

Foreign Locals: Myth or Reality

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Abstract

Multinational corporations depend predominantly on staff from the country where their international operations are, yet more international business literature is needed to target these employees. The literature has referred to them as “host-country nationals” (HCNs), and this label gives them an individuality strongly related to their home country's culture. Caprar (2011) identified these HCNs as foreign locals. This study examines the impact of four cultural dimensions, i.e., power distance, masculinity vs. femininity, individualism vs. collectivism, and uncertainty avoidance, on employee's perceived performance and innovativeness and how the foreign locals influence this impact as a moderator. Data were collected from Pakistani employees working in one Pakistani and one Norwegian-based MNE (multinational enterprise). The structural Equation Modeling technique using the maximum likelihood method was used for data analysis. Results show that foreign locals moderate the proposed relationships. These relationships are less stronger and/or insignificant for Pakistani employees working in Pakistani organizations and are significant and/or more-stronger for Pakistani employees working in Norwegian MNE.

Keywords: *Host Country Nationals, Cultural Dimensions, Employee Perceive Performance, Innovativeness.*

Introduction

The cultural philosophy of some specific country affects management skills and their nature. It is safer to say that a management technique that appears appropriate in one culture might not fit well in another (Hofstede, 1984). Multinational corporations, also called MNCs, depend predominantly on staff from the country where their international operations are, yet there is a scarcity of international business literature targeting these employees. The literature has referred to them as “host-country nationals” (HCNs), and this label gives them an individuality strongly related to their home country's culture. This label also prompts the researcher in the field of international business to know about the culture of their home country or the local culture. Caprar (2011) identified these HCNs as foreign locals. The current study tries to understand whether the cultural dimensions identified by Hofstede, i.e., Power Distance Index (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS), and Uncertainty Avoidance Index (UAI), are different for these HCN's. Whether the HCNs follow the culture of their country/ the local culture or the culture of the country of origin of the multinational organization in which they work.

The cultural dimensions identified by Hofstede play a significant role in the management style of the organizations. Until recently, the impact of culture on an employee's performance has been studied either from the perspective of the host country's culture or the organizational culture, which is generally perceived as the culture of the origin. However, researchers like Ferner (1997) opined that local employees of MNCs in their off-shore operations are likely to behave differently than their local culture. There is a need to explore this theory further to gain better insight into the impact of cultural dimensions on foreign locals.

According to Hofstede (1994: 4), “The culture of the national environment in which an organization operates affects the management process through the collective mental programming of its members, its managers, and the management scientists who offer their theories. Four dimensions of national cultural differences have been found. Among other things, they affect the implicit models in people's minds of what the act of organizing means.”

Similarly, the ethnographic study conducted by Caprar (2011) on host country nationals provides evidence of the instability of culture in these host country nationals while studying this phenomenon in Romania.

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He also called for research in this area by asking, “The lingering question is to what extent this phenomenon of non-localness is specific to HCNs working in MNCs” (2011: 625). The current study addresses the call for new research on host country nationals while keeping Hofstede cultural dimensions under consideration and their impact on performance and innovation.

A considerable body of literature (e.g., Child, 1990; Harzing, 1999) has identified a “country-of-origin effect” according to which multinational organizations significantly differ in how they manage their human resource, showing that multinational organizations coming from different home countries behave in unique ways for managing their HR. Interestingly, very little research has attempted to look into the reasons which accounted for such variations.

It is proposed that, as there is a “country-of-origin effect,” multinational organizations will bring their cultural values, and the local employees working in these multinational organizations will face the culture of the home country of that specific multinational organization. Hence, there would be variations in the behaviors of managers working in multinational and local organizations.

Literature Review

Power Distance

Power distance is "the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally" (Hofstede, 2001, p. 98). This cultural dimension Deals with the acceptance of inequalities by the society (Hofstede, 2001). It is considered an unwanted condition in low-power-distance cultures. Thus, in these societies, influential people do not appear to show their power and try to be less powerful. Indeed, "status symbols are frowned upon" in these cultures (Hofstede, 1994, p. 37).

In contrast, power is a unique, visible sign of status in high-power-distance societies and is the primary contributor to their authority. As Hofstede (1994, p. 38) states, "Their status is enhanced by symbolic behavior which makes them look as powerful as possible." Low-power-distance cultures attempt to minimize social inequality.

Power Distance and Innovation. Innovation is the result of the free flow of information. According to Van Everdingen and Waarts (2003), when there is a high power distance in an organization, information sharing is constrained and limited, creating interruptions in innovation. In cultures with low power distance, there are fewer constraints and boundaries between hierarchical levels (Williams & McGuire, 2005; Shane, 1993), which creates a conducive environment for innovation. Innovativeness is negatively related to countries with high power distances and vice versa. (Kumar & Uz Kurt 2011).

The free flow of information is directly linked with generating creative ideas, and a low power distance culture helps convert them into deep-seated innovations. Creativity and innovation are downgraded and are not encouraged by bureaucratic culture (Herbig & Dunphy, 1998). Similarly, per Shane (1993), direct, detailed, and clear instructions eliminate employees' creative thinking and make them passive. Conversely, low power distance helps to create an environment of trust between different organizational levels, resulting in higher levels of creativity. With this trust, employees' creativity levels increase.

In countries with high power distance, the less powerful members will treat the influential members with respect and deference (Dwyer et al., 2005). Thus, the less powerful depend considerably on those with power (Hofstede, 2001), and opinion leaders strongly influence the diffusion of innovations. It seems likely that the innovations in new products by the less powerful members of a high-power-distance society can easily be influenced by influential members. Previous empirical and meta-analytical findings concluded that higher levels of power distance are likely to be related to innovation consequences (e.g., Steenkamp et al., 1999; Grinstein, 2008). These consequences appear negative for higher levels of power distance. The following hypothesis is proposed based on the above theoretical and empirical findings.

Hypothesis 1a. Power distance will have an impact on innovation.

Power Distance and Perceived Performance. Power distance negatively impacts the performance of employees working in an organization. The higher the power distance, the lower the perceived performance of employees will be (Brizuela et al., 2016). Prior literature has identified Power as an essential element in social and organizational relationships (i.e., Bunderson, 2003; Keltner et al., 2003). Despite the agreement on the importance of power, whether the concentration of power at limited organization levels, that is high power distance, helps or hinders the performance of employees is often debated. The functionalist theory of power presents the idea that high power distance would help to enhance structure, clarity, and coordination and, therefore, help in increasing performance (e.g., Halevy, Chou, & Galinsky, 2011; Lammers & Galinsky, 2009). The conflict theory of power elaborates that high-power distance undermines the performance of individuals through higher competition, conflict, and political behavior (Edmondson, 2002; Greer & van Kleef, 2010; Siegel & Hambrick, 2005).

However, the empirical study by Tarakci et al. (2016) found that the power disparity can negatively impact group members' performance. Based on the findings of the above literature, the following hypothesis is proposed.

Hypothesis 1b. Power distance has a significant impact on perceived performance

Uncertainty Avoidance

The degree to which individuals in a particular culture fear the unknown is termed uncertainty avoidance. Cultures with low uncertainty avoidance experience less stress and do not feel threatened by change and vagueness (Hofstede, 1986).

Uncertainty Avoidance and Innovativeness. Innovators feel constrained by the rules, and radical ideas are avoided in favor of the rational solution. On the other hand, societies with low uncertainty avoidance have a firm reliance on technical solutions, specialists, and expertise (Sale, 2004). An innovation, once accepted, becomes the norm and is applied consistently. Precision and punctuality come naturally in low uncertainty avoidance societies, and flexible working hours are popular. According to Shane (1993), uncertainty avoidance is inversely related to a high level of innovation. In cultures where uncertainty avoidance is higher, and importance is given to predictability and certainty, people who cannot work in ambiguous situations cannot innovate (Knight, 1921).

Cultures with high levels of uncertainty avoidance show high levels of resistance to innovations (Shane, 1993; Van Everdingen & Waarts, 2003). It is interesting to state that innovation is always linked to uncertainty. Usually, people from a high uncertainty avoidance culture would not be motivated to think and perform imaginatively and creatively. They would always rely on rules and regulations. Hence, these rigid parameters (rules and regulations) must allow them to develop new, creative, and innovative solutions for existing problems. So, in these situations, only some individuals would be encouraged to bring a novel, creative, and innovative idea, as most of these ideas would be rejected during their inception stage. Uncertainty avoidance is also negatively linked to the innovative culture in entrepreneurship (Williams & McGuire, 2005). Additionally, individuals from this culture take the initiative to be part of an innovative venture. In that case, they cannot exploit opportunities because of their inability to come up with creative solutions.

It suggests that uncertainty-accepting societies may be more innovative than uncertainty-avoiding societies (Shane, 1993). Similarly, empirical findings of the AIDA (2011) project also affirm that uncertainty avoidance is a significant determinant of innovativeness. Tolba and Mourad (2011) also concluded that uncertainty avoidance should be considered to optimize efforts and maximize innovation diffusion. Thus, based on the above literature and empirical findings, it is proposed that.

Hypothesis 2a. Uncertainty Avoidance has an impact on Innovativeness.

Uncertainty Avoidance and Perceived Performance. Su, Yang, and Yang (2012) found, in a study of 212 Chinese companies, that uncertainty avoidance indirectly impacts an organization's performance. Similarly, Awadh et al. (2013), while analyzing the relationship between uncertainty avoidance and performance, found that high uncertainty avoidance in Malaysians is one of the problems that causes low employee performance. In an environment of high uncertainty avoidance, employees feel risk when faced with a challenging task and will perform poorly in job execution. In an organization with high uncertainty avoidance, employees follow the rules and regulations, and there are penalties and punishments if they fail to follow them. This will negatively affect the employees' motivation, increasing stress and decreasing performance.

Literature has found a positive effect of uncertainty avoidance on business ownership rates, and low uncertainty avoidance is naturally related to high-performance levels (Stephan & Uhlaner, 2010). However, some prior studies have shown that other factors moderate the relationship between performance and uncertainty avoidance. Based on the findings of the above literature, the following hypothesis is proposed.

Hypothesis 2b. Uncertainty avoidance has an impact on perceived performance

Masculinity vs. Femininity

This dimension is the level to which the emotional roles are divided among men and women. In male-oriented societies, the norm is for men to be assertive, challenging, and focused, while women are expected to be tender, modest, and concerned about the quality of life. In feminine societies, the roles of both genders lean toward corresponding to each other, and both men and women are expected to be tender, modest, and concerned about the quality of life (Sale, 2004).

When the focus of a society is on factors that are associated with males (e.g., power, dominance, money, etc.), the culture is masculine; however, if the focus is on characteristics that are associated with females (e.g., caring, helping, social relationship etc.), the society is feminine. It is interesting to find that masculine societies have predominantly high-performance standards achievement orientation and prefer individual decision-making. In contrast, feminine societies emphasize factors like quality of social relationships, employment security, effectiveness, and group decision-making (Bwisa & Ndolo, 2011).

Masculinity and Innovativeness. Literature has identified mixed results regarding the impact of masculinity on innovativeness. For example, Williams and McGuire (2005) and Shane (1993) found an insignificant relationship between masculinity and creativity or innovation. Similarly, Rhyne, Teagarden, and Van den Panhuyzen (2002) discovered a positive and significant relationship between new product development, which can be taken as innovation and masculine society/culture.

According to Nakata and Sivakumar (1996), in feminine societies, importance is given to people, quality of life, social relationships, and human contacts; thus, with a conducive work environment and socio-emotional caring climate, reception for new ideas and innovations is higher. Thus, we can conclude that femininity is positively associated with innovation and new ideas, and innovative product development is the output of feminine culture. Thus, it is hypothesized that:

Hypothesis 3a. Masculinity has an impact on innovativeness

Masculinity and Perceived Performance. According to Lu & Wong (2014), masculinity negatively influences job performance. A higher masculinity/ femininity is associated with self-esteem and social competence in both males and females (Helmreich & Spence, 1978).

Feminine society characteristics, including a conducive environment for the growth of employees, the importance given to people, focus on the quality of life, social relationships, and human contacts, make working conditions supportive for high performance and motivation in employees; hence, based on the above literature the following hypothesis is proposed:

Hypothesis 3b. Masculinity has an impact on perceived performance

Individualism vs. Collectivism

It is about the degree of association of individuals to collective groups in a society. According to Hofstede (1986), the fundamental issue addressed by this dimension is “*the degree of interdependence a society maintains among its members.*” It relates to people's self-image, whether they define themselves as “I” or “We.” Hence, in Individualist societies, people should only look after themselves and their direct families. In Collectivist societies, people belong to ‘in groups’ that is a larger group that takes care of them in exchange for loyalty. Self-concept, self-identity, personal values, goals, and behaviors are characteristics of individualistic culture.

On the other hand, collectivist culture focuses on groups’ values, norms, goals, and behaviors. In a collectivist culture, the focus is on group interests, and people are identified as members of certain groups. The self-identity of collectivist culture individuals is related to membership in the group from which they belong, and the primary purpose of being part of groups in this culture is social security. However, individualistic societies highlight individual autonomy and personal self-interest.

Individualism and Innovation. Individual autonomy and freedom help individuals from individualistic cultures to be *innovative* (Herbig & Dunphy, 1998; Waarts & van Everdingen, 2005). Similarly, according to Williams and McGuire (2005), new and creative ideas are the output of a single brain; hence, an individualistic culture would provide a more conducive environment for innovation and new product development.

Thus, more opportunities can be explored in an individualistic culture, increasing possibilities for innovative ideas and creative solutions. In such cultures, individuals are rewarded for the value of their work for the organization. Thus, they have strong purpose and intentions to develop innovative, valuable, and creative ideas (Shane, 1993; Herbig & Dunphy, 1998). Shane (1993) found a strong positive correlation between innovation and individualism. Hence, based on the above literature, it is hypothesized that:

Hypothesis 4a. Individualism has an impact on innovativeness.

Individualism and Perceived Performance. Individuals work hard in individualistic societies to improve their performance because of the expected reward they might receive. In contrast, in collectivistic societies, the main incentive for individuals to work hard is the achievements of their group rather than individual rewards. (Kanan, 2014). Literature has found that people working in an individualist culture prefer to work alone, and their performance is higher when working alone as their focus is self-identification, self-concept, and individual identity. Audickas, Davis, and Szczepańska (2006) found that task performance is significantly different for people from individualistic and collectivist cultures. They found that task performance was higher in the individualistic group. As collectivist individuals are prone to socializing and want to take the whole group, they sacrifice individual interests for the group's success. They, hence, might require more time to complete tasks than individuals from individualistic cultures. Thus, based on the above literature, the following hypothesis is proposed.

Hypothesis 4b. Individualism has an impact on perceived performance

Moderating Impact of Foreign Local

Local employees in local organizations face the local culture, and local employees working in MNCs face the culture of the home country of that specific MNC. Very little literature is available on these employees (foreign locals) who are local employees working in MNCs (Carprar, 2011). The specification of theories relying on the assumed localness of HCNs (host country nationals) and the interplay between the cultures specific to the MNC and its host countries need attention.

Multinational corporations (MNCs) depend heavily on native employees for international operations. The commonly used label "host-country nationals" (HCNs) confers them an identity strongly related to their country's culture. However, a more sophisticated view of the culture of HCNs is needed. HCNs can display a variety of cultural profiles that are more or less reflective of the national culture, depending on their stance toward the native culture and the cultural landscape of the MNCs themselves (Carprar, 2011). Similarly, Bae, Chen, and Lawler (1998) concluded that glaring differences exist between the management values and organizational culture of the country of origin and the host country.

After researching two categories of Chinese employees, those working in Chinese R&D companies and those who are employees of China-based American R&D companies, Zhang et al. (2010) determined that both categories differed regarding their perceptions of individual power distance. The employees in American organizations have a lower power distance perception than the employees in Chinese organizations. Indigenously rooted cultures and organizations' home-country cultures collectively impact the employees' values, attitudes, and behaviors through top-down socialization and organizational acculturation processes. Similarly, Herrmann and Werbel (2007), Drawing on person-environment fit and national identity theory, argue that those local managers in multinational organizations host-country managers who demonstrate and display upward influence tactics that are more like the culture of the country of the origin of that particular multinational's will have more chances of promotion and career progression as compared to those who do not demonstrate the upward influence tactics.

According to Hofstede (1986), low power distance shows characteristics of being independent, difference of roles down the ladder for convenience only, equal rights, top managers are easily accessible to the subordinates, and the role of a leader resembles more the coach or a teacher, management tends to facilitate and empowers. Power is decentralized, and managers rely more on the experience of their team members than their authority. Workers expect to be consulted. Control is disliked, and attitudes towards managers are informal and on a first-name basis. Communication is direct, participative, and based on consensus. According to Nakata and Sivakumar (1996), in feminine societies, importance is given to people, quality of life, social relationships, and human contacts; thus, with a conducive work environment and socio-emotional caring climate, reception for new ideas and innovations and performance is higher compare to masculine societies. The cultures with high levels of uncertainty avoidance show high levels of resistance to innovations (Shane, 1993; Van Everdingen & Waarts, 2003), as well as lower performance levels. Innovation is always linked to some kind of uncertainty. Usually, people from a high uncertainty avoidance culture would not be motivated, think, and perform imaginatively and creatively and would show higher performance levels. Similarly, Audickas, Davis, and Szczepańska (2006) found that task performance is significantly different for people from individualistic and collectivist cultures. They found that task performance was higher in the individualistic group.

Based on the above discussion, It is expected that HCNs working in MNCs coming from low power distance, low uncertainty avoidance, low masculine culture, and Individualistic society would face the same cultural values in the working environment, the culture of the home country of the multinational organization and local employees working in the local organization from high power distance, high uncertainty avoidance, high masculine culture, and collectivist society would face the culture of their country in the working environment. Hence, the following hypotheses are proposed.

Hypothesis 5a. Foreign locals moderate power distance relationship with innovation

Hypothesis 5b. Foreign locals moderate power distance relationship with perceived performance

Hypothesis 6a. Foreign locals moderate uncertainty avoidance relationship with innovation

Hypothesis 6b. Foreign locals moderate uncertainty avoidance relationship with perceived performance

Hypothesis 7a. Foreign locals moderate masculinity relationship with innovations

Hypothesis 7b. Foreign locals moderate masculinity relationship with perceived performance

Hypothesis 8a. foreign locals moderate individualism relationship with innovation

Hypothesis 8b. Foreign locals moderate individualism relationship with perceived performance

Methodology

The study population includes host country nationals (Pakistani nationals) working in Norwegian multinational organizations in Pakistan and employees working in local organizations. For this study, Pakistani employees working in Telenor and PTCL were contacted for data collection.

Telenor Group is the only Norwegian multinational telecommunications company headquartered at Fornebu in Bærum, close to Oslo, Norway and operations in Pakistan. Telenor has operations in Asia, Eastern Europe, and Scandinavia, making it one of the largest mobile telecommunications companies in the world. Telenor owns mobile telecommunication networks in 13 countries and operates in 29 countries. Telenor is listed in the stock market of its home country, "The Oslo Stock Exchange." The market capitalization of Telenor in November 2015 was 225 billion Norwegian Krone, which makes it the third largest company listed on the Oslo Stock Exchange after DNB (financial Service provider) and Statoil (State Oil). Telenor Pakistan is a wholly owned subsidiary that started operations on 15 March 2005. It is one of six mobile phone service providers in Pakistan. Telenor's subscriber base is more than 31 million, which makes it the second-largest telecom operator in Pakistan.

Pakistan Telecommunication Company Limited (PTCL) is one of the leading telecommunication companies still operating under Pakistan's government. PTCL provides landline telephone and Internet services throughout Pakistan and is still the backbone of telecommunication network infrastructure despite facing lots of competition from multinational companies operating in this sector. It has over two hundred telephone exchanges around Pakistan, providing a fixed landline network and an edge over its competitors. The government of Pakistan still owns 62% of PTCL shares. In contrast, under the privatization program of the government of Pakistan in 2006, 26% of shares and control were purchased by Etisalat, while 12% of the remaining shares are with the general public.

According to Hofstede (1986), Norway scored low on power distance, which is 31, and Pakistan's score on power distance is 55. This shows that power distance is higher in Pakistan than in Norway. Norwegian multinational organizations have a low uncertainty avoidance culture (Hofstede score for this dimension for Norway is 50 and for Pakistan is 70) compared to Pakistan (Hofstede, 1986). Norway scores eight on the masculinity index, whereas Pakistan's score is 50, and thus Norway is the second most Feminine society (after the Swedes). Similarly, Norway's score on individualism is 69 and hence can be considered an Individualist culture/society. Pakistan's score on individualism is 14, which is a very low score, and Pakistani society can be viewed as a collectivist society.

Data Collection

Self-administered survey forms were used for data collection. The purpose of the survey was to analyze the behavior of respondents toward cultural dimensions and the impact of these dimensions on performance and innovation. A non-probability convenience sampling technique was employed for respondent selection and data collection. A total of 250 questionnaires were distributed in the head office and different franchises of Telenor in Rawalpindi and Islamabad, of which 182 were received back. Of these 182 responses, 171 were considered for final analysis, and 11 responses were discarded due to missing values. The response rate from Norwegian multinational organizations was 68%.

Data from PTCL was collected using the same strategy. 250 questionnaires were distributed to the PTCL head office in Islamabad and the regional office in Rawalpindi. 135 filled questionnaires were returned, and the response rate from Pakistani organizations was 54%. The total data set included 306 responses from host country nationals working in multinationals and local employees working in local organizations. The total response rate was 61%, and out of 500 distributed questionnaires, 306 usable responses were received.

Instrumentation

An 8-item scale was adopted from Jackson (1994) to measure innovativeness. The sample items are “I often surprise people with my novel ideas” and “People often ask me for help in creative activities.”

The variable perceived performance was measured using a five-item scale developed and used by Janssen and Van Yperen (2004). Similarly, the scales for measuring the cultural dimensions were adopted from Dorfman and Howell (1988).

Data Analysis*Descriptive Analysis*

The majority of the data collected were from Males. Out of 306 responses, 182 were males, while the rest, 124, were females. There were 77 males and 58 females from PTCL and 105 males and 66 females from Telenor. The majority of respondents were between 30 and 39, had a master’s degree, and were from the lower management category. Descriptive data are presented in Table No. 1.

Common Method Variance

Self-reported data raise the issue of the potential effect of common method variance (CMV) (Podsakoff et al., 2003). Before hypothesis testing, CMV was tested using Harman’s one-factor test. When all items were loaded in principal component factor analysis, 5 factors with “eigenvalue” greater than 1 were formed, and the first factor accounted for less than 30% of the variance. The result revealed that the data is free from CMV.

Statistical Assumptions of SEM

The statistical assumptions of SEM, including normality, reliability, and validity of the collected Data, were checked after fulfilling the basic assumptions of the structural equation modeling technique, including the tests for normality, reliability, and validity of data. SEM analysis was conducted.

Normality Analysis. For the SEM technique to be applicable, data should have univariate normality. Univariate normality can be accessed through skewness and kurtosis indices, which should lie between the absolute values of 3 and 10, respectively (Kline, 2005). The skewness values for the current data lie between 0.495 and 1.297, while kurtosis values were between -0.337 and 1.460, showing univariate normality in the data set.

Reliability Analysis. The data set's Internal consistency and reliability were checked using both Cronbatch’s Alpha values and composite reliability. The Alpha values were calculated using SPSS 20, while composite reliability measures were obtained through CFA output. The overall scale provided an alpha of 0.911, while the alpha values were between 0.901 and 0.931, and composite reliability values were between 0.84 and 0.88 for each latent construct. Cronbatch’s alpha and composite reliability values for each latent construct presented in the model are given in Table 1.

Table 1 Results of Confirmatory Factor Analysis (CFA)

Construct/Variable	Beta	Alpha	CR	AVE
Individualism		.897	.944	.69
ID1	.798			
ID2	.745			
ID3	.774			
ID4	.796			
ID5	.828			
ID6	.727			

Masculinity		.933	.964	.78
MF1	.856			
MF2	.895			
MF3	.882			
MF4	.893			
MF5	.700			
Uncertainty Avoidance		.928	.965	.76
UC1	.861			
UC2	.870			
UC3	.816			
UC4	.853			
UC5	.804			
UC6	.780			
Power Distance		.901	.948	.70
PD1	.800			
PD2	.821			
PD3	.860			
PD4	.833			
PD5	.836			
PD6	.809			
Performance		.917	.949	.79
Per1	.847			
Per2	.909			
Per3	.875			
Per4	.850			
Per5	.787			
Innovation		.913	.946	.78
IV1	.707			
IV2	.702			
IV3	.894			
IV4	.797			
IV5	.854			
IV7	.711			

β : standardized coefficient; Alpha: Cronbath's Alpha; CR: Composite Reliability;

AVE: Average Variance Extracted

Validity Analysis. Convergent validity can be achieved by getting the loadings of observed variables on their respective latent constructs significant ($p < .001$) and the squared multiple correlation value of each observed variable greater than 0.5. The validity analysis results indicated that the data set was valid for further analysis. Values of squared multiple correlation are presented in Table 2.

Similarly, the discriminant validity of the data set was evaluated using the criteria presented by Fornell and Larker (1981), where the shared variance of any construct should not be greater than the average variance extracted (AVE). The AVE value for every variable was greater than the shared variance of all variables, indicating the discriminant validity of the data.

Table 2 Discriminant Validity of Latent Constructs Present in Model

Variable	No of items	Mean	s.d.	1	2	3	4	5	6

1	PD	6	2.125	0.850	.581					
2	UC	6	2.331	0.765	.375* (.141)	.533				
3	ID	6	2.133	0.612	.356* (.127)	.375* (.141)	.511			
4	MF	5	2.306	0.712	.244* (.059)	.361* (.130)	.324* (.405)	.619		
5	IN	6	2.072	0.893	.702* (.491)	.429* (.184)	.421* (.177)	.244* (.059)	.677	
6	PP	5	2.162	0.721	.457* (.209)	.475* (.226)	.395* (.156)	.384* (.147)	.514* (.264)	.691

Shared Variance is in parenthesis; AVE is in diagonal

CFA/ Measurement Model

Four models were compared to identify the best-fitted model. The first model contained two factors: one containing items of four cultural dimensions and the second with the items of Performance and Innovation. The second model contained three factors, with the items for performance and innovation loaded into separate constructs. The third model included four factors: items of individualism and masculinity loaded into one factor and uncertainty avoidance and power distance loaded into one factor while keeping the performance and innovation separate. The fourth model was the final model, with individualism, masculinity, uncertainty avoidance, power distance, performance, and innovation as individual factors. The fourth model is the hypothesized model. Model fit statistics for each model and its comparison with the hypothesized model are reported in Table 3. The fit statistics provided evidence that the hypothesized model is the best-fitted model.

Table 3 Model Fit Comparison with Final CFA Model

	X2	df	Chi2/df	CFI	TLI	IFI	RMR	RMSEA
2 Factor Model	3562	527	6.759	0.498	0.466	0.501	0.140	0.137
3 Factor Model	2801	524	5.346	0.624	0.597	0.626	0.104	0.119
4 Factor Model	2230	521	4.281	0.718	0.696	0.719	0.098	0.043
6 Factor Model (Final Model)	815	512	1.593	0.960	0.956	0.960	0.046	0.044

The results of the final CFA, the hypothesized model analysis, indicated that all items had regression weights greater than or equal to 0.7 with a t-value greater than 11.0. Based on the recommendations by Joreskog and Sorbom (2006), none of the observed constructs was considered for removal from the model. However, two items from innovation (i.e., IV6 and IV8) were removed from the analysis due to their cross-loading. The cross-loadings were checked from modification indices of the measurement model (This removal of these two items from the measurement model significantly improves its fitness indices). The results of the measurement model are given in Table 1.

Structural Model

The structural model was fitted using the observed and latent construct present in the final hypothesized measurement model. The results of the structural model are presented in Table 4. The standardized regression weights or beta weights given in Table 4 were used to assess the impact of cultural dimensions on employee performance and innovation. According to Kline (2005), Standardized beta weights with values greater than 0.5 are considered to be large, and between 0.5 and 0.1 are considered moderate to low.

Table 4 Structural Path Coefficients for SEM With Latent and Observed Variables

Casual Path	Standardized Regression Weight	Un-standardized Coefficient	t-value	Hypothesis Supported
IN <--- PD	0.167**	0.184	2.547	Yes
IN<--- UC	0.122*	0.105	1.969	Yes
IN <--- ID	0.261***	0.256	3.703	Yes
IN <--- MF	-0.053	-0.053	-0.827	No
PP<--- PD	0.380***	0.359	6.018	Yes
PP<--- UC	0.054	0.040	0.972	No
PP <--- ID	0.226***	0.190	3.598	Yes
PP <--- MF	0.063	0.054	1.085	No

Goodness of fit Indices

$\chi^2 = 843$; d.f. = 513; $\chi^2/d.f. = 1.64$; $p < 0.00$; Comparative Fit Index (CFI) = 0.96; Incremental Fit Index (IFI) = 0.96 ; Goodness of Fit Index (GFI) = 0.86; Adjusted Goodness of Fit Index (AGFI) = 0.84; Root-mean-square residual (RMR) = 0.06; Root-mean-square error of approximation RMSEA = 0.046

$p < 0.10 = \dagger$; $p < 0.05 = *$; $p < 0.01 = **$; $p < 0.001 = ***$.

Group Difference Analysis

The final test run was the group difference test using AMOS to check the proposed moderation effects. Two groups were developed: local employees from local organizations (135 out of 306) and Host Country nationals from multinational organizations (171 out of 306). These results identified good-fitted, unconstrained, and structural models. The goodness of fit indices results identified that both unconstrained and structural models from the group difference test are good-fitted models. The next step is the chi-square difference test, which is used to identify the differences between the two groups. The results are presented in Table 5.

Table No 5 Chi-Square Difference Test

<i>Assuming the unconstrained model to be correct</i>	
χ^2	21.04
Df	8
p-value	0.004

The chi-square difference test identified a significant difference between the two groups, and the probability value of chi-square and df identified that it is important to consider these two groups as separate groups. Hence, the proposed relationships related to the impact of cultural dimensions, including power distance, uncertainty avoidance, masculinity, and individualism, have different impacts on perceived performance and innovativeness for local employees who work for local organizations and host country nationals (local employees) who work for multinational organizations. The results for both groups are presented in Table 6.

Table No 6 Results of Group Difference Test for Local Employees and Host Country Nationals

Casual Path	Local Employees n: 135		Host Country Nationals n:171	
	Standardized Beta	t-value	Standardized Beta	t-value
IN <---PD	0.476***	7.561	0.632***	8.720
IN<--- UC	0.081	1.221	0.191***	2.998
IN <--- ID	0.112	1.443	0.198***	3.196
IN <---MF	-0.088	-1.354	0.043	0.716
PP<--- PD	0.115	1.294	0.142*	1.898
PP<--- UC	-0.065	-0.811	0.308*	4.062
PP<--- ID	0.391***	4.142	0.157**	2.127
PP<---MF	0.114†	1.731	0.121*	1.922

$p < 0.10 = \dagger$; $p < 0.05 = *$; $p < 0.0 = **$ 1; $p < 0.001 = ***$.

Results identified that only one relationship is significant for innovativeness for local employees, and that is for power distance ($\beta = 0.476$; t-value: 7.56; p-value:0.00). However, for host country nationals, only one relationship is insignificant that is of masculinity ($\beta = 0.043$; t-value: 0.716; p-value:0.72).

Similarly, for perceived performance relationships, all relationships of cultural dimension were significant for host country nationals at a 99% and 95% significance level. However, for local employees, relationships of power distance ($\beta = 0.115$; t-value: 1.294; p-value:0.20) and uncertainty avoidance ($\beta = -0.065$; t-value: -0.811; p-value:0.42) were insignificant and impact of individualism on perceive performance ($\beta = 0.157$; t-value: 2.127; p-value:0.03) is significant at 95% while relationship of masculinity ($\beta = 0.137$; t-value: 1.731; p-value: 0.08) is significant at 90% significance level.

Discussion

The results support the idea that low power distance and innovativeness are associated. The higher the power distance, the lower innovativeness, and the lower the power distance would lead to higher levels of innovation from employees. The free flow of information is directly linked with the generation of creative ideas, and low power distance culture helps to convert them into deep-seated innovations. Creativity and innovation are downgraded and are not encouraged by bureaucratic culture (Herbig & Dunphy,1998). Similarly, per Shane (1993), direct, detailed, and clear instructions eliminate the creative thinking in employees and make them passive.

Conversely, low power distance helps create an environment of trust between different levels of organization, resulting in higher levels of creativity. With this trust, employees' creativity levels increase. We also found support for "The Conflict Theory of Power," which elaborates that high-power distance hinders the performance of individuals through higher competition, conflict, and political behavior (Edmondson, 2002; Greer & van Kleef, 2010; Siegel & Hambrick, 2005) and low power distance helps in the enhancement of performance of employees.

The results also suggest that uncertainty-accepting societies may be more innovative than uncertainty-avoiding societies. Similarly, the results support the empirical findings of Tolba and Mourad (2011) that uncertainty avoidance should be considered to optimize efforts and maximize innovation diffusion in organizations. Similarly, the result is also in line with the study by Mohamed et al. (2013), who have found while studying the relationship of uncertainty avoidance with performance, that the high uncertainty

avoidance in Malaysia may also be one of the problems that cause the low performance of employees. With high uncertainty avoidance, when employees face a challenging task, they will feel risk, which indirectly will distress the job execution. In an organization, management needs employees to follow the rules and regulations. Besides, employees may face punishment if they do not follow. This may decrease employees' motivation, increase stress, and affect the job performance of employees.

Similarly, the results also identify that individualistic culture provides more exploration opportunities, increasing possibilities for innovative ideas and creative solutions. The results also support the empirical evidence of Shane (1993) and Herbig and Dunphy (1998) that individuals are rewarded for the value of their work for an organization. Thus, they have a vital purpose and intention to develop innovative, valuable, and creative ideas. We also find support for Audickas, Davis, and Szczepańska (2006) findings regarding task performance, which is significantly different for people from individualistic and collectivist cultures and higher task performance for employees in an individualistic group. The results also support the idea that collectivist individuals are prone to socializing and want to take the whole group. They sacrifice individual interests for the group's success and might require more time to complete tasks than individuals from individualistic cultures.

Relationships between cultural dimensions under study as independent variables and employees' perceived innovativeness have been found significant among the HCNs working in foreign organizations. In contrast, they are insignificant among local employees working in local organizations. The only exception is masculinity, whose relationship has been found insignificant in both cases. This identifies the moderating role of foreign locals in the relationship between the four cultural dimensions taken as independent variables and employees' perceived innovativeness.

Relationships between cultural dimensions under study as independent variables and employees' perceived innovativeness have been found significant between the HCNs working in foreign organizations. In contrast, it has been found insignificant in the local employees working in the local organizations. This identifies the moderating role of foreign locals in the relationship between the four cultural dimensions taken as independent variables and employees' perceived innovativeness. This contradicts the traditional concept, as Hofstede also suggests, that employees behave according to the culture of their homeland. In this study, we found that local employees working in multinational organizations face a different culture than the one they have been groomed in and face outside the organization. Still, they do take the influence from the culture of their organizations, and their behaviors in terms of innovativeness and performance display a remarkable change following the organizational culture and defying the so-called deep roots in their personalities and the culture of their country of origin.

Conclusion

The current study aligns with the findings of the research/studies done in this field. Relationships between all the independent variables, i.e., power distance, uncertainty avoidance, masculinity vs. femininity, and individualism vs. collectivism, have been found significant with both the dependent variables, which are perceived employee innovativeness and perceived employee performance less the relationship between masculinity and femininity and innovativeness which has been found insignificant. Another important point is that generally, the term used to mention these employees is Host Country Nationals, which directly links them with the culture of their own country and their behavior is judged and analyzed according to their national culture. However, as we found in this study, these employees, in most cases, change their behavior in line with the culture of their organizations to whichever country or culture it represents. Therefore, this study supports the viewpoint of Caprar (2011), who suggested the term foreign locals for these employees instead of host country nationals.

To conclude, this study makes an important contribution to the existing literature on the behavior of host country nationals working in multinational organizations. This research is also an answer to the call for research from Carprar (2011) on foreign locals, as these individuals face two different cultures, one in their

organizations and the other in their own county culture. Hence, their behavior differs from that of local employees working in local organizations.

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