Evaluating International Managers' Practices and Locational Preferences in the Global City - An Analytical Framework

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Abstract

We argue that there is a need to shift towards a more actor-centered approach in the discussion about the global city network. In order to manage successful command and control of an international production system in global cities we assume that there is a significant difference between types of acculturation and locational preferences in a foreign business environment. There is a need for analyzing globalization processes from within multinational corporations. Therefore, microanalysis on the individual and management levels should be conducted to understand the formation of new managerial spaces in the international economy.

This research is original in its introduction of two complementary approaches - a qualitative and a quantitative approach - evaluating foreign executive managers' adjustment strategies and locational preferences. This new approach aims to grasp the interconnectedness of individual behavior and corporate locational decision making for a better understanding of globalization processes.

The resulting single research framework has been tested by conducting 52 in depth interviews with foreign executives in Japan. We discovered that indeed different patterns of acculturation correlate with certain locational preferences. The proposed framework should be used to investigate which spaces of the global city network make cross-cultural management success likely.

Keywords: Cross-cultural management, actor-centered approach, acculturation, cultural synergy, locational preferences, global city, conjoint analysis

I. Introduction - Global shift

The globalization process is resulting in an acceleration of the concentration of corporate

functions of foreign firms in first tier global cities. In the last decade Japan has received inward investment in a large extent. This investment is mainly flowing to Tokyo, which functions as Japan's most important market entry point and business environment. The number of foreign firms has risen drastically in this first tier global city in recent years. In 1974 only 150 non-manufacturing firms and 129 manufacturing firms from overseas had invested in Tokyo. Thirty years later, according to the Ministry of International Trade and Industry (MITI), the number had increased to 1,440 foreign companies, among them 1,085 non-manufacturing firms. By comparison, the second tier city Osaka did not achieve the same growth rate for international businesses. With 136 foreign companies this second tier global city lags behind even Yokohama-Kanagawa which has attracted 201 foreign firms (MITI 2005). Additionally, since the 1960s and still ongoing, domestic and foreign companies have been shifting their headquarters functions to Tokyo (Hirai 2004). Although costs tend to be the highest within Japan, most new investors only consider locating in the first tier city of Tokyo. The concentration of globally linked economic functions goes hand in hand with the expensive lifestyle of the new top corporate officials, including foreign executive managers. This process is embodied by new landmarks such as Ark Hill and Roppongi Hills. Here, we can observe quick circulation of managerial knowledge among new members of the international corporate elite that integrates local and foreign business leaders. Not only foreign executive managers, but also Japanese business people with an international background prefer to work and reside in Tokyo. According to foreign executive managers, the corporate, market, and living environments of Global Cities provide the necessary features that build the knowledge needed for managing their business systems. Applied management practices and the preference for certain features of the spatial environment in which to carry out these practices need to be analyzed jointly. In the following section of this paper we discuss the current state of research. In chapter three we present the framework for evaluating international managers' practices and locational preferences. Finally, we present the typology of global managers in the global city.

II. Academic background - international managers' practices and locational preferences

No manager's work is performed in isolation. Each manager's work is embedded in a local and global web of industrial and social activities (Håkansson and Johanson, 1993, p. 40).

Capable of exercising global action, these agents are gatekeepers in the circulation of information on intra- and inter-firm levels because of their multiple activity dependencies between global cities. According to Thrift (2000) those "fast subjects" span global-city networks with knowledge-rich, epistemic business communities. International managers have the consumption and lifestyle pattern evident among international managers in global cities (Sassen 2001). As a consequence "the best practices" culled from national management systems were seen as converging, but recently it has become obvious that such ideas of a "standardized world" are misleading. Thus, Whitley (1999) strongly supports the divergence thesis suggesting that despite the growth of international investment and capital flow, distinctive business systems force different locational preferences. According to the GAWC Inventory of World Cities, the impact of globalization is the same among alpha, beta, and gamma world cities while the quality of control and information connections differs (Beaverstock 1996, Taylor et al. 2002, p. 98).   Therefore we expect that international management practices will continue to converge, but with adaptation to specific locations.

Jones (2002) critiqued Sassen's concept of global city as too narrow in epistemological scope imbuing places and spaces indirectly and confusing corporate power and control as located in the Multinational Enterprise's (MNE) headquarters. In contrast, he proposed emphasizing the nature of the social practices that constitute transnational corporate power. He argues that power and control in transnational business activities need to be understood in much more spatially diffused terms (Jones 2002, p.337). According to this analysis management hierarchies and systems do not always correspond with highly centralized systems of control centered on head-offices in the global cities. In contrast control is spreading through a decentralized network of social actors across transnational firm networks. Thus, we should focus on the general structure of corporate and spatial organization of MNEs which is indeed embedded in the global city network. From a relational point of view, managerial communication through the above mentioned network connections is crucial for business success.

In economic geography, decision-making of MNEs often is depicted as the key factor shaping global information flows and knowledge creation through the global-city network (Nonaka & Takeuchi 1995, 1997, Dicken 2003, Suzuki et al., 2005, Taira 2005). The fact

that high income professional and managerial employees are more vulnerable to dismissal enables the foreign multinational company to implement global strategies and managerial practices relatively independent of the local business culture. However, for importing and implementing best practices proven elsewhere, the cross-cultural management process is important. The question is what does the foreign executive manager do to adjust to local practices? From the geographers' literature we only know that global managers prefer to live in the global city, thus we want to know about their success practices and locational preferences in detail.

The managers in the regional headquarters of foreign firms have crucial impact on coordination and control. As decision makers, they select the human resources and shape the corporate environment for international business. Therefore an actor-centered approach can fit the needs of the research. In the regional head offices and overseas subsidiaries, international business managers are under increasing pressure as they lead their MNEs to success. These supposedly "fast subjects" necessarily unfold their activities in a city network that embodies circulation and provides the basis for the creation of new business practices. Thus, geographical studies require the notion of management behavior (Thrift, 2000). This behavioral approach is distinguished from previous approaches focusing on environmental determinants affecting the international manager's decision making (Krumme 1981, Nishioka & Krumme 1993). Nowadays, managers are seen as "change agents", coordinating and modifying interests in overlapping spheres of work and life. Due to the increasing competition between firms, managers may be fixed on current exigencies. They need to become change agents who are able to be the fastest and best managers by adjusting to and creating new practices and skills (Czinkota et. al., 1999). Experienced international managers are equipped with sensitivity to several spaces and are capable of showing "situated rationality" intuitively (Livingstone, 2000). Organizations do not simply react to their environment as a ship might to waves. They actively select, interpret, choose and create their environments (Trompenaars, 2006). The change agent in a company needs to adapt to and modify the corporate, market, and living environment constantly by embedding strategies and implementing business practices. Thus, the international manager or "change agent" is our subject, whereas the multinational firm in the global city network is the object of our study.

Japanese scholars contributed early to the intersection of geography and management.

Beika (1970) emphasized that managers always need to adjust actively or passively to internal and external conditional changes. Totsuka (1990) suggested that the meaning of locational adjustment in the process of globalization remains important. Kawabata (1996) suggests that in the information age it is increasingly the optimal location and the efficient corporate network that creates synergy effects. Abo (2002) proposed a "preliminary concept of management geography". He emphasized that cross-cultural difference in human interaction and networking need to be incorporated into the geography of management. Since he used characteristics typical for Japanese production management as a measure for his analysis, his framework is useful to investigate the degree of application of Japanese managerial techniques and practices within Japanese transplants. Nevertheless, there remains a need to upgrade his framework incorporating fundamental dimensions of culture that would make it possible to distinguish globally cross-cultural differences in human interaction and networking.

With the here proposed framework we intend to promote geography of management concentrating on only a few managerial dimensions that will help us to differentiate a range of management practices. Recently within geographical literature, managerial behavior has been recognized as an analytical tool to evaluate the quality and potential of spaces in the competition of globalization. Schlunze analyzed locational adjustment of international management from the perspective of the subsidiary's involvement in the local society as well as managerial aspects affecting the local operation (Schlunze 2002, 2003, 2004a,b,c, 2006a,b, 2007). Those executive managers are often described as being disembedded from the cities in which they work. Granovetter's embeddedness approach (1985) is based on the central fact that all economic behavior is fundamentally socially embedded. According to Oinas (1998) the embeddedness school is divided into two groups: one centering on the network paradigm (Forsgen & Johanson 1992), the other strongly follows the implications of the "new flexibility" for organizational strategies and structures. Both groups have contributed to the corporate network discussion, but have neglected the management of MNEs as a key driver. As an outcome of the activity of these key drivers, first tier cities like Tokyo, New York, London, Frankfurt, etc. are becoming more significant as translators and mediators of information flow in the world city network, while second tier cities like Osaka, Düsseldorf or Manchester may become less strategically important. The global city is a centre of translation and calculation

in a worldwide network of heterogeneous flows. In addition, the global city itself is a heterogeneous assemblage of practices, materials, and actors drawn from within and without the city limits. As is clear in the literature it remains unknown which practices work for which types of foreign executive manager in terms of a particular business environment. We assume that business environments in first tier and second tier global cities are different and thus, depending on where the business takes place, international managers' success practices and their locational preferences are significantly different. Accordingly, our framework evaluates a foreign executive manager's performance in terms of distinctive environmental circumstances.

III. Research framework

A business environment consists of three spheres: corporate, market, and living environment. Facilitated by these environments, an executive creates synergies. First, we introduce an approach to differentiate expatriate and hybrid executive managers and their potential for creating cultural synergy. Secondly, we present an analytical framework to analyze empirically how these executives unfold different locational preferences in different types of global cities.

III. 1. Synergy created by foreign executive managers

Synergies are actively created by foreign executive managers. To achieve synergies, McCaughey and Bruning (2005) suggest strategies to enhance the acculturation and adjustment of expatriate managers. According to their work, support strategies such as pre-assignment support, assignment support, and repatriation support influence the ability of an expatriate to acculturate and adjust. These organizational activities increase job satisfaction and decrease incidents of premature repatriation. However, they also warned that organizations should be aware of the isolating influence of being abroad and concluded with considering alternative staffing options. Therefore, expatriated managers are often described as being disembedded from their working and living environment. Since expatriates are believed to have little understanding of local business environment and employee relations, a dual structure with a Japanese representative at the top exists in many foreign companies in Japan. However, we did observe that the success of MNEs in Japan increasingly depends on the availability of foreign executive managers, who are educated and trained within Japan. These *hybrid managers* are socially embedded and

evince more sensitivity towards local norms and values. As an outcome, they are often more efficient and successful in the Japanese market than the typical expatriate executives. They have the ability to select the optimal location and proper human resources. According to Skyrme (1996, 2007) the term hybrid was originally coined by Peter Keen in the mid 1980s, and later refined more precisely by Michael Earl, who identified a hybrid manager as "a person with strong technical skills and adequate business knowledge". To mimic this definition in the cross-cultural management context, we redefine a hybrid manager as a person with strong cultural adjustment skills and adequate business knowledge or vice versa. Hybrids are people with skills achieved during an acculturation process. They are able to work in a foreign country as a local would, but while developing and implementing international managerial practices and ideas in a fashion that makes synergy effects possible.

We wish to answer the following research questions with the proposed framework:

- In order to be successful in the foreign business environment, what kind of working style and what kind of lifestyle do foreign executive managers choose?
- Can we identify different strategies and therefore different types of foreign executive managers?
- Do those managers also differ in their locational preferences?
- What does the global city offer to their business success?

Therefore, a typology will be employed estimating optimal pre-conditions for creation of synergy effects in cross-cultural management. Here, work and lifestyle of foreign executive managers will be evaluated, including such elements as career patterns, interaction with subordinates and customers, and their individual lifestyle.

Favorable decision making in cross-cultural management centers on the creation of synergy effects. Synergy effects can be achieved when cross-cultural communication is conducted appropriately and the actors implement strategies and execute projects efficiently. As seen in Figure 1, two dimensions are seen as important in contributing to the creation of such effects: cultural adjustment and strategic intent of the foreign executives with regard to the local operation and his overseas assignment. According

to Turner and Trompenhaas (2000) "strategic intent is an 'animating dream' that provides the emotional and intellectual energy to take a journey guided by the "strategic architecture" of the brain, or a manager's professional intuition. Successful foreign executives need to have a "sense of discovery" that the future is "out there", not "in here" when managing abroad. Mintzberg (1987) previously showed that direct strategies often ignore changes and differences in the business environment. Corporate strategies designed by the parent company or foreign executives (inner direction) might not match the reality of the particular overseas market when emergent strategies are demanded (outer direction). Together with the local managers, a crafted strategy needs to be formed. If international managers succeed in proceeding in an agreed direction, learning and knowledge become cumulative and synergy can be expected (Hamel & Prahalad, 1994). The degree of cultural adjustment achieved can be seen as an outcome of the professional adaptability to the Japanese working environment and psychological sensitivity in human interaction in daily life. Sensitivity or tolerance towards other cultural values can be better exercised and achieved in personal contacts in private life than at the workplace, because hierarchy often prevents immediate feedback. In private life this can be achieved among friends and partners that have the necessary cultural knowledge. Not only in business, but also in private life, people with business success have a vision or strategic goals. Their positive attitude towards risk taking in the corporate environment and their curiosity for other cultures go hand in hand. Therefore, strategic leadership and a high degree of cultural adjustment are necessary pre-conditions for creating synergy effects in cross-cultural management (Type B in Figure 1). Thus the hypothesis states that: Synergy effects in cross-cultural management will be created only if the cultural adjustment is strong and the foreign executive manager advertises his strategic intentions.

We assume that only clear strategic intent and successful cultural adjustment make possible synergy effects in intercultural management. Taking into account the individual working styles and lifestyles of a foreign executive we can distinguish the degree of potential for synergy in cross-cultural management. In order to assess the potential for synergy effects in cross-cultural management we analyze foreign executive manager performance with the following equation:

Synergy Potential = Acculturation (Indicator1 + Indicator2 + ...) x Strategic
                 Intent (Indicator1 + Indicator2 + ...)

Strategic
intent

clear

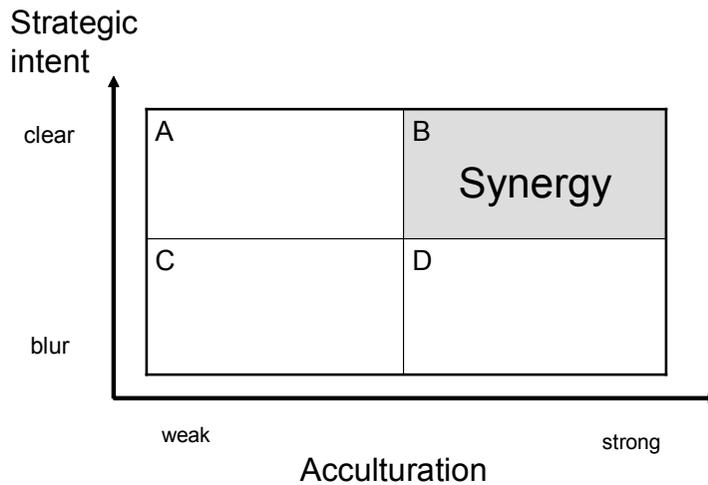| A | B |
| | Synergy |
| C | D |

blur

weak   strong

Acculturation

Figure 1:   Strategic intent and acculturation: pre-conditions of synergy

Table 1.1: Indicators for acculturation

Indicators for Acculturation
Work ●Experience ●Language proficiency ●Working style ●Conflict management ●Involvement ●Information and knowledge exchange
Life ●Partnership ●Socializing

We developed a questionnaire asking for information developing the indicators for acculturation and strategic intent. We sent this questionnaire to the foreign executive manager in advance. This tactic enabled us to verify the questionnaire information during the interview by discussing their work and lifestyle. The foreign executive's self-assessment was not as important as the reasoning and the additional information given to us in the course of the interview. To assess the foreign executive's potential for creating synergy the following characteristics of acculturation and strategic intent were investigated.

Table 1.2.: Indicators for strategic intent

Indicators for Strategic Intent
●Human Resource Management
●Decisions
●Motivation
●Corporate growth aims
●Innovation
●Action space

Important for the acculturation process is the depth of experience which grows with the length of the stay. Language proficiency can accelerate the depth of experience since more information becomes available and a greater understanding of the foreign culture can be achieved with fewer pitfalls and in a more favorable fashion. Working style is important because cultural environment often demands different approaches than does a foreign executive's home culture. If not efficiency, but persistence and appearance at the working place are demanded, the willingness to accept long working hours indicates cultural adjustment to customs and attitudes. To overcome cultural differences, communication strategies to avoid risk, misunderstanding and miscommunication are also important. Since communication strategies are usually based on corporate guidelines for interpersonal interaction in culturally diverse workplaces, they can be summarized as conflict management. We can only consider the expatriate assignment of a foreign executive manager to be successful if he influences the decision making process. Therefore participation in meetings of the local subsidiary and the corresponding meetings at the regional or global headquarters is crucial. Gaining influence in a foreign workplace depends on the way of information sharing and knowledge exchange. Is the foreign executive manager able to interpret information from local sources himself, or does he depend on local subordinates to analyze local business data? These are questions and important issues that determine the working style. Further, lifestyle contributes to the acculturation process. A good marriage or partnership is very valuable for the assignment abroad. Is the partner supportive or not? Bringing the family abroad can be also a burden for the foreign executive manager and therefore put at risk his assignment and the success of his mission in the foreign workplace. A marriage or partnership with a national often helps to accelerate the acculturation process. Instant feedback, often not provided in the

workplace, can be given by a partner or friend with the local cultural background. This is especially helpful for foreign executives with open-ended assignments or local contracts. Having a strategic intent is not only important for the individual manager's motivation but also for encouraging and managing subordinates. Career aims such as becoming an area specialist, marketing expert, international or global manager contribute to keeping a high motivation profile which often earns the respect of the local subordinates and therefore makes managing people easier. Individual motivation is highly related to identification with corporate aims. Enthusiasm about new business opportunities, successful product adjustment or locational expansion of the corporate network indicates that strategic intent exists. Involvement in corporate decisions also has a spatial dimension: extensive travel activity within the host country and region, in some cases even around the globe. These are important indicators for assessing an international manager who is involved with corporate strategy and trusted to translate the MNE's corporate strategy to the staff of the overseas subsidiary.

As shown in Figure 2, working styles *[W-STYLE]* are characterized by attitude towards **risk** and the **adaptability** of a manager. Those managers who function as change agents tend to be risk takers. They have the power and authority to guide the start-up phase of an operation or undertake major organizational changes in a later stage of the overseas operation. Those who function as *maintenance agents* have a different attitude towards risk and do not have the same degree of freedom, empowerment and support from the parent company. Their work is to control and *maintain* the sustainable growth of a fully established business operation. Only a manager with strong adaptability will succeed with *adaptation-oriented* practices. A foreign executive manager with weak adaptability tends to be rather *application-oriented*. An application-oriented manager tries to apply managerial practices and methods from his home country. On the other hand, an adaptation-oriented manager tries to adapt to the host country's practices and customs. In order to work efficiently, a balance of both methods is favorable, but here we categorize manager performance by evaluating their adaptability.

In a similar manner, we want to assess the lifestyles *[L-STYLE]* of foreign executives (See Figure 3). Therefore we attempt to explore their degree of **sensitivity** and sense of **discovery** or willingness to interact with the local culture. The population of foreign

Risk

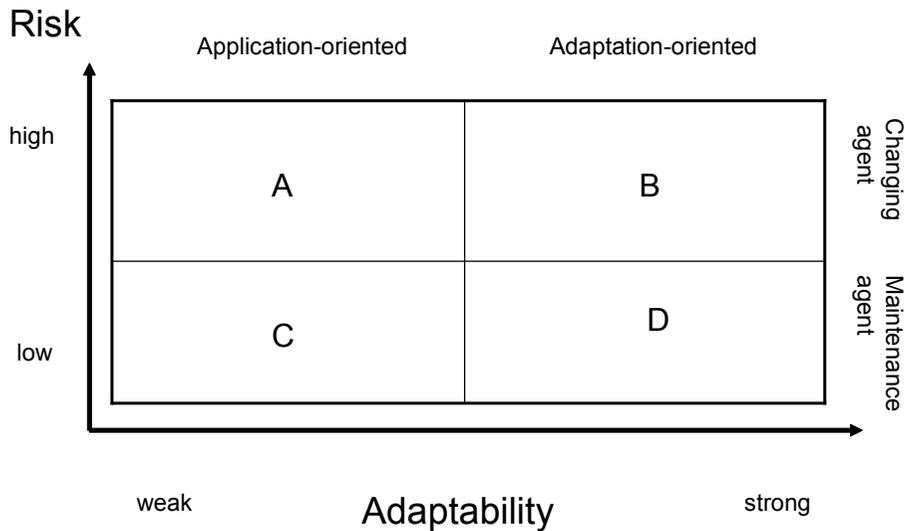|	Application-oriented	Adaptation-oriented	
high	A	B	Changing agent
low	C	D	Maintenance agent

weak　　　　Adaptability　　　　strong

Figure 2: Types of working styles

executives can be divided into managers who stick with the foreign community and those who undertake an effort to discover the local culture within their free time. The *disembedded* type (A, C) is expatriated by the parent company to Japan. Usually he does not speak any Japanese and often has not received proper cultural sensitivity training for his expatriate life in Japan. The *embedded* type (B, D) has developed cultural sensitivity through frequent interaction with locals. This manager type is often married to a local and/or received academic or professional education within the country of his assignment. This manager is often employed locally by the foreign firm. Type A and B have in common active socializing and being *contributors* to the business community. Therefore they are involved in the foreign and/or local community. Participation not only in the workplace but also in private life is essential to enacting successful intercultural communication. The *participant* (C, D) does not push their ambition beyond the limits. In private life they prefer a quiet family life and do not actively contribute to the business community. Since the work of international managers is quite demanding, many merely tend to seek relaxation within their private space in the after work hours.

III. 2. Locational preferences of expatriate and hybrid managers

The originality of this work lies in our development of an analytical framework and accompanying software program to test environmental preferences of international

Discovery

	Disembedded	Embedded
high	A	B
low	C	D

weak   **Sensitivity**   strong
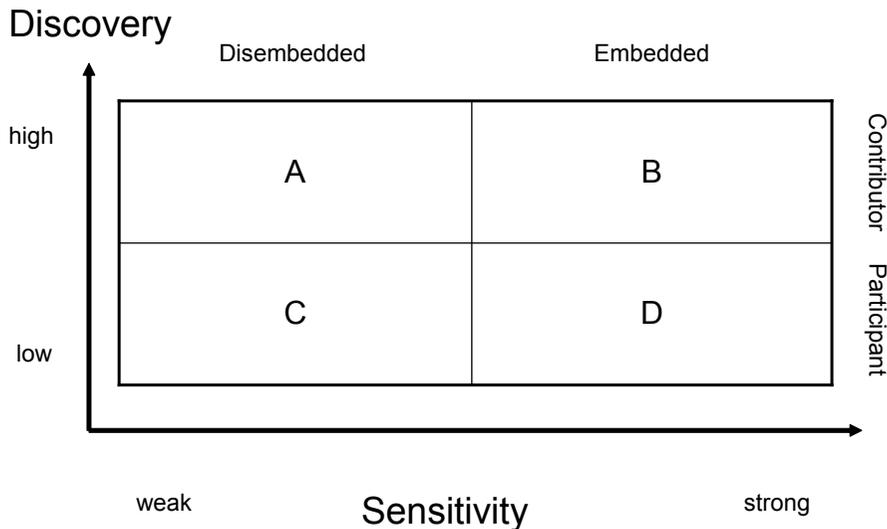
Figure 3: Types of lifestyles

managers. According to McCann & Mudambi (2004, p.516), a "careful mapping of corporate information and decision making structures and inter-firm relations within a explicitly geographical setting" should be done. Using conjoint analysis we investigated foreign executive preferences in working environment, market environment and living environment. The reason we selected conjoint analysis is that this instrument offers a more realistic combination of explicit and implicit demands on the decision maker than other approaches. Psychologists and marketing researchers have successfully applied the instrument to a number of different problems (Green et al., 2001). Another important advantage is that international managers are familiar with conjoint analyses, since they use it as a decision making tool for marketing purposes. Conducting test-interviews, we found that interviewees exhibited great interest in the application and were highly motivated to learn about the results. This stems from the point that the conjoint analysis is conducted with the interview and provides instant feedback. Correlating the results with our assessment of their working style and lifestyle, we were able to generalize these results to uncover patterns of synergy and success.

Conjoint analysis provides a feasible method of measuring management locational preferences (Plattner 2005). Instead of evaluating single characteristics, conjoint analysis reveals information hidden in the combination of characteristics. Rather than

directly asking managers what they prefer in a location, or what attributes they find most important, conjoint analysis employs the more realistic context of those managers evaluating potential location profiles. These profiles are a combination of different locational characteristics. Moreover the complexity of creating a preference ranking by the respondent is reduced. Thus, methodologically, the characteristics must be independent of each other and there must be a complementary relation between the attributes. With regard to our research approach, three independent attributes were selected: the corporate environment, the market environment, and the living environment (see Table 2). These three environments are the context in which the managers operate. Focusing on the main characteristics, the effect on locational preferences in measured ria the conjoint analysis.

Next, a full profile design creates a selection of two profiles, each containing three characteristics. The two profiles were presented to the manager. The manager selected a locational profile that fit his success needs best. Using conjoint analysis implies that the decision maker ranks each profile according to his preferences by paired choices. Having realistic profiles in mind, the managers select always the best set of characteristics instead of single locational features. An ordinal ranking of the profiles is generated and after the implicit selection process an explicit evaluation and re-ranking can take place. Thereafter, the preference structure is analyzed by calculating the part-worth utility for the locational characteristics in the ranked profiles. Assuming that the distance between the ranks is equidistant, the order made by the international managers can be interpreted metrically. At the end of the analysis, a least square regression estimates the part-worth utility (Addelman 1962, Jacroux 1992, Klein 2002). The part-worth utility function is a

Table 2: Attributes and variables to distinguish locational preferences

Attributes	Variables		
Corporate Environment	Collaboration within the multinational enterprise	Human resource access	Working atmosphere
Market Environment	Cooperation with suppliers and customers in the value chain	Market opportunities	Governmental supportive setting
Living Environment	Livable local environment	Local information network	Manifold city life

Source: Key variables distinguished by a pre-test of foreign executive managers in June 2006

quantitative expression of the locational preferences. The outcome of the above mentioned methodologies is a clear comparative classification based on both quantitative as well as qualitative methodology. Based on the literature in the field of business environments and cross-cultural management, three success attributes were distinguished in preliminary interviews. As a result of these interviews we reduced the number of variables to the three most important ones.

The relation between the variables is linear and a discriminative function can be formulized for calculating the overall locational preference of a foreign executive manager:

Location Preference (0 − 1) = (0.33 x Corporate Environment (WORK + HUMAN + COLLAB)) + (0.33 x Market Environment (MARKT + COOP + SUPPORT)) + (0.33 x Living Environment (LIVE + CITY + NETWORK))

We define the Attributes and Variables as following:

According to Schein (2005), the **corporate environment** is defined by three cognitive levels of organizational culture. We therefore distinguish three key components of the corporate environment abroad: the working atmosphere, the human resource access, and the collaboration in the multinational enterprise.

The *working atmosphere [WORK]*, consists of a material and an informational level. Material elements include visible things such as facilities, offices, furnishings, displayed awards and recognition, dress code etc. Informational elements include non-visible elements such as the verbal and non-verbal interaction practices of employees with each other and with clients, suppliers, and partners. Both levels are necessary to analyze the impact of an individual workplace on the performance of foreign executive manager. A mismatch can explain why change agents fail to achieve their goals. Underlying tacit cultural norms are generally not understood by expatriate managers before would-be change agents begin their actions in the foreign subsidiary. Hybrids have much more experience and they are embedded in the local context.

Next, *human resource access [HUMAN]* is crucial for management success. Especially

in international business, expatriates need translators and mediators in the process of communicating with the local workforce more than hybrid managers who enjoy in-depth language and cultural skills. Moreover, the latter are much asked after in negotiations along the value chain with local suppliers and customers. Thus, expatriates and hybrids need a different variety of human resource access to help develop the culture established among foreign executives, local employees and cooperation partners. Expressions of organizational identity, company slogans, mission statements, local, and personal values etc. are embodied in the available work styles of the human resources. This can explain why a mismatch may lead to failure on the management-side as well as the employee-side. Last but not least, the collaboration within the *multinational enterprise [COLLAB]* refers to the organization's tacit assumptions. These are unseen elements not cognitively identified in everyday interactions between organizational members. These collaborations are essential for successful coordination of the international production system. Here expatriates are representatives of the corporate culture formulated in the headquarters. Expatriate managers see themselves as change agents implementing corporate strategy and educating the local staff members about corporate culture. Having too much cultural sensitivity can result in mission failure, thus hybrids have a disadvantage in this sort of work assignment. Nevertheless outside the first tier global cities, sensitivity and tacit assumptions are more likely to require a hybrid manager instead of an expatriate manager.

The **market environment** consists of market opportunities, cooperation with suppliers and customers in the value chain, and governmental supports. A market is an institution that links information to buyers and sellers and allows the exchange of goods or services. Therefore firms' *market opportunities [MARKT]* to buy or sell goods and services are a precondition for business success in the foreign market. Foreign executive managers often have a point of view on the local markets different than their counterparts. Expatriates come from international business and they have to manage products already successful in other markets or develop new products under the actual market circumstances. In the latter, hybrid managers are probably more suitable. New, locally adjusted products create potential advantages for the global product portfolio of the multinational enterprise as well. Lastly, in order to be successful a foreign executive manager has to communicate the specific needs within the firm's network to achieve market shares and profit margins.

Expatriates have some advantages here because of their intrafirm personal network.

The advantages arising from *cooperation with suppliers and customers in the value chain [COOP]* can be realized by hybrid managers more easily. Some parts of the chain maybe local and others global. Specific customer needs and supplier abilities lead to adopted production methods and goods specification. As a result, the foreign executives' attitudes and cultural sensibility on cooperating in changing market environments is the second main factor of success. Notably, the *governmental supportive [SUPPORT]* setting influences market advantages with support for assets, finance as well as the legal system. There are converging technological circumstances such research, engineering, and production methods, but the main feature distinguishing markets are the legal systems. In addition, local standards as well as international requirements have to be met. For expatriate managers this can be an auxiliary expense, while for hybrid managers it is a chance to optimize products. The methods used by a foreign executive determine business success or failure.

The key elements of the **living environment** consist of livable local environment, manifold city life, and the local information network. Foreign executive managers are under tremendous pressure to meet business targets. In order to rest and recover a *livable local environment [LIFE]* is needed. There is no one environment that fits all; this depends on the cultural background of the foreign executive and his individual skills related to socialization. For the foreign executives, a livable local environment comprises mainly the location of the house, the size, the interior, and related goods which make living in a foreign country more comfortable. Expatriate managers and their families fashion their refuge as a small piece of their home country, while hybrids tend to adopt the foreign lifestyle in general and create a combination of the two worlds. However, each strategy is important to recovery from office work and for finding a work-life balance.

In addition, a *manifold city life [CITY]* supplies expatriate and hybrid managers with the needs for business and private life which transpires in spaces such as restaurants, bars, museums, cinemas, theaters etc. Also the best health care and state of the art education is available, as well as access to other nodes in the world city network. The feeling of being part of a dynamic environment is an intangible factor leading to business success.

Differences between expatriates and hybrids arise out of the time dimension. Expatriates are distinguished by the demands they place on their environment as they have limited time to stay, and their cost of living is covered. On the other hand, the hybrids think for the long term and become more integrated in the local society.

Within the livable local environment and the manifold city life a *local information network [NETWORK]* emerges. Private contacts and business contacts are overlapping parts of this network. This is an open source for information about business and issues of personal life. Moreover, it provides a source of direct feedback regarding a manager's actions that is usually missing in the workplace. Information circulates between the members of such a network very quickly with low barriers. Nowadays information of this sort is locally available through electronic media even if the members of the individual network are physically active in other parts of the world. This network often enables an international manager to make the right decision at the right time.

The conclusive thesis is that international managers and especially expatriate managers concentrate mainly in global cities of the first tier. Human resource access, market opportunities and livable living conditions are more important for their managerial success than other corporate, market, and life environmental characteristics. Due to their specific control practices and embeddedness in the local/national business environment, expatriate managers and hybrid managers have different advantages in the extent to which they adjust to global cities of the first and second tier. Indeed global strategies and systems have had greater impact on management practices within global cities of the first tier, whereas in second tier cities the degree of internationalization lags increasingly.

IV. Synthesis — Typology of global managers in the global city

Our preliminary results showed that corporate synergy cannot be created merely by a clear strategic intent and a strong effort to adjust to a different cultural environment. Instead, it is necessary to balance foreign and local managerial practices. Therefore, not extreme adjustment, but a balanced approach enables the foreign executive manager to create synergy effects. Successful managers were conscious that they need to have flexibility when switching between their own and the local approach. Acculturation, if successfully conducted, is mutual with regard to the host and the home cultures. However, as we can

see in Figure 4 too little or too much effort in cultural adjustment, will lead to friction. If the foreign executive manager adjusts too much, he risks losing the trust of the parent company. If his strategy intent is not clear, he might be able to satisfy the subsidiary but risks producing parent-subsidiary conflicts. On the other hand, friction with the local managers and staff members occur when the adjustment of the foreign executive manager is not sufficient. Human resource management (HRM) problems occur if the strategic intent is packaged in a fashion that does suit the host culture. A loss of leadership may result from weak cultural adjustment and unclear strategic intent.

Ultimately, the results of our interviews led us assume that important differences remain: more than hybrid managers, the typical expatriate manager tends to advertise clear strategic intentions. That might be because they are under more pressure to adjust to policies of corporate headquarters. Further, foreign executives in the first tier global city do not feel that the local staff wants them to adjust. Various explanations are possible. One reason might be that the main role of the foreign managing director or president is to insure the input from the parent company. Another, negative reason, would be that the foreigner manager remains outside the flow of information, and decision making therefore
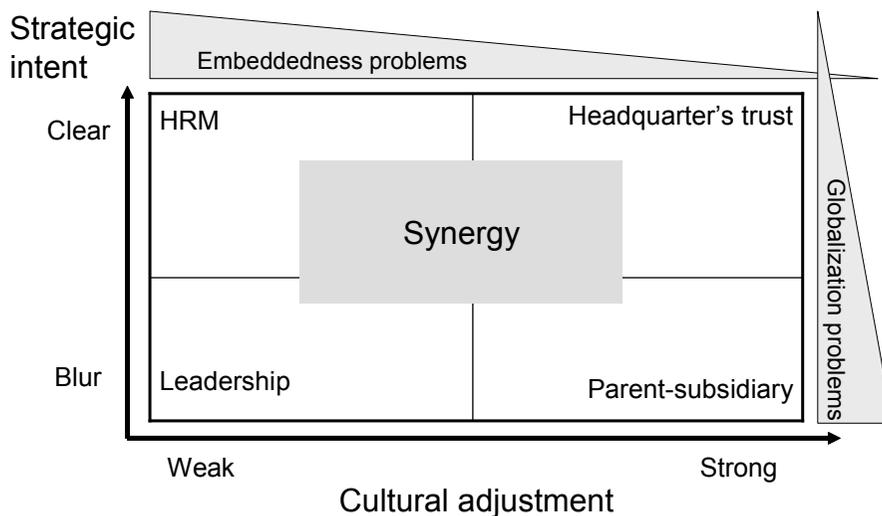

Figure 4: Embeddedness and globalization problems

is basically entrusted to the local management. Workplace problems, however, also have a spatial dimension.

The best management practice in a culturally diverse business organization is to encourage

the individuals to reach their full potential in pursuit of an organization's objectives (Saee 2005). Then, as a result cultural synergy becomes possible. Cultural synergy is a scenario "where multicultural teams can use their differences as a source of creativity to multiply productivity" (Weiss 1996, p.18). Managerial excellence in the context of our investigation entails implementing business practices that produce the best from every employee - regardless whether it is an international or local business practice. However, both require effective intercultural communication because the foreign executive's success implementations depend on how they are facilitated by communication. Therefore, most of their time is spent on communication processes in the workplace (Putnis & Petelin 1996). Communication underpins all managerial functions (Saee 2005, p.274). Effective communication is essential for maintaining and enhancing organizational performance in the foreign workplace. Therefore, we see communication skills as crucial for success in Japan. Foreign executives should be equipped to communicate their strategic intent. Doing so, and to be heard by the subordinates of the local subsidiary, they should show a certain amount of acculturation. Both strategic intent and acculturation can be achieved by appropriate working styles and lifestyle as seen in Figure 5. Clearly, if an expatriate manager is not willing to adjust to the local lifestyle he will lose an important source of
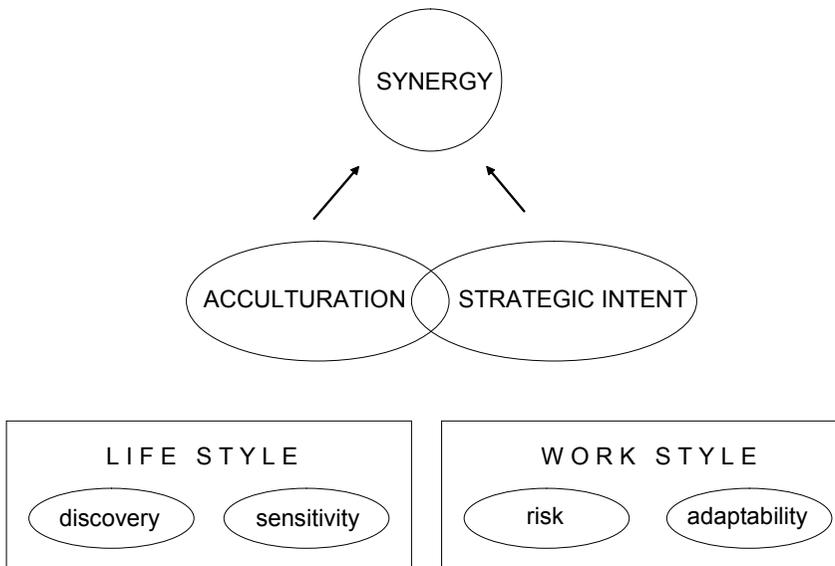
Figure 5: Sources of synergy creation in cross-cultural management

creating synergy effects in his workplace. To lead people means to know people! Therefore, cultural experiences in the workplace as well as in daily life are an important resource for building competence to lead people in a culturally different environment. In contrast to typical expatriate managers, the hybrid managers who participated in our interview survey seem to have deeper understanding of relationships within Japanese society, psychological adaptation processes, and uncertainty reduction. Nevertheless, living and working in the global city, foreign executives did not always put their "knowledge" to work when operating in a first tier global city. Depending on the business goal, these managers imply that they know when to employ their tacit knowledge and when to act explicitly as a foreigner.

Leadership relying on authoritarian controls is seldom successful with the highly skilled and international workforce of the global city. New styles of leadership are needed in globally operating organizations. Leaders in the international business community must act as true global citizens. They have global responsibilities since their decisions affect not only the local business community. Those who duck these responsibilities, because their vision is material rather than moral, will not prevail in the long run (Roddick, 1991). According to Saee (2005, p.160) effective leadership begins with the understanding of power. Power and influence are interrelated. Power is the ability to control behaviors and outcomes as desired. The influence of the expatriate managing director depends on the local employees' acceptance of influences.

International managers need to embed their leadership practices into the host country's work culture. We assume that only managing executives who have mastered the switch between the MNE's global style and the local or Japanese style of leadership are effective and perform well. Nonetheless, in first tier global cities more similarities than differences among local and foreign leaders are expected.

By way of example, Japan is known as a culture with strong uncertainty avoidance. Here, avoiding conflicts and competition and striving for consensus is a difficult task for foreign leaders. Japanese subordinates tend to be risk adverse. To manage successfully in Japan, a foreign executive manager needs to learn to deal with doubt and indecision. If

the workforce is very local and does not have sufficient international experience, foreign executives need to achieve adequate managerial skills to give direction and instruction for task performance embedded in the local style. Loyalty to the employer is still considered a virtue in Japan. Here, organizational leadership needs to show humanity, patience, integrity, compassion, and humility. Japanese leaders typically employ consensus oriented decision making with emphasis on social harmony. Foreign company leaders are seldom believed to respect local practices. Images produced by the mass media draw instead a picture of elitist and autocratic leaders. Therefore, they are often seen as change agents or the last resort when restructuring endangered businesses.

Obviously, the hybrid manager tends to have different locational preferences than the typical expatriate manager. The typical expatriate manager will emphasize access to human resources; the hybrid manager - since he is capable to analyze the local market himself is more balanced in his locational preferences but prefers significantly more characteristics as market opportunities and embeds himself in the local information network in purpose to achieve his business success. Based on his local expertise, his vision, for example maintaining local markets and improving product quality, will be understood by his local employees. He will, however, sometimes find it difficult to communicate with headquarters where the focus is on growth rates and other strategic intent of expansion. Not following up such growth plans will endanger the empowerment granted by headquarters. In this case, he will ultimately face difficulties achieving synergy with local managers.

In some cases, the hybrid manager may be totally trusted by the parent company, even if the parent company does not understand the management process in Japan. If the company employs a decentralized control strategy, a hybrid manager, who enjoys the necessary cultural knowledge, is most valuable to guide the management process. Especially in the second tier global city, hybrid manager contributions become invaluable since the market and living environment is less international.

From our preliminary interview survey we learned that foreign executive managers in the first tier global city are more affected by globalization problems than by embeddedness problems. This is reflected in the fact that many expatriate managers apply standard

business practices. Even hybrid managers, who do have the knowledge and ability to manage by adapting to the local business environment, told us that they consciously made a return to international practices when operating in a first tier global city. In some cases, foreign executives stayed for a long period and did develop some identity problems. Apparently, hybrid managers in the global city try to re-connect to the expatriate managers' community and their practices. By emphasizing that they are not willing to adjust too much to Japanese business practices, some of them even create an artificial distance to the local business environment. On the other hand, we found that this approach does not often occur in the second tier global city. Here, even the expatriate managers show similarities to the managerial approach of hybrid managers and therefore tend to be more balanced in their locational preferences as well. Recapitulating this,
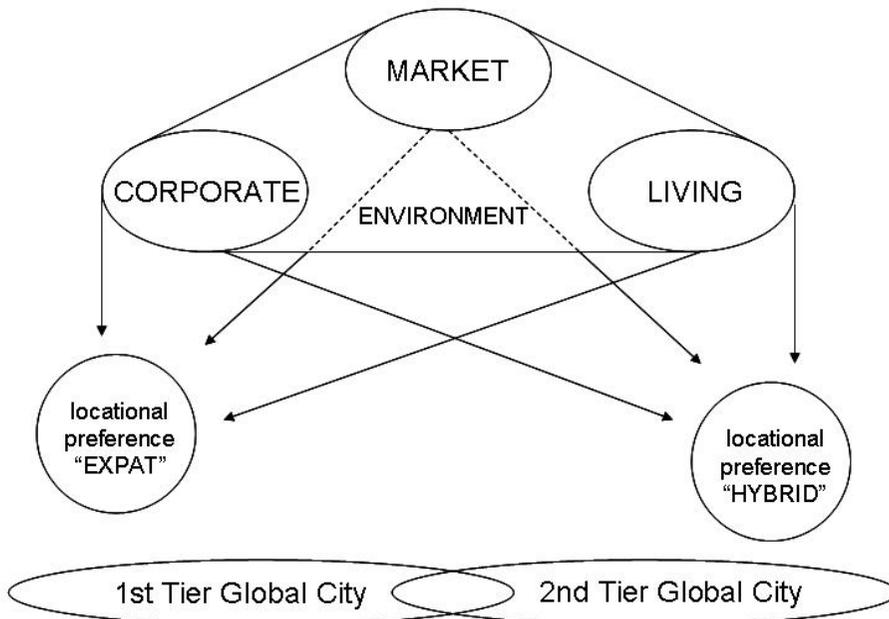

Figure 6 : Synthesis - Trickling-down model of international manager's locational
preferences

the process can be characterized as a trickling-down model of international manager's locational preferences.

The framework introduced here will be applied to a greater sample of foreign executive managers operating in overseas subsidiaries of MNEs. The potential outcome of this research will be a significant contribution to the assertion of barriers and catalysts in

cross-cultural management. We aim to explain how the success of global firms depends on change agents and their preferences for corporate, market, and living environments. Further research will test our intermediate finding that the preference of international managers is an important location decision-making factor when establishing new corporate activities inside and outside of Global Cities.

Although we have not completed our investigation yet, our sample of more than 50 managers made it possible to distinguish which locational preferences are met in first and second tier global cities. The aim of the further research is to analyze the sets of preferences which enable *foreign executive managers* to embed their business locally. A few distinctions have to be made regarding sectoral specificity. Here we briefly indicate two possible spheres to analyze separately. The command and control functions in the production system of the manufacturing industry and the service industry differ significantly. We can then show what options exist to accommodate international managers and develop a stock of international human resources useful for promoting the global competitiveness of particular locations. The research results will make it possible to demonstrate to foreign corporate headquarters how best to use human resources in specific locations. Additionally, this research will be useful for government policy makers. Governmental inward investment promotion is often not based on detailed studies of the spatial needs of international managers and therefore has not always been phalanxed by appropriate business support programs. The application of the framework introduced here will help to change this perceived substantial shortcoming.

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