveness (Magyari et al., 2022). Green innovation presents a significant opportunity for Western companies to lead in the development of sustainable technologies and business models (Porter & Linde, 1995). At the same time, sustainability and green innovation are also a must for larger Asian companies today (Chen et al., 2018; Guoyou et al., 2013; Quan et al., 2023).

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4.2. The true core of Japanese management - A statistical analysis (Balázs Vaszkun and Ágnes Szukits)

4.2.1. Introduction

Studying the management characteristics specific to Japanese corporations is crucial due to their deep roots in unique cultural values and their significant global influence, particularly in industries like automotive and electronics. Japanese practices such as '*kaizen'*, 'lean manufacturing', and 'just-in-time' production have shaped global business strategies, offering lessons in efficiency and innovation from the 1970s. Understanding these characteristics aids in comparative management studies, improves international business relations, and enhances global management strategies. Additionally, Japan's distinctive human resource practices and its role as a major global economy make its management style an essential area of study for fostering better communication, collaboration, and competitiveness in the global market.

We can define Japanese-style management as a set of practices, cultural principles, and organisational strategies that have evolved in Japan, especially prominent in the post-World War II era. Indeed, one of the most widely examined, most thoroughly researched topic amongst national corporate management styles is definitely the J-style or Japanese-style management (Fukuda, 2010; Pudelko, 2009; Raj Adhikari & Hirasawa, 2010) without actually explaining thoroughly what such term could mean. Literature abounds in sources examining how Japan became "Number One" (Vogel, 1979), and then why it suddenly lost its stunning performance (Hayashi & Prescott, 2002). Two fascinating stories with all kinds of variations and some still ongoing debate about Japan's transformation versus its "lost decades". Yet, despite the amount of academic work done so far, it is still difficult to define or describe in a compact manner what we understand under the term "Japanese Management". In our approach, it is neither just the Toyota Production System, nor the so-called three "pillars" (being lifelong employment, seniority and company-based unions), but something more complex. Therefore, answering this question certainly needs a model with the various aspects of corporate management (structure) and some content for each aspect. As one of the various model-building attempts made previously, Nakagawa (1983) stated that the term "Japanese management" does not have any explicit and precise meaning: for him, it is a "general term for many practices which seem unique to Japanese business management, but which are – taken one by one – not necessarily unique to this country at all." (1)

In the following section, we will review a significant part of the academic sources on attempts to construct the complex model needed for a thorough analysis. Given that we could not clearly identify a framework complex enough or a model comprehensive enough to list all distinctive features of Japanese management, we explain the research design leading us to such a framework.

4.2.2. Literature review

One approach to describe the Japanese management system could be historical, i.e. the revision of its evolution since the Meiji industrialization up to the recent economic and social challenges (Vaszkun & Tsutsui, 2012). Management in large Japanese companies certainly differed in the late 19th century from the militaristic 1930s, from the high-speed growth of the 1950s and '60s, and again from the post-Bubble era, especially from the 2000s. This approach remains always theoretical, however, and our second objective was to compare the dominant management theory with the current attitudes of people in Japan. As for the "dominant" or currently mainstream management theory, it seemed appropriate to call back for the management practices and philosophy between the 1970s and the late-1990s.

The structure of the theoretical model is also an important question. Liker, Fruin and Adler (1999) defined the Japanese management system as composed of four layers: (1) Shop floor production systems; (2) Factory organization and management; (3) Corporate structure and systems; and (4) Institutional environment. We found that this may be a good approach to see Japanese management in its complexity but it is difficult to clearly distinguish the content of the layers. For instance, layer 2 contains human resource practices whereas human resource policies are said to be at layer 3. Also, it is not clear whether we can categorize supplier networks as layer 2 or 3.

Richard Pascale and Anthony Athos (1981) claimed that executives can influence complex organizations with seven levers of management functions: superordinate goals, strategy, structure, systems, staff, skills, and style. The structural logic of their model calls for the contingency theory, used mostly for examining "fit" in organizations in order to enhance managerial performance. According to various advocates of the contingency theory, one can make a thorough analysis of large organizations along the following structure: one should examine the characteristics of the external environment and the intra-organizational context first, then match with these all elements of structure, strategy, organizational behaviour, and performance (Lee & Miller, 1996; Vaszkun, 2012). We have found no clear answer in literature enabling us to identify all distinctive characteristics of Japanese management, so we The theory of contingency proved to be relevant enough to describe management from various perspectives and complex enough to enable us to make a comprehensive study on the national patterns of management in Japan.

4.2.3. Research design and methodology

Based on the literature on Japanese management in Vaszkun (2012), we have listed every distinctive characteristics of Japanese-style management and grouped these along the main dimensions of the contingency theory (environment, intra-organizational context, structure, strategy, behavioural elements and performance. Thus, we came to the list of 30 identifiable elements (see in Table 1) of the Japanese-style management. Our compilation of business practices provides readers with the most significant dimensions from literature highlighting specificities of the J-style management. However, a model with a total of 30 variables needs to be finetuned and simplified in order to efficiently describe national management characteristics. The number of variables needed to be reduced.

Table 1: The main features of J-style management based on literature

Environment	
1. A small living area with frequent catastrophes	**HR / OB / Employment philosophy**
2. Collectivist culture, Confucianism	18. Recruitment from schools
3. Historical isolation, late industrialization	19. Core (permanent) vs. "irregular" staff
4. Developmental state and protected markets	20. Long-term employment
5. An economy with continuous growth	21. Formal induction, creating a family
6. An ambiguous and rigid labour market	22. Cohort training "on-the-job"
Intra-organizational context	23. Slow promotion
7. Easy-to-train and devoted employees	24. Rotation
8. Superiors are more managers than leaders	25. Seniority pay (tenure-based compensation)
9. Male dominance, homogeneity	26. Enterprise-based or company unions
Strategy	**Control & Performance**
10. Stakeholder orientation	27. Behaviour-based control
11. Cost leadership (vs. product differentiation)	28. No direct control, multi-monitoring
12. Spin-offs, start-ups, diversified portfolios	29. Decisions are joint responsibility
Structure	30. Good performance: market share, harmony...
13. Big and complex, U-form based group hierarchy	
14. Large boards dominated by insiders	

15. Central HRM, prevails over finance	
16. Processes of decision making: a consensual approach	
17. Working teams (open office, group seating...)	

Source: Vaszkun (2012)

In order to reduce the number of dimensions, we needed to operationalize these elements and develop them into quantitative data. We have paired all these features collected from the literature with an attitude (positive or negative). Thus, we transformed the list of 30 identifiable elements of the Japanese-style management into an attitude survey described by Vaszkun (2024).

Regarding the connection between attitudes and management practices, we must also note that attitudes suggest a tendency to act on a specific way. The theory of reasoned action originally from 1975 posited that attitudes lead toward behavioural intentions (Fishbein & Ajzen, 2015). Drawing on this idea, several studies proved the correlation between attitudes and behavioural intention (Becker & Gibson, 1998; Oskamp & Schultz, 2005; Tonglet et al., 2004; Vining & Ebreo, 1992). This theoretical approach has a strong potential in predicting behaviour under specific circumstances. Marketing researchers willingly use this attitude-intention relationship for prediction of consumer behaviour as well (Abayomi et al., 2020; Lorenzo-Romero et al., 2011; Oyedele et al., 2007).

In order to raise the validity of the survey, we have phrased every feature in different ways so that with 67 sentences or questionnaire items (see in Appendix), the measurement could be more precise. This survey could serve our main objectives: which are the practices that matter the most for Japanese society regarding management in the 21st century. The survey has been a good instrument to identify potential patterns or main variables behind the list of 67 items and that of the 30 variables.

The questionnaire

Following a test phase, our final questionnaire was uploaded to the Surveymonkey website. 880 respondents answered it online between March, 2010 (start of the test phase) and August, 2010 (last data collected). The survey was conducted in Japan, in Japanese, so respondents did not have to be English-speakers.

Although the aim of the research was to reflect the opinion of Japan's society as a whole, some key target groups were designated for the questionnaire in order to ensure meaningful data. Three groups were targeted: managers representing practitioners, a potentially dominant group at present; professors in BA, MA, or MBA-level business programs representing the academic experts, the other potentially dominant group at present; and business students representing the potentially dominant group for the future. In parallel, control opinions were to be collected from other, diverse categories, with the aim of having respondents from different hierarchical levels, different locations, different nationalities, with balanced gender and age cohorts.

In the sample obtained, there is good balance of gender (51.6% male, 48.4% female). Respondents range from 19 to 74 years old and the highest tenure is 42 years in the same company. For their country of origin, 86.8% are Japanese, 4.4% came from other Asian countries, 3.5% from Europe, 4.2% from Anglo-American countries, and 1.1% from elsewhere. Among the respondents, 88% have already worked in Japan, 96% plan to do so in the future, and 54% live in Kanto (the Tokyo area). They are relatively well educated as more than 63% hold at least a BSc degree.

In order to ensure a better reliability for the data, all incomplete responses were ignored. Based on the control question-pairs in the questionnaire, incoherent answers were identified and filtered out as well. Ready for further analysis, the final panel contained 794 answered questionnaires. These remaining responses have three key characteristics: (1) they were registered in an appropriate timeframe, about 18–19 minutes on average; (2) they are all complete; (3) they have some basic internal coherence which shows that the values were given in a deliberate manner. Some questionnaire items were formulated reflecting a positive view on traditional management, some others were the opposite, in order to monitor the respondents' attention. For analysing purposes, items were reformulated and conversed variables values have been used.

The questionnaire included statements where respondents were asked to rate on a seven-point Likert-scale the extent to which they agreed with them. The scale had been changed from five-point to seven-point after the testing phase, when it became clear that the Japanese tend to avoid extremes more than expected. Thus, in order to keep the information content of the data as high as possible, the scale was upgraded. After the 67 statements to be rated, the survey consisted of 17 profile questions which also needed to be fully answered (except for that on salary) in order to complete the questionnaire. This profile part made it possible to know what type of person answered the questionnaire and to link the responses with social status, income, or age in a further analysis.

4.2.4. Data analysis and findings

Similarity between each pair of items was measured by correlation coefficients. Analysis of Spearman's rho values revealed relevant relationship between the items. It draw the attention for possible relevant patterns in the data set. Therefore, in the further analysis none of the variables were designated as dependent, no grouping of variables were pre-assumed and tested. Principal Component Analysis (PCA) served as an appealing statistical tool for conducting an explorative research as it requires essentially no assumptions for finding a new, a low-dimensional structure of variables (Hair, 2019).

Statistical inference from PCA is improved if the variables are multivariate normal. This was supported by a variable transformation before running PCA. 67 items measured on the seven-point Likert scale were transformed into a centered form: the average value of each respondent is calculated for all of the items and then the average was subtracted from each corresponding item. This method of subtracting the row average from each element in a row is called as centering across the second mode (Bro & Smilde, 2003), a tool for normalization..

Centering across the second mode reduces the systematic error of Likert-scale measurement by eliminating the individual preferences of the respondents for a constant better or worse grading and makes the variables easy to interpret. A positive value shows that the given variable gained support above average of own assessments. Negative value shows that the variable was supported below average of own assessments.

Our database was theoretically applicable for conducting PCA as the determinant of the correlation matrix of original variables was close to zero, the Measure of Sampling Adequacy had a value of 0.817 and Bartlett's Test showed that the null hypotheses of independence of variables can be rejected. In this research PCA was run for the centered variables. Correlation matrix of the centered variables is singular with a determinant of zero making the calculation of chi square measures such as Bartlett's Test unreportable.

Orthogonal transformation, Varimax rotation was made to convert the set of correlated variables into linearly uncorrelated latent variables called factors, using SPSS 20.0. Five significant factors were identified while using the Varimax rotation method. The number of factors has been defined based on the scree-plot. A notable drop could be identified after the 5th factor in the plot. All five factors extracted had an eigenvalue greater than 2 and were bipolar factors: variables belonging to a factor were related to the same phenomena but with clearly recognizable opposite characteristic.

The bipolar nature of the resulting 5 factors made it possible to define 10 latent categories of the underlying 67 items or variables: one latent variable covering the original variables positively correlated with one factor and an another latent variable covering the original variables negatively correlated with the same factor.

The latent variables have been calculated as the linear combinations of original variables weighted by factors scores. Consequently variables highly correlated with the factor account more for the latent variable. Each latent variable is a composite summary of at least 3 variables. Table 2 illustrates the items which loaded on the 10 factors. For ease of interpretation, latent variables belonging to the same factor (F1, F2, F3, F4 and F5) were differentiated in labelling by P (as positive) and N (as negative). At the same time it must be noted that positive and negative labels refer merely to their opposite nature.

Table 2: The five factors with the ten latent categories.

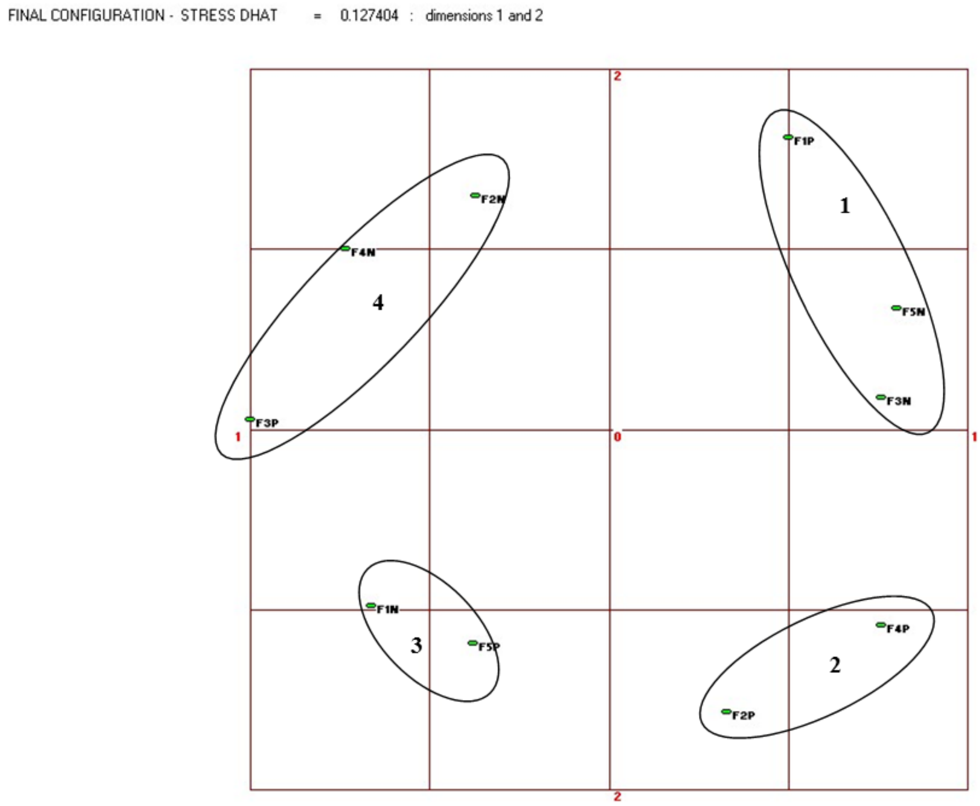
Interpretation of the factors extracted		Interpretation of variables positively correlated with the factor		Interpretation of variables negatively correlated with the factor	
F1	**Workplace**	**F1p**	Large community firms	**F1n**	Salary men's firm: mass-recruited, risk-avoider, internal managers
F2	**Professional career & corporate life**	**F2p**	Slow promotion and seniority versus performance	**F2n**	Individual interests (career, corporate life) are secondary
F3	**Employment**	**F3p**	A manager's responsibility: stay close to the workers, keep employment and make good products	**F3n**	Employment priority goes for men
F4	**Organisational structure**	**F4p**	Cross-shareholding - Consensus-based decision making with silent shareholders	**F4n**	Central HR activity support the various units
F5	**Status**	**F5p**	Protected, long-term jobs	**F5n**	Core status for elite workers

Source: authors

In order to show and visualize the level of dissimilarity of the 10 latent variables, multidimensional scaling was used. A non-metric model, the MINISSA (Michigan-Israel-Netherlands Integrated Smallest Space Analysis) was used to analyse the dissimilarities. Correlation matrix of the 10 calculated variables served as input matrix for MINISSA using Euclidean distance as a measure. The visualized output presented in Figure 1 unfold that the 10 latent variables stretch the two-dimensional space in a way that variables representing the two polars of a factor are placed on the opposite ends of the same continuum. Stress value of 0,127404 shows a good fit of multidimensional scaling.

Thus, by using PCA, an underlying latent structure of the original 67 variables related to Japanese Management has been defined in a bipolar setting. By portraying the relationship of the new latent categories, a graphical technique, i.e. multidimensional scaling proved that the dimension reduction was valid. The two-dimensional plot suggests that not only the 10 latent categories describing the Japanese Management should be interpreted, but the four quarters defined by the two dimensions as well. We needed to explain why these 2 or 3 latent categories representing one quarter of the space were more similar to each other than to other categories in other quarters. We found that even the left half of the space could be recognized and construed against the right half.

Figure 1: The 10 latent variables visualised by MDS



Source: authors

4.2.5. Interpreting the MINISSA chart

In this following section, we carry on the above-mentioned interpretation based on Vaszkun (2012), a comprehensive description of J-style management.

Q1 (top right): Status Community

The results shown in the MINISSA chart suggest that the latent categories F1P (large community firms), F5N (core status for elite workers), and F3N (employment priority goes for men) construct the first quarter of the space of variables.

In the context of Japanese management, "large community firms" refers to companies that are more than just workplaces; they are viewed as communities: not just as an economic entity but as a social organization, providing employees with more than just a job—often extending to social and familial life.

The variable "Core status for elite workers" refers to the hierarchical differentiation within Japanese firms, where certain "core" employees—typically full-time, long-term male workers—hold privileged positions. These elite workers are recruited directly from school and remain with the company for their entire careers, often advancing to management roles. They are the backbone of the company, entrusted with the most important tasks and responsibilities. This core status comes with job security, significant influence within the firm, and a path toward leadership positions, forming a clear divide between them and other, more temporary or part-time workers.

While changes have occurred in recent years, traditional Japanese management practices have long seen men as the primary breadwinners, reserving core positions, long-term employment, and career advancement opportunities for male employees. Women, on the other hand, were often placed in temporary or part-time roles, with societal expectations often pushing them to quit upon marriage or childbirth. This practice reflects a deeply rooted gender division in the workforce, linked to Confucian and patriarchal values.

We found that this quarter could be the best interpreted as the "Status Community" concept in J-style management. The two words are both important here, since the term status relates to the facts that work groups and employees in Japan are highly hierarchized and the status of regular worker compared with the irregulars is highly distinguished. At the same time however, Japanese organizations and working groups remain communities after all, where all organizational members exists for the group and via the others whose support is compulsory for the survival.

Q2 (bottom right): Stable Networks

We found that the second quarter (F4P – Cross-shareholding and consensus-based decision-making with silent shareholders, F2P – slow promotion and seniority versus performance) focuses on long-term, group-based relationships. Cross-shareholding refers to companies owning shares in one another, often within tightly knit networks like keiretsu. These cross-shareholding arrangements encourage stability, as companies are less likely to face hostile takeovers, and it promotes long-term, mutually beneficial relationships between firms. The shareholders involved in these structures tend to be "silent" in decision-making, meaning they exert minimal influence on the day-to-day operations, allowing managers more autonomy to pursue long-term goals without the pressure of short-term shareholder returns. The decision-making process in this context is consensus-driven, requiring broad agreement across different levels of the organization. This consensus-building process, known as *nemawashi* or *ringi*, ensures that decisions reflect the collective interest of the organization and its stakeholders, rather than being driven by the individual demands of more assertive shareholders.

In many traditional Japanese companies, promotions are primarily based on seniority, with the pace of career advancement being slow compared to Western firms. This system aims to maintain long-term stability and workplace harmony by ensuring that employees are gradually elevated through the ranks based on their length of service rather than immediate performance. While this does not entirely exclude performance as a factor, it is secondary to experience and tenure. This structure is rooted in historical practices from the Tokugawa period and is seen as a way to reward employees for their loyalty and long-term commitment to the company. The emphasis on seniority and slow promotion can foster workplace cohesion, as employees who joined the company around the same time tend to be promoted together, which limits internal competition and ensures that relationships within teams remain stable over time. However, this can sometimes cause frustration among younger, high-performing employees, as rapid advancement is rare.

The combination of these concepts reflects a commitment to building lasting, stable, and collective relationships within the company and with business partners. Both cross-shareholding with consensus decision-making and slow promotion based on seniority are built on principles of stability and long-term thinking. Cross-shareholding creates stable networks that reduce the volatility of corporate governance by ensuring that companies are less susceptible to market fluctuations and shareholder pressure. Considering these above and interpreting the quadrant, we found that "Stable Networks" will be an apt label.

Q3 (bottom left): Protected Salarymen

This quadrant is composed of the latent variables “Salarymen’s firm: mass-recruited, risk-avoider, internal managers”, and “Protected, long-term jobs”.

The concept of a "salarymen’s firm" reflects a traditional structure within Japanese companies, characterized by the mass recruitment of young employees, typically directly from school. These workers, often known as *salarymen*, are expected to stay with the company for the majority of their careers, aligning with the firm’s goals and avoiding unnecessary risks. Risk aversion is a key characteristic of these employees, stemming from a desire for job security and stability. These internal managers often rise through the ranks not by external recruitment, but through a long-term, internal process that favours loyalty and seniority. As internal managers, they are typically less inclined to take bold risks, as their promotion and stability are tied to internal consensus-building and cautious decision-making.

"Protected, long-term jobs" refers to the traditional Japanese employment system often described as lifetime employment. This system offers employees security, with the understanding that once they are hired, they will remain with the company until retirement, barring extraordinary circumstances. This system not only creates a sense of loyalty but also aligns with the broader Japanese cultural value of collectivism.

The short distance between these two in Figure 1 can be explained by a strong interconnection. The mass recruitment of salarymen directly supports the long-term employment system by creating a workforce that is committed to the company from a young age, willing to avoid risks, and focus on internal promotion rather than seeking external opportunities. Long-term job protection ensures that the salarymen's aversion to risk is rewarded with stability, creating a reciprocal relationship between employee loyalty and corporate responsibility. The companies invest in their workers' training and development, expecting in return a lifetime of dedicated service.

Q4 (top left): Managed Collectivism

Based on Figure 1, latent variables “F2N – Secondary individual interests, collectivism”, “F4N – Central HR support”, and “F3P – Management close to workers, focusing on employment and product quality” construct this quadrant.

Secondary individual interests and Collectivism reflects the prioritization of group goals and harmony over individual desires. In the Japanese workplace, workers are expected to subordinate their personal interests to the collective objectives of the team or company. This aligns with Japan's historical focus on collectivism, where social cohesion and group success take precedence over individual achievements.

The role of centralized human resource management in Japan is pivotal in maintaining this collective approach. The central HR department coordinates essential aspects like recruitment, employee transfers, and training, ensuring that workers align with the company’s collective objectives from the outset of their careers. HR departments in Japan are known to be more powerful and centralized than in Western firms, reflecting their role in sustaining long-term employment, managing job rotation, and promoting seniority-based systems.

Japanese management often emphasizes being physically and relationally close to workers, fostering a sense of trust and open communication. This is reflected in practices such as "management by walking around" and the use of quality circles, where workers and management collaborate closely on production issues. The focus on both job security (through lifetime employment practices) and high product quality forms a key element of Japanese firms' strategy. This proximity to employees ensures that management not only oversees work but is actively involved in understanding and addressing worker concerns, reinforcing the idea that the company and its workforce are a single entity with shared objectives.

These three concepts are deeply intertwined. Central HR support facilitates a culture of long-term employment and group cohesion, while management's close interaction with workers ensures that the collectivist approach is sustained in day-to-day operations. We found that a term such as "Managed Collectivism" would encapsulate these features effectively. "Managed" refers to the structured and centralized oversight provided by HR and management, ensuring that collectivist values are upheld and that individual interests do not disrupt group harmony. "Collectivism" acknowledges the priority given to group goals over individual aspirations, a cornerstone of Japanese corporate culture. Together, these terms highlight how Japanese firms manage their human resources and workplace culture in a way that balances individual contributions with collective success.

Rows and Columns

We stated above that even the left half of the MDS space could be recognized and construed against the right half – same as the top and the bottom row. We have also explained the concepts of collectivism and community-firms which make it evident that the first row illustrates Japanese management as a group-focused phenomenon.

At the same time, protection around Japanese companies, *Keiretsus* and the Salarymen highlights stability as one of the most important features of J-style management.

The column on the right, with the community concept and the stable networks emphasises connections or relations between the various actors in corporate life. The column on the left is more centered around hierarchy and status, turning our attention to formal and informal rules governing economy and society in Japan. Table 3 summarises our explanations regarding the research results.

Table 3: The interpreted MINISSA chart

	Focus on Rules	Focus on Relations
Group-focus	Q4 - Managed Collectivism	Q1 - Status community
Stability	Q3 - Protected Salarymen	Q2 - Stable Networks

Source: authors

4.2.6. Summary and conclusion

This essay examines the challenge of defining Japanese management comprehensively, given the complexity of its cultural and historical roots, and attempts to create a more nuanced model to understand it. The authors highlight how the Japanese management system is more than the sum of its parts, emphasising the importance of cultural context in shaping business practices. Drawing on previous literature, the authors build a model that categorises Japanese management into key dimensions, which are then tested and refined using statistical methods.

The research relies on a comprehensive survey designed to capture attitudes towards 30 distinct features of Japanese management, grouped under categories such as environment, intra-organisational context, strategy, structure, behaviour and performance. The study employs statistical techniques, such as Principal Component Analysis (PCA), to reduce the number of variables and develop a simplified model. The analysis reveals five significant factors, each with its bipolar latent variables, which offer a deeper understanding of the distinctive aspects of Japanese management. These factors are summarised into four quadrants: Status Community, Stable Networks, Managed Collectivism, and Protected Salarymen. The quadrant "Status Community" reflects the hierarchical nature of Japanese organisations, where elite workers, typically male, are privileged with long-term, secure positions. "Stable Networks" refers to the use of cross-shareholding and slow, seniority-based promotions, fostering stable, long-term business relationships. "Managed Collectivism" encapsulates the collectivist mindset of Japanese companies, supported by centralised human resources and close management-worker relationships. Finally, "Protected Salarymen" refers to the traditional Japanese employment system, where mass recruitment and long-term job security ensure that workers remain loyal to the company throughout their careers.

The study concludes that Japanese management is a unique and complex system, shaped by deep-rooted cultural and historical factors. The authors' statistical analysis provides a structured way to understand its key characteristics, such as collectivism, long-term employment, hierarchical status, and stability in business relationships. These factors, while individually not unique to Japan, combine to form a distinctive national management style that has had a profound impact on both Japanese corporations and global management practices.

Despite its strengths, the Japanese management model is not without its challenges, particularly in adapting to modern globalisation pressures and the need for more flexible, performance-based systems. However, the stability, loyalty, and long-term focus that define Japanese management continue to offer valuable lessons for businesses worldwide. The study contributes to the ongoing debate about how best to describe and categorise Japanese management, providing a comprehensive model that captures its core elements while acknowledging the need for further refinement and adaptation in the face of changing economic and social conditions.

Appendix: Questionnaire items

1) Work is always a team achievement, never just individual performance.
2) Salaries should be entirely based on performance, no matter the age or seniority of employees.
3) Going out with colleagues after work is important.
4) Staying in the same company long term is not good because it blocks internal competition and limits career prospects.
5) If I were graduating now, I would rather go to a company with foreign management: they understand better what a young employee needs.
6) It is good to have internal competition in a company among employees as it enhances performance.
7) If a person is highly qualified he/she should be quickly promoted even if his/her subordinates end up being much older than he/she is.
8) Individual appraisal of performance is a threat to harmony; companies should measure group performance.
9) Recruitment agencies (head hunters) should gain a more prominent role in job hunting because the companies only hire new graduates: older people also need job opportunities.
10) I am grateful to my company and I express this with my hard work every day.
11) The best way for decision-making is to vote: it is clear and efficient.
12) It is good to have a limited number of "core workers" with some privileges in a company: achieving this status will motivate every employee.
13) I try to pursue hobbies / social activities away from work.
14) Company postings involving separation from family are acceptable / unavoidable.
15) Skill development (training) is the responsibility of the company, not the individual worker.
16) People should try harder to achieve consensus in decision-making: group harmony is worth the time invested in that process.
17) Lifetime (or long-term) employment is outdated: I don't want to stay in the same company for such a long time.

18) Performance should be a significant element of the wage but it is not good if a young person earns more than an older one.

19) Mainly performance-based pay is not good as it leads to merely short-term goals and hinders cooperation.

20) The best way to increase size for a company is to hire more young graduates from top universities.

21) In a company it is always desirable to have a leader with a strong vision: so people following him/her go in the same direction and raise their performance.

22) It is all right and sometimes even desirable to take risk in business.

23) If one day I want to find a new job, I will send my CV to several recruitment agencies.

24) I recognize equality between men and women but somehow I feel more comfortable having a male superior.

25) The Japanese companies are too homogeneous: they should hire people with different backgrounds – even from foreign countries.

26) Small and large firms have different characteristics and possibilities: it is acceptable and normal that compensation and benefits are also different according to the size of the company.

27) If possible, taking risk is to be avoided when it can endanger job security.

28) It is possible to lay off considerable numbers of employees without strong reactions (quarrel) within either the company or in the broader society.

29) In a company the group consensus is more important than any leader or manager: group cohesiveness is the best tool to ensure common vision and good performance.

30) Recruitment and career management is better held at central (Human Resources department) level because it costs less and gives a better overview on employee transfers.

31) I always express my personal opinion during important meetings and others should do the same: people without opinion cannot give any contribution to the group.

32) Recruitment and career management is better held at division / unit level because it would be more appropriate to the real needs of the company.

33) Before decision-making, it is always better to know the others' opinion about the issue.

34) It is normal that women quit their job at marriage or childbirth.
35) Achieving the goals as a team is our common responsibility, not only our manager’s.
36) Differences between “core workers” and temporary staff or part-timers are nonsense: they are doing the same job anyway.
37) The re-employment of retirees should be banned because it takes jobs from young people.
38) The job of the union is to confront the management in order to represent purely the workers’ interests.
39) It is better to evaluate workers by the way they do their job than by the result, as the result may depend on many things.
40) People should never work alone, co-workers can bring help and play an important role in correcting each others’ mistakes.
41) Working in an open office is tiring; every company should try to give individual offices for their white-collar staff.
42) Making friends is one of the most important things in a company.
43) Regular rotation of employees should be avoided: it is confusing and they cannot specialize in their jobs.
44) Employees recruited at the same time should basically be promoted together: it fosters cooperation between members, limiting harmful competition.
45) It is better not to promote people very fast, older managers are wiser and usually do a better job.
46) There is nothing wrong with having a female boss: as a manager they can perform as well as men.
47) It is better if the union cooperates and keeps friendly relations with the management as the economic health of the company is also in the interest of the workers.
48) Labor unions and their activity are nowadays irrelevant to employees’ lives.
49) I would rather work for a large organization than a small one.
50) The performance of older people is usually better due to their greater experience.

51) Rotating employees regularly is good because they can get better knowledge and vision about the company as a whole, so probably they can become better managers.

52) There is too much stress and depression related to corporate life today: life was better 20 years ago.

53) It is important to protect our markets and jobs from foreign competition.

54) It is very important for directors of a company to not only represent the owners' (shareholders') interests but also the ones of employees, business partners, or other members of our society.

55) Big companies need more transparency and control by the market: there should be at least one external director on the board.

56) It is good if the company can offer a seat on the board of directors to its senior managers at the end of their career.

57) A top manager (CEO) recruited from another organization usually succeeds better in making the company more efficient and productive than a CEO who is promoted from within the lower ranks of the same company.

58) If the owners of a company do not put pressure on managers to achieve good results even in the short term, the company will perform less well.

59) The key success factor for a company is to produce good quality products at an affordable price – succeeding in this ensures almost automatic success.

60) Japanese companies should pay more attention to efficient marketing: today it may be more important than the quality of the products.

61) Financial and profitability indicators are more important for judging a company's performance than sales or market share.

62) Japanese top managers should earn much more than 10 times the young graduate new recruits' salary (in the USA it can be 50 times more).

63) Companies should always form interest groups so they can be much stronger.

64) Stakeholders of a company are not limited to shareholders, and management must appropriately reflect multiple interests.

65) The company can prosper more in the long term if shareholders are "silent" and do not demand short-term profit above all.

66) Owning shares on a reciprocal basis between companies (cross-shareholding) is good, mostly enhancing cooperation.

67) Owning shares on a reciprocal basis between companies (cross-shareholding) is bad, tying them together, hindering financial results.

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4.3. Management in China as reflected by academic research (Sára Koczkás)

4.3.1. Introduction

In recent decades, scholarly literature on Chinese management has gained significant traction (W. Liu et al., 2022). Both empirical studies (e.g., Liu et al., 2017; Ren et al., 2021; Vaszkun et al., 2022; Vaszkun & Saito, 2022) and theoretical contributions (e.g., Chuang et al., 2015; Li, 2014) have increased in volume, reflecting a growing academic interest in China as a unique management context. Chinese management has now solidified itself as a distinct research field, supported by specialized journals such as Management and Organization Review and Chinese Management Studies. Alongside China's rise as a global economic power and key player in international trade, the academic community has increasingly focused on understanding its managerial practices. This has sparked discussions on how to best approach research in the context of this developing country, which presents a distinctive external environment for organizations (Child, 2009). While some research adopts a geographically neutral lens, treating Chinese management as part of broader global trends (Kong et al., 2020), others advocate for more context-specific theories and variables tailored to China's unique environment (Jing & Van de Ven, 2014).

Therefore, the aim of this paper is to investigate the current trends of Chinese management research and explore the areas being addressed in empirical research recently. Historically, Chinese management has been heavily influenced by cultural and philosophical principles, particularly Confucianism, which stresses hierarchy, collectivism, and respect for authority. These cultural values have significantly shaped managerial behaviour, impacting leadership approaches, decision-making, and organizational dynamics in Chinese companies. The same has been shown by Vaszkun (2013) regarding Japanese companies. However, with China's rise as a global economic leader, modern factors like sustainability, innovation, and talent management have also become integral to its management practices. The purpose of this paper is to introduce the unique contextual influencing factors of Chinese management based on the theoretical foundations of contingency theory and the results of empirical research published since 2017.

The study is structured as follows. The next chapter introduces the most important environmental and contextual factors which influence Chinese organizations and

Chinese management practices. Then, based on recent literature, the paper provides an overview on the most recent topics covered in the literature of Chinese management which can be relevant for international management scholars.

4.3.2. Environmental factors affecting the Chinese organizations

Traditionally, three institutional factors shape the uniqueness of the Chinese business environment: politics, economy, and cultural values. China has a long history of centralized power, acceptance of inequality, and a preference for order and rigid structures, and it remains governed by a one-party system. Despite the significant economic transformation following the country's opening up in 1978, which shifted from a centralized, socialist economy to a market-oriented system, modern China is still a transitional economy, guided by five-year plans. The value system promoted by the state is deeply influenced by Confucian philosophy, which emphasizes respect for authority and self-sacrifice for the sake of social order (J. B. Feng et al., 2019). The Confucian, Taoist, and Buddhist ideologies has led to a unique value system (Froese et al., 2019). China's distinctive cultural traits have been underscored in various value surveys, such as Hofstede's cultural dimensions (1984), the GLOBE study (House et al., 2004), or the model of Trompenaars and Hampden-Turner (2012).

While these institutional factors continue to explain certain unique organizational phenomena in China, it is important to consider the country's recent challenges, as well. These issues, although part of global trends, are also a result of China's rapid and less sustainable economic growth, driven by its distinctive cultural context and the governance of the Communist Party. Three main aspects can be identified from recent literature: sustainable growth, transition towards an innovation-oriented economy, and societal changes leading to HR challenges.

Striving for sustainable growth

Although China is the world's second-largest economy by nominal GDP, many regions remain underdeveloped, with millions still living in poverty, leading to significant regional inequalities. The country's rapid economic growth, industrialization, and technological advancements have also severely impacted the environment, making China one of the largest global polluters. Consequently, key objectives for the Chinese economy include reducing poverty and regional disparities, promoting green energy, and addressing air, water, and soil pollution. Ensuring a sustainable, environmentally friendly approach to economic growth while mitigating climate change remains a central focus for China moving forward (World Bank Group, 2022).

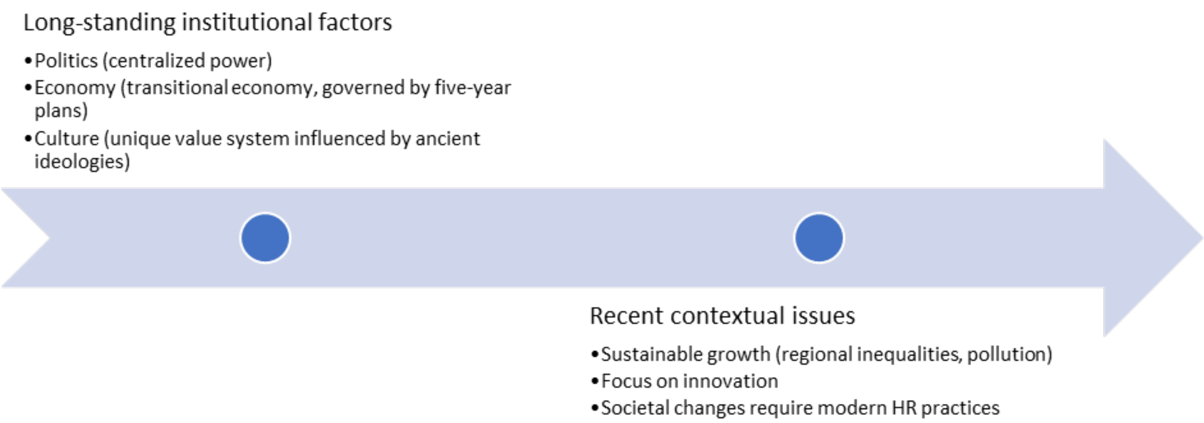
Transition to an innovation-oriented economy

Innovation is a powerful tool for addressing challenges such as pollution and inequality (World Bank Group, 2019). By promoting innovation, China can enhance its global competitiveness, transition toward an innovation-driven economy, and increase incomes, shifting from the "made in China" model to one of "innovated in China" (S.-J. Wei et al., 2017). Government support plays a critical role in these developments—while technological innovations benefit from regulatory backing, the rapidly changing and less transparent regulatory environment poses challenges (Froese et al., 2019).

HR challenges caused by societal changes

The aging of Chinese society presents unprecedented challenges for businesses in managing a workforce with diverse age groups (Glinskaya & Feng, 2018). As foreign companies become more prevalent in China, modern HR practices have grown increasingly attractive to Chinese employees. In the shift from capital-driven to talent-oriented companies, attracting and retaining talent has become a major challenge, particularly given the high turnover rates. To retain talented employees, salary increases alone are not enough—they also seek career growth opportunities, training, and greater autonomy (Froese et al., 2019).

Figure 1. Summary of the contextual factors of Chinese management



4.3.3. Empirical insights from the Chinese management literature

The political and cultural environment has traditionally been seen as a key determinant of Chinese organizations' operations. However, while this may still hold true, the literature since 2017 has increasingly shifted its focus toward more recent economic priorities and social and environmental issues, such as China's transition to a globally competitive, innovation-driven economy based on sustainable, green growth. Among the institutional factors—political and economic systems and cultural values—the latter two have seen limited representation in recent empirical studies, and even politics appears underrepresented. This suggests that these factors may have already been extensively explored, with recent management research emphasizing current challenges in China's economy, particularly in areas like innovation (H. Zhang et al., 2017), sustainability (M. X. Yang et al., 2019), and HRM issues (Zhang et al., 2020). In the following, the most recent research trends of Chinese management will be summarized based on the main dimensions of contingency theory (Vaszkun & Koczkás, 2024).

In the *external environment* of Chinese organizations, the dominating topics are the features of industrial environments, market uncertainty, environmental and political issues and the role of other stakeholders. In the industrial environment, one of the most important factors is the level of competition within the industry, typically measured by market share (Lin et al., 2019) and sometimes by managerial or employee perceptions of competitive pressure (Dai et al., 2018). Market uncertainty generally stems from various stakeholders, including demand and supply fluctuations, as well as technological changes. Supply and demand uncertainty, a key factor affecting organizations, is frequently discussed in the literature (Hou et al., 2019). Given that innovation and technological advancement are national priorities, these elements play a significant role in recent studies on organizational contingencies (Hu et al., 2018; Pan et al., 2021). Environmental issues are also a prominent theme in research, explored from multiple perspectives, including industry characteristics (Jiang et al., 2020), political pressures or (J. Zhang et al., 2020), customer demand (Dai et al., 2018), and the regulatory landscape (S. Wang et al., 2018). Various stakeholders are examined as well, with particular attention given to political bodies—assessing the support perceived or received—and supplier relationships, such as the quality of supplier partnerships (Shu et al., 2020; W. Yang et al., 2017).

The majority of topics in the i*ntra-organizational context* dimension can be categorized into four main themes. *Leadership attributes* includes factors such as gender diversity in top management, as well as the educational and professional backgrounds of senior leaders, including their foreign experience and social networks (He & Jiang, 2019). The topic of *firm-level abilities and capabilities* mostly assesses a firm's financial capacity to implement specific strategies and functions ((Zou et al., 2019). Other key areas of research here are knowledge, innovation and the protection of the environment (D. Yang et al., 2019). The theme focusing on *organizational members' abilities and capabilities* focuses on employee characteristics, such as educational attainment, professional background (e.g., tenure and work experience) (Le & Lei, 2017; Shahab et al., 2018) and relevant skills, including both job-specific and interpersonal competencies (Zhao & Xia, 2017). The topic of o*wnership structure* primarily distinguishes between family-owned, state-owned and foreign owned enterprises and joint-ventures (Xu et al., 2019; Ye & Li, 2021).

One of the largest sets of factors in the dimension of *organizational behaviour* focuses on *individuals within organizations*, grouped into two main themes: employee abilities (Cai & Du, 2017; Cooke et al., 2019) and employee behaviour (Huang et al., 2018; Wattoo et al., 2020). The latter makes up the majority of this category, encompassing aspects related to work performance and general workplace conduct, including motivation, interpersonal dynamics, and emotional responses. *Organizational culture*-related aspects appear with similar frequency to those related to individuals. These include the dynamics between supervisors and employees, as well as peer-to-peer interactions (Chong et al., 2018; P. Liu & Shi, 2017). Additionally, shared values and attitudes toward innovation, change, and knowledge sharing are emphasized (Le et al., 2020; Song, 2020). Leadership behaviour assessments are often based on employee perceptions of their leaders' abilities, actions, and leadership styles (Newman et al., 2019) or selfassessments from top management members regarding their own leadership capabilities and behaviours (Khan et al., 2020). *HRM-related factors* include employees' perceptions of HR practices (Chen et al., 2018; G. Tang et al., 2017) as well as the management's intentions regarding human resource strategies, such as reward systems, training, performance evaluations, appraisals, work scheduling, and career development opportunities (Ma et al., 2017; Z. Wang & Xu, 2017).

Firm performance is assessed using both financial and non-financial metrics. Financial measures often include profit, sales, return on assets and investments, market share, cash flow, overall efficiency, and growth rates, which can be evaluated objectively (through clear, quantifiable data) (H. Zhang et al., 2017), subjectively (based on managerial perception) (L.-Q. Wei et al., 2021), or relatively (compared to competitors) (M. Feng et al., 2018). Non-financial metrics focus on employee performance (Tang *et al.*, 2017; Yang *et al.*, 2021), such as quality of work, task performance, punctuality, effectiveness, and efficiency, often rated by supervisors—highlighting the growing significance of employees within organizations. Performance-related measures are typically used as dependent outcomes, indicating that they are primarily applied to assess the impact of other dimensions or factors within the organization.

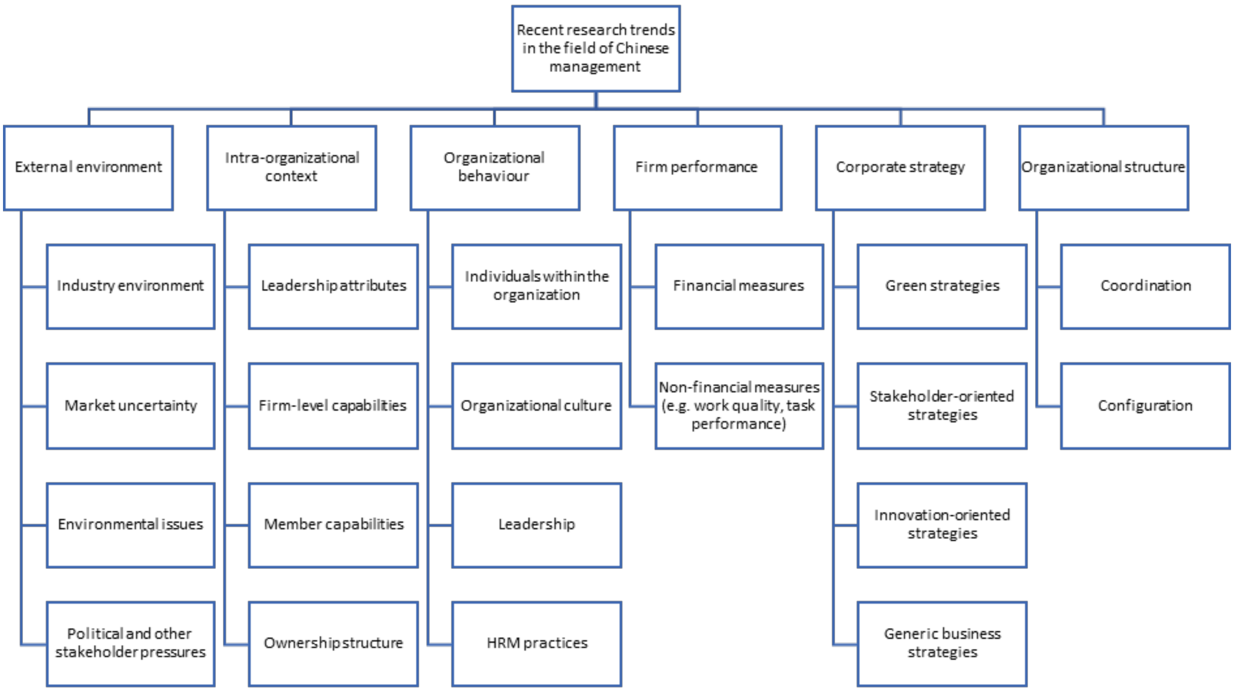
Corporate strategy factors can be grouped into four main categories. *Green strategies* focus on sustainable management practices, such as reducing energy and material consumption, and disclosing environmental data (Shahab et al., 2020), along with sustainability-driven innovations like R&D investments in eco-friendly technologies and the number of green patents (Song et al., 2019), reflecting the organization's core strategic direction. *Stakeholder-oriented strategies* are another prominent focus (Choi et al., 2019), particularly in the context of CSR initiatives. These include engaging local communities, addressing stakeholder interests, and implementing fair business practices. *Innovation as a strategic focus* is also a key area in empirical research (Zhou et al., 2019), primarily centred on technological advancements and R&D investments in product and process development. Lastly, a significant body of research explores *generic business strategies*, with an increasing emphasis on differentiation strategies, though low-cost approaches are still represented in the literature.

The dimension or *organizational structure* primarily focuses on aspects of coordination, such as communication between different functional departments (Yu et al., 2019), and configuration, including organizational structures and decision-making processes (Hughes et al., 2019). This area is not only underrepresented in the literature, but the factors are highly diverse, lacking clear, distinguishable groups. This further reinforces the idea that HR and strategy are the most prominent areas in current organizational practices and research. With foreign companies and HR practices gaining popularity, alongside the evolving growth pattern of the Chinese economy, these management areas have become the dominant focus in the field.

4.3.4. Conclusion

Recent research in Chinese management has shifted focus from traditional determinants, such as the political and cultural environment, to contemporary economic priorities and pressing social and environmental issues. While the political and cultural factors have historically influenced organizational operations, recent studies have revealed a limited representation of these aspects. Instead, there is a growing emphasis on China's transition to an innovation-driven economy that prioritizes sustainable growth, with significant attention given to innovation, sustainability, and human resource management. Figure 2 summarizes the main areas of recent research in Chinese management, which provide a solid starting point when analysing Chinese businesses from an international management perspective.

Figure 2. Recent research directions in Chinese management



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4.4. Management in Arabic countries around the Gulf (Maha Al-Dalahmeh)

The Gulf Cooperation Council (GCC) countries—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE)—represent a unique cluster within the broader Middle East and Arab world. These nations share cultural, linguistic, and religious ties, and have been deeply influenced by their vast oil wealth, which has significantly shaped their economic structures and management practices. However, despite these commonalities, each GCC country has developed distinct management practices, shaped by its own history, economic conditions, and cultural nuances. Understanding these management characteristics is crucial for anyone engaged in business within the region, as it requires navigating a complex interplay of traditional values, modern aspirations, and evolving socio-economic dynamics.

Despite these challenges, the GCC's economic trajectory is one of ambition and potential. As global trends shift towards sustainability, technology, and innovation, many of these countries are investing in renewable energy, smart cities, and knowledge-based industries in an effort to remain competitive in the post-oil era. Their future success will likely depend on how well they balance the need for economic diversification with the preservation of their unique cultural and social landscapes.

4.4.1. Geographical and economic context

The Middle East, a region extending from the eastern Mediterranean to the Arab Gulf, encompasses diverse nations with varied landscapes, economies, and cultures. The Arab world, defined by the common use of the Arabic language and predominantly Muslim populations, spans across North Africa and the Arabian Peninsula. Within this context, the GCC countries stand out due to their economic vitality driven by vast oil reserves, which have fuelled rapid infrastructure development and diversification into sectors like tourism, finance, and technology (Cleveland & Bunton, 2009; IMF, 2022).

The GCC's economic landscape is characterized by both dynamism and disparity. While oil wealth has led to significant economic growth, it has also resulted in challenges such as overreliance on oil revenues and economic inequality among member states. For instance, while countries like the UAE and Qatar have successfully diversified their economies, others remain more dependent on oil exports, leading to varying levels of economic development within the region (World Bank, 2020).

The disparities in economic development within the GCC stem from several factors, including the varying sizes of oil reserves, differing approaches to economic policy, and the extent of international integration. Wealthier states such as Qatar and the UAE, with smaller populations and vast energy resources, have been able to channel significant revenues into creating high-quality infrastructure, fostering business-friendly environments, and attracting foreign investments. Meanwhile, larger countries like Saudi Arabia face the dual challenge of maintaining social welfare systems while undertaking reforms to diversify their economies. This creates a complex economic tapestry in the region, where some countries have advanced into high-income status, while others still face considerable economic challenges related to unemployment, income inequality, and dependency on state subsidies.

4.4.2. Cultural influences on management

Cultural factors play a pivotal role in shaping management practices across the GCC, where the region's culture is deeply intertwined with Islamic traditions that influence both personal and professional behaviours. These traditions permeate daily life, guiding how individuals interact within families, communities, and the workplace. In the business environment, understanding the importance of concepts such as wasta and majlis is essential for navigating Gulf management practices. Wasta—a system of networking, influence, and personal connections—plays a key role in facilitating business transactions and decision-making processes. It reflects the importance of relationships, where trust and loyalty often determine access to opportunities and resources (Akhter et al., 2023).

The majlis (GCC), a traditional council for consultation and decision-making, is another cultural institution that exemplifies how community participation and collective deliberation are central to leadership in the Gulf. In both personal and business settings, these practices underscore the value placed on relational networks, respect for elders, and community cohesion, all of which are embedded in Islamic principles. This cultural backdrop significantly shapes the hierarchical and collectivist nature of management in the GCC (Abdulkadir & Müller, 2019).

One of the defining features of Gulf management styles is the region’s high level of power distance, where authority and hierarchy are deeply ingrained in the social and organizational fabric. Power distance refers to the degree to which less powerful members of society accept and expect power to be distributed unequally. In the GCC, this is not only accepted but often seen as a natural extension of both religious and cultural values that emphasize respect for authority figures. Within organizational structures, decision-making tends to be centralized, with top leaders holding significant influence and control over the direction of the business (Jackson, & Michie, 2017).

This is particularly true in family-owned businesses, which are common in the region, where senior family members often make the final decisions. For managers operating in this environment, understanding and navigating the nuances of hierarchical communication is crucial. Gaining favour with senior leaders, demonstrating deference to authority, and fostering strong personal relationships with key decision-makers are essential for career progression and effective management in the Gulf (Hofstede, 1984). This respect for hierarchy, however, does not necessarily translate into authoritarianism but rather reflects a paternalistic leadership style, where leaders are expected to provide for and protect their teams, mirroring the familial structures deeply rooted in the culture.

In contrast to the individualistic management styles more prevalent in Western business practices, the GCC emphasizes a collectivist approach to management, like in Japan or, to some extent, China where the success of the group is prioritized over individual achievements (Koczkás, 2023; Vaszkun, 2013; Vaszkun et al., 2022; Vaszkun & Koczkás, 2018; Vaszkun & Saito, 2022). This collectivism is not merely a business strategy but a reflection of broader cultural and religious values that prioritize the welfare of the family, tribe, and community above personal gain. In the workplace, managers are expected to cultivate a sense of unity and shared purpose among their teams, reinforcing the idea that the success of the organization is a collective responsibility (Scott-Jackson & Michie, 2017).

This often translates into a more team-oriented leadership style, where collaboration, consensus-building, and the development of close-knit workgroups are emphasized. Managers are tasked with fostering a sense of loyalty and belonging among their staff, creating an environment where interpersonal relationships are just as important as professional competencies (Young, 2016). This collectivist mindset is further reinforced by Islamic teachings, which stress the importance of community solidarity, mutual support, and social responsibility. As such, management practices in the GCC are less likely to emphasize individual competition and more focused on maintaining harmony, trust, and cohesion within the team, which are essential for organizational success in the region.

4.4.3. Economic diversification and Its impact on management

The GCC's economic prosperity has historically been anchored in its vast oil reserves, which have provided the financial foundation for rapid infrastructure development, modernization, and social welfare programs. Over the past several decades, oil revenues have transformed these once predominantly desert economies into global players with state-of-the-art cities, modern industries, and world-class services. However, the inherent volatility of global oil prices has repeatedly exposed the vulnerability of economies dependent on a single resource.

Additionally, the global shift towards renewable energy, driven by concerns about climate change and sustainability (Csedő et al., 2023, 2024), has posed significant challenges to the long-term viability of oil-based economies. Recognizing these risks, the GCC countries have embarked on ambitious economic diversification strategies aimed at reducing their dependence on oil and fostering growth in sectors such as tourism, finance, technology, and renewable energy. Saudi Arabia's Vision 2030 and the UAE's Economic Vision as well stand as hallmark initiatives designed to transform these economies into more balanced and resilient systems. These visions not only aim to diversify income streams but also seek to create jobs, foster innovation, and encourage private sector growth, all while maintaining their global relevance in a rapidly evolving economic landscape (Nurunnabi, 2017)

The push for economic diversification has had a profound impact on management practices across the region. As industries such as tourism, technology, and renewable energy expand, managers are increasingly faced with the challenge of navigating new and unfamiliar business environments that are often more complex and competitive than the oil sector. The shift from resource-based economies to knowledge-based ones requires managers to develop new skill sets, including fostering innovation, managing change, and staying competitive in a globalized market. Moreover, the integration of advanced technologies such as artificial intelligence, blockchain, and the Internet of Things has become a critical aspect of the Gulf’s management landscape (Al-Khouri, 2010).

These technologies are being implemented to improve efficiency, enhance decision-making, and streamline operations, particularly in emerging sectors. As a result, managers are required to stay ahead of technological advancements and incorporate them into their strategic planning and day-to-day operations. The traditional management practices, often characterized by hierarchical decision-making, are evolving to accommodate more agile, forward-thinking approaches that prioritize innovation and technological integration (Al-Qudsi, et al., 2022).

A prime example of the region's commitment to diversification and innovation is the NEOM project in Saudi Arabia, which represents one of the most ambitious development initiatives in the world. NEOM is envisioned as a futuristic, eco-friendly city designed to serve as a global hub for innovation, sustainability, and cutting-edge technology. Spanning multiple industries including renewable energy, biotechnology, and artificial intelligence, NEOM is set to redefine how cities operate, with the ultimate goal of attracting global talent, fostering economic growth, and serving as a model for sustainable urban living (Al-Tawil & Searcy, 2020). For managers, projects like NEOM signal a significant shift in the region's economic priorities and call for a new management paradigm that values adaptability, forward-thinking leadership, and openness to new ideas. Managing such large-scale, innovative projects requires leaders to embrace creativity and entrepreneurial thinking, while also ensuring that these projects align with long-term economic goals (Hassebo, & Tealab, 2023).

In doing so, management practices are being reshaped, with leaders now expected to be not only custodians of tradition but also pioneers of change in a dynamic and evolving market place. Through these diversification efforts, the GCC is positioning itself to be less reliant on fluctuating oil revenues and better equipped to thrive in a global economy increasingly focused on sustainability and technological innovation. These transformations are reshaping management practices across the region, requiring leaders to blend traditional values with modern approaches, fostering growth and ensuring long-term success.

4.4.4. Social dynamics and their influence on management

The social fabric of the GCC is a blend of traditional values and modern aspirations. It can be reflected in particular by the study of expatriate experiences (Primecz, 2023). The region is experiencing significant social changes, including increased focus on education, women's empowerment, and youth engagement. These changes are gradually influencing management practices, as businesses adapt to the evolving expectations of a younger, more educated workforce (Rahman & Al-Azm, 2023).

One of the most transformative social changes in the GCC is the expanding role of women in the workforce. Historically, gender roles in the region have been more rigid, with women often confined to traditional domestic roles. However, driven by both government initiatives and shifting societal attitudes, women are increasingly entering the labour market and making significant contributions across various sectors (Elbanna, 2022).

Governments in countries like Saudi Arabia and the UAE have launched a series of reforms aimed at empowering women, including lifting restrictions on their participation in certain industries, encouraging female entrepreneurship, and promoting gender equality in the workplace. These initiatives are gradually breaking down long-standing barriers, and managers are now expected to create more inclusive work environments that promote gender diversity and provide equal opportunities for career advancement. The growing presence of women in the workforce is not only changing organisational cultures but also enhancing the overall competitiveness of businesses, as companies that embrace diversity tend to perform better in the long run (Young, 2016).

Youth engagement is another critical area influencing management in the GCC. With a young and tech-savvy population, there is a growing demand for jobs that offer opportunities for creativity, innovation, and personal growth. Managers need to be aware of these expectations and create work environments that foster innovation, provide opportunities for professional development, and align with the aspirations of the younger generation (UNDP, 2020).

4.4.5. The Influence of Islam on Management in GCC Countries

Islam's influence on management practices in GCC countries is most strongly evident in the financial sector, where Islamic principles deeply shape finance operations. Central to this is the prohibition of riba (interest), which has led to the development of a thriving Islamic banking system that adheres to Shariah law. These banks focus on risk-sharing, ethical investments, and profit-loss sharing models that align with Islamic teachings on justice and fairness (Iqbal & Molyneux, 2005). Additionally, Islamic finance emphasizes the importance of zakat (charitable giving) and waqf (endowments), which are integrated into corporate social responsibility (CSR) initiatives, ensuring that wealth is redistributed for the benefit of society (Dusuki & Abdullah, 2007). This approach fosters ethical stewardship and trust in financial management, as leaders are accountable not only to stakeholders but also to religious obligations. The integration of Islamic principles in decision-making promotes transparency and fairness in contracts and investments, ensuring that financial practices are aligned with both ethical standards and long-term societal well-being (Chapra, 2008). Thus, Islamic teachings on finance not only shape the structure of the banking sector in the GCC but also influence broader management practices, fostering a culture of ethical leadership and social responsibility in the region.

4.4.6. Challenges and opportunities in the GCC management landscape

Operating within the GCC presents both significant challenges and vast opportunities for managers, especially as the region embarks on an ambitious journey of economic diversification. These efforts, while vital for ensuring long-term sustainability, also introduce a host of complexities, particularly as the GCC transitions from oil-dependent economies to more diversified sectors such as tourism, technology, and finance. For managers, this transition means adapting to a rapidly evolving business environment that requires balancing traditional practices with new, more dynamic approaches. As industries emerge, managers must be agile, continuously evolving their strategies to accommodate shifting market demands and the integration of new technologies. This balancing act can be difficult, as the need for modernization often comes up against established norms and methods, rooted in the region's conservative and hierarchical business culture (IMF, 2022).

One of the most pressing challenges facing managers in the GCC is the need to effectively lead a highly diverse workforce. The region has long been a destination for expatriates from all over the world, drawn to its booming economy and job opportunities. As a result, the workforce in the GCC is a mosaic of different cultures, languages, and professional backgrounds. This diversity can be both a strength and a challenge. Managers must develop cultural sensitivity, hone their cross-cultural communication skills, and adopt inclusive leadership strategies that respect the diversity of their teams while leveraging the unique perspectives and strengths that each group brings. For example, fostering an inclusive workplace where all employees feel valued and included can improve morale and increase productivity. However, this requires managers to be adaptable and to understand the cultural differences that might influence communication styles, decision-making processes, and team dynamics. It is critical to implement leadership practices that can bridge cultural divides and ensure smooth collaboration across diverse groups (Bealer & Bhanugopan, 2014).

Another challenge lies in the deeply ingrained hierarchical structures that characterize many organizations in the GCC. Respect for authority is a core cultural value in the region, often reflected in traditional top-down management styles, where decisions are made by senior leaders and passed down the chain of command. While this hierarchical approach aligns with cultural expectations, it can sometimes stifle innovation and slow down decision-making processes, particularly in fast-paced industries where responsiveness and agility are crucial. As the region continues its economic transformation, there is a growing need for more flexible and participative management styles that encourage creativity, initiative, and quick problem-solving. Empowering middle managers and employees to contribute to decision-making and innovation will be key to unlocking the full potential of the workforce.

While the GCC region undergoes economic transformation, adopting more flexible leadership styles and evolving organizational cultures are essential since leadership and culture play pivotal roles in fostering agility (Vaszkun & Sziráki, 2023). This shift may require cultural adjustments within organizations but could lead to significant improvements in productivity, innovation, and competitiveness (Jaeger & Adair, 2013). In their pursuit of economic growth, Gulf countries face significant sustainability and environmental challenges. Heavy reliance on fossil fuels, coupled with rapid urbanization and industrialization, presents environmental risks that require immediate attention (Csedő, 2023). Governments across the region are increasingly investing in sustainability initiatives, such as renewable energy projects, green building standards, and carbon pricing mechanisms, to reduce carbon emissions and transition toward a more sustainable energy landscape (Ibrahim & Al-Marzouqi, 2023).

Water scarcity and waste management are also critical issues. Sustainable water management practices, including advanced desalination technologies and wastewater treatment systems, are essential to ensure long-term water security, particularly as the region grapples with droughts and water shortages (Qureshi ,2020). Additionally, recycling and waste-to-energy initiatives play a key role in minimizing pollution and preserving natural resources. Achieving sustainable development will require a balance between economic growth and environmental preservation, with collaboration among governments, businesses, and civil society (Abdallah et al., 2021).

On the business side, Gulf companies are urged to prioritize investments in cutting-edge technologies like artificial intelligence, blockchain, and IoT. These innovations can enhance operational efficiency and global competitiveness, with initiatives such as Saudi Arabia's NEOM standing out as a leading example (Jaeger & Adair, 2013).

Additionally, fostering a strong entrepreneurial ecosystem, as seen in Dubai's Dubai Future Foundation and Bahrain's Startup Bahrain, is crucial for stimulating innovation and diversifying the economy (Al-Mousa et al., 2021). Gulf businesses are also encouraged to pursue diversification strategies to reduce reliance on oil revenues, a critical step toward long-term resilience given the volatility of global markets.

Addressing environmental challenges is not just a governmental concern; businesses must adopt sustainable practices such as renewable energy, efficient waste management, and water conservation to ensure their long-term viability and reduce the risks posed by climate change. Collaborating with government agencies, NGOs, and industry partners is vital to achieving sustainability goals and ensuring a more resilient future for the Gulf region (Akhter et al., 2023).

4.4.7. Conclusion

Management in the GCC is a multifaceted discipline, deeply influenced by the region's cultural, economic, and social dynamics. The interplay between traditional values and modern aspirations creates a unique management environment that requires a deep understanding of the local context. As the GCC continues to diversify its economy and embrace new technologies, managers must be adaptable, culturally sensitive, and forward-thinking to navigate the challenges and opportunities that lie ahead. By doing so, they can contribute to the sustainable development of the region and help shape its future in an increasingly globalized world.

Albeit the GCC's management landscape is not without its challenges—such as the complexities of workforce diversity and the need to modernize hierarchical business practices—the opportunities for growth, innovation, and leadership are vast. The region's shift towards economic diversification, paired with its commitment to embracing technology and sustainability, offers a fertile ground for managers who are adaptable, culturally aware, and capable of balancing tradition with innovation. As the GCC continues to evolve, those who rise to meet these challenges will be instrumental in shaping the future of business and management in the region.

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5. PRACTICAL INSIGHTS

Chapter 5 examines the real-world applications of management theory in various organisational contexts, and explores key issues faced by managers and executives within multinational corporations. It highlights how theoretical concepts translate into practical challenges for leaders, particularly in the areas of subsidiary management, change management, and corporate governance. The content also addresses the importance of adapting management strategies to diverse international contexts, drawing on examples from different industries and regions.

5.1. The dual role of a Subsidiary CEO, and their relation to the parent company (Károly Salamon)

5.1.1. Introduction

In this chapter, we will examine the tasks and responsibilities of a CEO heading a subsidiary of a multinational company, with a particular focus on their relationship with the parent company. The key question is the extent to which the CEO has the freedom to formulate and implement the subsidiary's strategy, or whether their role is increasingly limited to executing decisions and requirements set by the parent company. Due to advancements in information technology, there has been a noticeable shift, with parent companies not only becoming more involved in strategic decision-making but also seeking greater control over day-to-day operations, while subsidiary CEOs desire more autonomy (Jarvenpaa & Ives, 1993). The mechanisms of control exercised by the parent company or the Board provide insight into whether the CEO is primarily seen as a middle manager, executing decisions made by superiors, or whether they have a significant influence on decision-making, not only within their subsidiary but potentially at the parent company level as well (Josefsson & Alm, 2007).

5.1.2. Mother company and Subsidiaries

The delegates of the parent company in the governing bodies of their subsidiaries abroad act as representatives of the owners. However, in most cases, they are executives at various levels within the headquarters, each with their own targets, responsibilities, and incentives, which may be aligned with or diverge from the subsidiary's objectives.

The top executive of a subsidiary occupies a dual role: on one hand, they are perceived as the CEO by the local market; on the other hand, from the parent company's perspective, although they are appointed as the CEO and their title is acknowledged, they are often regarded as a middle manager within the broader hierarchy of the international parent organisation (Josefsson & Alm, 2007). This duality raises the question of how local CEOs can navigate this complex role most effectively, fulfilling the parent company's requirements while also achieving their personal ambitions and meeting the expectations of the local market.

Organisations are composed of human and physical infrastructure, structured with long-term goals, formal rules, and a framework that allows voluntary membership transitions (Dobák & Antal, 2010). From the local CEO's perspective, this often translates into a fixed-term contract, providing flexibility for both parties. We will now explore the four distinct roles unique to subsidiary CEOs and what differentiates them from other CEOs in similar positions.

5.1.3. CEO Roles and Functions

In strategy formulation, setting objectives, and allocating resources, the CEO shares responsibility with other Board members. However, the Chairman of the Board, often a delegate of the parent company, orchestrates the entire process, transferring the expectations of the owner and aligning local objectives with those of the parent company. As the person responsible for local operations, the CEO plays a crucial role in defining the roadmap to achieve these objectives. In practice, they must often advocate for necessary resources (human and infrastructural), which can lead to conflicts with the Board. The local CEO, frequently viewed as a middle manager, is pressured to align with the goals of the headquarters, potentially at the expense of the subsidiary's interests.

With advancements in IT, the parent company exercises stronger control over daily operations, from marketing and product development to finance. Efforts to better utilise company-wide resources may result in difficult decisions for the subsidiary, such as downsizing or outsourcing. Headquarters can establish a robust control mechanism, often with immediate online access to operational data, but local sales operations, benefiting from an understanding of the local culture and environment, remain largely led by the subsidiary.

Local CEOs feel that these new organisational methods, control mechanisms, and reporting requirements limit their autonomy, pushing them into the role of middle managers focused on technical expertise. This shift can spark competition among subsidiaries for resources, with each vying to become a centre of competence in specific areas. The development of regional boards, where local CEOs no longer report directly to top executives but to regional managers, adds another layer of hierarchy. This creates a sense of demotion in the corporate structure, as regional delegates, with their own goals and ambitions, exercise bureaucratic control over local subsidiaries, perceiving the local CEO more as an implementer than a strategic leader.

Another unique responsibility of the local CEO is leading the local top management team. This role involves hiring and firing key personnel, fostering a team that not only possesses strong professional skills but also shares the CEO's values and loyalties – representing a form of clan control (Ouchi, 2012; Ouchi & Price, 1978). The CEO is responsible for maintaining consensus on objectives and implementing them efficiently as a Board member, and possibly as Chairman.

A significant challenge for local CEOs is to serve as role models for expected behaviours and to instil corporate values throughout the organisation. This task is non-delegable, as the CEO's approach to the parent company's objectives will set an example for their team, or even legitimates the behaviour of his followers. If the local and parent company's interests and values align, this process is straightforward. However, restructuring due to market, technological, or IT changes can impact the local subsidiary's future, as well as the CEO's career and livelihood. Aligning with the global vision and demonstrating a commitment to corporate values, while balancing local interests, is crucial for gaining trust from superiors. The CEO must show that their priority is the parent company's objectives, even if it temporarily harms local interests. Successful CEOs have longer term relation with their teammates, employees. It is understandable, that they prefer a longer implementation period in the change process meanwhile the representatives of the owner often prefer the hard landing even for higher temporary costs /losses. They expect more visible results in short term, especially if it is connected with their own targets and KPIs. It often leads to controversial discussions in the Board, but the weight of the central decisions is always heavier (Gordon, 1993).

Local CEOs also play a leading role in maintaining relationships with regulatory bodies and other influential entities. Their deep understanding of local customs, culture, and the political and economic environment helps the subsidiary find a competitive advantage (Vaszkun & Koczkás, 2024). Building relationships with top business, political, and social leaders is a task that often cannot be delegated, as access to these circles frequently requires a status that only the CEO can command.

5.1.4. The "Subsidiary CEO"

The role of the subsidiary CEO is characterised by its complexity, particularly regarding the balance of independence and control they hold. Subsidiary CEOs design and implement strategies within the parameters set by headquarters, operating under the oversight of the Board, while simultaneously managing HQ expectations, motivating local teams, and engaging with external partners in the local market (Josefsson & Alm, 2007).

The subsidiary CEO is not only accountable to the parent company but also, in some cases, to the subsidiary's Board of Directors. This dual role means that while they are perceived as a CEO by local peers and competitors, within the parent company's hierarchy, they may be treated as a middle manager whose primary responsibility is to execute the parent company's objectives. This can create what is referred to as a 'big-small boss syndrome'—being influential in the local market yet feeling relatively insignificant in the corporate environment. The extent to which the parent company trusts the CEO's managerial skills depends on their comfort with these dual roles. If the CEO aligns with the company's beliefs and values and finds professional growth, they will strive to achieve the set objectives. However, if they do not share these beliefs, feel their skills are underutilised, or encounter repeated conflicts over the subsidiary's strategic direction, it can result in a loss of trust and confidence among key stakeholders, potentially leading to resignation or forced departure.

5.1.5. Summary and Conclusion

The role of a subsidiary CEO in a multinational company is inherently complex, balancing both independence and stringent oversight from the parent company. This dual role presents challenges, as the CEO is seen as a top executive in the local market but is often regarded as a middle manager within the corporate hierarchy. Increasingly, the parent company exerts greater control over the subsidiary's strategy and day-to-day operations through technological advancements and regional governance structures. This can limit the subsidiary CEO's autonomy, positioning them more as an implementer of headquarters' decisions rather than a strategic leader.

The subsidiary CEO is responsible for setting objectives, managing resources, leading the local team, and representing the company to external stakeholders, such as regulators and business leaders. However, tension arises when the parent company's global priorities clash with local needs, forcing the CEO to balance corporate goals with local market realities. This conflict is intensified by differing expectations from the local market, the parent company, and the Board.

The dual role demands that the CEO effectively balance corporate demands with local realities. If the subsidiary CEO can align their values and objectives with those of the parent company, they can succeed. However, if they struggle to reconcile these conflicting roles, it can lead to dissatisfaction, a breakdown in trust, and ultimately, resignation or forced departure.

In conclusion, the subsidiary CEO's role is defined by a constant balancing act between international corporate control and local autonomy. Success hinges on the CEO's ability to navigate these tensions, align with corporate objectives, and maintain influence in the local market while managing expectations from both sides.

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5.2. Change management by the King – in an international context (Gyula M. Szabó)

5.2.1. Introduction

In modern European politics, regional collaborations, such as the Visegrad Group (Hungary, Poland, Czech Republic, and Slovakia), play an important role in shaping policy. These countries, led by Hungary and Poland, have recognized the value of unified positions to exert greater influence on European affairs. The tradition of Central European cooperation dates back centuries, with notable historical roots in the Visegrad meeting of 1335, where Hungarian King Charles Robert brought together the Polish and Czech kings. This summit laid the groundwork for future alliances and trade routes, eventually leading to the Hungarian-Polish Personal Union of 1370 under King Louis I (the Great), son of Charles Robert.

Despite Louis I's successful reign in Hungary, his rule in Poland, achieved through the Personal Union, was met with mixed reactions. While Hungarian historiography celebrates Louis as a significant figure, the Polish perspective is less favourable, viewing him as "Louis the Hungarian" and seeing his reign as a decline from the successes of Casimir III. This thesis aims to understand how these contrasting perceptions coexist and why Louis' reign in Poland was less successful than in Hungary.

To explore this, I will use modern management and change management theories, analysing whether Louis made strategic missteps during his accession to the Polish throne. I will examine what actions were taken—or not taken—that could have smoothed relations with the Polish nobility and populace, potentially leading to a more successful personal union.

My previous research on the reign of Hungarian King László I (Saint) used leadership methodology to determine whether his success was due to well-judged actions. Similarly, in this thesis, I will analyse Louis I's reign, hypothesizing that his rejection in Poland was due to missed opportunities in his leadership approach.

The study will include a historical overview of 14th-century Central Europe, focusing on Hungarian and Polish perspectives. Drawing on both Hungarian and Polish historiography, I will also review management tools from modern literature, aiming to bridge historical and contemporary leadership theories to address my research questions.

5.2.2. Background, the rise and unification of the two countries in the 14th century

At the start of the 13th century in Hungary, King Béla III's sons, Imre and András, weakened royal power through extensive land donations to gain political support. András II further strained the kingdom's resources through foreign campaigns, leading to the adoption of the Golden Bull in 1222, modelled after the Magna Carta, to curb his excesses. Béla IV, who ascended the throne in 1235, faced conflicts with the nobility as he tried to reclaim lost royal lands. However, after a devastating invasion by Batu Khan's Mongols in 1241, he shifted to a conciliatory approach, ending internal land seizures to focus on national unity. His son, Stephen V, briefly ruled after Béla's death, but his reign was short and tumultuous.

Following Stephen's death, the country entered a period of instability with oligarchs exerting control over large regions, leaving the monarch, László IV, unable to reclaim power. After his death in 1290, the royal house of Árpád became extinct with Andrew III's death in 1301, sparking a succession crisis. Multiple claimants, including Wenceslas of Bohemia, Otto Wittelsbach, and Charles Robert of Anjou, contested the throne. Charles Robert, with support from the Pope and southern nobles, eventually secured power through multiple coronations.

Charles Robert's reign focused on dismantling the power of the provincial oligarchs, culminating in his victory over Aba Amade at the Battle of Rozgony in 1312. By 1321, with the death of his final rival, Máté Csák, Charles began significant economic reforms, including reviving mining and streamlining the currency system. He also established a new aristocracy through honorary estates, ensuring their loyalty by making land tenure dependent on royal service.

His marriage to Elisabeth of Poland in 1320 solidified ties with Poland, and this alliance proved beneficial, particularly during Poland's unification under Wladyslaw Lokietek. Diplomatically, Charles Robert also sought to resolve his claim to the throne of Naples through a marriage alliance between his son Andrew and Johanna of Naples. By the end of Charles Robert's reign, Hungary had stabilized politically and economically, with stronger ties to Poland but wary relations with Bohemia due to the ambitions of its king, John of Bohemia.

5.2.3. The Visegrad royal reunions, the entry of Central European states onto the international political stage

Charles Robert of Hungary gradually restored Hungary's sovereignty and ended political and economic anarchy, allowing the kingdom to become a key player in international politics by the 1330s. This success paved the way for the Visegrad royal summit in 1335 between Charles Robert, John of Luxembourg (Bohemia), and Casimir III (Poland). During this summit, Bohemia renounced its claim to the Polish throne in exchange for compensation, and trade routes were established to boost commerce between Hungary and the other two kingdoms (Engel et al., 2005).

The Visegrad meetings also addressed dynastic matters. At the 1339 Visegrad summit, it was agreed that Charles Robert's heir, Louis, would succeed to the Polish throne if Casimir III died without a son. This agreement opened the possibility of a union between Hungary and Poland, which was formalized in 1370 when Louis became king of both countries. Such unions were not uncommon in medieval Europe, as seen with the personal unions between Hungary and Croatia, the Iberian crowns of Castile and Aragon, and the Kalmar Union in Scandinavia.

The Visegrad summit marked Hungary's re-entry into international politics, and its effects were felt for decades. While the summit established Hungary as a strong regional power, the kingdom also maintained diplomatic ties with Poland, helping Casimir III in his efforts to unify and strengthen Poland through military victories and legal codification. Casimir's reign culminated in the prominent Krakow summit of 1364, which hosted many European rulers, demonstrating Poland's growing prominence.

In conclusion, the Visegrad royal reunions were pivotal in shaping Central European politics, fostering alliances, resolving territorial disputes, and enhancing trade.

5.2.4. The new king of Hungary: Louis I (the Great)

Louis I (the Great) of Hungary, despite not being the firstborn son, became heir after the early deaths of his brothers. Raised to rule, he observed his father's statecraft and military decisions, becoming a resolute statesman by the time he ascended the throne at sixteen. While his father excelled at diplomacy, Louis leaned more toward military campaigns, waging successful wars across Europe, from the Balkans to Italy. His campaigns in Naples, however, though militarily dominant, did not lead to lasting political success due to a combination of papal interference, international politics, and geographic challenges.

Louis' conquests were often undermined by external factors. In the Balkans, he briefly controlled northwestern Bulgaria but realized that governing distant territories with Hungarian lords was impractical. He then released the Bulgarian ruler Stracimir, who became a vassal. In Poland, Louis supported King Casimir III against Lithuania and other rivals.

Throughout Louis' reign, tensions with Venice over Dalmatian cities led to several wars. His victories, particularly during the Personal Union when his banner flew over Venice's St. Mark's Square, symbolized his power but did not provide lasting stability. His reign was marked by emotional decisions, such as his campaign to avenge his brother Andrew's death in Naples. His impulsive execution of Prince Charles of Durazzo and others, perceived as responsible for his brother's murder, turned public opinion in Naples against him (Dümmerth, 2003).

Domestically, Louis displayed gratitude toward his subjects for their loyalty during his military campaigns. After returning from Naples, he held a law day in Buda in 1351, confirming noble privileges and reinforcing the Golden Bull of 1222, which regulated the nobility's obligation to fight for the crown. He abolished taxes on southern nobles and codified the principle of "one nobility," ensuring privileges for the Croatian nobility who had long supported his family.

Diplomatically, Louis maintained strong relations with the papacy. Despite his earlier frustrations with papal decisions, he eventually benefited from Pope Urban V's support. This was crucial when Emperor Charles IV sought to interfere with Louis' claim to the Polish throne by proposing a marriage between his son and Casimir's illegitimate daughter. Urban V blocked the marriage and reaffirmed Louis' right to the Polish throne, cementing his succession.

In 1370, after Casimir III's death, Louis inherited the Polish crown under the treaty signed during his father's reign. His international reputation was solidified, and he became a key figure in Central European politics, respected as a statesman and ruler. Louis' reign marked Hungary's political and military rise, with significant influence across Europe. On 17 November 1370, Louis was crowned King of Poland.

5.2.5. Hungarian-Polish personal union - Lajos Nagy versus Ludwik Wegierski

When Louis I (the Great) of Hungary inherited the Polish throne through his mother's lineage, he faced significant challenges in winning over his new subjects. Despite his fluency in several languages, including Hungarian, French, and German, his refusal to learn Slavic languages created a barrier between him and the Polish people. Although Latin was the official language, it wasn't enough to foster a deeper connection with his subjects, especially in the politically divided Poland. Louis, accustomed to the centralized unity of Hungary, was unprepared for the distinct regionalism in Poland, particularly the divisions between Greater and Lesser Poland. His refusal to hold a second coronation in Gnezen, the capital of Greater Poland, offended local lords, setting the stage for tension (Szilágyi, 1895). Additionally, his decision to return quickly to Hungary and leave his mother, Queen Elizabeth, in charge, exacerbated Polish resentment. Elizabeth's administration, dominated by Hungarian officials, clashed with Polish nobility, leading to unrest (Bertényi, 1987). The situation culminated in violent riots in Krakow, where hundreds of Hungarians were killed (Bertényi, 2018).

Elizabeth's departure from Poland did little to ease tensions. Her replacement, László Opuliai, was quickly removed at the request of the nobility, and Elizabeth resumed control until her death in 1380. Following this, Louis appointed a council of regents led by the Bishop of Cracow, but discontent persisted.

Louis' foreign policy decisions further alienated the Poles. His renunciation of claims to Silesia and loss of territories such as Santok and Dresden weakened Poland's strategic position. Additionally, Lithuania and Mazovia grew stronger, while Louis attempted to sever the Russian principality of Halychi from Poland, deepening political fragmentation (Katus, 2001).

To win favour with the nobility and secure the succession of the House of Anjou in Poland, Louis issued the Privilege of Kassia in 1374, exempting the Polish nobility from state taxes in exchange for their support (Topolski, 1989). This move bought loyalty but further weakened the crown's authority. Historians view Louis' reign in Poland as a period where Poland lacked an independent policy, both internally and externally. Louis treated Poland as a part of his broader empire, using it as a pawn in his dynastic ambitions rather than fostering its sovereignty. His policies focused on securing his family's future rather than addressing Poland's needs.

In conclusion, Louis I's rule over Poland was marked by deep cultural and political divisions, resistance from the nobility, and a focus on securing the Anjou succession rather than uniting the kingdom.

5.2.6. Change management - a methodological overview

Change management, while both old and new, has evolved significantly over time with management. Early pioneers like Frederic Winslow Taylor in the late 19th and early 20th centuries laid the groundwork with scientific management aimed at improving production efficiency (Vaszkun, 2012). The movement reached a global impact (Vaszkun, 2014; Vaszkun & Tsutsui, 2012). Post-World War I, the focus shifted towards human resources and motivational studies, reflecting the growing complexity of organizational structures (Vaszkun, 2016). Kurt Lewin's 1947 model of change, a key milestone, introduced a three-step process for organizational transformation. However, independent studies on change management became prevalent only in the 1980s as businesses faced increasingly dynamic environments, demanding constant adaptation.

Change Management Strategies

Change management strategies are divided into several approaches, each differing in focus. Benne (1976) identified four primary strategies:

1. **Normative-reductive**: Focuses on cultural change through inclusion.
2. **Rational-empirical**: Assumes that if stakeholders understand the benefits of a change, they will support it.
3. **Action-oriented**: Emphasizes group collaboration in developing action plans.
4. **Power-coercive**: Involves a dominant coalition using rewards or punishments to enforce change.

These strategies can be used individually or in combination.

Change Process Models

There are numerous change process models, with the three most popular discussed here:

Lewin’s Three-Stage Model

Kurt Lewin’s 1947 model describes three stages of change (Lewin, 1947):

1. **Unfreezing**: Preparing the organization to accept that change is necessary.
2. **Changing (Moving)**: Implementing the change.
3. **Freezing (Refreezing)**: Ensuring that the change is solidified within the organization.

Lewin’s model emphasizes overcoming resistance and balancing forces that drive or hinder change. Although widely applicable, modern organizations may find its cyclical approach less relevant due to the constant need for adaptation in today’s fast-paced environments.

Kotter’s Eight-Stage Model

John Kotter expanded on Lewin’s framework, offering an eight-step model for managing change (Kotter, 2012):

1. Establish a sense of urgency.
2. Build a guiding coalition.
3. Develop a vision and strategy.
4. Communicate the vision.
5. Empower broad-based action.
6. Generate short-term wins.
7. Consolidate gains and produce more change.
8. Anchor new approaches in the culture.

Kotter’s model emphasizes the importance of sequential steps, likening it to Maslow’s hierarchy of needs, where each stage builds upon the previous one (Farkas, 2013). Skipping steps or incomplete implementation can hinder the change process.

Csedő and Zavarkó’s Integrated Model

The integrated model from Corvinus University of Budapest combines elements from various change theories (Csedő & Zavarkó, 2019; Csedő & Zavarkó, 2021). It consists of three main phases, each with four key activities, allowing flexibility in execution. This model does not enforce strict sequentiality between steps, recognizing that some activities may occur simultaneously or in reverse order, depending on the organization's needs. Unlike other models, implementation, monitoring, and maintenance are treated as a continuous process, not distinct phases.

These models of change management provide a framework for analysing historical events, such as the accession of Louis I to the Polish throne. By applying these theories, it becomes possible to assess whether Louis' actions or inactions contributed to the success or failure of his rule. In the next section of the thesis, I will explore how these stages of change unfolded during Louis' reign in Poland and evaluate their impact on his acceptance as king.

5.2.7. Organisational resistance and ways to deal with it

Resistance to change is common in organizations, even with well-managed processes (Vaszkun, 2013). Often, resistance arises when change threatens individuals' interests, is poorly communicated, or challenges the status quo. Leaders and change managers play a critical role in identifying and addressing this resistance. Kotter and Schlesinger (Asch, 1994) outline four main causes of resistance:

1. **Self-interest**: Fear of losing one's position or status.
2. **Lack of trust/misunderstanding**: Inadequate communication or unfamiliarity with the leader.
3. **Divergence of judgement**: Differing views on the necessity or goals of the change.
4. **Low tolerance for change**: Concerns about personal ability to adapt.

Wissema (2000) adds that fear is often the root of resistance, particularly when changes are significant, imposed quickly, or when employees fear loss of control. He emphasizes that organizational myths often fuel this fear.

Csedő and Zavarkó (2019) identify three additional sources of resistance:

1. **Technical resistance**: Preference for familiar processes.
2. **Political resistance**: Threats to existing power dynamics.
3. **Cultural resistance**: Conflicts with established norms and values.

To overcome resistance, Kotter and Schlesinger (Kotter & Schlesinger, 1989) propose six strategies:

1. **Information and communication**: Clear and honest communication about the change.
2. **Participation and involvement**: Involving stakeholders in the change process.
3. **Promotion and support**: Providing support to those affected.
4. **Negotiation and agreement**: Offering incentives for cooperation.
5. **Manipulation and co-optation**: Using influence to secure support.
6. **Implicit or explicit coercion**: Applying pressure when necessary.

Typical mistakes in change management include using outdated solutions, disregarding local contexts, ignoring core values, and pursuing rapid, large-scale changes instead of gradual ones. These errors often contribute to the failure of change initiatives. In the next section, I will explore whether such mistakes contributed to the resistance Louis I faced in his regency in Poland.

5.2.8. Learning organisation - organisational learning

The study of the learning organisations in the title is justified by the fact that the entry into force of the personal union was not the first increase in power and the acquisition of influence over significant territories in King Louis' practice as a ruler. In this context, it is a fascinating question whether the lessons of mistakes or failures that may have been made earlier were incorporated into later decision-making - and whether they were corrected to improve its effectiveness.

It is therefore worth defining the relationship between the two categories above. "A learning organisation is the end state of organisational learning, where the organisation has the capacity to continuously transform itself through the development and involvement of its members." (Csedő & Zavarkó, 2019, p.79) And accepting this, the definition of organisational learning used in our thesis is that "organisational learning is the process of improving actions through higher levels of knowledge and understanding." (p.79)

Argyris and Schön (1997) distinguish three forms of organisational learning as follows.

1. *One-loop learning*, where behaviour is corrected on the basis of mistakes, but the causes of the mistakes are not identified;
2. *Double loop learning*, where feedback is also given to the underlying concepts, changing not only the outcome but also the actions;
3. *Triple learning*, where the very reason for the existence of an organisation is questioned or redefined (in our example, a ruler exercising power in one country may aim to strengthen the country, but in the case of a ruler with several countries, the more important aim may be to inherit power over the whole empire for his dynasty).

In the next section, it is therefore necessary to analyse whether, on the one hand, Louis the Great had previously suffered any effects, disappointments or failures in a situation similar to the one we are examining, which could have led to the drawing of certain lessons, and whether, if they existed, these lessons later became an integral part of royal decision-making.

5.2.9. Examining Polish domination through change management

In this section, I combine the knowledge of the previous content units, i.e. I fill in the models of the theoretical change management part with the historical data presented earlier.

Change management strategies

I presented above two different demarcations that can be used to group change management strategies according to different criteria.

The first delimitation is categorised according to whether the change is managed centrally or locally. To classify Louis the Great's choices, we must see that the territories he ruled grew almost continuously during his reign and that he sought to make each province he acquired an integral part of his empire. It also follows, of course, that the establishment of the personal union, which brought about a considerable increase in territory, was not guided by any other intention, despite the fact that the personal union did not formally imply the incorporation of Polish territories into Hungary, nor the loss of their independence, nor any form of subjugation. In practice, however, the logic of

Louis's dynastic policy dictated otherwise.

Having opted for a strategy of centrally-led change management, with a desire for centralisation and standardisation, it has experienced the disadvantages of its choice of strategy, i.e. its stakeholders were far from being committed to the change that its accession to the throne brought, and its system of rule was far from flexible and swift. As a consequence, local centres of excellence that would have enabled a more efficient use of resources (political, military and economic) and would have provided stronger and more effective support for the ruler could not, of course, have been established.

The second typology also provides a framework for the division of change management strategies and, of the four categories mentioned, the decisions of the House of Anjou rulers can best be classified under the fourth, i.e. the strategy determined by power relations, since the first is based on involvement, which is not typically the case, the second is based on the rational self-interest of those involved, but the king who took the Polish crown in 1370 did not (especially at the beginning, when he came to the throne) set out sufficiently attractive values for this, while the third strategy is based on involvement, albeit through the implementation of group actions, work processes and projects. However, in contrast to the first three, the way in which it seeks to localise the dominant coalition and rely on them to control the country it has taken over, with their support, is clearly visible. It is true, it should be pointed out here that, although the Kingdom of Poland was legally united, it was not united de facto, and the Hungarian monarch who took the throne relied on the Lesser Polish nobility, and even alienated the Lesser Polish aristocracy with some of his initial gestures. In other words, especially considering that the centre of the Polish state was in fact the centre of the Greater Poland, while Louis was crowned in the Lesser Poland, the choice of strategy was not primarily a mistake, but rather a mistake in identifying the group he considered dominant, since the spectacular patronage of the Lesser Poland nobility aroused strong resentment among the Greater Poland nobility, which was inevitable in terms of both numbers and power.

The Polish reign based on Csedő and Zavarkó's integrated model

In this section, I will analyse the Polish reign of Louis the Great by applying the framework provided by Csedő and Zavarkó (2019), focusing on key categories relevant to leadership and change management. Although we lack direct evidence of the strategic methods used by Louis and his advisors, it is clear that his diplomatic corps had an established information-gathering network, evidenced by successful negotiations led by figures such as Miklós Kont. Louis also had practical knowledge of Polish affairs due to his military campaigns and close ties with Casimir III, giving him firsthand experience of the region.

Information sharing was likely limited to a narrow circle, with the ruling family keeping critical details close. Queen Elizabeth, who twice served as regent in Poland, might have been one of the few fully informed individuals. Hungarian diplomacy faced a significant challenge when the German-Roman Emperor proposed a marriage alliance that threatened the Visegrád Agreement. However, through considerable effort, the support of the Holy See was secured, ensuring the Polish throne's continuity under Louis's rule after Casimir's death. Despite having a wealth of information, Louis and his advisors seemed to override local conditions, imposing a top-down approach to the personal union between Hungary and Poland. This disregard for Polish traditions and interests contributed to the growing resistance. For example, Louis failed to create a willingness to change among the Polish elite, a critical oversight that would lead to further difficulties.

The creation of a dominant coalition is crucial in any change process. Louis sought to form one by relying on individuals with authority and expertise, but his coalition, primarily supported by his mother and a narrow faction of Polish nobles, lacked broad-based support. His decision to entrust his mother with Polish governance, thinking her Polish heritage would help, backfired. Elizabeth's difficult personality and reliance on Hungarian officials alienated the Polish nobility. The coalition's narrow focus on one region of the kingdom, while ignoring others, created deep internal divisions and weakened the overall effort. A shared vision for change, aligned with Polish core values, could have alleviated this resistance. However, Louis's approach prioritized unification and control from a position of power rather than fostering a partnership with the Polish nobility. His refusal to respect Polish autonomy, including his renunciation of Silesia, further alienated the Polish political elite, who had hoped to reclaim the territory.

As we move into the planning and implementation phase, Louis's leadership choices proved problematic. He entrusted operational leadership to his mother and later László Opuliai, but the transition of power was fraught with issues. During Elizabeth's regency, decisions were often stalled, with both the king and the regent deferring responsibility to each other. After Elizabeth's death, the creation of a three-member regency council did little to stabilize governance. Louis's personal involvement in earlier military campaigns suggested a more hands-on approach, but his absence during the critical period of Polish governance only deepened the sense of disconnect.

The communication of a new vision, a key area for successful change, was also a failure.

Louis communicated that Poland would fall under the Anjou crown per the Visegrád Agreement, but he did not frame this in a way that resonated with the Polish nobility. His limited time spent in Poland, combined with his focus on other parts of his empire, meant he failed to foster a sense of shared destiny with the Polish elite. As a result, key aspects of change management, such as multichannel communication and respecting the past, were neglected. The values that defined Casimir's reign, such as strong leadership and the consistent defence of Polish interests, were absent from Louis's rule.

Political support for Louis's regime was similarly weak. He misjudged the power of the Greater Polish nobility and the broader political landscape. His attempts to homogenize Poland through top-down policies only further alienated local stakeholders. Queen Elizabeth's autocratic rule and the Hungarian presence in Poland exacerbated tensions, culminating in the anti-Hungarian uprising in Krakow, which forced Elizabeth to flee. The lack of engagement with key Polish stakeholders left Louis without the political backing needed to enforce his rule effectively. Involvement of local stakeholders in developing an implementation plan was almost non-existent. Louis and his advisors relied on a narrow group of supporters, and as a result, the broader Polish nobility had little input in shaping the personal union. This lack of inclusion meant that Louis failed to build the broad support needed for the union to succeed.

By the time of implementation, monitoring, and maintenance, the failure to address key decisions had made it difficult to correct course. Although some attempts were made, such as the introduction of new incentives to calm anti-Hungarian sentiment, these measures were reactionary and did little to address the underlying issues. The privileges granted at Kassa to the Polish nobility were concessions made to quell unrest rather than steps toward building a unified state. While these concessions temporarily pacified the Polish elite, they ultimately weakened central power and laid the groundwork for future challenges to royal authority.

Quick victories, which could have solidified support for the personal union, were absent. Instead, the Polish people faced territorial losses, and Louis's decision to renounce Silesia further eroded his credibility. The sacrifices demanded of Poland were seen as too great, with little tangible benefit to the kingdom.

Monitoring of the change process was ineffective. Louis's absence from Poland and the reliance on a regency council meant that any intervention in the political process came too late, often in response to widespread unrest. The change of regents, such as replacing László Opuliai with a three-member council, was driven more by public anger than by any strategic decision-making from the king. Without effective monitoring, the change process faltered.

Ultimately, the goal of institutionalizing change and securing Anjou succession in Poland was only partially achieved. While Louis's daughter Hedvig eventually became Queen of Poland, it came at the cost of severing ties with Hungary. The union between the two kingdoms was dissolved after Louis's death, and the territories he ruled were divided between separate dynasties.

Louis's failure to secure long-term success in Poland can be attributed to his disregard for local political realities, his top-down approach to governance, and his failure to engage the Polish nobility in a meaningful way. His leadership choices, communication failures, and neglect of stakeholder involvement all contributed to the collapse of the personal union between Hungary and Poland. Although there were some successes, such as Hedvig's eventual ascension to the Polish throne, these were overshadowed by the deep divisions and unrest that marked Louis's reign in Poland. His failure serves as a case study in how poor change management, lack of local engagement, and failure to communicate a shared vision can derail even the most well-intentioned plans.

Organisational resistance and management

In discussing organizational resistance, I have outlined both Kotter and Schlesinger's (Sandell & Janes, 2010) and Wissema's models (Wissema, 2000). Here, I focus on Wissema's framework as it is easier to apply and overlaps with the former, ensuring no gaps in the analysis. Wissema's categories of resistance are clearly reflected in our historical example. First, Louis the Great, both in leadership style and actions, showed insensitivity to certain Polish groups, relying on regents rather than personal leadership. This created friction, as shown during the anti-Hungarian riots in Krakow, where over a hundred of Queen Elizabeth's entourage were killed by the enraged populace. Additionally, Louis had to contend with external threats, such as when Ulászló Weiss was invited by Polish factions to challenge him.

The personal union under Louis felt forced on the Polish people. While the succession of Louis was secured diplomatically after Casimir III's death, alternatives were largely negated by Hungarian diplomacy, with the Pope defending Louis's claim. The speed of the change further compounded resistance; Queen Elizabeth arrived at the Polish court within days of Casimir's death, and Louis was crowned just two weeks later.

Poles also resisted because of dissatisfaction with Queen Elizabeth's rule. Her difficult personality, compounded by the inability to make clear decisions, strained Polish relations. The Hungarian reliance on Lesser Poland's aristocracy also marginalized other noble factions, weakening support.

Organizational resistance factors are evident, particularly in the form of technical, political, and cultural resistance. Polish politics, after Casimir's reign, became subordinate to imperial Hungarian interests, creating a backlash against Hungarian dominance and resource redistribution. This intensified cultural resistance, as the dismantling of Polish political representation widened opposition to the changes.

The six strategies for dealing with resistance, outlined earlier, were poorly applied. There was insufficient communication to offer a compelling value proposition or show quick wins. Meaningful participation was lacking, with power concentrated in Hungarian hands. Negotiation was primarily manipulative, as seen in the Kassa negotiations where Louis placated Polish nobility by offering low taxes and promising Polish-born nobles in leadership roles—strategies that only worked short-term. Implicit coercion was also present, as the Anjou family's control, though legally justified, felt imposed.

In conclusion, mismanagement of resistance contributed significantly to Louis's failures in Poland, leading to recurrent crises and the eventual weakening of his position.

Typical errors

In the previous section, I identified four key errors in Louis the Great's governance in Poland. Each of these errors alone could hinder change, but their simultaneous presence almost guaranteed failure. When Louis realized his initial approach was provoking opposition in Poland, he sought to appease the nobility through the Kassa privileges, confirming their rights and reducing obligations. This echoed his earlier move at the 1351 Diet of Buda but differed in that, in Poland, he was attempting to secure the nobility's acceptance of his family's succession, not rewarding loyalty after a successful campaign.

Here, his first error: he applied an outdated solution to a new and unsuitable context. Louis viewed Poland as a unified province (Davies, 2006), ignoring its strong regional identities (Szokolay, 2006). He offended the nobility by refusing to hold a coronation in Gniezno, a key symbolic gesture for Greater Poland.

Second error: by ignoring the diverse nature of the country, he tried to impose unity rather than adapting to regional differences. The Kassa privileges also weakened central power, frustrating a nobility accustomed to an active foreign policy, especially after the loss of Silesia.

Casimir III had been a present, accessible king, while Louis governed from afar, often through regents, prioritizing Hungarian interests over Polish ones. Third error: his governance conflicted with Poland's values and political goals. Furthermore, his rapid one-step approach to change left no room for gradual adaptation, creating tensions and resistance (fourth error). As Ferenc Farkas notes, imposing a new culture too quickly can create organizational tensions and yield undesired results, a concept evident in Louis's Polish reign.

Learning organisation - organisational learning

It is important to consider research on organizational learning because Poland was not the first foreign territory where King Louis sought power. Examining whether he applied lessons from previous experiences can shed light on his decision-making in Poland. Organizational learning is defined as "the process of improving actions through higher levels of knowledge and understanding," (Argyris & Schön, 1997) so analysing relevant parallels, such as Louis's invasion of Naples two decades earlier, is valuable.

In Naples, Louis sought to avenge his brother's death without fully understanding local conditions. His actions—executing the Duke of Durazzo and dismissing the welcoming gestures of the Neapolitans—turned initial goodwill into hostility. This failure to account for local sensitivities foreshadowed his mistakes in Poland, where he similarly ignored local divisions and antagonized the nobility. A parallel case in Poland involves the privileges of Kassa, where Louis tried to placate the Polish nobility by replicating his earlier success with the Hungarian legislation of 1351. However, the approach failed due to the different political contexts. It is also worth noting that Louis reappointed Queen Elizabeth as regent despite her earlier controversial and ineffective rule, raising questions about whether this decision reflected a lack of organizational learning or historical necessity.

Louis's experience in Bulgaria, where he eventually realized that local involvement was crucial for maintaining power, partially influenced his governance in Poland. Although he relied on Hungarian regents, some local Polish leaders were involved. Overall, Louis's reign shows limited success in applying lessons from previous experiences, suggesting that organizational learning was either ineffective or incomplete.

5.2.10. Summary, final words

I aimed to explore in this essay how King Louis the Great, a significant figure in Hungarian history, became a rejected ruler in Poland and the reasons for his decline following the prosperous reign of Casimir the Great. I applied change management tools to the historical analysis presented in the first section. In the third part, I combined these disciplines to explain my research questions, using multiple analytical methods for a comprehensive understanding.

My goal was not to assess Louis's political achievements but to identify the factors behind his failure in Poland and explain the duality of his legacy as both Louis the Great and Ludwik Wegierski. From a change management perspective, Louis's government made several key mistakes during his accession to the Polish throne. They overlooked Poland's internal divisions, neglected Polish goals, and failed to recognize the need for Louis's personal involvement. This lack of engagement led to a sense of subordination among the Polish nobility and the outbreak of anti-Hungarian rebellion in Krakow.

Despite viewing Poland as a unified state, Louis deepened regional divisions by relying on the Lesser Polish nobility, further alienating other factions. His primary goal—securing the Polish throne for his dynasty—was only partially achieved. Although his daughter Hedvig became queen, strengthening Polish-Lithuanian ties, after Louis's death, his territories were no longer united, and the vision of a unified empire was never realized.

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5.3. Corporate governance and international management (Zoltán Csedő and Máté Zavarkó)

5.3.1. Introduction

Corporate governance systems fundamentally impact firms' performance, e.g., through orienting corporate strategies or monitoring functions, the national or regional patterns of corporate governance codes and impacts could vary, though (Troilo et al., 2024). Cultural and industrial contexts of different regions and corporate governance systems could determine the forms of efficient and effective international management tools (Vaszkun & Koczkás, 2018), e.g., for internal communications (Sinitsyna et al., 2024), human resource development (Zavyalova et al., 2018), improved competitiveness (Stocker & Várkonyi, 2022), internalization (Szabó, 2023), or directing already international companies (Dobák & Tari, 2021) or international new ventures (Stocker, 2019).

Nevertheless, maintaining or increasing economic growth through these tools, i.e., increasing shareholder value is often challenged by the goal of mitigating climate change, which is a global issue (Astuti et al., 2024). Accordingly, sustainability and stakeholder perspectives affect many areas which must be directed and controlled at the corporate governance level, such as business models (Csedő et al., 2024), strategic ambidexterity (Magyari et al., 2023), or new technology development and innovation directions for green transformation (Csedő et al., 2023; Magyari et al., 2022). Consequently, understanding the underlying concepts and factors of international corporate governance systems is necessary to find efficient management tools for balancing shareholder and stakeholder interests.

At the international level, three different basic types of corporate governance can be distinguished according to the external institutional background of corporate governance, mainly due to legal and cultural factors:

1. Anglo-Saxon (predominantly UK, USA) corporate governance system (Mueller, 2006),

2. Continental European (predominantly German) corporate governance system (Du Plessis et al., 2017),
3. and in many ways a different, more relationship-oriented and less rule-oriented corporate governance system in Asia (Koczkás, 2024).

The basic context of the institutional framework for corporate governance can be understood based on the Anglo-Saxon, shareholder-based (outsider-oriented) and continental European, stakeholder-based (insider) model; what is more, synthesising opposing approaches is also a major advance in management and organisational theory.

In this chapter, first, the shareholder-based system, and then the stakeholder-based model will be discussed. We will then provide an insight into the diversity of international corporate governance systems. In addition to the specific features of corporate governance in Southern Europe and the Far East, we will also discuss the possible convergence of the international institutional framework and its management implications.

5.3.2. Shareholder-based corporate governance system

Ownership structure

The shareholder-based system is typical in the United States of America and the United Kingdom, but it is also dominant in Australia and New Zealand. Traditionally, in the Anglo-Saxon system, shares of companies were held by a variety of actors, but nowadays an increasing proportion of shares are held by institutional investors such as insurance companies, pension funds and investment funds. In parallel with the growth of institutional investors, the highly diversified shareholding structure has started to consolidate in recent decades. Regarding the ownership structure of public companies, a significant proportion of shares is now concentrated in a few institutional investors. Institutional investors have a responsibility to manage the financial assets they manage in such a way as to ensure that the beneficiaries receive the maximum return available. While previously they have been trying to achieve this goal only with a diversified portfolio (by owning shares in many companies with different profiles) and less impact on corporate operations, recently they have been increasingly active in the latter area. Active participation in corporate governance is rising due to voting rights based on the increasing number of shares owned. Voting rights are realized by the institutional investors' investment managers or portfolio managers. Portfolio managers deal with several companies at the same time, so portfolio managers must be informed, communicate with the company directors, monitoring the performance of the directors and the company, for example by proposing new directors or acting as a proxy for other shareholders. (Clarke, 2017; Bebchuk et al., 2017)

Compared with the stakeholder-based system, where banks play a dominant role in the ownership structure and corporate financing is often provided through bank loans, the Anglo-Saxon system has traditionally had more developed securities markets. As a consequence, bank loans are less common and financing comes mainly from shareholders.

Information and shareholder behaviour

Anglo-Saxon corporate law puts the interests of shareholders first, and the prevailing view in the US is that companies are essentially subordinate to the interests of the owner. For example, shareholders in Anglo-Saxon systems usually have a formal right to appoint members of the board of directors or to decide on major issues affecting the life of the company.

This power in practice is not typically exercised by investors, partly because of a fragmented ownership structure and partly because of better-informed (and assertive) management. The response of shareholders when they disagree with the management of a company is rather to sell their shares, thus, affecting the share price and indirectly the performance of management and the company. Consequently, in the Anglo-Saxon systems, the success of the company and its management is intertwined with short-term profit maximisation. Corporate governance decisions favour choices that maintain or increase the level of earnings and share price in quarterly and annual reports. (Salvioni et al., 2016)

The laws regulating the securities market generally emphasise the protection of the interests of minority shareholders, in particular, by guaranteeing minority shareholders' access to information. In the Anglo-Saxon system, strict requirements were introduced for the continuous disclosure of corporate information, to ensure that the market is properly informed about companies' activities. This is essential in market-based corporate governance systems because, in a dispersed ownership structure with a large number of investors, investors need reliable and relevant information to make the right investment decisions. Regulation for all investors aims to create equal access to information and avoid that a few majority, privileged owners exclusively access to corporate data and thus, be one step ahead against the other owners. (Clarke, 2017)

One-tier governance system

In the Anglo-Saxon model, there is a one-tier governance structure, where the unitary board is responsible for overseeing the company's operations in the interests of shareholders. The Board of Directors (headed by the president) does not deal with day-to-day operational decisions, this is the responsibility of management (headed by the CEO). The main difference between one-tier and two-tier governance systems is that while decisions and monitoring of decisions are integrated in the former (which requires external directors to be on the board), this is separated in the two-tier system. The literature is not consistent in its use of the terms board or management board. In this study, this governing body of the one-tier governance structure is called a board of directors, and we use the terms management/executive board and supervisory board in the case of the two-tier system. This can be linked to the divergence of traditional approaches, since the stewardship theory presented earlier suggests that directors will not misuse their information surplus opportunistically, even if they are not supervised by an external body; whereas the agent theory suggests that this is a serious risk. (Yasser et al., 2017)

One of the problems with the Anglo-Saxon system is that management, which is supposed to be lower down the formal hierarchy, is often more dominant than directors. Although the regulations require a majority of non-"manager" (non-executive, i.e., external) directors to ensure management accountability, external directors generally do not have the time, knowledge and experience to perform this role properly.

Maintaining this status-quo is the interest of the current management, and sometimes external directors even feel under pressure to identify with the values of the company and senior management. To remedy this problem, a solution that started to spread in the 1980s was to have only external directors in the various committees of the board to discuss certain cases, including the review of annual reports and management (e.g., audit committee, remuneration committee, nomination committee for the election of board members and management). In many companies, the dominance of management is still present, whether because of informal power or formal power, for example, if the CEO is also the chairman of the board. (Clarke, 2017)

Some failures of US corporate governance and responses

In the 1990s, this power of management was coupled with an extremely dangerous trend: public company management became increasingly focused on increasing share prices, as it serves the interests of shareholders and, in a share-price-linked remuneration system, the interests of managers themselves. At the same time, less attention has been paid to improving production in the longer term (Kantár, 2019). However, the stock price was sometimes driven up only by fraud, causing the biggest bankruptcies in US history. After the Enron debacle, several other investigations revealed irregularities in accounting practices and/or conflicts of interest at other leading companies (Unerman & O'Dwyer, 2004). These corporate governance failures have contributed significantly to the volatility of the international securities market and have led to a significant loss of confidence in accounting practices. But this was not the end of the series of major failures, with the collapse of Worldcom in 2002 being even bigger than the fall of Enron. In response to these frauds, the US passed the stringent Sarbanes-Oxley Act, which included external and internal compliance requirements and made the protection of investors' interests more assured and verifiable by requiring and strengthening, for example...

1. the personal responsibility of the CEO and the CFO for the financial data,
2. the wider range of data to be disclosed,

3. the need for an audit committee,
4. the independent audit. (Kantár, 2019)

However, corporate collapses and governance failures are not only caused by or can be caused by fraud and breaches of conflict of interest rules. A critical corporate governance function is also risk management, which was partly responsible for the onset of the 2007-2008 financial crisis (along with other macroeconomic factors such as loose monetary policy). During the financial crisis, many financial institutions failed (or had to be rescued by national governments). Several studies have shown that risk management at the corporate governance level and the funding mechanism had a profound impact on how a financial institution was affected by the crisis. Empirical studies suggest that crisis management requires specific corporate governance practices in several aspects.

1. In the evolution of corporate governance, both regulators and researchers have stressed the importance of having as many external directors as possible in the independent audit, for example, during the financial crisis, more independent boards fared worse, as external directors were more inclined to encourage capital increases. In the end, the crisis meant that capital increases effectively led to the transfer of assets from shareholders to creditors.
2. Ownership dominated by institutional investors was also harmful for companies, as those companies took more risks before the crisis than where institutional ownership was less strong. (Erkens et al., 2012)

It is important to see that it is the responsibility of the directors at the top to determine the strategy and thus the actual level of risk-taking, which is a serious challenge, also because they should (should have) resisted pressure from investors while receiving their mandate from them.

The UK and the Cadbury reforms

The UK, as another pillar in the development of Anglo-Saxon corporate governance, also faced some of the systemic problems experienced in the US in the second half of the 19th century, including:

1. Poor accountability of management performance by the board,

2. Excessive increases in management pay, despite the fact that the performance of UK companies tended to decline in the 1970s and 1980s.

Corporate governance practices needed systemic reform, especially because in 1991, for example, more companies went bankrupt even though finances were on a sound basis, according to audit reports (Maxwell Communications Corporation, Bank of Credit and Commerce International, Polly Peck). The recommendations have also been implemented by the London Stock Exchange, requiring public companies to comply with the recommendations or explain the reasons for the deviation and to disclose this in their annual report. To solve the problems, an independent committee was created, led by Sir Adrian Cadbury, which resulted in the report that still defines corporate governance practice today, the Cadbury Code of Best Practice. The authors have collected and developed a number of good practices and proposed the principle of "comply or explain": if a company does not follow the recommendations, it must explain why. The majority of companies have adopted the recommended practices, the core elements of which also include a large number of organisational and management recommendations. (Cadbury, 1992)

It is clear that Cadbury's recommendations relate primarily to the selection and conduct of external directors, who, as independent actors

a) can judge the work of management (and thus internal directors),
b) can assess the performance of the company,
c) they are given enough leeway to do this, for example in the audit committee.

The recommendations were also a response to the problems of the Anglo-Saxon one-tier corporate governance system, such as the management-dominated board of directors, the lack of substantial director control, and the a passive director role, which led to the corporate and economic collapses described earlier. Finally, it is worth noting that the Anglo-Saxon system has made advances in stakeholder view as the 2006 Companies Act introduced the so-called "enlightened shareholder value" (ESV). Accordingly, directors' good faith activities are aimed at ensuring the success of the company in line with the interests of shareholders, while other stakeholders, such as employees and the interests of consumers should also be taken into account (Keay, 2019).

5.3.3. Stakeholder-based corporate governance system

Funding

In the European stakeholder-based approach to corporate governance, the banks and the business networks have a more important role, than in the Anglo-Saxon system. At the same time, it is also important to note that institutional investors do not dominate in Europe and that Anglo-Saxon pension funds and investment funds are less common on the continent. Funding is mostly provided by banks and debt-to-equity ratios are high. The banks as financiers and as owners in general help keep the company survive, planning for the long term, as they have an interest in the company repaying the loans it has taken out. At the same time, compared to the market-based system, the stakeholder-based system ownership structure is much more concentrated, and the main shareholders have traditionally families, financial institutions, and very often other companies for example, through a holding company or cross-ownership. (Aguilera & Crespi-Claderac, 2016)

Emphasis on stakeholders' perspectives

Although the 1990s saw the strengthening of the stock market in Europe, and the rise of shareholder value creation, traditional practices still dominate. Notable among these is the fact that, compared to the Anglo-Saxon system, corporate governance practices better reflect the interests of a much wider range of stakeholders, including: employees, the partner companies, consumers, local communities, the banks, the government. Most European countries' corporate governance systems place a strong emphasis on the interdependence and interconnection between four key elements. Compared to the Anglo-Saxon model, employee representation is much more dominant in continental European corporate governance. (Du Plessis et al., 2017) For example, in Austria, Denmark, Germany, Luxembourg, and Sweden employees can delegate members to the supervisory board above a certain number of employees. In this stakeholder-based corporate governance model, power is widely shared. As we have seen, the ownership of the management and control are also separated, and in addition to the employees, other stakeholders such as representatives of suppliers, customers and banks are often involved in decision-making. This 'balancing' role of corporate governance between stakeholder interests is critical because different stakeholder groups have very different interests. For example, while shareholders would like to see costs reduced and even personnel costs frozen, there is constant pressure from employees to increase wages. The situation is further complicated by the fact that reconciling the interests of stakeholders can be difficult not only because of inter-stakeholder conflicts but also because of intra-stakeholder conflicts. (Carney et al., 2011)

Two-tier corporate governance system

The stakeholder-based model has a two-tier governance system

a) with an Executive Board, which manages the company's operations and makes decisions at the highest level with internal members; and
b) a Supervisory Board, which has external members to oversee the company's governance, and management, ensure accountability and provide professional advice to the board, but cannot independently manage the company. The members of the executive board are usually appointed or removed by the supervisory board, while the members of the supervisory board are elected by the general meeting of shareholders. The supervisory board often includes representatives of banks and other companies in inter-organisational networks. (Angyal, 2001; Auer, 2017)

While in the case of the unitary board, the regulators emphasize the number of external directors and independent supervising, the two-tier system separates the management and supervision functions within the organisation. The differences in structure lead to different strengths: while the one-tier system gives an excellent opportunity for efficient information flow between directors and management (executive directors), the two-tier system separates more the control from management itself. (Clarke, 2017)

The dominant role of majority owners and the risks of the system

In the continental European system, companies are usually owned by old and large investors who protect hostile takeovers (which is more common in a shareholder-based system, for example, due to fragmented ownership). It is also a defence mechanism that company information is not disclosed in such detail as in a shareholder-based system, so information is exchanged much more selectively, rather only between insiders. But it also follows that the minority shareholders are not protected by publishing information widely. As majority shareholders are often closely linked to management as members of the executive board or supervisory board, the risk of collusion is relevant. So, the development point of the European system is clearly the protection of minority shareholders. This is currently handled in the following ways:

a) Where there are several classes of shares, one group of shareholders may have more voting rights than others or may have a decisive influence on the outcome of a vote.
b) Minority shareholder groups can agree with each other to form a majority.

The active role of majority owners in corporate governance and their close relationship with management also highlights the fact that addressing management opportunism is less of a pressing problem in Europe, as ownership control is much closer to operational control than in Anglo-Saxon countries. It is also important to note that not only the ownership structure but also the "type" of owners is also decisive in the success of the company, especially in Europe, where there is usually a concentrated ownership structure. For example, companies with a majority of shares in family ownership are less likely to invest in research and development, as they have a lower risk appetite. Investment in innovation has also been adversely affected by the emergence of foreign investors, and investment funds, in the ownership structure of some European companies, as they have "brought with them" the need to focus on the short term from overseas. (Munari et al., 2010)

In countries with a stakeholder-based corporate governance system, such huge failures experienced in the Anglo-Saxon type system have not happened in recent decades (but neither has the growth that Tesla has shown in the US, for example). The Volkswagen scandal in 2015, however, highlighted the need to address the development potential of stakeholder-based corporate governance as well, beyond the protection of minority shareholders. (Crête, 2016; Li et al., 2018)

5.3.4. Other types of international corporate governance systems

The two basic models presented in international practice vary in appearance. Even continental Europe is not entirely homogeneous from the point of view of corporate governance, as legal systems are influenced by different cultural, political and social traditions. For example, in Germany, there can only be a two-tier board, while in Portugal, Belgium, Italy, Sweden and Switzerland some internal directors (who are also executive directors) can be part of a supervisory board of external (non-executive) members. In the following, insights into corporate governance in Southern Europe and the Far East will be provided.

Latin-type corporate governance

Latin-type corporate governance is predominant in Italy, France, Belgium and Spain (Weimer & Pape, 1999). This approach differs from the traditional German model, as

a) there is a very strong network orientation between companies,
b) ownership by predominantly public, family, or industrial groups is common,
c) high concentration of ownership provides protection, stability, and long-term orientation,
d) there is an emphasis on continuous capability development, which has led companies in some industries to become highly competitive internationally (e.g. high-tech train manufacturing in France, fashion items in Italy),
e) the system, which is based on networked and often pyramid-like corporate structures, has weak accountability and transparency requirements and is a barrier to the emergence of a developed stock market and to foreign investment. (Clarke, 2017)

Another illustration of how the Latin-type system differs from what has been discussed so far is that in Spain, for example, ownership is very concentrated and the owners themselves can control the company (i.e., there is less separation between ownership and control, more in line with continental Europe), but there is a one-tier corporate governance structure (more of an Anglo-Saxon corporate governance feature). (Ruiz-Barbadillo et al., 2007)

However, Latin-type corporate governance cannot be considered as completely homogeneous. In France, for example, the choice between a one-tier and a two-tier system of corporate governance has been possible since 1966. (Belot et al., 2014)

Corporate governance in the Far East

While both shareholder-based and stakeholder-based corporate governance systems can be described as a "rules-based" approach, corporate governance in the Far East can be rather characterised by building on relationships (i.e., relationship-based approach). This is because, in East Asia, despite the rich cultural diversity similar to that in Europe, it is typical that

1. most companies have a single dominant majority owner, concentrated ownership, very few large owners,
2. the company is controlled by one family, with frequent overlap between family ownership and family control,
3. there are business (inter-organisational) networks closely embedded in the local society, including creditors, customers, and suppliers,
4. the company often has close links even with regulators and public authorities,
5. state ownership is also decisive, as is direct political influence on the selection of managers,
6. the use of qualified managers in top management is relatively rare. (Globerman et al., 2011; Vaszkun, 2013)

Specifically, Japanese corporate governance is considered by some researchers to be the fourth basic model, alongside Anglo-Saxon, German, and Latin. In this governance structure, in line with the above list, the predominance of informal relationships makes it similar in practice to the Anglo-Saxon one-tier board structure, despite the existence of an office of representative directors and an office of auditors in addition to the board of directors. (Weimer & Pape, 1999)

Based on the above, the separation of ownership and control, which defines Western corporate governance thinking, is not fully interpretable in Asia. Control is exercised by the majority owners, and therefore, corporate governance mechanisms in the Western sense are also traditionally informal and weak. The board has no real power, and even filling directorships are often rather symbolic, and the chairman of the board is sometimes not controlled by anyone in Far Eastern companies. Despite all these weaknesses, the region has shown exceptional economic growth in the second half of the 20th century, as there are cultural differences in the background of the corporate governance system which can seem weak from a Western, European perspective. In addition, leadership practices are also influenced by Eastern ideologies such as Confucianism, Daoism, or Buddhism (Koczkás, 2023; Vaszkun et al., 2022; Vaszkun & Koczkás, 2018; Vaszkun & Saito, 2022).

1. For example, the principal-agent conflict and the phenomenon of opportunism that dominate Anglo-Saxon thinking are not relevant because the interests of the individual are usually subordinate to those of the community in Far Eastern cultures (and therefore the interests of the company). (Vaszkun, 2013)
2. In the case of relationships, the power of the superior over the subordinates is typically not questioned, and the supervisor always takes care of his subordinates. (Angyal, 2001)

The growth was followed by a systemic financial crisis (sweeping through countries such as Indonesia, Malaysia, Singapore and South Korea) caused by a loss of trust in financial markets and against those corporate governance practices, which was characterised at the time by crony capitalism, opaque accounting and audit systems, and often excessive intertwining of state and business relations. In other respects, the protection of small shareholders from majority shareholders has also traditionally been weak in Far Eastern corporate governance, which has also had an impact on the rapid decline in share prices. In the aftermath of this crisis, the export-led recovery eventually led to a boom that meant that Far Eastern markets were less affected by the 2007-2008 global financial crisis.

(Vaszkun, 2014) There have also been corporate governance reforms (e.g., in Japan and China) that have started to integrate elements of the Anglo-Saxon approach (e.g., improving transparency), but the fundamentally different cultural and institutional backgrounds are clearly limiting. (Clarke, 2017; Johnson et al., 2000)

5.3.5. Convergence debate and management implications

Globalisation, and thus the international integration of product and capital markets, foresees a convergence of corporate governance systems, whereby a stakeholder-based system could increasingly become a shareholder-based system, or vice versa. Although the convergence debate has been going on in professional communities for decades, driven by the idea that the more economically competitive system will eventually converge with the less competitive model, the regulatory changes have been aimed more at promoting the efficiency of the system and legitimacy in the capital markets, but no significant convergence has occurred. While those arguing for convergence say that the globalisation of markets makes the changes necessary globally towards shareholder-based Anglo-Saxon corporate governance, others, given the serious cultural differences, consider unrealistic the viability of just one model in the world (Yoshikawa & Rasheed, 2009; Ntongho, 2016). Even if the vision of a single system can be not fulfilled, the choice between a one-tier and a two-tier corporate governance structure is now possible in several European countries: Bulgaria, Denmark, France, The Netherlands, Luxembourg, Hungary, Italy, Portugal, Romania, Slovenia) (Belot et al., 2014).

Regarding the two fundamentals models, the main difference between shareholder-based and stakeholder-based corporate governance systems is that while stakeholder-based practices emphasise cooperative relationships and consensus building, shareholder-based systems are more competition- and market-driven (Nestor & Thompson, 2000). The difference between these two corporate governance systems is partly based on the underlying cultural differences, (Breuer & Salzmann, 2012). One should also note that there are differences within continental Europe as well, for example, French corporate governance - situated between the basic Anglo-Saxon and

German models (literally) - has long given companies a lot of flexibility to choose between a one-tier and a two-tier structure (Belot et al., 2014).

From a management and organisational theory perspective, corporate practices relating to one or other corporate governance system are usually taught together in textbooks, and the research often drafts attention to the need for parallel, often conflicting features of corporate governance systems:

1. Organic growth is often favoured by financial markets (Dalton & Dalton, 2006), and while acquisitions and mergers often fail, they can be beneficial if the right strategy is in place:
    a. if there is no complete transformation of the core business, a company must be acquired which have the resources the company needs, these must be used to strengthen the core business and to wind up the business of the acquired company.
    b. If there is a complete transformation of the core business, the existing core business must be transferred to the acquired company, relocated the most valuable resources and used there. (Christensen et al., 2011)
2. In making strategic decisions, the interests of the owners (shareholders) and the other stakeholders must be taken into account. (Tricker, 2012)
3. According to the theory of strategic ambidexterity, companies should operate efficiently in their current business areas, focusing on the short term, (exploitation), and at the same time, renew their activities, and innovate, for long-term effectiveness (exploration). (Duncan, 1976; March, 1991)
4. In terms of innovation, opposite effects prevail in both systems:
    a. In a market-based system, the short-term orientation does not encourage firms to invest in risky, high-uncertainty innovations that may generate competitive advantage only years later, but the highly competitive environment provides an incentive for rapid innovation;
    b. The long-term orientation of the stakeholder-based system allows for investment in innovation, but there is no competitive pressure on companies to do so anyway. (Csedő & Zavarkó, 2021)

5.3.6. Conclusions

Based on the analysis, shareholder-based and stakeholder-based corporate governance systems are different from multiple perspectives, for example, regarding the dominance of financing mechanisms (stock market-based or bank-based), the number of shareholders, and cultural values (e.g., excellence and autonomy or harmony and embeddedness). These differences affect international management tools as well. For example, mergers and acquisitions are more frequent in the shareholder-based system, while organic growth is more emphasized in the stakeholder-based system. Nevertheless, both emphasise external legal and market rules as well as internal, organisational rules, unlike the more relationship-based Far-Eastern model. Consequently, in both rule-based systems, external legal and internal policies can be key drivers for the board of directors to integrate stakeholder and sustainability perspectives into corporate governance decisions. Future research could explore how pressures from the market, investors, state administration, and other stakeholders affect corporate governance decisions concerning sustainability ambitions in different international contexts.

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6. PATTERNS AND FUTURE TRENDS IN INTERNATIONAL BUSINESS STUDIES

6.1. How do international business studies develop? Inspiration from non-mainstream publications moves the discipline forward (Henriett Primecz)

6.1.1. Introduction

Publications published in leading business and management journals are expected to make a contribution to existing knowledge: theoretical, empirical or methodological contributions. When authors fail to prove their contribution, submissions are rejected, and they do not have a chance to be published. Many academics have learned to formulate their arguments to convince editors that their articles have significant contributions, but in certain cases, they are just rhetorical solutions. How do we know which studies make a contribution in the long run? Citations are one of the most important indicators of whether an article had an impact on the field. When a study is cited, we assume that the content is important enough that many scholars connect their arguments to the well-cited articles. Which articles really move the field? This is more difficult to evaluate. Arguments debated and approved by scholars can be one possible criterion, and this can be still measured by the number of citations.

Studies in business and management are dominated by mainstream functionalist publications, and publications from other paradigms are more sporadic. It is often assumed that the large majority of articles, which are mainstream functionalist studies, are moving the field forward. It is also assumed that normal science in business and management is functionalist, and alternative paradigms represent minority – and consequently insignificant – opinions, as they are expressed by small and isolated academic communities, while mainstream functionalist studies are wide-spread and form the overall thinking in research in the field of business and management. In this article, I argue that non-mainstream publications have influenced the academic debate significantly, at least in international business. I use the example of language in international business as a topic to show how a new theme has emerged and grown in international business and what was the role of non-mainstream articles in this process.

In this article, three paradigms (functionalist, interpretive, and critical) in the business and management field are presented. Then four special issues in language management and related articles are reviewed. Based on the in-depth analysis of 37 articles published in special issues in International Studies in Management & Organization, Journal of World Business, Journal of International Business Studies, and International Journal of Cross-Cultural Management, eight key articles were identified, which were quoted by more than ten articles from the 37 investigated studies. The eight key articles represent three paradigms, and relationship analysis among the articles proves that non-mainstream publications were more influential in language management, and they moved the field forward. This finding eventually proves that non-mainstream articles are not isolated, rather they are the engine of scientific discoveries. They contribute to research significantly, and they overtake mainstream articles in citations.

6.1.2. Positivist, constructivist, and critical paradigms in International Business

Unlike natural science and social science, business and management studies – including organizational studies, international business, international management, cross-cultural management, (international) human resource management, etc. – are paradigmatically divided (Burrell and Morgan, 1979; Primecz et al. 2009; Romani et al. 2018a, Romani et al. 2018b, Primecz, 2020). There are several parallel research paradigms in which researchers conduct their studies. The dominant paradigms are positivist (functionalist), interpretivist (constructivist), and critical paradigms, among which positivism dominates international business and related fields (Primecz, 2020).

Positivism (Donaldson, 2003) is often referred to as functionalism (Burrell and Morgan, 1979). It follows natural science as a role model. They assume that causal relationships can be identified between dependent and independent variables of investigated phenomenon by statistical-mathematical methods, and the aim of researchers is to find law-like relationships among concepts of a phenomenon. Quantitative methods (e.g.: Vaszkun & Saito (2022) or Vaszkun (2013)) dominate positivist studies, but it is possible to conduct qualitative research in positivist manner (Vaszkun et al., 2022), when qualitative data is the basis of models which claim to be generalizable and universal (Gephart, 2004). Grounded theory method, which is a qualitative method, is often used in a positivist way (Charmaz, 2005). Positivist theorists tend to develop generalizable models of human activities. They assume value free science, as they argue that they distinguish between facts and values, and researchers have to be value free and independent of their investigated phenomenon. Theories are to be developed in order to help decision-makers (e.g., managers) be more effective in their work and improve the quality of their decisions (Donaldson, 2003). The theoretical concerns of a positivist researcher are relationship, causality, and generalizability. Empirical evidence is the base of constructed theories in the positivist paradigm. The difficulty lays in discovering cause and effect relationships that lay deep in the structure and not on the surface (Donaldson, 2003).

Hofstede (1980), GLOBE study (House et al. 2004), and Schwartz (1999) models fulfil the requirements of positivist research. Beyond the seminal works of Hofstede and GLOBE, positivist studies dominate the field of international business. Knowledge transfer within MNC is often investigated by causal relationships (e.g., Liu & Meyer, 2020). Comparative case studies among subsidiaries which measure performance indicators (Barron et al., 2017), quantitative text analysis about emerging market multinationals (Kotabe & Kothari, 2016), or a grounded model of offshoring strategy and motivational drivers amongst onshore and offshore employees (Zimmermann & Ravishankar, 2016) are typical examples of qualitative data collection that resulted in a positivist research outcome. At the same time, the majority of published empirical studies in international business are quantitative. For example, Zhou & Wang (2020) present a study of foreign subsidiary CSR as a buffer against parent firm reputation risk by applying multi-variant statistical analysis with a dataset that covers the social activities of the foreign subsidiaries of large MNEs in China. Approximately 80% of the published articles in the Journal of International Business Studies are quantitative; while approximately 65% of the published articles in the Journal of World Business are also quantitative. Theoretically, quantitative analyses can be in any paradigm, but in practice they belong to the positivist paradigm without exception.

Interpretive studies build on the argument that there is a fundamental difference between natural sciences and social sciences, which is that objects of scrutiny in natural science do not think anything about the research phenomenon, so they can be investigated quasi independently; while in social science, the objects are human beings who have their own opinions about research and consequently cannot be investigated independently (Hatch & Yanow, 2003). Therefore, interpretive scholars do not consider natural science to be a role model, and they argue that this fundamental difference between the two genres of academic research indicates that social scientists need to develop distinct research methods which fit to investigation of human beings. In this sense, a large part – if not the whole – of international business falls into the social science category, as objects of inquiries are directly or indirectly people, decision-makers, managers, employees, customers, etc. Hatch and Yanow (2003) also point out that ontological debate between philosophers dates back to ancient times, and the recent turn to hermeneutics, phenomenology, and language itself has a few thousand years legacy. Schwandt (2005) denotes that interpretive tradition emphasizes Verstehen (understanding), while constructivism's major concern is the social construction processes. This indicates a certain overlap of the two twin-schools. Even though they can be defined as distinct paradigms, many scholars consider them to be one paradigmatic camp (Primecz, 2020).

Even though positivism dominates international business, studies concerning culture and language often fall to the interpretive paradigm (Primecz et al. 2009). Geertz's (1973) seminal work is a milestone in cultural studies and the landmark in the interpretive paradigm. Even though the proportion of qualitative studies in international business is relatively low, a considerable part of these qualitative works is interpretive. Barmeyer et al. (2019) proves that interpretive publications in cross-cultural management are in the minority, but they have a slight growth. It is even more remarkable that investigations aimed at language usage in international business have a considerable interpretive presence. Further interpretive studies can be identified in subsidiary-headquarter relation investigations (e.g., Ambos et al. 2020), trust dynamics between cross-border partners (e.g. Couper et al., 2020), single case studies about the emergence of neo-global corporations (e.g., Mees-Buss et al., 2019), innovation and internationalization processes (Kriz and Welch, 2018), compensating international mobility (Bonache and Zárraga-Oberty, 2020), knowledge transfer (e.g., Duvivier et al. 2019), SME internationalization beyond exporting (Stoian et al. 2018; Szabó, 2023), and many contextualized cases (e.g., Parente et al., 2019, Xing et al., 2020, Mahadevan 2012). Ethnographic studies are more and more common in international business (e.g., Moore, 2020, Mahadevan, 2012, Alberti and Danaj 2017, Charleston et al., 2018) and netnography (Moore, 2020).

The major concern of studies in the critical paradigm is about social justice, inequalities, and fairness. The publication of critical management studies (Alvesson and Willmott, 1992) sets the scene. Fournier and Grey (2000) stated "something wrong with management". There are systematic inequalities in societies and their presence is even larger in organizations (Vaszkun, 2012, 2013). Critical management studies (CMS) is often considered to be an umbrella term for works with fundamentally different epistemologies and ontologies. Adler (2002) lists Marxists, post-Marxists, post-modernists, feminists, ecologicals, irreductionists, critical-realists, and post-colonials as possible critical scholars, but they are not limited to them and any academic study which questions that organizations are to follow narrow aims and pursue profit at the expense of larger societal and human benefits. Theories which questions the present societal status quo—namely, consumption society, capitalism, and the present world order— (Wallerstein, 1991) fall into this category. Critical scholars want to understand and change the oppressive nature of our contemporary management, business system, society, and organizations. The power-laden mechanism of production and control (Willmott, 2003) are uncovered and detected in order to be changed in the future. Critical scholars question value free science, as it is impossible. Anyone who claims to be value free is naïve or cynical in their eyes.

International business is exposed to critical studies, as huge inequalities exist in the world. Postcolonial theories were the first to address the unfair distribution of power and uneven consequences of the colonial era (Prasad, 2009; Jack and Westwood, 2009). Critical perspectives on international business are not limited to postcolonial approaches but also include power tensions in multinational organizations, problems and negative consequences of globalization, frictions in mergers and acquisitions, corporate social (ir)responsibility, critical migration studies, critical diversity studies, critical approaches to (reverse) knowledge transfer, and many more in critical cross-cultural management. The sensitivity towards power inequalities emerged recently in cross-cultural management (Primecz et al. 2016) highlighting the role of gender, ethnicities, languages, and religions. Power effects on the macro level in international business (Cairns and Sliwa, 2017) and micro level processes (Romani et al. 2018b) are equally part of the critical paradigm. Critical cross-cultural management is characterized by its sensitivity towards power imbalances in intercultural relations and criticize instrumental reason and managerialism, while it pays attention to historical-political embeddedness of intercultural situations and their actors. Engagement with the critical paradigm means to aim to denaturalize given, existing concepts (e.g., culture) and power distributions and to approach problems with a reflexive attitude with the quest for understanding interests and unearned privileges (Romani et al., 2020a, Romani et al. 2018b). The aim is always to reach a less oppressive, fairer, and more emancipated situation.

6.1.3. Method

Language in international business and cross-cultural management was the topic of four special issues in the last 20 years. Piekkar and Zandler (2005) edited a special issue in International Studies in Management & Organization (ISMO) with five articles besides the editorial. Then Piekkari and Tietze (2011) edited a new special issue in the Journal of World Business (JWB) with six articles besides the editorial. The next special issue was edited by Brannen and Piekkari (2014) in the Journal of International Business Studies (JIBS) with six articles besides the editorial. Six other articles were published in the subsequent issues of the Journal of International Business. These were all responding to the original call but were not included in the official special issue and still published in JIBS. Finally, Beeler, Cohen, de Vecchi, Kassis-Henderson, and Lecomte (2017) edited a special issue in the International Journal of Cross-Cultural Management (IJCCM) with ten articles beyond the editorial. These 37 articles are the subject of the analysis in this paper. Themes discussed by these articles and the methodologies were investigated. Based on these data, all articles were categorized to paradigmatic affiliations. Certain authors explicitly stated their paradigmatic attachment (e.g., Steyaert et al. 2011), while others were evaluated by the present author. Mainly methodologies and the overall tone of the articles were considered, and additionally quoted references, research questions, results and conclusions were also taken into consideration when paradigmatic affiliations were decided.

Besides the 37 articles, further articles were identified as influential publication of the field. The newly identified papers were ranked by frequency of quotations by the above-mentioned articles, and eight further studies were recognized as central articles in the field. These eight further publications were similarly scrutinized as the first 37 articles, and they were categorized according to their paradigmatic affiliations. The overall 45 articles are the basis of the following analysis.

First of all, the paradigmatic landscape of the field is described. After the exposition, further relationships between publications are investigated by the analysis of quotation relationships among the articles. Bearing the paradigmatic affiliations of the studies in mind, and a notable pattern can be retrieved. The interpretation of the paradigmatic landscape and the notable pattern is presented and analyzed in the findings.

6.1.4. Findings and discussion

While international business publications are dominated by mainstream functionalist research, it is not the case in language management studies. The first SI in ISMO in 2005 published five functionalist studies and one interpretive study. The second SI in JWB published four functionalist, a critical and an interpretive study, while the editorial was undefinable. The next SI in JIBS in 2014 published three interpretive, two functionalist, and a critical study. While submissions that arrived to the call but were published later in the same journal include three functionalist, two critical, and one interpretative study. The SI in IJCCM in 2017 included five interpretative, four critical, and one functionalist study and the editorial was undefinable. The four SI altogether published 15 functionalist, 12 interpretive, and ten critical papers. Two editorials could not be classified into any paradigm, and two editorials were clearly engaged in specific paradigms: the editorial of ISMO 2005 was functionalist and the editorial of JIBS 2014 was interpretive. Table 1 summarizes the data.

Table 1: Paradigmatic landscape of 37 articles published in four special issues

	ISMO 2005	JWB 2011	JIBS 2014	JIBS 2014+	IJCCM	Sum
Functionalist	5	4	2	3	1	15
Interpretive	1	1	4	1	5	12
Critical	0	1	1	2	4	10
Undefinable	0	1	0	0	1	2

ISMO: International Studies in Management & Organization, JWB: Journal of World Business, JIBS: Journal of International Business Studies, IJCCM: International Journal of Cross Cultural Management

Eight central articles were identified by the number of quotations. All quotations of 37 articles were analyzed, and the quoted articles were put into order based on their number of quotations. Eight articles were outstanding, and they were labelled as central articles. All central articles were quoted by more than ¼ of the investigated studies. The first highly influential article was published in 1997 in the European Management Journal (EMJ) by Marschan, Welch & Welch. Then the same authors published two articles in 1999, one in the International Journal of Human Resource Management (IJHRM) and one in the International Business Review (IBR). These three articles were interpretive. They were followed by a functionalist study in Cross-Cultural Management: An International Journal (CCM) by Freely & Harzing in 2003. Then two critical studies were published in high impact journals, one in the Journal of World Business by Janssens Lambert Steyaert in 2004 and one in the Journal of Management Studies (JMS) by Vaara, Tienari, Piekkari & Säntti in 2005. The eighth highly influential article was published in Corporate Communication: An International Journal (CC) by Fredriksson Barner-Rasmussen Piekkari in 2006. At the same time, the first investigated SI was published in 2005 in International Studies in Management & Organization edited by Piekkari & Zander. Four central articles are interpretive, two central articles are critical, and two central articles are functionalist. Central articles are mainly non-mainstream studies. Table 2 gives and overview on central articles, quotations, and paradigmatic affiliations.

Table 2: Central articles' number of quotations and paradigmatic affiliation

Authors	Year	Journal	number of independent quotations among 37 articles	number of quotations among 37 articles (including dependent quotations)	number of independent quotations among 45 articles	number of quotations among 45 articles (including dependent quotations)	Paradigm affiliation
Marschan, Welch & Welch	1997	EMJ	12	14	17	18	Int
Marschan-Piekkari Welch & Welch	1999	IJHRM	16	20	18	22	Int
Marschan-Piekkari, Welch & Welch	1999	IBR	18	21	20	24	Int

Freely & Harzing	2003	CCM	10	12	12	14	Func
Janssens Lambert Steyaert	2004	JWB	15	17	16	18	Crit
Vaara, Tienari, Piekkari & Säntti	2005	JMS	14	17	14	17	Crit
Luo & Shenkar	2006	JIBS	14	14	14	15	Func
Fredriksson Barner-Rasmussen Piekkari	2006	CC	13	15	13	15	Int

EMJ: European Management Journal, IJHRM : International Journal of Human Resource Management, IBR: International Business Review, CCM: Cross-Cultural Management: An International Review, JWB: Journal of World Business, JMS: Journal of Management Studies, JIBS: Journal of International Business Studies, CC: Corporate Communication: An International Journal

Articles of the special issues and central articles together represent even less dominance of mainstream studies, as 17 articles are functionalist, 16 articles are interpretivist, and 12 articles are critical besides the two undefinable editorials. This is summarized in Table 3.

Table 3: Quotation summary within and beyond paradigmatic clusters

	Functionalist (2 central articles)	Interpretivist (4 central articles)	Critical (2 central articles)	Undefinable (2 articles)	Number of articles
Functionalist quotes ...	12 (6)	39 (9.75)	9 (4.5)	0	17

Interpretivist quotes	10 (5)	16 (4)	9 (4.5)	0	16
Critical quotes ...	7 (3.5)	24 (6)	14 (7)	0	12
Undefinable quotes...	0	2	3	0	2
Cumulated quotations	29	81	35	0	45
Average quotation/ central article	14.5	20.25	17.5		

Quotations show the significance of the non-mainstream articles even more. Functionalist central articles are quoted by 12 functionalist, ten interpretive and seven critical studies. Interpretive central articles are quoted by 39 functionalist studies, 16 interpretive studies, and 14 critical studies. Critical central articles are quoted by nine functionalist studies, nine interpretive studies and 14 critical studies. While paradigmatic communities are detectable, interparadigmatic quotations are not rare. Interpretive articles trend to be more influential than the others, and critical articles are also acknowledged. The network of quotations are illustrated by Figure 1.

Figure 1: Network of quotations

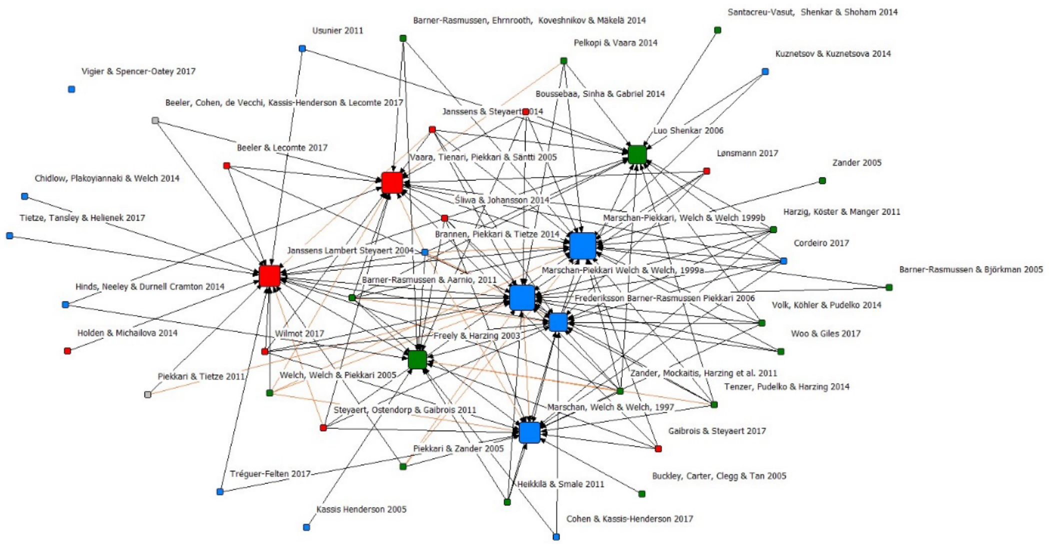

Figure was developed by UCINET software, source: Borgatti et al. (2002)

The size of the nodes represents the number of quotations. Green signifies functionalist, blue signifies interpretive and red signifies critical studies, red lines represent self-reference, black lines represent independent reference.

Density around interpretive articles are the highest, and they are positioned in central places. Two interpretive studies Marschan-Piekkari, Welch & Welch (1999a, b) are the most influential, then the two critical studies (Janssens et al. 2004, Vaara et al, 2005) influence the field significantly, then the other two interpretive (Marschan, Welch & Welch, 1997; Fredriksson, Barner-Rasmussen & Piekkari) and the two functional studies (Freely & Harzing, 2003; Luo & Shenkar, 2006). When paradigmatic schools are separated, the connections and interpraradigmatic references are even more visible, as it is illustrated by Figure 2.

Figure 2: Network of quotations when paradigmatic communities are visually distinct

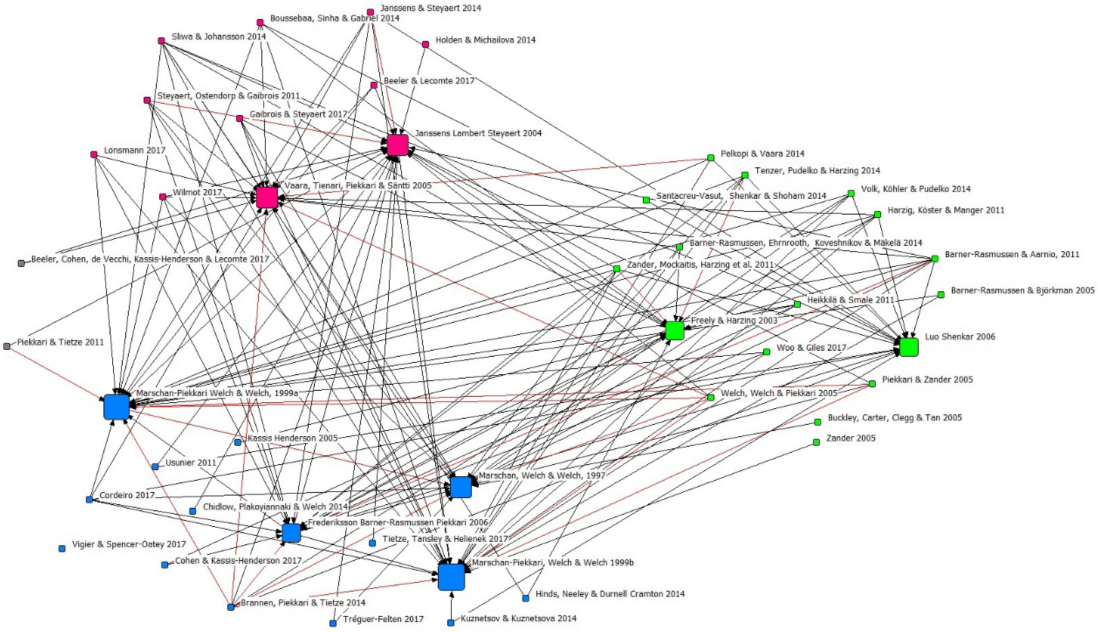

Figure was developed by UCINET software, source: Borgatti et al. (2002)

The size of the nodes represent the number of quotations. Green signifies functionalist, blue signifies interpretive and red signifies critical studies, red lines represent self-reference, black lines represent independent reference

Piekkari et al. (1997) set the scene with their case study about a Finish multinational, Kone, where the language issue is an important question in multinational organizations, and language facilitates and impedes (filters and distorts) communication, and organizations should introduce language policies which are in line with strategy, and language competence can be developed with the help of HR policies: selection, training, and transfer. Marschan-Piekkari et al. (1999a) went further by proposing a common corporate language, and the issue was taken for granted as part of HR work in a multinational company. Marchan-Piekkari et al. (1999a) highlights that the issue of language emerged from qualitative research, and language standardization supported by HR practices were proposed. Marchan-Piekkari et al. (1999b) built their third publication on the same case, Kone, the Finish elevator company's language issues, and highlighted a new aspect, being local to the headquarters, in this case Finish, gives certain privileges in the workplace. Power as an issue emerged in their analysis, while they arrive at the conclusion that language builds a shadow structure of the organization.

Freely and Harzing (2003) joined the conversation by stating that the language issue remains the ultimate barrier to global standardization in a multinational company, and they propose multiple solutions which facilitate communication among people representing subsidiaries with distinct local languages. Their solution was not derived from empirical investigation, rather it was a conceptual summary of existing practices and sporadic academic publications of the time. Janssens et al. (2004) tossed the field of language management significantly by engaging their theoretical perspective with a neighboring academic field, translation studies. At the same time, they applied critical tone by problematizing the elite group of expatriates, the existing world order, and most importantly political perspectives were employed to be sensitive to power dynamics, which highlighted marginal positions resistance to dominant norms and colonizing effects in translation. Vaara et al. (2005) continued to focus on the power effect of language management and practice, and they presented a case in the banking sector where Finish and Swedish bank managers and employee relationships are interpreted in postcolonial and neo-colonial theoretical frames highlighting the historical political context of the case. The authors analyzed a problematic decision to choose Swedish as common corporate language, assuming that Swedish and Finish employees and managers have equal access to the Swedish language because it is taught as a compulsory language in Finish schools, representing a legacy of Swedish occupation. The seemingly innocent corporate decision moved the emotions around occupation and independence; and the power and domination perspective came into force when individual competences, abilities and identities were questioned. The article inevitably set the direction to critical investigation.

Luo & Shenkar (2006) returned to functional studies by presenting a single case study and analyzing it from a managerial perspective, aiming for effective solutions for multinational language policies and neglecting power effects which were highlighted in previous publications, e.g., in Janssens et al. (2004) and Vaara et al. (2005), and also in its embryonic form in Marchan-Piekkari et al. (1999b). While Luo & Shenkar (2006) could have quoted six central articles and six articles of the SI in ISMO (2005) which were published before their article was accepted, but they neglected all the antecedents in the field. They came from another direction, and their studies became nearly as influential as the other central articles. Finally, Fredriksson et al (2006) started their arguments by stating the dominance of English as lingua franca is a widely accepted fact. They shed light on some political, historical, and contextual aspects of language management in organizations, while presenting their case on the relationship between German and Finish employees of a German multinational organization. They do not only investigate the language practice, problems, and solutions but also problematize the notion of "common corporate language". The authors recognize previous publications with great detail, and they provide a thorough summary of previously published academic articles.

6.1.5. Conclusion

Language management was a fresh topic in international business starting in the 1990s, it generated lively debates, which are represented by special issues in leading international business and cross-cultural management journals, conference streams, and beyond. Language issues are interesting in themselves, indicating that international management has moved beyond Anglo-Saxon centered multinational corporation towards non-Anglo-Saxon headquartered organizations where English as a lingua franca is not an obvious solution, while the business world and academia are still dominated by English. Investigating the role of languages in international management is relevant also from the epistemological point of view. The initial publications which started this topic were dominantly non-mainstream (interpretive and critical) publications, and further publications about language management remained balanced between mainstream and non-mainstream studies, while the academic publications in international business are dominated permanently by functionalist mainstream works. The language management topic within international business is an example of how a discipline develops. Dominant mainstream studies provide the mass of publications by presenting puzzle-solving exercises in academic communities, while non-mainstream publications import novel ideas and unusual research methodology embedded in alternative research paradigms. Consequently, non-mainstream studies give impetus for the discipline to move forward. Innovation arrives from non-mainstream directions; they require more attention and greater involvement in leading journals.

Appendix

Table 4: Investigated articles, their quotations and paradigmatic affiliation

Authors	Year	Journal	number of independent quotations among 37 articles	number of quotations among 37 articles (including	number of independent quotations among 45 articles	number of quotations among 45 articles (including	Paradigm affiliation

				dependent quotations)		dependent quotations)	
Piekkari & Zander	2005	ISMO	7	8	7	8	Funct
Welch, Welch & Piekkari	2005	ISMO	8	9	8	9	Funct
Barner-Rasmussen & Björkman	2005	ISMO	2	3	2	3	Funct
Buckley, Carter, Clegg & Tan	2005	ISMO	2	2	2	2	Funct
Kassis Henderson	2005	ISMO	9	10	9	10	Int
Zander	2005	ISMO	0	0	0	0	Funct
Piekkari & Tietze	2011	JWB	5	5	5	5	undefinable
Steyaert, Ostendorp, Gaibrois	2011	JWB	6	8	6	8	Crit
Harzing, Köster, Magner	2011	JWB	7	8	7	8	Funct
Barner-Rasmussen & Aarnio	2011	JWB	8	8	8	8	Funct
Heikkilä & Smale	2011	JWB	4	4	4	4	Funct
Zander, Mockaitis, Harzing et al.	2011	JWB	2	2	2	2	Funct
Usunier	2011	JWB	2	2	2	2	Int
Brannen, Piekkari, Tietze	2014	JIBS	9	9	9	9	Int
Tenzer, Pudelko & Harzing	2014	JIBS	5	5	5	5	Funct

Hinds, Neeley & Durnell Cramton	2014	JIBS	8	8	8	8	Int
Chidlow, Plakoyiannaki & Welch	2014	JIBS	4	4	4	4	Int
Kuznetsov & Kuznetsova	2014	JIBS	2	2	2	2	Int
Peltokorpi & Vaara	2014	JIBS	1	1	1	1	Funct
Janssens and Chris Steyaert	2014	JIBS	5	5	5	5	Crit
Boussebaa, Sinha & Gabriel	2014	JIBS	3	3	3	3	Crit
Holden & Michailova	2014	JIBS	1	1	1	1	Int
Volk, Köhler & Pudelko	2014	JIBS	0	0	0	0	Funct
Santacreu-Vasut, Shenkar & Shoham	2014	JIBS	1	1	1	1	Funct
Barner-Rasmussen, Ehrnrooth, Koveshnikov & Mäkelä	2014	JIBS	1	1	1	1	Funct
Śliwa & Johansson	2014	JIBS	2	2	2	2	Crit
Beeler, Cohen, de Vecchi, Kassis-Henderson, Lecomte	2017	IJCCM	0	0	0	0	undefinable

Linda Cohen, Jane Kassis-Henderson	2017	IJCCM	0	0	0	0	Int
Mary Vigier, Helen Spencer-Oatey	2017	IJCCM	0	0	0	0	Int
Woo & Giles	2017	IJCCM	0	0	0	0	Funct
Beeler & Lecomte	2017	IJCCM	0	0	0	0	Crit
Gaibrois & Steyaert	2017	IJCCM	0	0	0	0	Crit
Wilmot	2017	IJCCM	0	0	0	0	Crit
Lønsmann	2017	IJCCM	0	0	0	0	Crit
Cordeiro	2017	IJCCM	0	0	0	0	Int
Tréguer-Felten	2017	IJCCM	0	0	0	0	Int
Tietze, Tansley & Helienek	2017	IJCCM	0	0	0	0	Int

ISMO: International Studies in Management & Organization, JWB: Journal of World Business, JIBS: Journal of International Business Studies, IJCCM: International Journal of Cross Cultural Management

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6.2. Strategy and International Business (Miklós Stocker)

6.2.1. Introduction

International Business scholars realized very early that strategic perspective is imperative if internationalization is being discussed. Even in Dunning's (1958) early study, the eclectic theory (which later became the eclectic paradigm) the effect of ownership and location specific advantages are discussed. The internalization leg of the OLI paradigm was presented by Dunning in 1976 tackled the question why firms opted to internally generate and/or exploit their Ownership specific advantages, rather than to acquire and/or sell these (Dunning, 2005). It can be clearly seen that these questions have to be tackled in the strategic level.

Internationalization itself has a very natural connection to strategy, as if any company would like to enter international market, the creation of an entry strategy seems obvious. This connection is most apparent to the design, the planning and the entrepreneurial school (Mintzberg et al., 2020) related thinking about strategy, but other directions also share context.

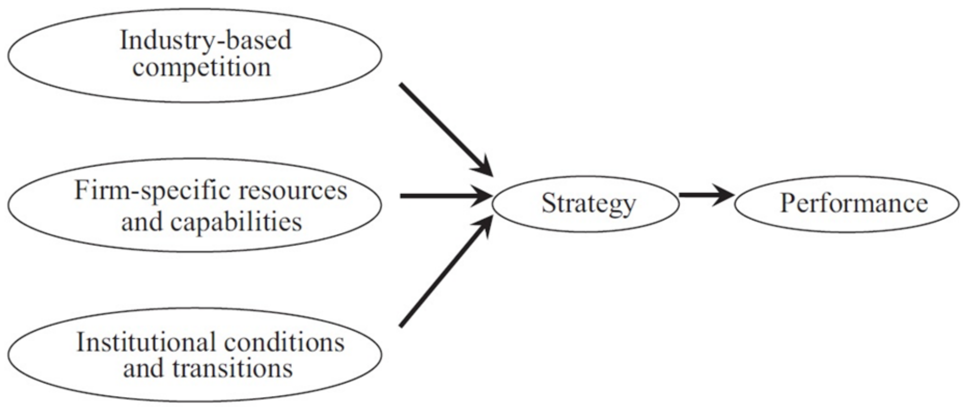
Internationalization on the other hand has an effect on those companies as well who do not think or act on their own international presence. The information market and the capital markets became international firstly but in nowadays business environment product markets are also highly international and even labor market is internationalized to a certain degree. These enabled the internationalization of newly founded enterprises as well, only in Hungary every year more than 1000 firms are established which conduct international sales in their first year of existence (Stocker, 2019).

This paper tackles the strategy formulation perspective and its requirements in international business setting. Although scholars differentiated different theories in strategy, like the resource-based view of the firm which was conceived by the foundations initiated by Penrose (1959), the industry-based view which started with Porter's (1980, 1985) works, Peng et al. (2009) articulated the importance of the institution-based view and the other two view's importance on the strategy of the firm. Figure 1. shows the strategy tripod according to Peng (2009), which can be naturally understood in a single country context, but the main idea of Peng was to understand the difference of firm performance in the emerging and developed countries. Therefore, we will have an intrinsic assumption that the following models and frameworks are to be understood in the home country and any host country context as well.

6.2.2. Institutional conditions and transitions

Institutions can be either formal, like laws, regulations and rules or informal, like norms, culture or ethics (North, 1990; Koczkás, 2024). In the strategic analysis both formal and informal institutions should be analyzed. For the formal institutional analysis, the PESTEL framework (Political, Economical, Social, Technological, Environmental and Legal factors) is most commonly used method. The framework stems from ETPS analysis introduced by Aquilar (1967), who is also considered to be a member of the design-school founding fathers from Harvard Business School.

Figure 1. The strategy tripod



Source: Peng (2009), p. 15

As PESTEL analysis is a very common tool, it will not be described in detail here, but more can be read about it in any strategy textbook. We will only tackle the special approaches and angles which come from the international perspective of this paper.

With the emphasis of international business, the precise usage of the PESTEL framework raises the question of which layer of the external environment should be analyzed by the PESTEL framework. The PESTEL framework is created for the level of the national economy, however if a company is not conducting its business in a single country, then this issue should be solved first and foremost. Definitely the home country's formal institutions should be analyzed by the PESTEL framework, but if the company is a regional player, then the regional layer, like the European Union, NAFTA, ASEAN, etc. should be analyzed as well. If the company is a global player, or the company is in an industry which is in fierce global competition, then the Global layer should be analyzed as well. High-level PESTEL analysis can be seen in Figure 2 about the focus points from global PESTEL analysis from the viewpoint of Non-Alcoholic Beer Industry.

Taken the example of Figure 2 in consideration, if an American Company which focuses on non-alcoholic beer products would like to enter a foreign market, they should consider the PESTEL analysis first in their home country setting, then as the industry has significant global presence, the global level and also the selected host country as well. It means at least three PESTEL analyses should be conducted in the given international business setting.

Figure 2. Focus points from global PESTEL analysis from the viewpoint of Non-Alcoholic Beer Industry

Changing Attitudes Toward Alcohol: Moderation (athletes, millennials, "sober curious")

Stigma Reduction: Change of NA perception, focus on flavor, quality and active branding

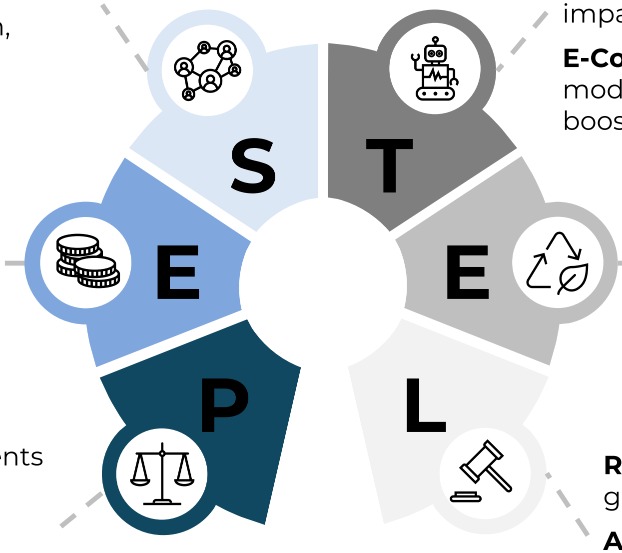
Health-Conscious Market: Moderation and **Post-Pandemic Behavior** shift toward NA beverages

Consumer disposable income: Opportunity for premium non-alcoholic products

Supply chain costs: Transportation; Tariffs; Trade regulations

Regulations on Alcohol: Different governments create different barriers on alcohol products

Trade and International Regulations: Definitions of NAB vary by country, impacting labeling, licensing, and advertising



Brewing Innovation: Advanced brewing techniques to enhance flavor and variety of NA – impact on quality and efficiency of production

E-Commerce and Digital Marketing: Subscription models and digital marketing to expand reach and boost sales

Sustainability concerns: Sustainable practices (eco-friendly packaging, water conservation, reduce carbon footprint)

Packaging and Production: Shift to recyclable/biodegradable packaging materials to meet eco-friendly demand

Regulatory Challenges: Varying regulations globally (labeling/alcohol content thresholds)

Advertising Restrictions: Many regions have strict advertising laws for alcoholic beverages, but permission for non-alcoholic

Favorable external environment driven by **health trends**, **innovation**, and shifting attitudes toward alcohol. However, **regulatory challenges**, **sustainability expectations**, and increasing **competition** have to be managed.

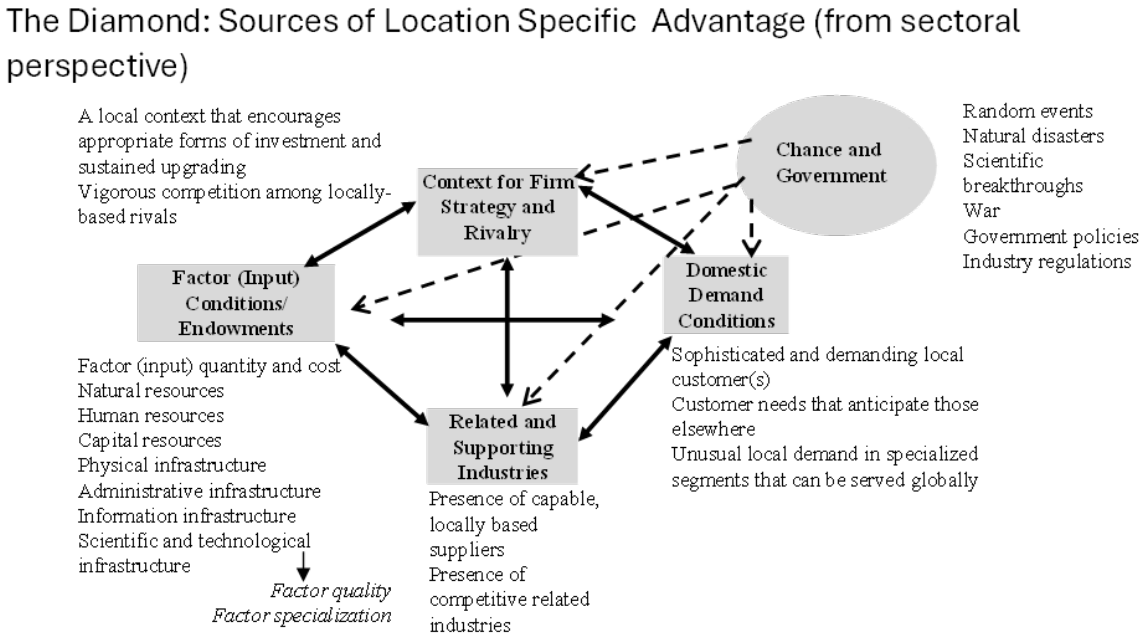
Source: own elaboration based on Gomes et al. (2024)

Given that the PESTEL framework shows an essentially static picture of the given external environment, the dynamization of the analysis should be considered as well. In the first step the connections between the different dimensions of the framework should be considered. Political and Legal factors are usually very close to each other, but Economic and Social factors can have also strong relations, not to mention the impact of Environmental or Technological factors. In the example in Figure 2, the social factor of changing attitudes toward alcohol can have a significant impact on the economic factor of willingness to spend the disposable income on premium non-alcoholic products or even if alcohol addiction decreases increase in disposable income by some segments. Each of these connections of the dimensions can be investigated and potential opportunities and threats or even strategic options can be understood from them.

For the second step, the potential breaking points in the near future will have to be considered. Major disruptions like the COVID-19 pandemic, or wars cannot be realistically projected before they happen, but changes in governments, changes of customer preferences, or major turning points of megatrends can (Vaszkun, 2012; 2014). The analysis should elaborate on the expected impact in the external environment of the likely future scenarios. Regional differences or home country-host country differences in the formal institutions can show different pictures of both external environment and intra-organizational context and can create ample business opportunities for companies ready to act (Vaszkun et al. 2022, Vaszkun & Saito, 2022).

Another method which is commonly used for the analysis of formal institutional layer of the external environment is Porter's Diamond framework (1990). See figure 3. and Porter, 1990 for more details.

Figure 3. Porter's Diamond framework



Source: Porter (1990)

The analysis of the informal institutional environment is mostly focused on analysis of culture and if home country and host country settings are considered then differences in national culture. Hofstede and Hofstede (2005) defined culture as the collective programing of the mind which distinguishes the members of one group or category of people from another. They built a tool on their framework which is the most commonly used tool called Hofstede's Cultural Comparator. In the early models, only four cultural dimensions was defined by Hofstede, which were Power Distance Index (PDI), Individualism vs. Collectivism (IDV), Masculinity vs. Femininity (MAS), Uncertainty Avoidance Index (UAI), later by Hofstede and Hofstede two more dimensions Long-Term vs. Short-Term Orientation (LTO), and Indulgence vs. Restraint (IVR) has been added. Details of the dimensions can be seen in Hofstede and Hofstede (n.d.).

Although Hofstede's model has been heavily criticized by authors, see Fang (2012) for different critics, but the tool is nevertheless useful for thinking about the implications of cultural differences between the host and the home country. As the framework is expected to show differences of national culture it should be used with caution in internationalization of companies. If a company creates any kind of subsidiary for example, then there will be several organizational cultural elements to be transferred from the headquarters or the regional headquarters to the given new firm of the group. Expats can be employed in the new country, organizational routines and processes will be adapted and the way of working will be naturally influenced by the existing organizational culture of the multinational enterprise. Elements of national culture will have an influence on how people integrate into the organization and there will be an adaptation of several routines, or the informal elements of the organization. Therefore, it is important to know what kind of differences can be in the home country's and the host country's national culture, but these differences will be mitigated by the organizational culture and the organizational capital resources of the multinational enterprise, e.g. routines, processes, training programs, selection policies etc.

Understanding the formal and informal institutional environment of a foreign market is imperative, but the actions plans can be derived not only from the static picture of the selected/analyzed host country, but mostly from the differences of the company's experience and policies and the selected host country's characteristics.

Ghemawat (2001) articulated that distance of different foreign markets can influence the attractiveness of the given market significantly. He defined four dimensions with which the distance of foreign markets can be analyzed, these are the cultural, the administrative, the geographic and the economic distances. See Figure 4 for more details on the dimensions.

The CAGE framework comes into play after the formal and informal institutions of the selected host country have been analyzed. It is clear that if the analysis is done before the company enters its first international market, then home country and host country comparison can easily be done. In the case when an established multinational enterprise is analyzed, the picture is more nuanced.

Regarding product markets the question will focus on from which regional center would we want to satisfy the demand. Product differentiation can be easily made and the distance of headquarters vs. new host country will not be that important, more the regional hub vs. new host country will matter.

Regarding labor relations and human resource management the question will be which policies are localized and which policies follow headquarters' guidelines. The more centralized the multinational enterprise is, the more headquarter vs new host country distance will matter, but the more glocalized the company is the more the regional hub vs new host country distance will matter.

Figure 4. CAGE framework

The CAGE
Distance Framework

The cultural, administrative, geographic, and economic (CAGE) distance framework helps managers identify and assess the impact of distance on various industries. The upper portion of the table lists the key attributes underlying the four dimensions of distance. The lower portion shows how they affect different products and industries.

	Cultural Distance	Administrative Distance	Geographic Distance	Economic Distance
attributes creating distance	different languages different ethnicities; lack of connective ethnic or social networks different religions different social norms	absence of colonial ties absence of shared monetary or political association political hostility government policies institutional weakness	physical remoteness lack of a common border lack of sea or river access size of country weak transportation or communication links differences in climates	differences in consumer incomes differences in costs and quality of: • natural resources • financial resources • human resources • infrastructure • intermediate inputs • information or knowledge
industries or products affected by distance	products have high linguistic content (TV) products affect cultural or national identity of consumers (foods) product features vary in terms of: • size (cars) • standards (electrical appliances) • packaging products carry country-specific quality associations (wines)	government involvement is high in industries that are: • producers of staple goods (electricity) • producers of other "entitlements" (drugs) • large employers (farming) • large suppliers to government (mass transportation) • national champions (aerospace) • vital to national security (telecommunications) • exploiters of natural resources (oil, mining) • subject to high sunk costs (infrastructure)	products have a low value-to-weight or bulk ratio (cement) products are fragile or perishable (glass, fruit) communications and connectivity are important (financial services) local supervision and operational requirements are high (many services)	nature of demand varies with income level (cars) economies of standardization or scale are important (mobile phones) labor and other factor cost differences are salient (garments) distribution or business systems are different (insurance) companies need to be responsive and agile (home appliances)

Source: Ghemawat (2001)

Understanding the relevant cultural, administrative, geographic and economic distance is very important, as opportunities and threats can be identified from them and even strategic options can be derived from this analysis.

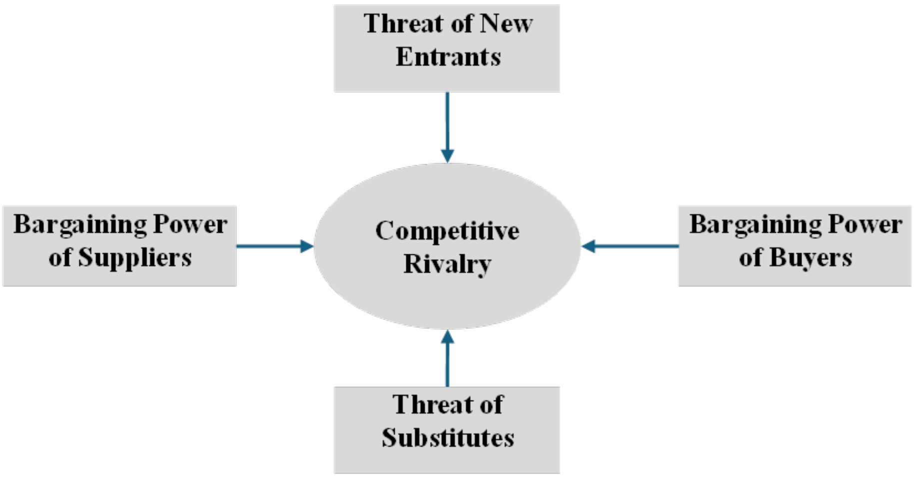
6.2.3. Industry based competition

Porter's Five Forces (1980) is the most commonly used framework for industry analysis (see Figure 5). The Five Forces framework is widely known therefore it will not be tackled here, more details can be seen in any strategy textbook.

Using the Five Forces framework in international business poses some additional challenges, however. The question of level has to be tackled. If the industry have a fierce global competition, then the global industry analysis is indispensable. The global dimension is very important in almost all industries, but regional and local layers could have differences therefore the analysis should not be stopped in the global context.

Therefore, the definition of the relevant market will drive the focus of the industry analysis. As the global analysis can give a wide picture of the strongest global players, the expected compounded annual growth rate of revenues and the distance of the substitutes' products, the relevant market will give actionable insights about what to do and why in the selected host country.

Figure 5: Porter's Five Forces



Source: Porter (1980)

There also has to be connected conclusions from the formal and informal institutional environment and the industry in the relevant market. These connections will strengthen the identification of opportunities and threats and significantly increase the potential strategic options which can be derived from the analysis.

To dig even deeper, companies should analyze the strategic groups of the given industry and create competitor analysis about the expected closest competitors.

6.2.4. Firm specific resources and capabilities

Based on Daft, Barney defines firm resources as "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc., controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness." (Daft, 1983 in Barney, 1991 p. 101)

Figure 6. Different understanding and/or classifications of resources

<table>
<tr><td>Researchers</td><td colspan="6">Resources of the Firm</td></tr>
<tr><td>Penrose [1959]</td><td colspan="3">Physical resources</td><td colspan="3">Human capital resources</td></tr>
<tr><td>Barney [1991]</td><td colspan="2">Pysical capital resources</td><td colspan="3">Organizational capital resources</td><td>Human capital resources</td></tr>
<tr><td>Balaton - Tari [2007]</td><td colspan="2">Tangible assets</td><td colspan="3">Organizational capital</td><td>Human capital</td></tr>
<tr><td>Bartek-Lesi - Gáspár [2007]</td><td>Physical assets</td><td>Financial assets</td><td colspan="2">Immaterial assets</td><td>Organizational capital</td><td>Human resources</td></tr>
<tr><td>Hofer - Schendel [1978], Grant [1991]</td><td>Physical resources</td><td>Financial resources</td><td>Technological resources</td><td>Reputation</td><td>Organizational resources</td><td>Human resources</td></tr>
</table>

Source: Stocker, 2012 p. 29

It is also apparent that resources can be tangible or intangible. And knowledge-based, intangible resources are also the basis of value creation of companies. (Boda et al., 2009)

Danneels (2012) posits that organizations vary both in the resources they possess and in their ability to efficiently distribute and employ these resources, as indicated by the dynamic capability approach. Hence, firms must obtain and deploy novel competencies to efficiently adjust to a dynamic and evolving environment. This approach clarifies a complex network of interdependent relationships, where each capability within a system affects other capabilities and resources, resulting in consequential modifications.

Teece et al. define "dynamic capabilities as the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments." (Teece et al. 1997 p. 516)

For resources analysis several classification methods exist, but for the analysis of the contribution of those resources to the company's competitive Barney's VRIN/VRIO framework is used almost exclusively.

Barney states that "not all firm resources hold the potential of sustained competitive advantages. To have this potential, a firm resource must have four attributes: (a) it must be **V**aluable, in the sense that it exploits opportunities and/or neutralizes threats in a firm's environment, (b) it must be **R**are among a firm's current and potential competition, (c) it must be **I**mperfectly imitable and (d) there cannot be strategically equivalent substitutes for this resource." (Barney, 1991, p. 105-106) Based on his more recent research, Barney had changed the **N**on-substitutability condition to whether the resource is exploited by the **O**rganization. (Barney, 1997)

VRIO analysis is also imperative in international business. Understanding the source(s) of temporary or sustained competitive advantage is essential for any company, especially if the company would like to harvest the benefits of competitive advantage in several markets.

This connects very well with the earlier discussed Dunning's OLI paradigm. The internalized company specific advantages are resources and capabilities which can be nurtured by the company in foreign markets as well. After the regular resource analysis it has to be examined how that these company specific advantages can be transferred to different subsidiaries in different markets. There will be some which are very context specific as well and cannot be easily transferred, but most probably intangible resources and capabilities can be the source of competitive advantage in new host countries as well. Resource and capability sharing naturally can occur from headquarters to subsidiaries, but it has to be mentioned that subsidiary-subsidiary and subsidiary-headquarter capability transfers could also create significant added value.

6.2.5. Embeddedness of environmental layers

Peng's model in Figure 1 argued that the institutional conditions and transitions, the industry-based competition and the firm-specific resources and capabilities are in the same level as they impact the strategy (and the strategy formulation) of the company.

We also argue that it is imperative to analyze the institutional environment, the different forces in the industry from the company's perspective and naturally the resources and capabilities of the firm, but Peng's argument that the impact of these elements on the strategy of the firm is coequally important and/or are in the same level is flawed as this concept do not tackle the embeddedness of the different layers of the environment.

In this sense the logic should also include the embeddedness of the company into the industry, as well as the embeddedness of the industry into the institutional environment, especially as in different host countries the impact of the institutional environment is expected to result different industry structure which in turn requires different organizational resources and capabilities to excel.

Examination of any relationship of the strategy tripod is very important to be tested with empirical studies, however the more complex the relationships are the more difficult the empirical research is.

Stocker and Várkonyi (2022) analyzed the impact of market orientation on firm-level competitiveness of medium and large internationalized enterprises and found significant positive relationship between these factors.

Stocker and Erdélyi (2024) analyzed the influence of managerial perceptions of institutional factors on firm-level competitiveness of medium and large internationalized enterprises and found significant positive relationship of some factors (civil service and education and social and ecological expectations) whereas non-significant in others.

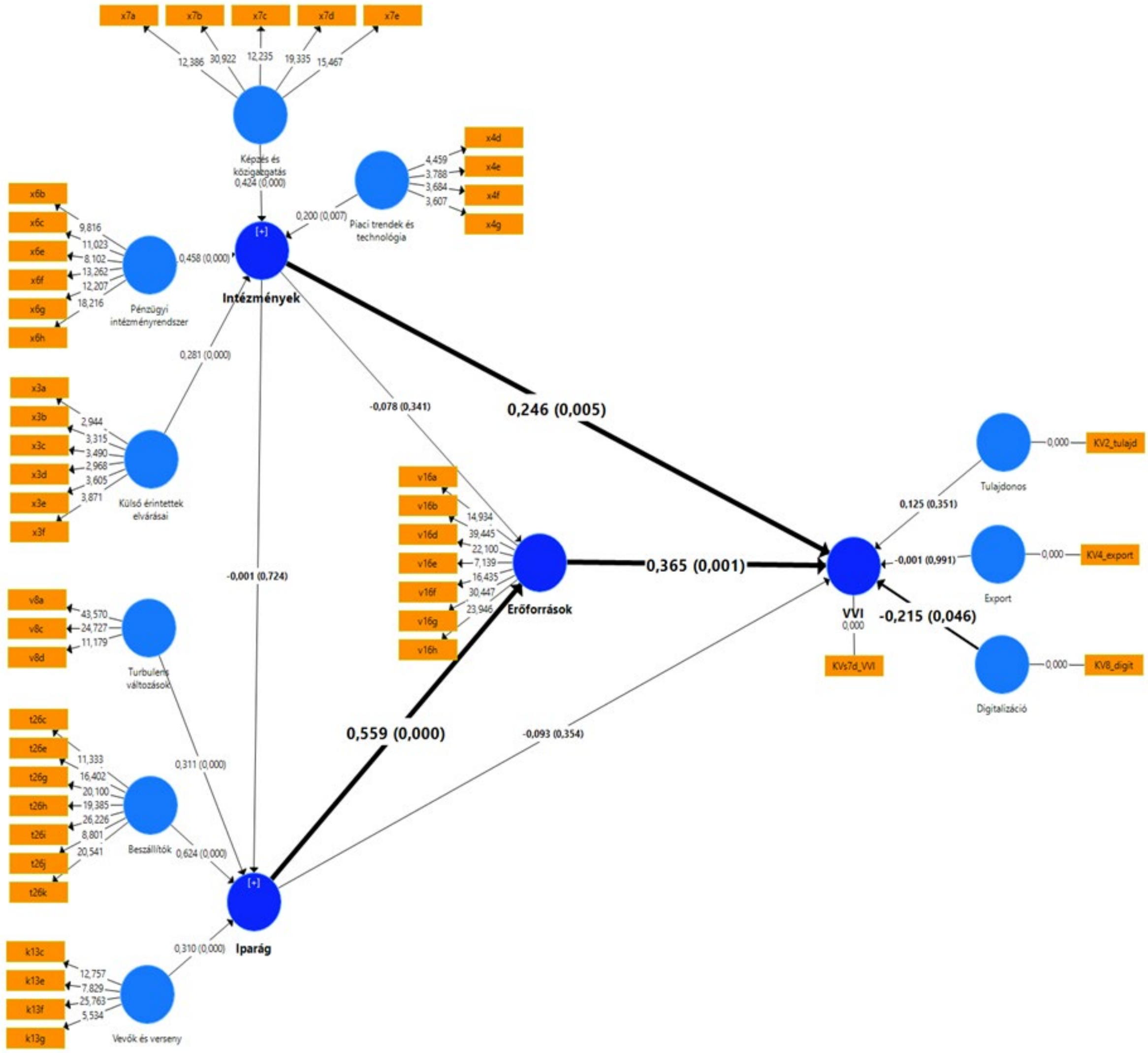
Troilo et al. (2024) found that the more focus is on strategy on the institutional level the higher is the return on asset, the probability of paying dividends, and investments on research and development or on capital expenditure on the firm level.

Fejes and Stocker (2024) found significant evidence that investment in IT capabilities increase firm-level growth, efficiency, and capital accumulation.

Stocker and Anand (2025) found that intellectual capital resources and applied knowledge management techniques positively impact the competitiveness of internationalized medium-sized and large companies.

Czakó et al. (2021) tested the comprehensive model of institutional conditions and transitions, the industry-based competition and the firm level resources and capabilities and their impact on firm level competitiveness on Hungarian sample of internationalized medium and large enterprises. The results can be seen in Figure 7. The three different dimension of variables created factors as expected, but instead of the expected significant influence of institutional conditions on industry-based competition no significant relations were found. Industry-based competition influenced resources and capabilities significantly as expected and resources and capabilities influenced firm-level competitiveness significantly also as expected. Another unexpected result was the significant influence of institutional conditions on firm-level competitiveness, as instead of its direct impact, indirect impact was expected.

Figure 7: PLS-SEM strategy tripod and firm level competitiveness



Source: Czakó et al. (2021).

Although this comprehensive model's empirical result did not produce the expected embeddedness perfectly, but the path model shows, that the embeddedness assumption is working and different layers of the environments impact on "lower" layers should be taken into consideration.

6.2.6. Development of the entry strategy

After the analysis of the different layers of the environment, with the focus on home and host country as well, the entry strategy can be elaborated. Entry strategy should answer four questions: Why, Where, When, and How to enter, which serve as the underlying foundation for the concrete entry project to be developed.

There is an interesting interaction between entry strategy and the environmental analysis itself. Screening the potential countries to enter means host country analyses can be performed, but the decision whether to actually enter the given foreign market can only be done in the knowledge of the environmental analysis. This means the potential entry can be discarded and cancelled due to the not supporting results of the analysis and new potential countries will be selected, where the different layers of the environment should be analyzed, too.

According to Dunning (1998) the strategic goal for the entry strategy can be either resource seeking, market seeking, efficiency seeking or strategic asset seeking. Strategic asset seeking was later replaced by innovation seeking and both logic was based on the knowledge related resources and capabilities which could be acquired or developed through the given market entry.

These can be combined with location specific advantages, like possession of natural resources and related transport and communication infrastructure in the case of resource seeking; abundance of strong market demand and customers willing pay in the case of market seeking; economies of scale and abundance of low cost factors in the case of efficiency seeking; and abundance of innovative individuals, firms, universities or knowledge related assets in the case of innovation seeking.

These motives and their connected location specific advantages shows that although market seeking is the most obvious strategic goal for entry, the other goals could be as profitable if not even more profitable reasons.

When the company decides on which strategic goal(s) to pursue in the entry strategy the location itself has to be determined. Location specific advantages of the given country play a crucial role, but the CAGE (as of figure 4.) distances should be considered even more importantly. Not only opportunities and threats, but the associated risks and their mitigation strategies should be considered, when the choice of location is determined.

The choice of when to enter the given location for the predetermined strategic goal needs also to be considered. First mover advantages, like proprietary, technological leadership, preemption of scarce resources, establishment of entry barriers for late entrants, avoidance of clash with dominant firms at home, relationships and connections with key stakeholders e.g. customers and governments can deliver significant financial results, although most probably would need significant financial resources and time. Late mover advantages on the other hand, like opportunities to free ride the first mover investments, resolution of technological and market uncertainty, or first mover's difficulty to adapt to market changes can also be realized. Lastly, the company should also consider the competitors' counteractions due to the expansion.

For a long time the Uppsala model (Johannson – Vahlne, 1977; 2009) was considered when strategists tried to tackle the how to enter question. Although the model has lot of merit, the international new ventures literature, initiated by Oviatt and McDougall (1994) changed the earlier logic. Therefore, the choice of entry mode should not be considered as a gradual process anymore, but any non-equity or equity mode should be considered. Non-equity modes, like indirect, or direct export or contractual agreements, like licensing/franchising, turnkey or R&D project can be considered if the company is not willing or able to commit significant financial resources and/or wants to limit risks and exposure. Equity modes need more financial commitment, therefore companies select them when more control is expected to make more return in the long run. Equity modes can be joint ventures, where potential risks should be deeply considered, or wholly owned subsidiaries (acquisition or green-field), which gives the most control for the company, but needs usually the biggest investment as well.

Based on the four key questions of the entry strategy and the different levels of the environmental analysis, the top management of the company should make the decision to enter, which will be supported by the formulation of the concrete entry project.

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