

The More You Value, the Less You Practice: A Study on Culture and Managerial Discretion

ABSTRACT

Purpose: The purpose of this paper is to examine cross-cultural differences in managerial discretion and the extent to which variations and interaction of cultural practices and values affect the degree of freedom in decision-making that is accorded to executives. This paper offers a holistic approach to investigating culture in addition to acknowledging its paradoxical nature.

Design: Using a panel of prominent management consultants to rate discretion across 18 countries, we further develop the national-level construct of managerial discretion by empirically investigating the influence of cultural practices and values on CEOs' discretion.

Findings: The study reveals that cultural values moderate the relationship between cultural practices and managerial discretion for three cultural dimensions: individualism, uncertainty tolerance and power distance. By adopting the logic of marginal utility, we also show that the more a society values individualism, uncertainty tolerance and power distance, the weaker the effect of their practices on managerial discretion.

Originality/value: Few research has attempted to assess both cultural values and practices in relation to managerial discretion. By showing the mechanism in which culture affects the level of managerial discretion, we offer new theoretical insights and practical implications, overall contributing to the field of cross cultural and strategic management. Finally, this will offer CEO's a new perspective of leveraging culture as a tool, enhancing their decision making capabilities in the aim of improving organizational performance.

KEYWORDS managerial discretion, cultural practices, cultural values, marginal utility, CEOs.

INTRODUCTION

Managerial discretion refers to the latitude in executives' decisions making (Hambrick and Finkelstein, 1987). It explicitly emerges as a conceptual link between theories that are predominantly deterministic (e.g., population ecology, Hannan and Freeman, 1977; neo-institutionalism, DiMaggio and Powell, 1983) and those that are mostly managerial (e.g., upper echelons, Hambrick and Mason, 1984). Discretion exists to the extent to which constraints to decision making are relatively absent and alternatives are available from which executives can choose. As such, it is a function of the individual executive (e.g., locus of control), the organization (e.g., resource availability), the task domain (e.g., industry regulations) and national environment characteristics or any combination thereof. These internal and external factors constitute a powerful range of possible limitations or catalysts for executive actions.

At the individual level, research shows that executives operating within the same domain can foresee distinct sets of actions depending on their individualities and psychological characteristics (Wangrow et al., 2015). At the organizational level, firms with abundant resources that are easily transferable enable executives to foresee change and choose from a wider variety of alternatives (Hambrick and Finkelstein, 1987). The task environment in which firms operate can drastically alter executive actions. Some industries can afford a greater variety of choices/actions than others. Recent endeavours have broadened the milieu in which discretion emanates. Crossland and Hambrick (2011) assert that formal and informal institutions (cultural values) significantly shape the degree of managerial discretion. Similarly, Haj Youssef and Christodoulou (2017) show the degree of discretion accorded to executives in each country depend on the cultural behaviour/practices of the society. Furthermore, Haj Youssef and Christodoulou (2018) in a recent study showed that discretion is also dependent on the variations surrounding cultural practices.

While the international business (IB) field has been recently relying on the use of culture to draw upon managerial and organizational implications, interpretations have been fragmented and that is a cause of the lack of sufficient understanding of what culture is (Tung and Stahl, 2018). Culture holds a paradoxical nature where its elements including values, norms and practices counterbalance one another. This ultimately makes it harder for researchers to define and understand the relationships between these elements, how they impact culture as a whole in addition to external impacts (Fang, 2012; Pauluzzo and Fang, 2013). There are many cultural frameworks and different definitions used for culture, many of which simplify the construct disregarding its complex nature. Hofstede for example explains culture through simple terms allowing followers to use his dimensions easily. Yet, despite the contribution he had in the cultural field his explanation received a lot of criticism (Fang, 2012). Hofstede (1980) explains that culture is composed of values and practices. The relationship between the two elements are depicted in his 'Onion Diagram' where values are at the core of culture, with practices on the outer rings, entailing a positive relationship (Maseland and Van Hoorn, 2009). He additionally states that values do not change, asserting that culture is stable over time (Fang, 2012). However, other cultural frameworks and particularly GLOBE (2004) proved otherwise. Results from their study revealed that the relation between values and practices is non-linear and more complex than Hofstede's explanation. Others such as Leung et al. (2005) define culture as a 'multilayer process' including individual, organizational national and global culture. Tung and Stahl (2018) further explain that culture is "the integrated, complex set of interrelated and potentially interactive patterns characteristic of a group of people". In line with Tung and Stahl (2018), it is apparent that researchers notice that in order to understand culture, there is a need to move away from its simple definition and regard it as a complex topic with various relationships, including that between values and practices. Trying to delve into the interrelation between

values and practices, Fang (2006) offers an 'ocean' metaphor to Hofstede's onion diagram. The purpose is to show that as we move through time, we give importance to certain values over others (Fang, 2012). This implies that we act upon certain values (through our practices) depending on their relevance. Such difference in the understanding of culture is of importance to the concept of managerial discretion especially in relation to the national level. In the IB field researches have explored distinct areas such as knowledge management and cultural barriers to unravel the complex nature of culture in relation to management. This has allowed the realization that culture lies at the roots of organizational understanding in terms of its people and process where new implementations of HR practices, management of teams and international business as a whole have been found (Pauluzzo and Fang, 2013). This is integral for assessing and improving managerial discretion as the role managers have in shaping organizations is limited and less efficient without the consideration of culture. Fang (2012) additionally uses the Yin Yang perspective on culture. The latter is a Chinese understanding of the paradoxical nature of culture, acknowledging that differences within a culture are not a result of a gap between the values and norms, but rather a ramification of both the duality and opposite nature of cultural elements. The Yin Yang rationale argues that the conflicting value orientations in a culture are contingent upon and complement one another, resulting in a dynamic culture (Pauluzzo and Fang, 2013). Moreover, this philosophy aids the interpretations as to why cultural studies may obtain contradictory results when assessing certain cultural dimensions, improving the dynamic understanding of cultural research. Pauluzzo and Fang (2013) mention that according to the intrinsic paradox of culture, certain dimensions can embrace opposite traits. Both Crossland and Hambrick (2011) and Haj Youssef and Christodoulou's (2017) studies relied separately on different cultural dimensions whereby one focusing on values and the latter on practices. Yet, such separation will not provide a detailed view of how cultural dimensions interact to shape the degree of

managerial discretion. This leads to conclusions based on one aspect of culture and not culture as a whole. Our study realizes the limitation of looking at one cultural dimension particularly when making business implications, choosing to investigate both values and practices. The above researches segregate two foundations of culture (values and practices), studying the elements separately. This method goes against the definition of culture, which includes interrelatedness, thus offering a limited understanding of the settings being evaluated. Adopting the Yin Yang perspective, sheds light on the need to assess both practices and values together, even with the possibility of obtaining conflicting results. Therefore, our study aims at unveiling the inner and complex relationships between values and practices and their effect on the latitude of executive actions. Deviating from previous studies, our research allows for greater validation in terms of our conclusions derived from the attained results, providing a holistic and integrated comprehension of cultural differences. Acknowledging the paradoxical nature of cultural elements and basing our arguments upon them provided additional insight into the role of culture and managerial discretion where differences in cultural dimension can be seen as positive rather than negative.

LITERATURE REVIEW

There are different definitions and conceptualizations to what culture is. This has caused many researchers to fall into the trap of insufficient understanding of the use of cultural dimensions. Accordingly, incoherent results regarding the relation between values and practices has been established. The inconsistency among the methods used by recent researchers is a result of a disagreement between two cultural frameworks leading to the largest cultural debate between Hofstede (1980) and GLOBE (2004) (Venaik and Brewer, 2010). Since this study aims to explain how culture impacts managerial discretion, there is a need to explore the core of the relationship between values and practices. This will allow us

to give attention to how culture impacts IB and avoid generalizing the relations, both of which are integral to enhancing research in this field (Stahl and Tung, 2014).

Hofstede and GLOBE disagree in their definition of values and practices. Hofstede states that values drive practices, representing a linear relation. Distinctively, GLOBE considers values and practices as separate indices of culture (Maseland and Van Hoorn, 2009; Taras, Steel and Kirkman, 2010). GLOBE referred to practices as the “as is” and values as the “should be” (Maseland and Van Hoorn, 2009; Tung and Stahl, 2018). The former representing the current situation and the latter what individuals hope the situation to become. The framework investigates culture through assessing certain dimensions. Hofstede originally offered four dimensions: individualism/collectivism, power distance, uncertainty avoidance and masculinity/femininity (Minkov, 2018). GLOBE later included cultural dimensions of power distance, uncertainty avoidance, institutional vs. in-group collectivism, gender egalitarianism, assertiveness, performance orientation and humane orientation and future orientation (Brewer and Venaik, 2010; Hofstede, 2010). GLOBE explored the nine dimensions of culture based on these two indices (values and practices) and unexpectedly 7/9 of the results appeared to be negatively correlated, with only 2/9 dimensions showing a positive correlation (Gender Egalitarianism and Uncertainty Avoidance). This incoherency between what was expected to be a positive result turning into a negative one opened the debate between the two different frameworks (Hofstede, 2006). Recent research suggests that the problem lies not in the negative relationship but in the perception that a negative relation is false. The definition of culture has taken a shift from a static phenomenon into that of a nonlinear and complex aggregation of individual behaviours in a given society (Baumann, Winzar and Fang, 2018). This further transcends into the cultural elements of values and practices which now can be seen as nonlinear and thus may have opposing relations.

Nevertheless, researchers studying cultural dimensions have begun following

GLOBE, where they investigate either values or practices in distinct fields (Brennan and Keles, 2018). In terms of cultural values, studies either rely on GLOBE's dimensions as they are recent or draw a comparison between Hofstede's cultural values and those of GLOBE. Adopting the GLOBE framework, Wilson (2018) examined the impact of cultural values on budget transparency. The author demonstrates that national culture affects how transparent individuals and leaders are. Results revealed that certain societies such as collective ones are more transparent than their individualistic counterparts. Lin, Ping Li and Roelfsema (2018) investigate the role culture has on leadership by looking at values. They realize that leaders act in distinct ways mixing between different types of values such as flexibility and strictness depending on the needed outcome. Another study by, Brennan and Keles (2018) looked at cultural values to understand how advertisement is used to portray a certain cultural message. The research followed GLOBE's value dimensions in addition to drawing a comparison to those of Hofstede. Their findings showed that advertisements selectively use pieces of a certain culture to send a message, yet if the cultural dimensions are fully understood the advert could be more relatable to the targeted society. Sagi and Greig (2019) investigated the role cultural values particularly power distance on lean management in India. Their results revealed that the level of power distance employed by management impacts organizational culture and relationships. Additionally, both frameworks appeared to give the same results when it comes to cultural values. In the discretion field, Crossland and Hambrick (2011) used Hofstede's model to empirically show that cultural values have a significant impact on the degree of discretion accorded to executives in different countries.

When trying to make practical implications, studies have relied on the use of GLOBE's practices dimensions as recent research exploring both elements reveal that cultural practices are more predictive of societal phenomena than cultural values (House *et al.*, 2004). Miska, Szöcs and Schiffinger (2018) study the impact of culture on an

organization's sustainability practices in terms of economic, social and environmental respects. They focus on GLOBE's practices to help forecast what practices a firm should employ to ensure sustainability. Their results demonstrated that culture has a greater influence on social and environmental in comparison to the economic practices. On the other hand, a study by Cavada *et al.* (2018) used some of GLOBE's practices dimensions to examine what kinds of opportunities and threats female's in Mexico encounter when trying to establish a novel business. Their results showed that certain dimensions such as gender egalitarianism provide women with more opportunities to thrive. The authors used the cultural framework to understand their society and the practices they employ which can be used by new entrepreneurs. Furthermore, Haj Youssef and Christodoulou (2017) employed the GLOBE model to empirically illustrate that cultural practices and not only values are significantly related to managerial discretion at the national-level.

Each of the above studies looked at a certain aspect of culture either values or practices, yet inherently make implications about the dimension they have not studied. When examining a societies cultural values, researchers inevitably provide how these values are actually manifested in that society, thus explaining practices. Similarly, when looking at practices, the need to understand the culture's values is essential to critically examine why those certain practices are employed. Hence, it is important to integrate the use of both cultural values and practices to have a comprehensive understanding of the society being studied. Considering either dimension provides a narrow view of looking at one side of the same coin. Although many studies have looked into culture and its impacts, many have failed to acknowledge the complexity of culture (Bakar and Connaughton, 2018). Thus, the definition of culture should be revisited to acknowledge its complexity. Culture includes interrelated elements where it is impacted by various factors such as the environment, economy and society, arguing the significant level of impact it has on behavior, employee

action and organization as a whole (Ganesh, Cabarcos and Rodriguez, 2019). One reasoning behind studies using one of the dimensions is to overcome possible opposing results. The latter is a cause of the previously mentioned paradoxical nature of culture (Fang, 2012). This complexity is further exaggerated recently due to globalization, where countries are now composed of various cultures and nationalities, increasing diversity and the pool of values in society (Lin, Ping Li and Roelfsema, 2018). Various studies have looked into the impact of culture and leadership realizing their correlation and effect on employee commitment and the increase in efficiency (Lee and Reade, 2018; Pauluzzo et al., 2018). However, the only studies investigating culture and managerial discretion by looking at cultural dimensions are that of Crossland and Hambrick (2011) and Haj Youssef and Christodoulou (2017). The former only looked at cultural values with respect to managerial discretion. In contrast, the latter replicated Crossland and Hambrick (2011)'s framework using cultural practices instead. Whereby, they studied cultural practices of individualism, uncertainty tolerance, and power distance and their effect on CEO discretion in six Arab countries. They corroborated extant research findings and assert that cultural practices significantly influence managerial discretion. To overcome the limited perspective of only looking at one dimension, our study aims to employ both cultural values and practices dimensions to investigate managerial discretion. Through our hypothesis we rely on the use of economic theory – the law of diminishing marginal utility – as well acknowledging the Yin Yang perspective to explain how the dimensions of values and practices result in opposing relations with respect to managerial discretion. With the use of the latter we rationalize that practices and values are negatively related, as in the more you value a certain element the less you practice (displaying opposite manifestations of both factors). This formation used the complexity of culture, acknowledging differences giving a more accurate representation to what culture is. Additionally, the way in which it would impact managerial discretion is targeted through

assessing how values moderate the relation between practices and managerial discretion.

Finally, this will allow us to provide precise managerial implications that consider both interrelated dimensions, with the aim of providing holistic conclusions.

THEORETICAL FRAMEWORK & RESEARCH HYPOTHESES

The complexity behind culture has caused researchers to take different approaches in their studies, leaving no proper explanation or reliable results. The problem is that many fails to accept the paradoxical nature of culture. It is a paradox since as explained, its elements result in contradicting findings. Fang (2012) reasons that “opposite values and behaviors can coexist within any culture and a culture’s greater tendency toward one end of a bipolar dimension does not preclude the espousal or exhibition of characteristics at the opposite end”. Taking this point of view, gives reason to the different relations between values and practices in the distinct dimensions. In harmony with Fang (2012), the only way to overcome the inconsistency in the field of cultural research in relation to management, is to acknowledge the importance of the paradox and incorporate it into our thinking. His ‘Yin- Yang’s reasoning, could be used to depict the negative relation between values and practices. Here he explains that since culture as a whole is a paradox, then values can be externalized (in our behavior or through practices) in opposite ways in each dimension. It is additionally argued that due to the negative relation between values and practices, people may in fact value what they view as lacking rather than what is actually lacking; showing that even our values hold a complex nature (McCrae et al., 2008). The complexity of culture transcends into the dimensions such as individualism, power distance (etc.) where researches continue to find new ways to measure the dimensions as they realize the impact of external factors such as time which may drive the dimensions in distinct directions as hypothesized (Minkov et al., 2017). This follows that our actions are “both/and” and not “either/or” all of which depends on an individual’s situation and point in time, signifying the nonlinearity of the relation. This

understanding has helped recent researchers to advance their studies by embracing a non-limited perspective on culture (Stahl and Tung, 2014).

Taking the idea that time and situation impact our value orientation, Maseland and Van Hoorn (2009) use the Law of Diminishing Marginal Utility (LDMU) economic theory to explain the reason behind the negative results obtained by GLOBE. They explain that the more an individual has access to a certain good, their perception of its importance begins to decrease. Referring to the Yin Yang perspective is beneficial here since individual behavior depends on various factors such as the perception of importance, resulting in contradicting actions (Fang, 2012; Stahl and Tung, 2014). It can be reasoned that culture is an aggregation of the collective behavior of individuals making the paradox inherent. Smith (2006) realizes this interlink stating that if an individual values a certain element it does not entail that they would want others to act similarly, signifying that opposing values may occur within a culture. This shows that as individuals hold certain values they may not be practiced on a collective level. Another approach explaining opposing manifestations of cultural elements is the “analysis plus synthesis” offered by Xin Li (2018). The author states that parts of each elements are selected and acted upon depending on their prioritization by the individual. This selection includes opposite traits as one balances between their prioritized and under-prioritized values which are then externalized through their behavior. Similarly, the more a certain element of culture (e.g. individualism) is practiced, the less an individual values its importance. For example, Maseland and Van Hoorn (2009) state that high uncertainty avoidance practices entail people disregarding uncertainty avoidance values due to marginal utility. Accordingly, it is argued that despite values driving practices, when these practices are externalized in one’s behavior the relation is impacted. The above arguments can be used in conjunction with the LDMU to represent the possible negative correlations between values and practice which we choose to base our hypothesis on. Recent studies have relied on this

reasoning to explain the results they obtained. Block *et al.* (2018) examined the impact of culture on self-employment whether part-time or full-time. The authors explain that individuals choose what to practice depending on their maximum utility. This utility is that of the CEO and level of managerial discretion. For example, individuals in countries that hold a risk averse culture are less likely to choose self employment. It can be inferred that despite the argument that values shape how we act and influence how individuals behave, the action or practice that takes place can be reasoned by economic theory by referring to the utility one obtains. The values a person holds regarding that particular practice is a distinct manner. If one values something, they may not practice it if it will not yield greater utility (Lin *et al.*, 2018; Maseland and Van Hoorn, 2009). Stahl and Tung (2014) explain that economic theory is related to culture, suggesting that even cultural changes and trends are contingents on the social and economic factors in a country.

Various external factors can impact how one externalizes their behaviour. Stahl and Tung (2014) give significance to the need to look at moderation effect between culture and managerial implications. Lin *et al* (2018) acknowledge the effect of a moderator and investigated the role of national culture particularly power distance with regards to human resource management (HRM) practices and orientation. Their results showed that particularly when assessing innovation, open communication is needed. Assuming a positive relation between values and practices, societies holding high power distance values will practice high power distance and employ less HRM. Here, businesses begin to realize their inability to innovate, thus will need to employ more HRM practices to allow more transparency and communication. Subsequently, the society that initially had high power distance practices will begin behaving in ways to decrease power distance. Here, values arbitrated the initial relation between practices and HRM.

Taking the cracks in the current research filed into consideration in addition to having investigated the debate we aim to; first follow the GLOBE framework to investigate both values and practices. This framework seems to be suitable since it has proven to help draw upon managerial implications. Second, Stahl and Tung (2014) state the need to understand when and how national culture plays a crucial role. Investigating both values and practices and their relationship with managerial discretion will allow us to develop more of an understanding to that role, and whether the values have a moderating effect. Third, assessing how values and practices interact in the different dimensions will provide a richer analysis into the complex relationship between the elements, helping with the understanding of a certain culture (Tung and Stahl, 2018). Therefore, we follow the theoretical framework illustrated in Figure 1.

- Insert figure 1 about here -

The above discussion indicates that culture and managerial discretion are two interrelated constructs. Most studies focus on either the cultural values or practices dimensions separately. Hence, there has been an incomplete rationalization between values, practices and managerial discretion. We relied on the Yin Yang perspective as well as Stahl and Tung (2014) rationalization on the use of culture to obtain managerial implications as a reasoning behind our assumptions. Accordingly, we tap into values and practices with acknowledging their non-linearity and paradoxical nature as well as investigating the moderating effects on managerial discretion. We begin by explaining each cultural dimension followed by a rationalization regarding the relation between values and practices, and practices and managerial discretion to develop our hypotheses. Furthermore, we chose to explore three cultural dimensions rather than all dimensions. In the current field of cross cultural research, the main dimensions investigated are individualism, uncertainty tolerance and power distance. Approximately 89 percent of research relies on the use of three dimensions with the

most prominent being individualism and uncertainty avoidance (Swoboda and Batton, 2018). Looking into national culture and innovation, a study by Andrijauskienė and Dumčiuvienė (2017) revealed that the dimensions of individualism, uncertainty avoidance and power distance held a relation to innovation whereas the other cultural dimensions showed to be insignificant. Chen, Chao, Xie and Tjosvold (2018) look at the effect of individualism (collectivism) and power distance on the cross cultural conflict management. Another study by Lehmberg and Davidson (2017) examined the role of culture specifically looking at power distance and uncertainty avoidance and the way in which they impact real options (RO); a method used by managers that helps assess investment options. Haj Youssef and Christodoulou (2017, 2018) particularly examined the three dimensions in relation to managerial discretion. Furthermore, Lee & Kelly (2019) mention that exploring all dimensions is unnecessary since many of them are highly correlated. Thus, relying on the same dimensions will allow us to draw comparisons and realize if our approach reveals distinct and additional findings. Based on the above we choose to focus on three dimensions (IC, UA and PD) in relation to managerial discretion as they appear to be mainly studied in the field of management, further taking the assumption that the other dimensions may provide insignificant relations and findings.

Individualism – Collectivism (I-C):

This dimension is made up of two polar opposite attributes. Individualism refers to a society composed of weak relationships where self-interest and needs are prioritized over those of the collective (Brewer and Venaik, 2010). Collectivism, however, is built upon the idea of an integrated and interdependent society where decisions are taken to support group interest (House *et al.*, 2004).

The degree of managerial discretion is impacted by the level of I-C values and practices in a given society. For example: individualistic leaders act in an autonomous way,

accomplish tasks without relying on group harmony, and emphasize individual discretion (Triandis, 1993; Erez and Earley, 1993). The relation between individualism values and managerial discretion was investigated by Crossland and Hambrick (2011) across 15 countries. Results revealed that individualism values had a positive relation with managerial discretion since societies holding high individualism values provide a wider ‘zone of acceptance’ for executives to idiosyncratically take unilateral decisions where executives have greater leeway in deciding the future of their organizations (Crossland and Hambrick, 2007). This dimension was further studied with regards to practices and its relationship with managerial discretion by Haj Youssef and Christodoulou (2017) across 6 countries. The latter’s findings exhibited that the more a society practices individualistic behavior including self-interest the greater ability managers had to take decisions. Despite the use of different samples in the studies, both values and practices of individualism appear to have a positive relation with managerial discretion.

The foundational values of a society impact its collective behavior (Maseland and Van Hoorn, 2009). This causation results from establishing that values are at the core of practices (de Mooij and Beniflah, 2016). In order to understand how these values and practices will manifest in society we rely on the LDMU and Yin Yang approach which demonstrate the negative relation between both cultural elements. Cultural elements are dependent on a certain time, situation and prioritization of the individual. Different value orientations will consequently emerge (Pauluzzo, Guarda, Pretto and Fang, 2018).

Individuals hold both individualistic and collectivistic traits. According to the paradox of culture, one needs to balance both characteristics. So, if they value individualistic behaviour they will bring more out of their under shown trait which is collectivistic (less individualism). This shows that the values and practices will be negative. Following we argue that the more a society values individualism the less the need to intentionally practice it in their institutions

since it is an already prevalent characteristic of that society. If individuals including leaders are taught to hold their own self-interest and progression above those of society (have high individualistic values) they will in turn focus on practicing less individualistic behavior. This includes behaving in ways to increase their opportunities and values. Managers begin taking more decisions to benefit stakeholders, employees and the firm as a whole by reducing self-opportunism. Accordingly,

Hypothesis 1: Cultural value of individualism moderates the relationship between individualism practices and managerial discretion: the more a society values the cultural dimension of individualism, the weaker the effect of individualism practices on managerial discretion.

Uncertainty Avoidance (UA):

The extent to which a society tolerates ambiguity, unpredictable and uncontrolled outcomes delineates its level of uncertainty avoidance (Hofstede, 2001; House *et al.*, 2004). Societies with low UA accept turbulent environments, take risks and are accustomed to change (Venaik and Brewer, 2010).

Managers in high UA countries may face restrictions to their decision making in comparison to those with low UA. Crossland and Hambrick (2011) assessed UA cultural values in relation to managerial discretion where a positive relationship was found between the variables. They empirically found that CEOs of firms headquartered in low uncertainty avoidance (high uncertainty tolerance) countries possess higher levels of discretion as opposed to CEOs operating in high uncertainty avoidance cultures. It was argued that in low uncertainty tolerance countries, executives are supposed to follow past behavior and not take any actions that deviate from the central tendencies of the firm, industry and sector, in terms of normal business behavior and avoid any radical actions (Crossland and Hambrick, 2011). Similarly, Haj Youssef and Christodoulou (2017) explored the relation between practices and

managerial discretion proving a positive correlation. The more a society refrains from behaving according to unpredictability (high UA practices), the more managers will avoid taking risks and reacting to change. Although the obtained findings are a result of distinct samples, the dimension of UA has a positive relation with managerial discretion in both values and practices.

What individuals hold in their value base transcends into their behaviors and actions (Taras, Steel and Kirkman, 2010). This is a result of the role values plays in terms of shaping individual personalities, which defines how people practice their norms (Rau et al., 2018). The relation between cultural values and practices is a complex intertwined linkage. It is reasoned that opposite traits emerge to create a balance ensuring that there are no extremities. This contrast is essential for individuals to adapt to the changing environment which includes culture, having the ability to balance the dynamic elements (Lee and Reade, 2018). Here it is rationalized that if an individual holds UA values (it is their prominent trait) then to create a balance one will in fact display less UA behaviour. This is in harmony with the paradox of culture which shows the need to balance out our externalized characteristics. In turn, an opposite relation between the cultural elements of values and practices is displayed. Accordingly we hypothesize that, societies holding high UA values will equip themselves with the needed knowledge to confront and survive any unexpected change they may face. Consequently, they will no longer need to refrain from behaving in a manner that deviates from their familiarity and will begin employing practices to deal with the levels of unpredictability (low UA practices). Here, managers will take more decisions upon themselves since they are ready to handle any change or risk. Therefore,

Hypothesis 2: Cultural value of uncertainty tolerance moderates the relationship between uncertainty tolerance practices and managerial discretion: the more a society values

the cultural dimension of uncertainty tolerance, the weaker the effect of uncertainty tolerance practices on managerial discretion.

Power Distance (PD)

Power distance concerns the authority and leadership status in a given country (House *et al.*, 2004). The lens through which society perceives its leader, define its power distance (PD). Countries with high PD look up to and romanticize their leaders, as opposed to countries with low PD who question their leader's power and do not acknowledge a difference in authority (Chen and Meindl, 1991; Krull et al., 1999).

The way in which a leader's status is viewed by individuals impacts their ability to take actions. Leaders in countries with low PD may face difficulties and threats executing decisions since it is probable that the society will object their actions. Crossland and Hambrick (2011) investigated the PD values and its impact of managerial discretion, hypothesizing a positive relationship. Interestingly, instead PD and CEO discretion had a negative relation. The authors however mention that the type of environments studied could have impacted results since environments with higher risks would exhibit more of a positive relation between PD and managerial discretion in comparison to those with lower risks. With regards to PD practices, Haj Youssef and Christodoulou (2017)'s results demonstrate a positive relation between the variables. Here, the more PD practices employed by individuals such as accepting difference is authority, valuing the leader's status (etc.), the greater the ability for CEO's to execute actions without threat of being objected. The use of different samples in terms of countries and environments impacted the above results. Yet, a relation between PD and managerial discretion was identified. PD values hold a negative relation to managerial discretion in comparison to PD practices which have a positive relationship.

An individual's aggregated values drive their behavior (Venaik and Midgley, 2015). The latter is a product of the human mental cognition, where people's actions rely on the

accumulated norms they have stored in their brains (Gryczkowski, Jordan, Mercer, 2018). Culture holds a complex nature with interrelated elements including values and practice. This negative relationship is essential since when combined they result in a balanced behaviour that includes both prioritized and under- prioritized values (Xin Li, 2018). In harmony with the above, if a person holds high power distance characteristics, they will portray traits that values less power distance, creating a balance between prioritized and under-prioritized values. This will result in a negative association between practices and values. Thus, we hypothesize that societies holding high PD values believe that the existing leadership framework is already effectively established and hence find no oppositions. This results in lower PD practices by individuals, leaving CEO's at ease to act freely. Comparably, countries with low PD values, question the leadership framework and in turn employ more PD practices such as establishing more rules to provide each individual with the level of authority they believe they deserve. Here CEOs are continuously scrutinized and are constrained in terms of their decision-making abilities (lowering their managerial discretion).

Hypothesis 3: Cultural value of power distance moderates the relationship between power distance practices and managerial discretion: the more a society values the cultural dimension of power distance, the weaker the effect of power distance practices on managerial discretion.

METHODOLOGY

We selected the same 15 countries that Crossland and Hambrick (2011) used in addition to three countries from a new cultural context, the Arab World. In total, we test our hypotheses on a sample of 18 countries from 6 distinct regional clusters including: Australia, Austria, Canada, Egypt, France, Germany, Italy, Japan, Kuwait, the Netherlands, Qatar, Singapore, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. These countries, except, Egypt, Kuwait and Qatar, have been heavily used in earlier cross-cultural

studies (e.g. La Porta *et al.*, 1999; Crossland and Hambrick, 2011). Also, these countries account for most of the publicly listed companies around the world and constitute the highest percentage of the global domestic product. Additionally, by using a similar sample of countries to examine managerial discretion, we would be able to validate previous studies (Wangrow *et al.*, 2015). We choose to include three more countries – Egypt, Kuwait and Qatar – to provide more richness to the data and help improve the generalisability of the findings.

Dependent variable: managerial discretion

In empirical studies so far, the construct of managerial discretion has been operationalized in different ways. However, the commonality in these studies is the way they treat managerial discretion as a “black box”. Some consider it as the base of purported theoretical link between a dependent and an independent variable but not itself measured (e.g. Rajagopalan, 1997). Others, operationalize it in terms of its purported antecedents as originally suggested by Hambrick and Finkelstein (1987). The latter approach is the most dominant, whereby scholars have theorized individual, organizational and industry level antecedents of discretion. At the individual-level, scholars relied on executives’ characteristics, measuring variables such as locus of control, perception, commitment to the status quo, tenure, age, education, and risk-taking behavior (e.g., McClelland *et al.*, 2010; Miller *et al.*, 1982; Roth, 1992). At the organizational-level managerial discretion was operationalized using variables such as sales, firm size, slack, R&D intensity, company structure, advertising intensity, volatility, and strategic orientation (e.g., Boyd and Salamin, 2001; Finkelstein and Boyd, 1998; Kim, 2013; Quigley and Hambrick, 2012; Rajagopalan, 1997). Similarly, at the industry-level discretion was measured using variables such as regulatory conditions, demand instability, market growth, product differentiability, attentional homogeneity, and industry capital intensity (e.g., Datta and Rajagopalan, 1998; Finkelstein, 2009; Haleblan and

Finkelstein, 1993; Keegan and Kabanoff, 2008; Peteraf and Reed, 2007). Occasionally, discretion was used as a control variable and that is the case of Carpenter et al., (2001). Wangrow *et al.* (2015: 124) note, “Future research could pilot additional studies with industry experts, academics and managers to assess the level of discretion in firms, industries and nations.” Such call represents a need to assess discretion in a direct manner without relying on proxy measures.

Notwithstanding their probable perceptual bias, expert panel ratings allow for consistent and valid assessments and are an established method to investigate organizational phenomena, including business strategies (Crossland and Hambrick, 2011; Hambrick and Abrahamson, 1995; Haj Youssef and Christodoulou, 2017, 2018). An expert panel if carefully selected, has a unique advantage of coming closet to measuring managerial discretion itself, rather than factors or variables that are better viewed as antecedents. For instance, sales volatility is a good indicator of uncertainty and dynamism. An environment characterized by uncertainty and dynamism create a great deal of means-ends ambiguity when it comes to strategic decision making and thus allow for higher degree of discretion, but the volatility in sales level is not discretion itself. Another important advantage of using an expert panel is that specialists in a field have both an understanding of discretion in multiple settings and a relatively disinterested opinions if compared with executives (CEOs) themselves. Therefore, we sought discretion scores from long-tenured, prominent, and highly experienced management consultants. These consultants possess extensive knowledge about various external (environmental, including market and country), internal (related to the firm), and even individual characteristics of CEOs headquartered in our sampled countries. We pre-screened these management consultants using their companies’ web pages to ensure they had at least 10 years of experience in consultancy and were in a current senior position in one of the major multinational consultancy firms (i.e., Accenture, Aon Consulting, Bain &

Company, BSG Consulting, Deloitte, Ernst & Young, Grant Thornton, KPMG, McKinsey & Company, Mercer LLC, PricewaterhouseCoopers, Roland Berger, and Strategy&). The resulting sample included 193 management consultants (e.g., principal, partner, senior associate, director, or managing director). We gathered the data in three successive mail surveys during 2014–2015. Each consultant/respondent was given a description and definition of managerial discretion as follows: ‘Managerial discretion is defined as latitude of managerial action (Hambrick & Finkelstein, 1987). A CEO with high discretion has a wide range of strategic actions from which to select and a wide range of options for implementing strategic actions. In contrast, a CEO with low discretion has a much narrower range of strategic options and is greatly restricted in how strategic choices may be implemented. Constraints on discretion may arise from both formal sources (e.g. laws) and informal sources (e.g. culture)’. We first asked each consultant to rate in their view on a 1-7 scale the level of managerial discretion accorded to CEOs of publicly listed companies headquartered in three countries: Japan, Germany and the United States. This will provide anchors, as related work in this area proves that these three countries provide respectively, low, moderate and high discretion environments (Crossland and Hambrick, 2007). Then, consultants were asked to rate on a 7-point Likert scale the level of managerial discretion accorded to CEOs of publicly listed firms headquartered in any of the remaining 15 other countries in our sample with which they felt sufficiently familiar taking into consideration their working experience and the country of residence. Of the 193 management consultants contacted, 57 (29.5%) granted participation and provided utilisable responses. Compared to the 25% (8 panellist) response rate achieved by Crossland and Hambrick (2011), 57 is satisfactory. All consultants rated the level of managerial discretion for the three anchor countries. The 57 panellists provided 792 ratings, with every country receiving between 30 and 57 ratings (overall mean of 44 scores per country).

We assessed the possible nonresponse bias in two ways. First, we conducted tests comparing respondents to non-respondents (and respondents who failed to complete the survey) in terms of years of experience and nationality and found no significant differences ($p > 0.1$). Second, we compared our final respondent pool with the total sampling frame (193 vs. 57 final respondents) and again found no significant differences ($p > 0.1$). Thus, nonresponse bias is not a likely concern.

A common challenge in surveying individuals from different cultures is the response bias due to cultural background (e.g., Hui and Triandis, 1989; Triandis, 1995). Prior studies suggest several procedures to derive “corrected scores,” which are then aggregated to the societal level of analysis (House *et al.*, 2004; Triandis, 1995). We followed House *et al.*’s (2004) approach. We generated corrected scores by computing the mean rating and the standard deviation in rating per respondent. We then subtracted the mean from each individual response and divided it by the standard deviation. For each respondent, we regressed the corrected score against his or her original scores and used the unstandardized regression values shown as bias-free ratings. Subsequently, using Pearson correlation we found a high correlation between the corrected scores and the original raw scores ($r = 0.90$, $p < 0.001$), indicating that our panelists’ ratings are relatively free from any response bias.

Following McGraw and Wong (1996), we computed intraclass correlation (ICC) (3, k) to assess the interrater reliability between the comparative judgments of managerial discretion. We found a high interrater reliability (0.93), indicating strong agreement in ratings across the experts (Taggar, 2002). Furthermore, considering Crossland and Hambrick’s (2011) study, our panelists’ country-level discretion scores are significantly correlated with the scores of their fund managers ($r = 0.90$, $p < 0.01$) and Crossland’s (2008) academic panel ($r = 0.93$, $p < 0.01$), providing additional evidence for the validity for the panelists’ rating in our study. Countries’ discretion scores are summarized in table 1.

*** Please insert table 1 about here ***

Independent variables

Following Basuil and Datta (2015), we derived cultural scores from the GLOBE cross-cultural model (House *et al.*, 2004). As mentioned earlier, we used cultural practices and values of three dimensions: individualism, uncertainty tolerance and power distance because they are highly relevant and cited in cross-cultural research.

Control Variables

Earlier work in the discretion literature particularly from the national-level (Crossland and Hambrick, 2011; Haj Youssef and Christodoulou, 2017) have explored a variety of national variables that directly affect the degree of managerial discretion available to CEOs headquartered in a country. From the informal institutions part, cultural values and practices – particularly individualism, uncertainty tolerance and power distance – were directly related to managerial discretion. Also, formal institutions have shown a significant effect on managerial discretion; these variables were: ownership structure (concentrated versus dispersed), legal origin (common versus civil) and employer flexibility. Therefore, we operationalise these variables as follows:

Ownership dispersion and legal origin have been operationalised using data from La Porta *et al.* (1999). For the first variable, La Porta *et al.* (1999) calculated the proportion of companies that were widely held across several countries. To be considered as widely held, a company needs to have a less direct impact from shareholders, which is measured as the indirect and direct control rights that exceed a certain level. These authors have produced such measures in four different ways: for two different levels, 10% and 20%, and for two different firm sizes – medium and large – based on market capitalisations. We used the ownership dispersion measure as the mean for these proportions.

In line with the above, legal origin was also operationalised using La Porta *et al.* (1999), who classified countries based on their legal origin, either common-law or civil-law. Here, we created a dummy variable, where 1 refers to countries with common-law legal origin and 0 refers to countries with civil-law origin.

Finally, for employer flexibility, data have been taken from Botero *et al.*'s (2004) employment law index. These authors have developed an employment law index based on several variables, such as: alternative employment contracts, cost of firing employees, collective dismissals protection, complexity of the dismissal procedure, labour union power, rigidity of employment laws, social security laws, autocracy, government employee's protection etc. Despite the existence of other employment protection indices (e.g. Estevez-Abe *et al.*, 2001), we used Botero *et al.*'s (2004) index due to its wider country coverage. Descriptive statistics are illustrated in table 2.

*** Please insert table 2 about here ***

Analysis & Results

To test for interaction between cultural values and practices, we perform F-tests and Likelihood ratio test. F-tests (5.93 at $p < 0.001$) and likelihood ratio test (15.60 at $p < 0.05$) results show that an interaction exist between these two independent continuous variables.

We test our hypotheses using fixed-effect regression analysis. In contrast with ordinary least squares, fixed-effect regression addresses the unobserved heterogeneity between raters as well as controls for the distinctive panelists' rating patterns (Kennedy, 2008: 282). We report the results of the proposed main effects in Table 3.

*** Please insert table 3 about here ***

Interaction effects are known as moderation effects, whereby the interaction symbolizes the combined or joint effect of two independent variables on the dependent variable. A significant interaction suggests that the influence of an independent variables is in

part dependent upon the value of the other independent variable (Bidlan and Sihag, 2014).

Our results show that cultural values of individualism ($p < 0.05$ in model 1), uncertainty tolerance ($p < 0.001$ in model 2) and power distance ($p < 0.001$ in model 3) positively moderate the relationship between cultural practices of individualism, uncertainty tolerance and power distance, respectively. Such findings provide support for all hypotheses.

DISCUSSION

The negative correlation between values and practices that are reported by the GLOBE study is a puzzle that led many scholars to provide different explanations. With the use of economic theory on marginal utility, Maseland and Van Hoorn (2009) were able to explain such relationship. Yet, with the advancement of this the cross-cultural literature very limited studies have incorporated a holistic perspective to study culture, resulting in mixed understanding. Our study offers strong application of the law of diminishing marginal utility and the theory on managerial discretion in studying the interaction between cultural values and practices across 18 countries. Prior studies on managerial discretion at the national level have relied separately on either values or practices without attempting to integrate these two dimensions. Such separation caused misleading findings that couldn't be easily interpreted by managers, investors or even policy makers. In Hofstede model and the 'onion assumption' values drive practices, because values are the most deeply rooted aspects of culture, which will in turn form the basis of practices. If such approach is correct, then we would expect a positive correlation between these two and a positive impact of their interaction term.

However, by adopting the law of diminishing marginal utility and empirically testing their effect on managerial discretion, we showed that the 'onion assumption' is not correct. This is due to the fact that when societal members have limited resource, they will attach more importance to it and vice-versa. Interestingly, this is in-line with some logic adopted in cultural studies, particularly the argument used by Ronald Inglehart. Inglehart (1990, 1997)

argues that value shift in industrial societies are mainly triggered by the idea of marginal utility. Due to economic growth, people in industrial societies repleted of materialist objectives and thus started to attach less importance, or value less, the realization of materialist objectives. Even Hofstede (2001: 5) defines values as the “broad tendencies to prefer certain states of affairs over others”, which corresponds to the idea of assigning relative weights or importance. This provides further support to our study that explicitly showed the mechanism in which values and practices interact to affect the degree of managerial discretion.

Our findings have important implications to the cross-cultural and strategic management literatures. A primary assumption in the strategic management literature is that long-term success for organizations requires a perfect fit between the firm and its external environment (Anand and Ward, 2004). Our results indicate that the degree of managerial discretion is not static and does change over time in-line with the changes in values and practices. This will create a dynamic environment, in which CEOs will enjoy varying degree of freedom in decision making.

With business becoming increasingly globalised and internationalised, the profile of countries becomes of great importance and can become a tool for strategic corporate choices. National differences have shown a strong influence on market-entry strategies (Hennart and Larimo, 1998) and discretion has also demonstrated varied levels across countries; managerial discretion could therefore shed light on entry modes of foreign direct investment and in locating target markets. CEOs operating in high-discretion countries may wish to internationalise via entry modes that involve more control and risk (e.g. Greenfield investment). These strategies offer more latitude of actions and considerable options that the executive can choose from. Executives who are used to less discretionary environments may choose to carry out international expansion using less risky strategies such as joint ventures.

Also, the location of the target market may be related to the levels of discretion of that country. Executives operating in countries that provide considerable leeway to their actions may logically internationalise to similar countries rather than countries that impose more constraints on their actions. According to Howard and Wellins (2008), CEOs have identified working across cultures and team mobilisation as the top two crucial leadership competencies in their enterprises. National differences have resulted in numerous failures in cross-cultural business phenomena such as market penetration and mergers and acquisitions (Stahl and Javidan, 2009). The national level of managerial discretion could also help in interpreting and understanding these cultural differences and their strategic implications. Cross-border merger and acquisitions are complex business phenomena (Collins *et al.*, 2009) that involve higher levels of uncertainty (Shimizu *et al.*, 2004). Also, such large strategic actions are dependent on the cultural profiles of the countries of the firms involved in these transactions (Basuil and Datta, 2015). Managerial discretion provides a clearer framework for executives to interpret cross-border mergers and acquisitions and also could predict the success and failure of such deals. For instance, Daimler-Benz has been widely cited by analysts as a failure (The Economist, 2000), stating that culture has been one of the important triggers of this failure. The differences in the managerial discretion levels between Germany (country of origin of Benz, low-discretion) and the US (country of origin of Daimler, high discretion) could better explain the failure of this deal. Executives operating in high-discretion countries are used to taking bold strategic actions due to the greater zone of acceptance they enjoy, whereas executives in low-discretion countries tend to focus more on implementing symbolic actions based on market signalling. Therefore, initiating M&A transactions between countries that differ in their discretion levels (high and low) could lead to unsuccessful outcomes.

Furthermore, managerial discretion could have an important implication on the CEO appointment process. Despite relying on the national pool (DiNardo *et al.*, 1996), the CEO

labour market in our current globalised world could be affected by cross-national differences in managerial discretion. For instance, transferring a CEO from a low-discretion country to a high-discretion environment might lead to substantial negative effects on performance. CEOs in high-discretion countries are used to taking bold strategic actions that do not necessarily comply with the overall cultural norms. When such a CEO moves to a low-discretion setting, implementing idiosyncratic actions is objectionable, thus any decisions that deviate from the cultural boundaries of that environment will lead to negative results on performance.

Similar to other academic research, this paper has some limitations that should be noted. Despite the wide geographical sampling that include six different regional clusters, other important countries exist with a growing global presence and with firms competing on an international scale. The sampling in this paper has resulted in the omission of significant countries such as Russia, Brazil, India, China, etc. which are becoming increasingly influential in today's global economy. The theoretical reasoning presented in this work would support the idea that the association between cultural practices and managerial discretion could be applicable to other institutional contexts. However, there is a need to determine whether such findings in terms of the antecedents and consequences of discretion are also generalizable to other countries. As such, researchers are also encouraged to broaden the discretion context even further by including samples from other countries.

Lastly, while the psychometric tests and additional statistical analyses support the reliability of the discretion scores from our consultants, we were not able to triangulate these with other possible sources of information or secondary measures. Future work should consider corroborating the discretion scores from our consultants with scores derived from other sources or even executives themselves through questionnaires or scenario analyses.

CONCLUSION

While the cross cultural field has been relying on the use of culture to draw upon managerial

and organizational implications, interpretations have been fragmented (Tung and Stahl, 2018). Therefore, to understand culture, there is a need to move away from its simple definition and regard it as a complex topic with various relationships, including that between values and practices. Delving deeper into the understanding of culture in addition to adopting inclusive perspectives such as the Yin Yang approach allowed the acceptance of the paradoxical nature between values and practices. The latter and in conjunction to the use of economic theory helped rationalize contradicting relations allowing the development of assumptions to explore both cultural elements in relation to managerial discretion without assuming linearity. This helped strengthen our findings on complex relationships found suggesting that even contradicting relationships exist within all cultures, organizations and individuals. The use of cultures paradox as a tool to better understand organizations helps relate to differences in both employee and managerial behaviour (Fang, 2012 ; Pauluzzo and Fang, 2013). Accordingly, improvements in organizational culture will improve employee commitment all of which are dependent upon values and practices shared (Sagi and Greig, 2019). For example, dimensions such as individualism affect employee attitudes and understanding these effects will improve mentoring and the role of CEOs and management (Ganesh, Cabarcos and Rodriguez, 2019). This study represents an attempt in that direction. Our study revealed that discretion is a dynamic construct which is contingent upon both values and practices. Acknowledging this nature of discretion has allowed for the unravelling of possible distinct approaches managers can use within an organization where both values and practices are integrated. We present the role of cultural values and practices in shaping the level of managerial discretion across countries. We also highlight the mechanism in which both values and practices interact to affect discretion. Understanding how discretion functions at the national level remains an under-researched topic in the literature. Though this paper we attempted to address this gap, but there are several avenues for future research to

consider. A greater understanding of the antecedents, consequences and the role that managerial discretion plays at the national-level, could shed new lights on the cross-cultural differences in managerial practices and the transferability and generalizability of these practices.

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Figure 1: Theoretical model

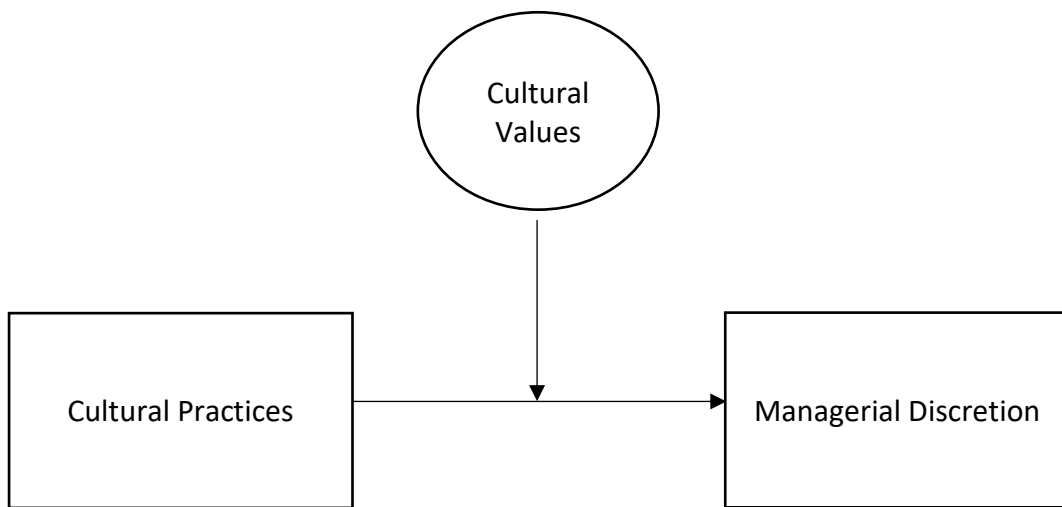


Table 1: Mean discretion scores and frequencies for all countries

Countries	N	Minimum	Maximum	Mean	Std. Deviation
Australia	45	1	7	5.73	1.32
Austria	41	1	7	4.90	1.45
Canada	51	2	7	5.59	1.27
Egypt	33	1	7	3.30	1.67
France	48	2	7	5.02	1.23
Germany	57	2	7	5.04	1.25
Italy	45	1	7	4.82	1.39
Japan	57	1	6	4.53	1.38
Korea	41	1	7	4.76	1.43
Kuwait	30	1	6	3.30	1.62
Netherlands	47	2	7	5.36	1.34
Qatar	33	1	7	3.73	1.84
Singapore	45	1	7	4.98	1.53
Spain	47	1	7	4.81	1.30
Sweden	44	1	7	4.91	1.57
Switzerland	44	1	7	5.20	1.50
UK	49	2	7	5.73	1.19
US	57	2	7	6.09	1.16

Table 2: Descriptive statistics bivariate correlations

	Discretion	Individualism practices	Uncertainty tolerance practices	Power distance practices	Individualism values	Uncertainty tolerance values	Power distance values	Ownership dispersion	Legal origin	Employer flexibility
Discretion ¹	1									
Individualism practices ²	0.0843	1								
Uncertainty tolerance practices ²	0.1266	-0.019	1							
Power distance practices ²	0.0466	-0.2336	0.2508	1						
Individualism values ²	0.1474	-0.713	0.02	0.2532	1					
Uncertainty tolerance values ²	0.2733	0.0677	-0.7558	-0.4753	-0.3111	1				
Power distance values ²	0.1297	0.0263	-0.0033	-0.2646	0.0919	-0.2677	1			
Ownership dispersion ²	0.2706	-0.0196	0.0935	-0.0961	-0.4923	0.2062	0.2226	1		
Legal origin ²	0.2886	-0.0699	-0.0612	-0.3049	-0.4083	0.2087	0.2419	0.6383	1	
Employer flexibility ²	-0.1031	-0.2594	-0.2115	0.2629	0.6148	0.0343	-0.3764	-0.6895	-0.6726	1
Cultural tightness ²	0.2868	-0.5338	-0.0236	-0.2703	0.2475	0.3769	-0.1862	0.295	0.2415	0.1126

N¹= 792; n²=18 *p<0.05; **p<0.01; ***p<0.001

Table 3: Fixed-effect regression analysis

	Model 1 Managerial Discretion	Model 2 Managerial Discretion	Model 3 Managerial Discretion
<i><u>Control Variables</u></i>			
Ownership dispersion	0.24**	0.24**	0.08
Legal origin	0.31**	0.08	0.02
Employer flexibility	0.15	0.27**	0.08
Cultural tightness	0.15*	0.04	0.27*
<i><u>Antecedents</u></i>			
Individualism practices	0.35***	0.12*	0.26*
Uncertainty tolerance practices	0.09*	0.13**	0.25*
Power distance practices	0.44***	0.41***	0.18*
<i><u>Moderators</u></i>			
Individualism values	0.41***	0.03*	0.08*
Uncertainty tolerance values	0.10*	0.40***	0.22*
Power distance values	0.02*	0.11*	0.10*
<i><u>Interaction terms</u></i>			
Individualism practices*values	<u>-0.12*</u>		
Uncertainty tolerance practices*values		<u>-0.27**</u>	
Power distance practices*values			<u>-0.20**</u>
F-statistics	20.10***	102.57***	65.45***
R ²	0.49	0.49	0.50

n=792; *p<0.05; **p<0.01; ***p<0.001