

Should management practice adapt to cultural values? The evidence against power distance adaptation

Evidence
against power
distance
adaptation

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Abstract

Purpose – The purpose of this paper is to focus on the cultural concept of power distance to test whether or not culture-practice fit or universal supervisory practices are associated with team collaboration, innovation, current, and future team performance. This test is possible because power distance is conceptually deconstructed and scales developed that reliably and validly differentiate between the societal-level values and workplace practices. Next, drawing on these measures, the authors test the culture-fit vs universal practices hypotheses in a sample of ethnically similar employees dispersed across the USA and India.

Design/methodology/approach – Data were collected from a survey administered to employees and their supervisors in a non-Western multinational corporation.

Findings – The authors find support for the universal practices perspective in this study. Those Indian and local managers who were low in interpersonal power distance, regardless of their subordinates' societal power-distance cultural values had better team collaboration, innovation, and future performance. Trust in fellow team members was found to mediate these relationships.

Originality/value – Findings from this study contribute to the understanding of power distance, and also provide insight into the central question of when and how management practices should be adapted to local cultures.

Keywords Trust, Power distance, Cultural values

Paper type Research paper

A central challenge for scholars of international management is to produce knowledge for those who must decide which foreign management practices can be successfully applied in their own organizations. Yet, there is conflicting evidence about how successful imported management practices can be. On the one hand, many provide evidence and argue that they must match the local culture for those practices to be effective, something we call the culture-fit view (e.g. Newman and Nollen, 1996), further, Ralston (2008) has proposed a dynamic interaction of existing sociocultural influences and (often Western) business ideology influences to produce unique combinations with the local culture incorporating imported economic and technological values. Yet globalization has produced a wide importation of foreign management practices which have been successful in other cultures. We call this latter approach the universal business-practice view. Here we propose that these contradictions can be understood as



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arising, in part, from flawed generalizations of societal cultural values to workplace interpersonal relationships fostered by measures that confound societal cultural values with workplace practices. We report the result of the development of non-confounded theory and measures of power distance that are tested in a sample of employees of a NMNC globally dispersed across countries. We focus on power distance, because how power is exercised is central to organizations, and directly compare the culture-practice fit hypotheses to universal-practice hypotheses. Such head-to-head tests of competing hypotheses are done for two reasons. First, they show respect for the contradictory theorizing and empirical results in the literature without privileging our own preferred ideas. Second, this practice follows the recommendations of Platt (1964) who proposed that theory is best advanced by subjecting our own ideas to refutation by conducting tests of competing hypotheses. We developed scales of strong reliability, convergent and discriminant validity that differentiate between individual perceptions of the societal-level value of power distance and the actions of their supervisors. We then use these new measures to test whether supervisory practices that are congruent with employees' societal power-distance (SPD) cultural values result in better collaboration and innovation in teams and project performance than supervisory practices that North-American-centric literature has long proposed as universally superior. Findings from this study contribute to our understanding of the cultural value of power distance, and provide insight into the central question of which practices of NMNCs should be adapted as they move into differing societal cultures.

The distinction between SPD and interpersonal power distance (IPD)

Organizational researchers have drawn upon the works of Mulder (1977) and Hofstede (1980a, 2001) to theorize that there are societal cultural differences in how individuals behave in situations of power difference. Hofstede identifies power distance as a societal value, defined as "the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally" (Hofstede, 1980b, p. 45).

Although proposing that power distance is a societal-level construct, Hofstede (1980a) measured power distance via questions about supervisor-subordinate relationships. Supervisors were expected to act in ways that reflect their greater power and be more distant and directive in high SPD cultures. In contrast, he stated that subordinates approach and critique their supervisors freely as a measure of low power distance societies. Thus, Hofstede proposed that power distance was a cultural-level value, but measured employees' reports of workplace practices that can be influenced by many things other than cultural values. Researchers, such as Kirkman *et al.* (2006) have criticized Hofstede's cultural framework for "reducing culture to an overly simplistic four or five dimension conceptualization, limiting the sample to a single multinational corporation, failing to capture the malleability of culture over time, and ignoring within-country cultural heterogeneity" (Kirkman *et al.*, 2006, p. 290). Smith (2002) has further questioned the validity of Hofstede's measures and the methods by which they were constructed. For example, conventional statistics such as Cronbach α 's for the measures were not provided due to the methods and weightings used to construct the indices (Hofstede, 2001), meaning that it may not be a coherent construct. Furthermore, McSweeney (2002) has challenged the critical assumptions which underlie Hofstede's dimensions of culture as well as its methodological flaws, while Brewer and Venaik (2014) examined the "ecological fallacy" and detrimental implications of projecting Hofstede's national-level culture characteristics onto individuals and organizations. In an

introductory article to a *Journal of International Business Studies* issue focussed on culture and international business, Tung and Verbeke (2010) summarized and critiqued the recent research on cultural dimensions, their measurement and assumptions. We join a long tradition of criticizing Hofstede's cultural measures (Kirkman *et al.*, 2006; Smith, 2002; McSweeney, 2002; Brewer and Venaik, 2014; Tung and Verbeke, 2010).

Subsequent researchers have developed their own measures of power distance, however, their measures also confound societal culture with workplace supervisory practices. Earley and Erez (1997), Brockner *et al.* (2001), House *et al.* (2004), and Maznevski *et al.* (2002) have included measures of workplace obedience to the supervisor and an autocratic style of supervisory decision making in their measures of societal-level power distance. Further, along with Brockner *et al.* (2001), Earley and Erez (1997) have broadened the scope of power distance by including a key element of organizational structure – the level of organizational formalization adding further conceptual confusion. Maznevski *et al.* (2002) adds further confounding with the measure, “hierarchy of groups in a society should remain consistent over time,” which confounds preference for hierarchy with the extent to which the respondent believes there should be changes over time in social status (see Sue-Chan and Ong, 2002). Thus, there are several fundamental limitations across these studies based on theoretical focus, construct validity, and the level of analysis to which power distance refers (see Table A1). Researchers have incorporated diverse ideas in the measure of power distance without sound theoretical explanations, thereby clouding the core construct of power distance as a cultural-level construct. All theorists have generally agreed on the definition of power distance as a cultural value reflecting the extent to which individuals accept differences in behavior among those with different power and that this will vary across cultures. However, researchers have attempted to capture a variety of dimensions in their societal measure of power distance, including obedience, autocratic supervision, organizational formalization, the acceptance of privilege. These proposed components have been inconsistently applied across studies, reflecting poor construct validity and may be one reason for the inconsistent results noted above. Measuring power distance at the societal level without confounding it with organizational practices provides a more consist measure of the construct. In summary, the measures of power distance confound differing ideas: societal values and the actions of particular supervisors. These construct and measurement problems are not just academic niceties of interest only to measurement specialists, but have resulted in fundamental contradictions in a central question for international management: when and how should management practices reflect local cultures. At present, with so many conflicting research results, those preferring to argue for cultural fit in management practices can find studies to support their preferred view, and those preferring to argue that universal management practices can be successfully imported into other cultures also can find studies to support their preferred view.

Here we resolve these contradictions with regards to power distance by proposing theory that differentiates power distance in society from management practice, beginning with a clearer specification of the construct of power distance. We adopt the approach of Triandis (1995) who argued that corresponding to the individualism and collectivism concepts at the cultural level are processes at the individual, psychological level labeled idiocentrism and allocentrism. Drawing on this distinction, we propose that the meaning of power distance also differs between societal values and the individual workplace practices of supervisors. We adopt the etic approach of the literature we wish to address. Extending the work of Farh *et al.* (2007) who examined power distance at the individual level,

we propose that there are differences in how individuals perceive power distally within their larger society and how they perceive power more proximally within their interpersonal relationships. SPD is defined as the extent to which the individual accepts differences in rank, status, privileges and power within a society. SPD is an expected cultural value, not anyone's ideal. SPD also goes beyond the idea of acceptance. For individuals can accept others' power over them, but it might not be their preference based on the societal value under which they have been raised. The concept of SPD follows research by House *et al.*'s (2004) who argues that one cannot assess a societal culture as reflecting the organizational practices of a particular country. We differentiate this construct of power distance as individual perceptions of a societal value from IPD.

IPD is defined as the perceived difference in power between two individuals. This idea of power between individuals has a long history of research in sociology and organizational theory. The concept is based on Emerson's (1962) concept of asymmetrical power (or power imbalance) where power is a function of the level of dependence and social distance between two actors differing in power, and is a situation-specific perception (see also, Kipnis *et al.*, 1976; Jackson, 1964). Here, we focus on individuals' perceptions of the behaviors of their particular supervisors that reinforce or increase dependence and social distance. Thus, SPD refers to an employee's cultural values, similar to Hofstede's concept, while IPD refers to the employee's perception of their supervisor's actions that increase or reinforce the dependence and social distance between them. The difference between IPD and SPD is the difference between perceptions and values. Note that these two are not strictly parallel – SPD refers to a cultural value of how those in that culture expect one to act when interacting with those with different power than oneself and IPD refers to the actions of one's immediate supervisor that increase or decrease power between the two.

Although this theoretical distinction between individual and SPD has been considered (Farh *et al.*, 2007; Kirkman *et al.*, 2009), researchers have not empirically differentiated these concepts or tested if the meaning of power distance differs across societal and workplace practices. In this study, we clarify the construct of power distance and propose that employees can and will differentiate their societal-level cultural values (SPD) from their characterizations of their supervisor's relationship with them (IPD). Both SPD and IPD are assessed by the individual. We expect the IPD and SPD concepts to be correlated (yet distinct), as an individual's acceptance of SPD within their society would influence the extent to which they perceive the behaviors of their supervisor to reinforce or increase dependence:

H1. Power distance consists of two distinct dimensions of SPD and IPD.

Drawing on the concepts of interpersonal and SPD, two competing perspectives are examined to understand the relationship between individual perceptions of cultural values and management practices in the sample of globally dispersed employees examined in this study.

Two competing perspectives: cultural fit vs universal practices

Many observers have noted that management practices vary across cultures in ways consistent with the cultural values of the host country. This idea of cultural fit typically refers to the fit, match, agreement, or similarity between two conceptually distinct constructs or a construct's relation to two different entities (e.g. Edwards, 1991; Ostroff *et al.*, 2005). The terms fit, match, similarity, and congruence are used interchangeably here, similar to previous studies (i.e. Newman and Nollen, 1996). Researchers have

proposed that similarity between management practices and employees' societal culture is attractive to employees leading to positive employee attitudes (Ostroff *et al.*, 2005; Francesco and Gold, 1998; Gomez *et al.*, 1999; Long *et al.*, 2005). Some empirical research supports these proposed relationships, and many scholars (e.g. Farh *et al.*, 2007) have also found moderator relationships, such that the relationships are stronger for employees in some cultures than in others, implying that managerial practices are more effective when consistent with societal culture. For example, in the power distance literature, considerable research has indicated that in high power distance cultures, management practices of empowerment and participation lead to employee dissatisfaction, less organizational commitment, and lower perceptions of fairness (Gomez *et al.*, 1999; Francesco and Chen, 2000; Morris and Pavett, 1992; Brockner *et al.*, 2001). Scholars such as Francesco and Gold (1998), House *et al.* (2004), and Robert *et al.* (2000) argue that the use of participation would be inappropriate in high power distance cultures because it can create an impression of managers' incompetence or abdication of their appropriate roles. These scholars argue that a lack of cultural fit between societal values and management practices creates cognitive dissonance and frustration. Indeed, Erez (2004) and Hofstede (1980b) argued that the North-American-centric practices that receive the most attention do not and should not apply abroad.

Ralston *et al.* (1993) found a convergence in Hofstede's (1980a) measure of power distance between the USA and Hong Kong managers that was significantly different from Mainland Chinese managers, suggesting the ethnic Chinese Hong Kong managers went some way to adopting the power distance values closer to developed Western countries than their ethnic Chinese cousins due to their experiences in a British colony and free-market economic system, suggesting some adaptation, if not a fully universal approach. Although few (and no scholars we could discover) argue for cultural imperialism in management practices, there are reports of widespread resentment and opposition to practices that, while usual and expected in a local culture, appear to be ineffective there. For example, Pearce (2001) reported that employees in transitional Lithuania and Hungary were less committed and less satisfied than comparable American employees because they were treated in an arbitrary and capricious way by their organizations and supervisors, despite those being culturally acceptable supervisory actions in these countries. Further evidence comes from the world of practice where the transfer of practices across national borders is widespread. If such importations were always dysfunctional we would not find Kaijin inventory systems in Mexican factories, suggesting that some management practices are effective across cultures. Empirical studies further support the idea that employees do not necessarily respond more positively to culturally congruent management practices. For example, despite their expectations to the contrary Zheng *et al.* (2006) found that employees in China responded positively to the culturally imported pay-for-performance systems, as Chang and Hahn (2006) also found in their Korean sample (see also, House *et al.*, 2004; Du and Choi, 2010; Taras *et al.*, 2010). There is evidence for the universal effectiveness of management practices initially developed in low SPD cultures. Robert *et al.* (2000) found that in some high power distance countries such as Mexico, employees responded positively to perceived participatory management practices with greater satisfaction and organizational commitment; Eylon and Au (1999) found that participants from both high and low power distance cultures were more satisfied when empowered; and Lind *et al.* (1997) saw the same relationship between participation and fairness which were equivalent in high and low power distance cultures. While those arguing for cultural fit propose that employees are more comfortable if their

expectations are met, it is possible that they respond positively if their experience is unexpectedly positive. Involving employees in decision making reflects trust in and respect for employees, and once employees have experience with autonomy and respectful treatment they may very well like it.

Team collaboration, innovation, and performance

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We address these competing theories and contradictory research evidence of power distance cultural fit vs universal practices with a study of team collaboration, innovation, and performance. These are of particular interest since researchers (i.e. Newman and Nollen, 1996; Francesco and Chen, 2000) have found contradictory evidence for the impact of cultural fit on many of these outcomes, such as performance. Further, few have studied how cultural fit influences the team, and the global outsourcing teams in this study provide an opportunity to gain insight into team collaboration, innovation, and performance.

Team collaboration has been conceptualized in various ways across studies, including the concept of teamwork (Hoegl and Gemuenden, 2001), the process of communication (Fiol, 1994), the sharing and exchange of information (Michie *et al.*, 2002), and the time and effort spent interacting with team members (Harrison *et al.*, 2002). A common element running across these conceptualizations is the concept of communication within the team. Hoegl and Gemuenden (2001) argue that communication is one of the most elementary components of collaboration, and propose that the ability of team members to communicate directly with all others and exchange information openly is critical to the quality of teamwork.

In addition to collaboration, we focus on the concept of innovation in teams by examining both adaptation and experimentation. Building on March's (1991) foundational work linking innovation to exploration and exploitation tensions, researchers have focussed on an organization's ability to be flexible and adapt effectively to changing environmental demands (Tushman and O'Reilly, 1996). According to Burke *et al.* (2006), team adaptation is manifested in innovation and goal-directed actions. Others, such as Klein and Pierce (2001) and Katila and Ahuja (2002) have further noted the importance of adaptation to innovation, arguing that organizations search and solve problems to create new products and innovate which in turn allows organizations to adapt. In a dynamic environment, adaptation to changes in the environment is considered critical to organizational success (Duncan, 1976). Burke *et al.* (2006) argue that team adaptation is manifested in the innovation of new or modification of existing structures or capabilities. Thus, innovation is considered in this study in terms of adaptation and experimentation. The creation of new ideas and exploration of knowledge through experimentation has been seen as central to innovation (March, 1991; Gibson and Vermuelen, 2003).

A final focus of this study is the performance of global teams. Researchers have conceptualized team performance in multiple ways, including the quality and cost of team products or services (Cohen *et al.*, 1996) and customer satisfaction (Cohen and Spreitzer, 1994). We draw on these ideas to understand both current and future performance of global teams. Here, current team performance is assessed by productivity, project quality and costs. Future performance is reflected in the relationship with the client and market orientation. Researchers, such as Lee *et al.* (2005) and Dickson (2003) have argued that customer satisfaction and trust are critical in assessing future business performance. Market orientation, defined as the extent to which employees understand customer needs and competitors in the market, and feel

able to respond to them, is a central concept in the strategic management and marketing literatures (Day, 1994; Jaworski and Kohli, 1996; Voss and Voss, 2000). More market orientation provides the firm with a source of sustainable competitive advantage by enabling it to understand and respond to market requirements effectively and to anticipate changing conditions (Baker and Sinkula, 1999; Day, 1994; Jaworski and Kohli, 1996).

Here, we consider how team collaboration, innovation, and performance are affected by the cultural fit or universal practices perspectives of power distance. Those studying cultural fit have generally documented how the lack of fit has negative effects on organizations and teams, including conflicts, difficulty working effectively with others and coordinating activities (Michie *et al.*, 2002). For example, Chatman and Barsade (1995) and Chatman (1991) reported lower cooperation when individuals' values were inconsistent with their organizations' values. Bhagat *et al.* (2002) theorized that lack of fit between management practices and personal values creates ineffective inter-organizational relationships by distorting the knowledge that is transferred between organizations. Similarly, those examining cultural congruence between firms have argued that similarity in cultural values generates a foundation for common understanding which can then enhance the communication and coordination between partners (Park and Ungson, 1997). In contrast, lack of fit between management practices and cultural values can create cognitive dissonance and frustration, and confusion about one's role in their immediate environment, thereby fostering supervisor and team distrust, and consequently hindering team collaboration and innovation.

Regarding team performance, Newman and Nollen (1996) were among the first to report that cultural fit improves it. They found that the performance of work units with power-distance cultural fit had higher performance than those work units with incongruent management practices and societal cultural values. Further, Sivasubramaniam and Venkata Ratnam (1998) proposed that the hierarchical character of Indian society makes the implementation of high-performance work systems there difficult to achieve (see also, Francesco and Chen, 2000). Drawing on these studies, we first propose that cultural fit is expected to produce better current and future performance in terms of the client relationship and market orientation. This is because when supervisors' actions match employees' societal expectations it provides the clarity necessary for employees to understand their role expectations and perform better, as well as trust clients and orient themselves toward the market. If employees face confusing expectations, they are less able to focus on clients and markets (Kahn *et al.*, 1964). Like for collaboration and innovation, met expectations for how supervisors should treat subordinates provides the clarity team members need to perform well now and in the future. Thus, from the fit perspective when an employee's power-distance cultural values are aligned with their proximal experience of dependence on an autocratic supervisor, employees will report greater team communication, adaptation, experimentation, current team performance, client relationships, and market orientation:

H2. Employees have higher team communication, adaptation, experimentation, current team performance, client relationships, and market orientation when there is congruence between their SPD values and their IPD than when these are incongruent.

We contrast this culture-practice fit hypothesis with its alternative: that low supervisory IPD practices universally foster team communication, adaptation, experimentation, current and future team performance regardless of employees' SPD

values. Those who have studied participative practices, while not directly addressing cultural differences, have implied that their effectiveness is not contingent on culture. Researchers have argued that encouraging questions and participation stimulates the exchange and integration of information (Stasser and Titus, 1987), facilitates commitment to team decisions (e.g. King *et al.*, 1991), and fosters learning through the acquisition, sharing, and combining of knowledge (Edmondson, 1999). Campion *et al.* (1993) found empirical support for the relationship between participation, social support, and cooperative communication (see also, Mumford and Gustafson, 1988). Researchers from the universal perspective suggest that participation is critical for a team's ability to foster new ideas and create innovative products and services (De Dreu and West, 2001). When information and influence over decision making are shared within teams and there is a high level of interaction among team members, the cross-fertilization of perspectives can spawn innovation (Mumford and Gustafson, 1988; Anderson and King, 1993; West and Anderson, 1996; De Dreu and West, 2001).

Further, autocratic management practices proposed to be congruent with high SPD values may be particularly dysfunctional for building the client relationships on which that future performance depends. In his meta-analysis, Wagner (1994) found that participation has a positive relationship to performance (Lewin *et al.*, 1939). Similarly, those studying high-involvement work practices suggest that they produce better responsiveness to clients and better performance (Zatzick and Iverson, 2006). If high IPD supervisors try to control all interactions with clients, then employees are blocked from learning about clients' needs and market demands. Therefore, it is possible that the information provision, autonomy, and participation associated with low supervisory IPD are superior practices for all but the most routine tasks, and so will produce better current and future team performance:

- H3.* Employees with low IPD supervisors have higher team communication, adaptation, experimentation, current team performance, client relationships, and market orientation than employees with high IPD supervisors, whether this is congruent or incongruent with employees' SPD values.

The mediating role of trust

The foregoing arguments are all based on employee trust. Below, we focus on interpersonal trust and draw upon Rousseau *et al.*'s (1998, p. 395) definition of trust as "a psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another." Here, we focus on employee's trust in their coworkers grounded in both cognitive judgments of another's competence or reliability and affective trust (McAllister, 1995), combining them in an overall measure of trust (Dirks and Ferrin, 2002). Interpersonal trust increases workplace collaboration because it fosters the exchange of information (Earley, 1986), the ability to engage in risky activities which cannot be controlled or monitored (Luhmann, 1988), and helps to promote norms of reciprocity and cooperation that underpin civil society (Putnam, 1993). Trust in others would have a positive impact on the exchange of information and innovation because the broader an individual's connections and greater confidence, the more open they are to new experiences, and have access to new ideas (Granovetter, 1973) which can foster innovation as well as performance.

Further, many have argued that building trust in one another is fundamental to the success of globally distributed teams. For example, O'Hara-Devereaux and Johansen (1994) note that trust can prevent the geographical and organizational distances of

global projects from becoming psychological distances, whereby dispersed employees feel alienated from one another (see also, Das and Teng, 1998; Gulati, 1995; Poppo and Zenger, 2002). Furthermore, interpersonal trust reduces the high levels of uncertainty endemic to the global and innovative technological environments (Jarvenpaa and Leidner, 1999) and facilitates adaptive responses. Thus, trust within teams is critical to collaboration, building client relationships, fostering team effectiveness (Lipnack and Stamps, 1997), and facilitating adaptation and experimentation (Gibson and Birkinshaw, 2004; Adler *et al.*, 2010; Edmondson, 1999).

Those holding the cultural fit view propose that when supervisors behave in ways congruent with cultural expectations, employees have clearer expectations about the behavior and intentions of their supervisor which impacts employee trust in their supervisor as employees are likely to feel safer and more positive about their manager (Dirks and Ferrin, 2002). Those holding the culture-practice fit perspective would agree with Lewicki and Bunker (1995) who proposed that those whose behavior is unexpected and unpredictable generate others' distrust in them. Research on leader-member exchange has found that trust and obligations between leaders and their subordinates will have spillover effects on their coworkers, resulting in strong coworker exchange relationships, characterized by trust (Sherony and Green, 2002; Sparrowe and Liden, 1997; Lau and Liden, 2008). Therefore, from a fit perspective coworker interpersonal trust will partially mediate the relationship between supervisory IPD-SPD fit and our team outcomes. We propose partial, rather than full, mediation because the fit between societal values and supervisors' IPD may have other effects on collaboration, innovation and performance, unrelated to coworker trust:

- H4. Coworker trust will partially mediate the positive relationship between IPD congruence with their SPD cultural values, and team communication, adaptation, experimentation, current team performance, client relationships, and market orientation.

Finally, for the competing, universal perspective interpersonal trust also could be expected to mediate the expected relationships between low IPD management practices and these team outcomes. When low IPD supervisors reduce the power distance between themselves and their subordinates they communicate trust in their subordinates and model interpersonal trust expectations for their team. Dirks and Ferrin (2002) argue that participative decision making sends a message that the leader has confidence in, and concern and respect for subordinates, that spills over to trust in coworkers; Cordery *et al.* (1991) found that working in autonomous teams increased employee trust in one another (see also, Lewin *et al.*, 1939; Bothner *et al.*, 2004; Pearce; 2001), while autocratic supervision will create distrust among coworkers. Several researchers working in high societal power-distant cultures outside North America and Northern Europe have documented employee distrust under culturally expected autocratic supervisors and leaders. Gambetta (1988) observed that those working under capricious Sicilian autocratic leadership were reluctant to cooperate with peers leading to economic stagnation. Walder (1986) reported that autocratic workplace leadership in the People's Republic of China led to distrust, and Banfield (1958) proposed that distrust made cooperative action difficult in the Southern Italian region he studied. Pearce (2001) found that employees under autocratic supervision in communist Hungary and Lithuania did not trust their supervisors or coworkers, and reported withholding information rather than collaborating. All of these studies suggest that high IPD autocratic supervisors, even though they reflected the

employees' societal expectations, nonetheless resulted in less trust, less collaboration among coworkers, fear, and societal stagnation rather than innovation. Thus, we propose trust partially mediates the effects of low IPD on team outcomes:

- H5.* Coworker trust will partially mediate the positive relationship between low IPD and team communication, adaptation, experimentation, current team performance, client relationships, and market orientation.

Methods

Sample

The research site for this study was an NMNC that designs information technology solutions and provides consulting services to organizations operating across a range of industries. The organization consists of approximately 75,000 employees, located in over 25 different countries. Data were obtained from a sample of outsourcing projects spanning the emerging economies such as India and China, as well as developed countries of the USA and Europe. Employees and teams across various geographic regions were randomly selected by the organization to participate in the study.

A survey was administered to employees and managers working in global teams. The response rate for the surveys was 74.43 percent with a total of 1,347 employees and managers located across seven countries participating in the survey. The majority of respondents were currently working in India (74.3 percent) and the USA (9.8 percent). A small percentage of the sample was also working in the UK (2.9 percent), Australia (1.3 percent), Japan (3.1 percent), China (1.3 percent), and Mexico (1.2 percent). Approximately 19 percent of the sample worked at client locations, 58 percent were located at corporate headquarters or other offshore locations, and 12 percent of respondents had worked at both client and offshore locations. The majority of respondents were ethnically Indian (88.8 percent). Approximately 78 percent were employees on the project and worked as software engineers, while 14.3 percent were higher level managers. The majority of respondents had worked on their teams for seven months to three years (58 percent), and for the MNC for one to four years (60 percent). The sample is 54.9 percent male, and 44.8 percent were between the ages of 23 and 26. All respondents in the sample had at least a Bachelor's Degree, with 13 percent holding a Master's degree. The scales were developed using the entire sample to aid in developing generalizable scales. The sample is dominated by the reports of the Indian nationals. However, the sample from other countries is retained because one would not expect much variance in SPD within only one country because it is a societal-level construct. The dominance of Indian nationals in this study has the effect of making the tests more conservative (due to reduced sample-level variance in reported societal-level power distance). To test the hypotheses, we then used only the sampled ethnic Indians (raised in a high-SPD culture) working in either India (a high-SPD culture) or the USA (a low SPD culture). We did this for two reasons. First, the sample sizes of employees from other countries are very small. Second, this allowed us to create competing tests in which Indians working in their home high-SPD culture and Indians working in a foreign low-SPD culture can be compared. Much of the existing expatriate literature has focussed on employees from developed-world (usually low SPD) cultures working, often, in developing (usually high SPD) cultures, ignoring the increasing movement of professional and managerial expatriates from developing countries to assignments in developed countries.

Ethnically Indian employees on global teams, residing in either the USA or India received questionnaires. Approximately 85 percent worked as software engineers,

while 14 percent were managers on the project with the subsample having virtually identical demographic characteristics as the whole sample, with tenure on their project teams anywhere between 1 and 3 years.

Measures

To facilitate the questionnaire development, 30 initial structured and unstructured interviews of both employees and managers were conducted to understand the context of global outsourcing teams, develop hypotheses and questionnaire scale items. Employees across all corporate and project levels participated in the interviews, from senior executives in the organization, managers on technology and consulting projects to software engineers.

All data collection was conducted in English, because English is the primary language of communication at work. To address any colloquial English differences across locations, particularly between the USA and India where the majority of employees worked, 26 senior management and project managers in India and the USA reviewed the questionnaire, identifying and helping to correct any inappropriate colloquialisms. Next, the questionnaire was pilot tested with 75 employees and revised twice.

The questionnaire was administered to employees working in a sample of global outsourcing projects. The sample of information technology projects were chosen for geographical dispersion of the projects across countries. The web-based questionnaire was administered to all employees on the projects across locations. All items were assessed on a five-point scale, ranging from “strongly disagree” (1) to “strongly agree” (5).

Societal and interpersonal power distance

SPD and IPD were based on the power distance literature as well as related research on autocratic supervision, power and influence was conducted. In addition, six items were generated to measure interpersonal and SPD based on their relevance to the current context. All items measuring SPD and IPD are listed in the Table AII. Rao (2008) provides a detailed discussion of the measure and its construction. IPD measures employees’ perceptions of their current project supervisor. The ethnicity and cultural values of these supervisors was not available.

The items comprising SPD and IPD were factor analyzed using direct oblimin rotation to test the convergent and discriminant validity of these scales. Items were retained that had factor loadings above 0.50 on the target factor. Items with factor loadings below 0.50, and cross-loadings were eliminated. A final factor analysis with direct oblim rotation and a factor extraction criteria requesting two factors, revealed the pattern matrix results reported in Table AII.

SPD-IPD categorization

To test the competing hypotheses we needed to create the SPD-IPD categories, two culturally congruent and two culturally incongruent categories on SPD and IPD based on the sample of Indian employees in India and the USA. A median split was performed on each variable. Employees with scores below the median on both variables were considered as Low IPD-Low SPD, and so on. This categorization produced the following distribution: 300 respondents (or 30 percent of the sample) were in the Low SPD-Low IPD category; 193 respondents (or 19 percent of the sample), High SPD-Low IPD; 236 respondents (24 percent of the sample), Low SPD-High IPD; and 264 (27 percent of the sample), High SPD-High IPD.

Team collaboration and innovation

Team communication was assessed drawing on two items from Gibson and Vermuelen (2003), specifically “there is open communication in this team” and “everyone has a chance to express their opinion.” The scale demonstrated an acceptable internal reliability of 0.76 in this study. To assess innovation, we considered the level of adaptation and experimentation on the team. Team adaptation was measured using three items modified from Gibson and Birkinshaw (2004) which assessed the extent to which the team is able to adjust to their environment and is flexible to respond to changes. A sample item was “This project team evolves rapidly in response to shifts in our business priorities.” The internal consistency coefficient for this scale was 0.81 in this sample. Lastly, experimentation was measured with a two item scale that combined measures from Gibson and Vermuelen (2003) along with an item that was created for this context. A sample item is “This team comes up with many new ideas about how work should be done.” The scale had an acceptable α of 0.69. The means, standard deviations, and intercorrelations among all study variables appear in Table I.

Team performance

Multiple senior managers rated their project on these current performance items. The core performance measure included items assessing project effectiveness, customer satisfaction and business impact of outsourcing. A sample item is “I am confident that this customer is satisfied with our project performance.” The measure demonstrated strong internal consistency ($\alpha = 0.88$). Future performance was reflected in the quality of client relationships, measured with four items assessing trust, integrity, fairness and confidence in the client which were developed for this context. Senior project managers rated their projects on this outcome. A sample item is “this client is trustworthy.” The scale also demonstrated an acceptable internal reliability of 0.75. Finally, market orientation was assessed by drawing on the marketing and strategic management literatures, with items for this construct developed through in-depth discussions with employees. A sample item is “It is important for me to understand what is happening in this industry.” Six items were used to assess market orientation, and the scale demonstrated strong internal consistency with an α coefficient of 0.82.

Coworker trust

Coworker trust was assessed using several items from Pearce *et al.*'s (1998) scale, including “we have confidence in one another in this project.” The internal consistency reliability for the final six item scale was 0.87.

Controls

Number of international assignments. The number of international assignments undertaken by each employee was included to control for possible alternative explanations, as this variable may have some influence on team outcomes for this sample of globally mobile IT professionals. Each employee was asked to report on how many international assignments to different countries they had undertaken. Responses ranged from 0 to 6. *Country:* to control for the possible effect of country on our outcomes, the country in which employees worked was dummy coding with the USA as 1, and India as 0. *Employee/supervisor:* to control for the possible effect of whether the respondent was an employee or supervisor, job title was included as a control with 0 for employee and 1 for supervisor. Although there are different payroll ranks of employees and supervisors,

Variable	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. SPD	2.87	0.65	-													
2. IPD	2.62	0.62	0.16**	-												
3. Employee/supervisor (0/1)	0.15	0.35	0.05	-0.02	-											
4. Education	1.17	0.37	0.04	0.05	0.13**	-										
5. Organizational tenure	2.40	1.04	-0.05	-0.12**	0.36**	-0.02	-									
6. Country (0/1)	0.11	0.31	-0.07*	-0.12**	0.16**	-0.04	0.41**	-								
7. Overseas assignments	0.33	0.64	-0.08*	-0.17**	0.39**	0.07	0.49**	0.54**	-							
8. Team communication	3.68	0.74	0.10**	-0.50**	0.11**	-0.02	0.04	0.06	0.10**	-						
9. Team adaptation	3.64	0.64	0.06	-0.38**	0.05	-0.02	0.01	0.03	0.04	0.62**	-					
10. Team experimentation	3.50	0.74	0.09**	-0.37**	0.06*	-0.01	-0.04	-0.02	-0.02	0.65**	0.71**	-				
11. Team performance	3.79	0.29	0.00	-0.03	0.01	-0.00	0.03	-0.01	-0.01	0.11**	0.13**	0.17**	-			
12. Client relationship	3.51	0.53	-0.01	-0.26**	0.02	0.03	0.04	0.04	0.14**	0.30**	0.38**	0.31**	0.21**	-		
13. Market orientation	4.00	0.50	0.05	-0.14**	0.11**	0.02	0.13**	0.06*	0.14**	0.31**	0.35**	0.31**	0.07*	0.19**	-	
14. Coworker trust	3.63	0.62	0.04	-0.49**	0.11**	-0.02	0.06	0.04	0.07*	0.57**	0.58**	0.54**	0.11**	0.34**	0.31**	-

Notes: $n = 786$. * $p < 0.05$; ** $p < 0.01$

Table I.
Means, standard
deviations, and
correlations

they did not affect the findings. None of the employees had supervisory responsibilities. *Education*: This was included as a control variable as this variable may have some influence on the outcomes. Respondents reported whether they had a Bachelors (coded 1), Masters (coded 2) or PhD (coded 3) degree. *Organizational tenure*: the length of time the employee had worked in the MNC was taken into account as a control variable as it may influence team collaboration and innovation. Responses for organizational tenure ranged from less than a year to six years.

Analyses

H1 was tested using confirmatory factor analyses to assess the discriminant validity of the IPD and SPD scales. We used one-way ANOVA with *post hoc* tests to test *H2* and *H3*. We also evaluated Levene's test for homogeneity of variance, and when significant, used the Welch test. When the Omnibus F from the ANOVA results was significant, *post hoc* analyses were conducted drawing on Duncan's multiple range, Tukey's, or Games-Howell's tests depending on whether the homogeneity of variance assumption was met. Effect sizes were also calculated for the variables. Mediation tests were conducted using regression analyses and Sobel's test. To address the possibility for the occurrence of common method variance, a Harman single-factor test was conducted. We used exploratory factor analysis on the 35 items from all scales to test the extent of common method variance in these data. Harman proposes that problematic common method variance exists if a single factor emerges or the first factor explains more than 50 percent of the variance. According to his criteria there is not problematic common methods variance here because seven factors had eigenvalues greater than one and the first factor explained only 26 percent of the variance among these items.

Results

In the first hypothesis, power distance was expected to be characterized by two distinct dimensions – SPD and IPD. This hypothesis was tested with employees working in all countries studied. In Table AII we can see that this hypothesis was supported: SPD and IPD formed two distinct discriminant scales using this most conservative test of convergent and discriminant validity. To further establish the validity of our new SPD measure, in Table II we provide the scores of the seven countries from this sample on SPD.

Countries	Mean SPD ^a	<i>n</i>	Hofstede's PD Score ^b	GDP (nominal) per capita 2009 ^c	CPI 2009 ^d
UK	2.24	16	35	35,165	7.7
USA	2.60	18	40	46,436	7.5
Mexico	2.68	17	81	8,144	3.3
Japan	2.76	17	54	39,727	7.7
Australia	2.77	7	36	42,279	8.7
India	2.85	1,111	77	1,134	3.4
China	3.02	18	80	3,744	3.6

Notes: *n*, number of respondent in each country that fit the SPD criteria. ^aMean SPD was assessed by including all employees that currently worked in a country, had lived there for over six years, and reported that they had grown up in that country. This method was chosen to assess Mean SPD in this study; ^bHofstede's (2001) cultural scores ranges between 0 and 100. World Average for PD = 55; ^cgross domestic product (GDP) data refer to the year 2009. World Development Indicators database, World Bank, 2009; ^dTransparency International (2009). Scores range from 1-10; higher scores indicate greater transparency

Table II.
Comparing
Hofstede's power
distance, societal
power distance,
GDP, and corruption

Hofstede (2001) noted that low power-distant countries tend to have higher gross domestic product (GDP) per capita than high power-distant countries and Davis and Ruhe (2003) found a positive and significant correlation between Hofstede's power distance and corruption. We find a similar pattern here with our measure of SPD whereby countries with high SPD generally had lower GDP per capita and higher levels of corruption. Some countries in the sample, such as Mexico and Australia differed from Hofstede's predicted pattern, perhaps due to our limited sample size in these countries. Overall, we conclude that the IPD Scale measures IPD between employees and their supervisors distinctly from the SPD Scale which assesses power distance at the societal level, supporting *H1*.

In *H2* it was expected that team communication, adaptation, experimentation, current team performance, client relationships, and market orientation would be higher when supervisory practices were congruent with employees' societal cultural values, whereas in *H3* it was proposed that team communication, adaptation, experimentation, current team performance, client relationships, and market orientation would be higher when supervisors used practices low in IPD with their subordinates, no matter employees' societal cultural values. In Table III, we can see that the culture-practice fit *H2* was not supported in all five tests. However, *H3* (the universal hypothesis) was supported in four of the five tests. These Indian employees with supervisors practicing low IPD had higher

	Low IPD- Low SPD	Low IPD- High SPD	High IPD- Low SPD	High IPD- High SPD	ANOVA <i>F</i> (η^2)	Welch ^c
<i>Team communication</i>					67.70 (0.17)**	63.33**
Mean	3.94 ^a	4.03 ^a	3.26	3.52		
SD	0.56	0.55	0.85	0.70		
<i>n</i>	300	193	236	264		
<i>Team adaptation</i>					84.11 (0.10)**	35.09**
Mean	3.80 ^a	3.87 ^a	3.39 ^b	3.49 ^b		
SD	0.57	0.58	0.64	0.65		
<i>n</i>	300	193	236	264		
<i>Team experimentation</i>					28.76 (0.08)**	
Mean	3.65 ^a	3.77 ^a	3.22	3.38		
SD	0.66	0.69	0.77	0.73		
<i>n</i>	300	193	236	264		
<i>Team performance</i>					ns	ns
Mean	3.80	3.82	3.81	3.81		
SD	0.35	0.31	0.35	0.37		
<i>n</i>	266	147	157	138		
<i>Client relationship</i>					11.90 (0.06)**	
Mean	3.60 ^a	3.64 ^a	3.36 ^b	3.36 ^b		
SD	0.55	0.49	0.53	0.50		
<i>n</i>	201	130	128	129		
<i>Market orientation</i>					9.37 (0.03)**	
Mean	4.04 ^a	4.12 ^a	3.91 ^b	3.92 ^b		
SD	0.47	0.49	0.52	0.49		
<i>n</i>	300	193	236	264		

Notes: Means with the same subscript (a or b) do not differ from each other. ^cWelch statistic is reported when Levene's test for homogeneity of variance was significant. Sample includes Indians in India and the USA. * $p < 0.05$; ** $p < 0.01$

Table III.
Team collaboration,
innovation, and
performance under
four IPD-SPD
categories

team communication, adaptation, and experimentation than did employees working for high IPD supervisors no matter what their societal cultural values.

Employees working for low IPD supervisors had significantly better future performance in terms of client relationships and market orientation than did employees working for high IPD supervisors, regardless of their own societal cultural values. However, there was no significant difference in the current performance of the teams whether the supervisors' actions were culturally congruent or universal. Current team performance in this organization had no relationship with supervisory management practices or employee cultural values and only modest relationships with team collaboration and innovation in project teams (see Table I); the possible reasons for these weak relationships are explored in the Discussion.

Finally, whether or not coworker trust mediated the relationships between power distance and team collaboration, innovation and future team performance were tested, controlling for whether the respondent was an employee or supervisor, education, organizational tenure, work location, and number of international assignments. Because the fit hypotheses were not significant it is not possible to test the mediation *H4*. Similarly, there was no direct power distance effect on current team performance. Tables IV-VI report the results of the mediation tests of *H5*. The association between the IPD and the dependent variables is reduced significantly by the inclusion of trust in the final regression (Model 3). The exception to these findings was the measure of future performance, market orientation, where full mediation was found. The Sobel's *z* test was significant across all tests, indicating significant partial mediation for all of the dependent variables tested, and as noted above, full mediation for market orientation. How much of the effect of IPD is through the mediator coworker trust is reported in Table VII. The third column reports a ratio index between the indirect effect to the total effect based on the standardized coefficients, while the last column reports the effect size measures based on *R*² estimates. For example, for team communication, over three-fourths of the variance in the total effect is composed of the indirect effect. Based on these results we can conclude that *H5* is supported: coworker trust partially mediated the relationships between IPD and team communication, adaptation, experimentation, and the client relationship, and fully mediated the relationship with market orientation.

Table IV.
Coworker trust as a mediator between interpersonal power distance and team communication

	Model 1		Team communication Model 2		Model 3	
	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE
<i>Controls</i>						
Employee/supervisor (0/1)	0.31**	0.10	0.32**	0.08	0.22**	0.08
Education	-0.08	0.08	-0.05	0.07	-0.05	0.06
Organizational tenure	-0.05	0.03	-0.07*	0.03	-0.07*	0.03
Country (0/1)	-0.06	0.10	0.04	0.09	0.02	0.08
Overseas assignments	0.07	0.06	0.00	0.05	0.03	0.05
IPD			-0.58**	0.04	-0.31**	0.04
Coworker Trust					0.53**	0.04
<i>R</i> ²	0.04		0.25		0.40	
Adjusted <i>R</i> ²	0.02		0.25		0.39	
<i>F</i>	3.5**		36.79**		60.81**	
ΔR^2	0.03**		0.23**		0.14**	

Notes: *n* = 660. ^aUnstandardized regression coefficients. ***p* < 0.01; **p* < 0.05

	Team adaptation						Team experimentation					
	Model 1		Model 2		Model 3		Model 1		Model 2		Model 3	
	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE
<i>Controls</i>												
Employee/supervisor (0/1)	0.13	0.08	0.14	0.08	0.03	0.07	0.24*	0.10	0.25**	0.09	0.14	0.08
Education	-0.05	0.07	-0.03	0.06	-0.03	0.06	-0.06	0.08	-0.03	0.08	-0.03	0.07
Organizational tenure	-0.04	0.03	-0.05	0.03	-0.05*	0.02	-0.07*	0.03	-0.09**	0.03	-0.09**	0.03
Country (0/1)	0.05	0.09	0.04	0.08	0.02	0.07	0.02	0.10	0.01	0.10	-0.01	0.09
Overseas assignments	0.03	0.05	-0.02	0.05	0.01	0.04	0.00	0.06	-0.06	0.06	-0.02	0.05
IPD			-0.4**	0.04	-0.13**	0.04			-0.48**	0.05	-0.19**	0.05
Coworker Trust					0.54**	0.04					0.57**	0.05
<i>R</i> ²	0.01	0.16	0.35	0.01	0.16	0.31						
Adjusted <i>R</i> ²	0.00	0.15	0.35	0.01	0.15	0.30						
<i>F</i>	0.92	20.09**	50.71**	1.64	19.87**	41.49**						
ΔR^2	0.01	0.15**	0.2**	0.01	0.14**	0.15**						

Notes: *n* = 660. ^aUnstandardized regression coefficients. ***p* < 0.01; **p* < 0.05

Table V.
Coworker trust as a mediator between interpersonal power distance and team adaptation and experimentation

	Client relationship						Market orientation					
	Model 1		Model 2		Model 3		Model 1		Model 2		Model 3	
	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE	<i>b</i> ^a	SE
<i>Controls</i>												
Employee/supervisor (0/1)	-0.05	0.08	-0.05	0.07	-0.09	0.07	0.10	0.06	0.10	0.06	0.06	0.06
Education	0.04	0.07	0.05	0.07	0.03	0.07	0.01	0.05	0.01	0.05	0.01	0.05
Organizational tenure	0.00	0.03	-0.01	0.03	-0.01	0.03	0.03	0.02	0.03	0.02	0.03	0.02
Country (0/1)	-0.03	0.07	-0.04	0.07	-0.05	0.07	-0.01	0.07	-0.01	0.07	-0.02	0.06
Overseas assignments	0.12*	0.04	0.10*	0.04	0.11*	0.04	0.07	0.04	0.06	0.04	0.08*	0.04
IPD			-0.22**	0.04	-0.11*	0.04			-0.07*	0.03	0.05	0.04
Coworker Trust					0.22**	0.05					0.23**	0.04
<i>R</i> ²	0.02	0.09	0.14	0.03	0.14	0.10			0.04	0.10	0.10	0.09
Adjusted <i>R</i> ²	0.01	0.08	0.12	0.03	0.12	0.09			0.03	0.09	0.09	0.08
<i>F</i>	1.97	7.22**	10.12**	4.63**	7.22**	10.12**			4.78**	10.6**	10.6**	10.6**
ΔR^2	0.02	0.07**	0.05**	0.03**	0.05**	0.03**			0.01*	0.06**	0.06**	0.06**

Notes: *n* = 660. ^aUnstandardized regression coefficients. **p* < 0.05; ***p* < 0.01

Table VI.
Coworker trust as a mediator between interpersonal power distance and client relationship and market orientation

Interview data support the detrimental effects of IPD on employees and teams evident in the survey results. Employees reported frequent communication with their managers, and one interviewee described the autocratic behaviors of another project manager, stating that “You have these folks that are so directive – you won’t believe it. On a call, I’ve actually [heard]: [Project Manager] ‘I told you to put this comma there instead of a dot.’ [Software Developer]: ‘I put the dot there because it makes more sense.’ [Project Manager]: ‘No – it’s a comma, right?’ [Software Developer]: ‘Right it’s a comma.’” The interviewee then stated that “it gets changed overnight and it becomes a comma in the morning.” He summed up the impact of high IPD supervisors by stating that some employees “start getting disgruntled. And then it starts impacting the project.” A substantial number of interviewees further discussed the prevalence of supervisory IPD practices and its effects on employees, with one interviewee

Table VII.
Results of Sobel's
test and indirect
effects

Variables	Indirect effect	<i>z</i>	Indirect to total ratio based on standardized coefficients	Indirect to total ratio based on R^2 measures (variance)
IPD→coworker trust→team communication	-0.22	-9.48**	0.46	0.79
IPD→coworker trust→team adaptation	-0.26	-10.26**	0.68	0.92
IPD→coworker trust→team experimentation	-0.23	-9.31**	0.63	0.89
IPD→coworker trust→client relationship	-0.13	-4.72**	0.50	0.84
IPD→coworker trust→market orientation	-0.14	-5.99*	1.27	0.71

Notes: $n = 660$. * $p < 0.05$; ** $p < 0.01$

summarizing, “a bossy boss never gets anywhere and gets the wrong reactions [...] (employees) don’t like it either [...]” consistent with the tests above. These interviewee quotes give us a sense of why employees, even within high SPD countries react positively to low IPD supervisors.

Discussion

This study supports the universal-practice arguments for power distance: that supervisors in a NMNC who practiced empowerment, consultation and information exchange had employees who reported better team collaboration, innovation, and future team performance than supervisors who acted to increase their subordinates’ dependence on themselves whether or not these actions were consistent with employees’ SPD values. Supervisors who engaged in these low interpersonal power-distance management practices were better able to foster interpersonal trust within their teams. Coworker trust mediated employee perceptions of supervisory practices and team-related outcomes of team collaboration, innovation and future performance. We were able to conduct these tests by, first, successfully differentiating previously confounded power distance into individual and societal foci, and developing scales that reliably and validly differentiated between individual perceptions of the societal-level value and supervisory practices. Next, we found that supervisory actions that are congruent with these employees’ high SPD did not result in better team collaboration, innovation and future team performance compared to the universal practices of openness, participation, autonomy, and voice. Tests of our hypotheses on ethnically Indian employees working in different societal power-distant cultures of the USA and India support the universal practices perspective prevalent in the North-American-centric literature. These results did not support either the fit, nor the universal view of the relationship between current team performance and power distance.

There are a number of contributions of this study. First, we found support for a more sophisticated understanding of the nature of power distance, its meaning and measurement. Hofstede’s (2001) concept of power distance has long been accepted in the management literature as a fundamental societal cultural value. We join a long tradition of criticizing Hofstede’s cultural measures (Kirkman *et al.*, 2006; Smith, 2002; McSweeney, 2002; Brewer and Venaik, 2014; Tung and Verbeke, 2010). We attempted to address an empirical limitation of Hofstede’s work by differentiating power distance

into individual and societal foci, and creating distinct scales to measure each. Empirical results supported the discriminant validity between SPD and IPD. Thus, we found empirical support for Kirkman *et al.*'s (2006) argument that one's acceptance of differences in behavior based on differences in the expected actions of those with power in society is distinct from management practices of one's supervisor. Confounding these two into a single measure had led to theoretical and empirical contradiction and confusion, confusion with practical implications for our understanding of how much supervisors' practices should adapt to local cultural values. In addition, disentangling SPD and IPD will help support further tests of Ralston's (2008) promising work on crossvergence of cultural value evolution. He proposes that sociocultural influences are slower to influence values but that economic, political and technological factors have a more immediate impact. These results support his theorizing and provide a more direct way to test the dynamic interplay of sociocultural and business ideology influences on cultural values.

By clarifying the construct and measurement of power distance, we address numerous calls in the management literature to untangle the levels of analysis issues to better understand the meaning of power distance (Kirkman *et al.*, 2006; Kirkman *et al.*, 2009; Farh *et al.*, 2007), as well as its nomological network. Further, we used this clarification to address one of the fundamental questions in cross-cultural management: should management practices be adapted to local cultures? While many have found that adaptations were positively received by employees or that certain practices are more strongly attractive in certain cultures, this research suggests that management practices should not unthinkingly be force-fit into assumptions based on employees' societal cultural values. Here, we questioned this assumption, and conducted competing tests of the cultural congruence and universal practices perspectives. We hope this work can serve as a model for future tests using competing hypotheses in international management in a wide range of areas where theory and data are contradictory.

These results supporting the universal perspective on the usefulness of reducing the power distance between supervisors and their subordinates are particularly important to the growing number of NMNCs. Many of these societies were late to industrialize and retain high power-distant supervisory practices. Here we found that management practices of high supervisory IPD fostered less team collaboration, innovation, and future team performance in this NMNC originating in a high-SPD society. Employees regardless of current country assignment, responded well to autonomy, openness, and respectful treatment from their supervisors, whether the employee held the values of low SPD or were high on societal values of power distance. These findings echo past research by Lewin *et al.* (1939) who reported negative reactions and less collaboration and team creativity under an autocratic leader, and Pearce (2001) who found less trust under supervisors in Hungary and Lithuania who emphasized high power distance between themselves and their subordinates. Indeed, it is not surprising that individuals, regardless of societal cultural values appreciate basic human values of dignity and respect for the work-relevant information they possess. This awareness might be particularly true today, with employees exposed to differing leadership styles due to greater employee mobility across geographical locations. In fact we found that the degree to which employees had been globally mobile across countries was positively related to building the client relationship and their market-oriented relationships with clients (see Table I).

Our finding that IPD works not just directly but also indirectly through trust to affect employee and team outcomes addresses recent calls for examining mediators of

cultural values (Kirkman *et al.*, 2006, 2009). We provide insight on the mechanism through which IPD influences important team and performance outcomes. As Lewin *et al.*'s (1939) study suggested, management practices of autocratic supervision negatively influenced trust, which had a critical impact on our outcomes. Thus, IPD demonstrated both direct and indirect effects on teams and employees, regardless of cultural values. There may be unique features of low IPD that do not extend to other management practices, and future research should explore other management practices in differing contexts.

Finally, the findings of this study draw further attention to a neglected area of research on developing-world expatriates on overseas assignments in developed countries. Much of the existing expatriate literature has focussed on employees from developed economies and low-SPD countries, like the USA, who work in developing countries high in SPD. Few have examined the increasing movement of professional and managerial expatriates from developing countries assigned to work overseas in developed countries. This study draws attention to this under-developed area of research. Employees moving from less developed to developed societies to work is a large and growing proportion of the global workforce, one that we need to better understand.

We did not find that SPD, IPD, or their alignment were related to current project team performance. This is in contrast to Newman and Nollen's (1996) research which found business unit and team performance was related to power distance congruence. We suspect the results here are due to the context of the sampled NMNC, which had very strong project tracking and controls. It seems the very management practices designed to support high-performance standards made trust and team processes less important to current project performance. Of course, such team processes may have consequences for employee retention and the ability of the organization to move into more open-ended, higher value-added tasks, challenges with which this particular organization struggles. Furthermore, the strong organizational controls in this NMNC may also contribute to the negative impact of tenure on team collaboration and innovation, such that employees were less inclined to communicate, experiment, or adapt the longer their tenure.

This one correlational study is limited. First, assessing power distance and many of the team outcomes from the same method and respondents creates a risk of common method bias (Podsakoff *et al.*, 2003). However, this common method bias would also reduce the power of the tests of competing hypotheses, and therefore does not undermine these convergence vs universalist participative-management tests. Although the results of Harman's single-factor test indicated that common method bias is not suspected as a likely contaminant of the results observed in this study, this single test is insufficient to rule out common method variance completely, and thus is one limitation of this study. A second limitation of this study lies in the use of cross-sectional data. Data were collected at one point in time from supervisors and employees, thus any conclusions regarding causality would be erroneous. To clarify the causal relationship of the arguments in this study, future research must collect longitudinal data which would allow for tests of causality between power distance and team processes and performance. A further limitation is that information on the ethnicity of the supervisors and their societal cultural values was not available in this study. The congruence between the supervisor's SPD and management practices might have a significant impact on team processes and performance. Future research should consider whether supervisors are same-culture or universalist in determining the

acceptability of the practices, as previous research on contextualization suggests that it might make a difference (Zander *et al.* (2011). A final limitation of this study is the nature of the sample which relies on ethnic Indian employees from India as well as the USA. This study begins to address Kirkman *et al.*'s (2006) call for research clarifying the construct of power distance, however, additional research is necessary to test the SPD and IPD distinction in other settings and samples, thereby establishing the validity and nomological network of these constructs among other nationals. For example, future research can examine whether in a high SPD country, such as China, professionals who work abroad in low SPD countries demonstrate a similar pattern in their response to supervisory IPD. Lastly, we urge future research to examine the impact of low IPD practices on employees and teams in other contexts and industries. The MNC in this study operates in the information technology sector where it may be more likely for employees and teams to respond positively to low IPD practices. One might expect different results in other sectors or industries, such as manufacturing and agriculture. Taking context into account is critical, as researchers such as Stahl and Tung (2015) note. The authors found in their content analysis that cultural distance can engender positive outcomes and can be an asset in a range of international business contexts (Stahl and Tung, 2015).

In spite of these limitations, the results of this study can inform our understanding of the growing population of NMNCs. While a tremendous amount of research in international management has focussed on Western MNCs, few have focussed on NMNCs and their unique histories of late industrialization or their born-global nature. We hope this study is the beginning of further research on how and when NMNCs need to adapt management practices to societal values, and how their decisions and practices might differ from that of Western MNCs. The results of this study also have implications for the increased mobility of professionals from developing countries and emerging economies working in developed countries. This phenomena of professionals from particularly high SPD countries, like India and China, working abroad has become far more prevalent in recent years with the growth of the information technology industry, and establishment of NMNCs establishing operations in developed countries. This study draws attention to this neglected area of research of expatriates on overseas assignments in developed countries. Future research may explore if there are some settings where congruence between SPD and IPD benefits employees, perhaps in older industries characterized by less mobility and globalization, rather than industries geared toward the global marketplace as explored in this study.

In conclusion, this study sheds light on the mixed theorizing and findings on power distance in the management literature. Only through disaggregating others' heterogeneous power distance constructs and a study of an NMNC with ethnically similar employees distributed globally was greater clarity and understanding gained on the relationships between the cultural values and supervisory practices. Differentiating the two allows a more nuanced understanding and appreciation for power distance and the interaction between its societal and interpersonal foci among this growing population of globally mobile professionals from emerging economies and high power distance countries. Confounding interpersonal and SPD can cloud our understanding of the effects of SPD, and lead to erroneous conclusions as to how power distance influences organizational practices and employees responses to them. These results suggest that researchers in organizational behavior may have been too quick to speculate about how cultural values might be reflected in management practices. Medin *et al.* (2010) point out that cross-cultural researchers often jump to conclusions

about other cultures, rather than studying the phenomena of interest in terms of that culture and listening to their own voices. The results of this study encourage researchers to reexamine both theory and measurement of cultural values to provide insight into a central question for international management: when and how should management practices be adapted to local cultures.

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(The Appendix follows overleaf.)

Measures	Proposed theoretical focus ^a	Operationalization: level of analysis	Concerns with construct validity
Hofstede (1980a, 2001)	Proposed power distance as a societal cultural value	Assessed individual perceptions of workplace practices between supervisor-subordinate	Items assess subordinates reluctance to express disagreement with their supervisors, actual and preferred supervisory autocratic decision-making style
House <i>et al.</i> (2004)	Proposed power distance as a societal/organizational value and practice	Assessed supervisor-subordinate relationship and organizational-level phenomena to measure organizational power distance value. Assessed general values and centralization to measure societal values	Items assessing societal values measure obedience to leader alongside centralization of power at the top. Obedience to supervisor, and rank and privilege are used to assess organizational power distance values, confounding relations with supervisor with an organizational outcome
Brockner <i>et al.</i> (2001)	Proposed power distance as a societal cultural value	Assessed individual perceptions of societal values alongside workplace practices and organizational-level phenomena	Items measure wide variety of ideas, including preference for hierarchy, organizational formalization, workplace practice between supervisors-subordinate, and general values
Maznevski <i>et al.</i> (2002)	Proposed power distance as a societal cultural value	Assessed general values alongside personal opinions about organization-wide phenomena and what form of organization is best	Items measure ideas across various foci, including organizational formalization, preference for hierarchy, privilege, and beliefs that there should be changes over time in social status
Earley and Erez (1997)	Proposed power distance as a societal cultural value	Assessed employees' personal values and normative individual behavior alongside organizational-wide phenomena, and individual perceptions of workplace practices between supervisor-subordinate	Items measure a variety of ideas, including obedience to the supervisor, preferred supervisory decision-making style, and organizational centralization and formalization

Table A1. Comparative table of power distance measures

Notes: ^aAll measures of power distance propose to measure power distance as a societal cultural value. However, this proposed theoretical focus differs from the operationalization of the constructs which includes a variety of diverse dimensions across foci and levels of analysis leading to poor construct validity

Items	Societal power distance	Interpersonal power distance
<i>Societal power distance</i>		
I believe that power should be concentrated at the top in our society	0.67	0.10
There should be established ranks in society with everyone occupying a rightful place	0.63	-0.03
Societies work best with clear and formal hierarchies	0.62	-0.15
Caste/class differences should be respected in society	0.58	0.03
In society, people with higher status should have more privileges than those with lower status	0.54	0.11
<i>Interpersonal power distance</i>		
On this project, my supervisor tends to make decisions without consulting me	0.00	0.80
My supervisor encourages me to question him when in disagreement (RC)	-0.26	0.77
My supervisor encourages me to participate in decision making on this project (RC)	-0.24	0.75
My supervisor tends to make decisions in an autocratic way	0.17	0.69
My supervisor thinks that questioning his/her authority sometimes keeps him/her from being effective	0.18	0.65
I tend to keep silent when I disagree with my supervisor	0.17	0.53
Eigenvalue	2.02	3.05
α	0.60	0.79

Notes: RC, reverse coded. Italics indicates the target scale

Table AII.
Principal component
factor analysis

About the authors

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