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WHY NETWORKS ARE BENEFICIAL FOR MICRO-FOUNDATIONS IN CROSS-CULTURAL ENVIRONMENTS

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ABSTRACT

This research investigates, following Nahapiet and Ghoshal (1998), why networks are beneficial for micro-foundations in cross-cultural environments (Hofstede et al., 2010). Survey questionnaires were used and a total of 253 questionnaires were collected worldwide from international managers, out of which 246 were usable. The findings of this research are: networks are strong among HR managers, with a preference for networks in person compared to digital networks. First, networks provide information, second they provide easy access to the information sought, and third they provide this information for free or at a relatively low cost. Issues with networks are mainly trust and confidentiality, enhanced by globalization and the internet. It is proposed that networking, in person and in digital form, are capabilities for shaping the future and success of micro-foundations in cross-cultural environments.

Keywords: Networks, cross-cultural entrepreneurship, micro-foundations

1. INTRODUCTION

Following Nahapiet and Ghoshal (1998) networks are an important source and determine the organizational advantage, by determining "Who you know" and consequently "What you know". Benefits of networks are the access to information, the speed in getting this information and the possibility of giving referrals. This research investigates why networks are beneficial for micro-foundations in cross-cultural environments. Survey questionnaires are used to determine the extent to which networks, in person and in digital form, influence success in micro-foundations in cross-cultural environments. Practical advice is offered to HR managers of how to use networks, in person and/or in digital form.

2. LITERATURE REVIEW

2.1. Micro-foundations

Micro-foundations have gained in influence in strategic management over the last years. Individuals have a basic influence on strategic management, is the argument. Strategic human resource management is one field of research interests besides economics, psychology, sociology, motivation, cognition, marketing, strategy, entrepreneurship, communication, and others. Foss (2010) defines micro-foundations as "foundations of something, namely aggregate concepts and/or relations between aggregate variables", ... it is "an instance of reductionism", ... "of how individual decision-making influence firm behavior". The discussion between "methodological individualism" versus "methodological collectivism" goes "whether individuals ("micro") or social collectives ("macro") have explanatory primacy".

The interest in the theory of the firm (Arrow, 1974; Penrose, 1959; Polanyi, 1962) started nearly 40 years ago now. The theory of firm scholars focused their theory on the causes of "organizational advantage", contrary to its failure, so far the main research focus (Nahapiet and Ghoshal, 1998). They include trust, networks, network ties, network configuration, shared narratives and shared language and codes in their research of the organizational advantage. The roots of intellectual capital are seen in the social relations and structures - "who knows who" affects "what you know". New opportunities are sensed through scanning, creation, learning, and interpretive activity (Teece, 2007). Opportunities get detected by the enterprise because of two classes of factors. First, entrepreneurs can have differential access to existing information. Second, new information and new knowledge - exogenous or endogenous - can create opportunities.

2.2. Networks

Networks provide access to resources (Nahapiet and Ghoshal, 1998). Networks are an important source and determine information benefits. Networks ("Who you know") determine "What you know". There are three forms of information benefits: access, timing and referrals. Networks provide efficient screening and distribution of information and knowledge. Networks allow speed in getting the right information. Networks allow people in the network the opportunity to provide, combine, exchange information and also give referrals with the information. Nahapiet and Ghoshal (1998) state that this reputational endorsement influences the value of the information. Networks come in different forms, either in person or in digital form. Granovetter (1973) identified the role of the "loose ties" in information exchange in networks. These ties allow the transmission of information. The network structure depends on its density, connectivity, hierarchy, flexibility and ease of information exchange and the accessibility for the network members to the information (Nahapiet and Ghoshal, 1998). The lower costs of accessing information through networks, especially through digital networks are one of the advantages, besides the diversity and efficiency of the network information structure.

2.2.1. Digital social networks. Digital social networks like LinkedIn, Facebook (Kirkpatrick, 2010) and Twitter have revolutionized human resources practices (Brown and Charlier, 2013; Marler and Fisher, 2013; Martin and Reddington, 2010; Schalk et al., 2013; Schmidt and Cohen, 2013; Stone and Dulebohn, 2013). Google has changed the way we see our world (Auletta, 2009) and our habits (Jarvis, 2009), and the internet has modified our brain (Carr, 2010). Some even wish to stop the use of the internet (Zittrain, 2009). Due to the social networking technologies, we have to reconsider how we can live and win in a transformed world (Li and Bernoff, 2008), and how we interact in times of Facebook (Stengel, 2010), where the new digital generation of digital natives grows up, contrary to the generations before them (Tapscott, 2009). The reluctance to use new technologies is a result of the generation gap, as the "Net-Generation" are learners who are rethinking talent and management, and who are in networks and in families (Tapscott, 2009). Historically, Barnes (1954) was the founder of the definition of social networks and his research dates back to 1954. This study was followed by works from Rees (1966) on information networks in labor markets, and by Milgram (1967), who tested the "small world". De Schweinetz (1932) was the forerunner of economists and sociologists who distinguished between the formal and the informal methods used to find a job. Granovetter (1973; 1985; 1995) studied the informal methods of finding a job, which according to him means discovering the "forces of the weak ties". In more recent literature, Dodds et al. (2003) conducted an experimental study of search in global social networks. Fernandez et al. (2000) studied the networks at a phone center. Godin (2008) studied people's behavior in "tribes". Tim Berners-Lee (2000) who imagined a world wide web, encouraging social interactions, giving people without huge technical competences and knowledge the possibility to publish content online, free of charge, unlimited in space and time and the opportunity to interact with others. Social networks in organizations are viewed as a shared knowledge system backed by management (Hasgall and Shoham, 2007), as standard HRM practices and social network analysis (Boese, 2009; Rauch, 2001), and especially in recruitment (Jones, 2010). In the view of Shirky (2009; 2010) people go through different stages of "Gin, Television and Social Surplus". Firstly, they meet in pubs for a drink and later they spent their free time watching TV. Next, they reach the phase where they like to share and communicate, to produce and not only to consume. "The internet is among the few things humans have built they truly don't understand (Schmidt and Cohen, 2013). "Think of all the websites visited, ... of every job found, ... consider what the lack of top-down controls allow: the online scams, the bullying campaigns, the hate-group websites and the terrorist chat rooms. Through the power of technology, age-old obstacles to human interaction, like geography, language and limited information, are falling" (Schmidt and Cohen, 2013). "Communication technologies will continue to change our institutions from within and without" (Schmidt and Cohen, 2013).

2.2.2. Cultural Research. Hofstede (2001) defines culture as the "collective programming of the mind which distinguishes the members of one human group from another". Table 1 (Schinzel, 2014a) shows Hofstede's et al. (2010) cultural dimensions of Lux.Nat., and Lux.All., Hofstede's estimates on Luxembourg, his data for France, Germany, the UK, Belgium FR, Belgium NL, Italy, the Netherlands, China, the USA, and Japan, where the cultural differences become clear.

TABLE 1. CULTURAL COMPARISONS (ON A SCALE FROM 1-100, 1 BEING THE LOWEST AND 100 THE HIGHEST SCORE)

| | The author's Lux.Nat. | The author's Lux.All. | Hofstede's estimates on Luxembourg | Hofstede's France | Hofstede's Germany | UK | Belgium FR | Belgium NL | Italy | NL | China | USA | Japan |
|-----|--------------------------|--------------------------|--|----------------------|-----------------------|------|------------|------------|-------|------|-------|------|-------|
| PDI | 29 | 36 | 40 | 68 | 35 | 35 | 68 | 61 | 50 | 38 | 80 | 40 | 54 |
| UAI | 95 | 97 | 70 | 86 | 65 | 35 | 93 | 97 | 75 | 53 | 30 | 46 | 92 |
| IDV | 34 | 51.5 | 60 | 71 | 67 | 89 | 71 | 78 | 76 | 80 | 20 | 91 | 46 |
| MAS | 54 | 47 | 50 | 43 | 66 | 66 | 60 | 43 | 70 | 14 | 66 | 62 | 95 |
| LTO | 65 | 69 | 64 | 63 | 83 | 51 | 82 | 82 | 61 | 67 | 87 | 26 | 88 |
| IVR | 55 | 53.5 | 56 | 48 | 40 | 69 | 57 | 57 | 30 | 68 | 24 | 68 | 42 |
| MON | 24 | 10 | - | 16.5 | 9.9 | 35.4 | - | - | 35.2 | 11.9 | 0 | 57.2 | 4.0 |

3. METHOD

The main objective of this research is to investigate why networks are beneficial in micro-foundations in cross-cultural environments. Survey questionnaires are used to determine the extent to which networks influence the success of micro-foundations. These survey questionnaires were created based on the literature, especially based on Nahapiet and Ghoshal (1998). The English version was translated by native speakers into French and German and back-translated for validity check. The questionnaire was distributed worldwide among international managers and participants of several academic conferences.

4. RESULTS

The results of the questionnaire are shown in the following chapter. Per question, average, median, minimum and maximum were calculated. The minimum was 1 and the maximum was 5 for all responses.

Concerning the question: "Why do you think Networks are beneficial for micro-foundations?" the highest score average is for the answer "provide access to information" with a score of 4.29 out of 5. This was followed by the second highest score for the answer "accessibility" with an average of 4.01 out of 5. The third highest score was for the answer "high speed" with 3.94 out of 5. The low cost of access to information scored with 3.83 out of 5 in fourth place. The median for nearly all questions was 4, although the median score for "Trust" was 3.5 and "Confidentiality" was at 3. The current discussion on confidentiality, espionage, listening and recording of all digital information finds its confirmation here. "Confidentiality" also scores lowest in average with only 3.06. The results are shown in table 2 below.

TABLE 2. RESULTS OF THE QUESTIONNAIRE

1. Why do you think networks are beneficial for micro-foundations (small companies)?

Please indicate the extent to which you agree with the following statements using this scale. Fill in the circle with the number that best matches your view.

| ① | ② | ③ | ④ | ⑤ |
|-------------------|----------|----------------------------|-------|----------------|
| Strongly disagree | Disagree | Neither agree nor disagree | Agree | Strongly agree |

2. Do you prefer Networks in person to Digital Networks like Facebook, LinkedIn, Twitter?

Please explain your answer with your own words:

| | | | Average | Median | Min | Max |
|------|--|----|---------|--------|-----|-----|
| 1.1. | Provide access to information | 1. | 4.29 | 4 | 1 | 5 |
| 1.2. | Low cost of this access to information | 4. | 3.83 | 4 | 1 | 5 |
| 1.3. | High Speed (Timing) to this information | 3. | 3.94 | 4 | 1 | 5 |
| 1.4. | Accessibility, easy access to information, flexibility and efficiency | 2. | 4.01 | 4 | 1 | 5 |
| 1.5. | Diversity of information | | 3.69 | 4 | 1 | 5 |
| 1.6. | "Who you know" determines "What you know" (brings together information from different sources and disciplines) | | 3.74 | 4 | 1 | 5 |
| 1.7. | Trust (trustworthiness of the network members and the information provided) | | 3.46 | 3.5 | 1 | 5 |
| 1.8. | There are obligations, norms, and expectations within a network | | 3.57 | 4 | 1 | 5 |
| 1.9. | Confidentiality | 9. | 3.06 | 3 | 1 | 5 |

The general questions provided the following results: A total of 253 questionnaires were collected, out of which 246 were usable. 7 were not usable, because they were not filled in correctly, or only partially filled in. Out of the total of 246 usable respondents, 94 were male and 152 were female.

The age curve of the participants shows an equal distribution among all ages with a high at 40-49. Otherwise all age classes were well distributed, 5 are age 0-19, 16 are age 20-24, 36 are age 25-29, 36 are age 30-34, 30 are age 35-39, 54 are age 40-49, 42 are age 50-59, and 25 are over 60.

The education level shows a high distribution of 83 participants holding a Doctorate or PhD and 74 holding a Master. This highly academic distribution is explained by the fact that the author distributed the questionnaires worldwide among international managers and to participants of several academic conferences. This explains the distribution in the "Industry" and "Job" categories with a relatively high distribution of participants working in the education domain as teacher or professor. 38 are working in the banking sector and 24 in the health sector.

The distribution on native language 1 and 2 show a total of 33 spoken languages in the sample. 57 participants have English as their native language, followed by German (43), Luxembourgish (37), French (20), Italian (18), Greek (9) and Spanish (8). Out of a total of 246 participants, 12 indicate having two native languages.

Besides their mother tongue, most participants speak other languages. A total of 28 other languages are spoken. It seems interesting from the sample that many people from the UK or the USA speak English and do not speak any other languages, and if they do, then it is probably Spanish. Germans in the sample tend to speak English as a second language. While in these countries, having more than one other language is rare, in Luxembourg, most people from the sample would have command and speak several languages every day, most of the people speaking at least 3, 4, 5 or even 6 languages fluently: Luxembourgish, French, German, Portuguese, Italian, Spanish (Schinzel, 2014a).

There are 57 different nationalities in the sample. Out of the 246 participants, 11 have double nationality. There are 48 participants from Luxembourg, 43 from Germany, 36 from the UK, 19 from Italy, 12 from France, 9 from Greece, 8 from the USA, 6 from Portugal, 4 from Australia and from Poland. Participants with double nationality are mainly from Luxembourg (4), followed by Israel (2), and Czech Republic (1), USA (1), Greece (1), Bosnia (1) and Romania (1). It is a Luxembourgish particularity to hold double nationality (Schinzel, 2013; 2014b).

"Country of origin" and **"residency"** are not always the same, as shown in this study. People reside in other countries than they come from originally. People migrate from one country to another. This is clearly shown with the example of Luxembourg, where 87 participants have their "residency", but only 37 indicate Luxembourg as their "country of origin". This indicates that Luxembourg is a country of **immigration**. The same is valid for the UK, where 56 have their residency, but only 28 indicate it as "country of origin". The UK is a typical country of immigration. In the sample, this happens to Australia in a smaller scale with 4 people indicating Australia as "country of residency", but only 1 person indicates it as "country of origin". Cyprus (2/4), Denmark (1/2), Norway (1/2).

Countries for which the population **did not change**: In our sample, Germany has 37 for both, pointing to less movement in the population. The same case of no change in population in this sample is Sweden (1/1), Congo (1/1), Israel (3/3).

However there are **emigration** countries, countries that people leave. In the sample, China has 5 people indicating it as "country of origin", but no one resides in China. France has 12 people indicating it as "country of origin", but only 3 reside in France. Italy experiences the same tendency: 21 people indicate Italy as their "country of origin", but only 8 reside in Italy. Spain has lost 5 people from country of origin to residency. In a smaller scale this loss of population applies to Poland (5/1), to Greece (8/4), to the USA (9/8), to the Netherlands (5/3) and to Switzerland (4/3), Romania (1/0), Tunisia (2/0), Wales (1/0), Ireland (1/0), Lithuania (3/2), Sri Lanka (1/0), Hungaria (1/0), Bermuda (1/0), Bulgaria (2/0), Austria (1/0), Saudi Arabia (4/0), Australia (4/1), Nigeria (2/0), India (2/0), Malaysia (1/0), China (5/0), Cameroun (1/0), Finland (2/1), Japan (2/1), Egypt (2/0), Bosnia (2/0), Belgium (3/1), Greece (8/4), Ireland (2/0), the Netherlands (5/3), USA (9/8), Czech Republic (1/0), Poland (5/1), Portugal (5/4).

The question: **"Do you prefer Networks in person to Digital Networks like Facebook, LinkedIn, Twitter?"** was answered as follows: 201 prefer networks in person; 57 respondents prefer digital networks; 12 say both are important, digital networks AND networks in person.

Respondents who say both networks are important, networks in person and digital networks argue: they have no preference, both are important, both have advantages and disadvantages.

Here is what some of the respondents said:

"I use both – they both have their advantages and disadvantages, preferring the personal contact that allows me to use also "other channels" than the digital way."

"I believe that it may be important to distinguish between a) being introduced to the network or creating a network and b) the consequent network contact. If a) then I would prefer networks in person since I get a better sense of other people by seeing them in person and talking to them face-to-face. But if it is an ongoing network with people who I already "know" then it really doesn't matter".

"I prefer to better know the people in my network – by meeting them I can assess their knowledge, motives, trustworthiness and the quality of the information we can exchange. Digital networks have the potential to be less trustworthy and potentially less useful. The best solution is combination of networks that provides opportunities for face-to-face contacts and digital network contacts."

Respondents who prefer "networks in person" argue: Networks in person are based on a personal relationship; the relationship is real; not artificial; eye contact is important; face-to-face is better, because you can see the behavior of the person; the body language is important and there is no body language in digital networks; I can see the emotions of my contact; you cannot see any emotions in digital networks, besides emoticons ☺ ☹; security and trustworthiness it's about people contact; private contact; personal contact; I am close to the person; there are confidentiality issues with digital networks; lower risk of distribution of negative rumors; better communication; better understanding and better interaction; it is our habit to have networks in person; my expectations are met; confidential information is kept among few

insiders; it is always better to talk to avoid misunderstanding; it is important to spend time together; to allow team building activities; higher reliability of the source of information.

Here is what some respondents say:

"The private, personal contact with people facilitates the building and the maintenance of relationships."

"Networks such as Facebook, LinkedIn and Twitter are extremely easy to join and therefore get logged up with people joining in on a whim or "just in case". Personal networks require more personal investment and therefore are entered into more selectively and with more thought as to their relevance and benefits."

"Digital networks cannot replace personal contact."

Issues with networks in person are: there are obligations and expectations, they are time consuming.

Respondents who prefer "digital networks" argue: Easy accessibility of information, low cost, flexibility, diversity of information, efficiency, speed of access and publication, access to private lives.

One respondent says:

"I do not network a lot but I prefer digital networks if I need to find a piece of information since it provides the access. It is low cost, fast, and diverse and in most circumstances it does not hold any obligations."

Issues with digital networks are: Confidentiality issues; misuse of trust; false expectations; digital networks are not my world, I am not member of Facebook, Twitter, etc.; digital networks are lacking personal contact and therefore are less efficient, they are superficial; there are pictures put on Facebook without the permission of the person in the picture; while digital networks are growing, personal contact is lost among people; digital networks are too time consuming; the quality of the information is not always given.

Here is what some respondents said:

"Networking is convenient but sometimes causes troubles, especially when we connect with someone who we don't know well."

"I want nothing more than to be kept in peace. I keep contact with people with whom I want contact. That's all."

"Do you really know who you are networking with?"

"I am old! So, I am not used to digital networks, which also seem less rich in context."

Is it a question of "age"? Will the younger generation be more reliant on digital networks? Or will the current trend of digitalization be reversed due to abuse, espionage, and cyber-criminality? Will the future show us where the world will go? Ever more digital contacts, fast, free of charge, always available, and everywhere accessible? Or will we prefer deep private contacts without superficiality, but with trust, with

honesty, with real friendships – far away from +500 Facebook friends – real experiences, events, parties, and relationships? Is the choice to be made between real life or digital life? Is it a matter of age or culture, or gender or education or job category, or nationality and languages spoken? Have we reached the limitations of the digital world? Are we approaching the limit of the e-era, of e-recruiting, e-HRM, e-banking, and e-relationships?

5. CONCLUSION, DISCUSSION AND FURTHER RESEARCH

The findings of this research are: networks are beneficial in micro-foundations in international environments. **Networks** are strong among HR managers, with a preference to networks in person compared to digital networks. Networks are a big help to the organizational advantage in micro-foundations, first, because they provide information, second because they provide access to this information in a fast, easy, flexible, efficient manner, and third, because they are or for free or at relatively low cost! Advantages of networks in person are trustworthiness, confidentiality, reliability, security, good communication, personal contact, body language, eye contact, exchange of emotions, spending time together, building teams, and honesty. Issues with networks in person are that there are obligations, expectations, and they are time consuming. Advantages of digital networks are the ease of access to information, low cost, speed of access, flexibility, efficiency, and diversity of information. Issues with digital networks are confidentiality, trust, the lack of personal contact and body language, the lack of emotions, the perceived lack of information quality, and increased time devoted to using them.

Further research could be made in the domain of digital networks versus networks in person researching limitations of e-HRM, of e-recruiting, and e-learning. Another path of further research could be the possible negative outcomes of e-networks.

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