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ECONOMIC ORIENTATION AND FIRMS CAPABILITIES AROUND THE WORLD: DOES INDIVIDUALISM AND COLLECTIVISM VALUES MATTER?*

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ABSTRACT. *Using data from 34 countries, this paper examines how each country's financial system and cultural ideology interact with globalization to impact the capability of firms to exploit external (i.e., capital and labour) and internal (i.e., research and development and intangible capital) advantages. Our results show that more culturally developed countries in terms of their financial, legal, and institutional framework are more prone to rely on internal competitive advantages. We have also discovered that, in the least technologically developed countries, the acquisition of knowledge and the increase of transparency in financial markets are incentives for firms to rely more heavily on external competitive advantages.*

KEYWORDS: individualism, collectivism, national culture, globalization, firms' capabilities, financial system.

JEL classification: M21, F00, F23, J01.

Introduction

The complexity of the international arena often dictates that business ventures that extend beyond the national sphere encounter greater risks and commitment of resources (Penrose, 1959; Root, 1987). In addition to facing expected political and exchange risks, firms must also address issues related to culture, which is itself an important and complex factor related to firm management in the international context (Kaufman and O'Neill, 2007; Aldekola and Sergi, 2007; Ronen and Shenkar, 1985). First, firms must identify and address the cultural forces of the host country that can influence the position of the firm in the market as well as the future development of international operations. For example, Hofstede (1980), who first examined culture in the international business context, identified four relevant cultural dimensions: individualism (vs. collectivism), uncertainty avoidance, power distance, and masculinity (vs. femininity). Thus, by shaping organizational structures and communication around a host country's cultural profile, firms can create a more active business dynamic that drives both integration and internationalization (Erumban and De Jong, 2006). Second, firms must also consider the attitudes and perceptions the firm's employees and managers toward the host country's culture in the design of the firm's strategy and its organizational structure (Luthams *et al.*, 2006). In other words, to operate effectively as global capitalism continues to expand and evolve, the management structure of an internationally focused organization should reflect the diverse global corporate culture within which it operates (Slangen, 2006; Yip, 1992).

We posit that both corporate strategy and managerial and employee attitudes can be best explained by two factors: national culture¹ and national economic ideology (Ralston *et al.*, 1993). In the present article we focus on one prominent path for operationalising culture: individualism-oriented culture, which dominates in Western countries, and group-oriented culture, which is most often present in Asian and Middle Eastern countries². Likewise, we define a country's economic ideology along a continuum between a market-based orientation and an interventionism-based orientation. Using these four factors, we create a matrix of national culture and economic ideology by which we can classify countries into four different types of economies: global-oriented, international-oriented, export-oriented, and local-oriented (see *Figure 1*).

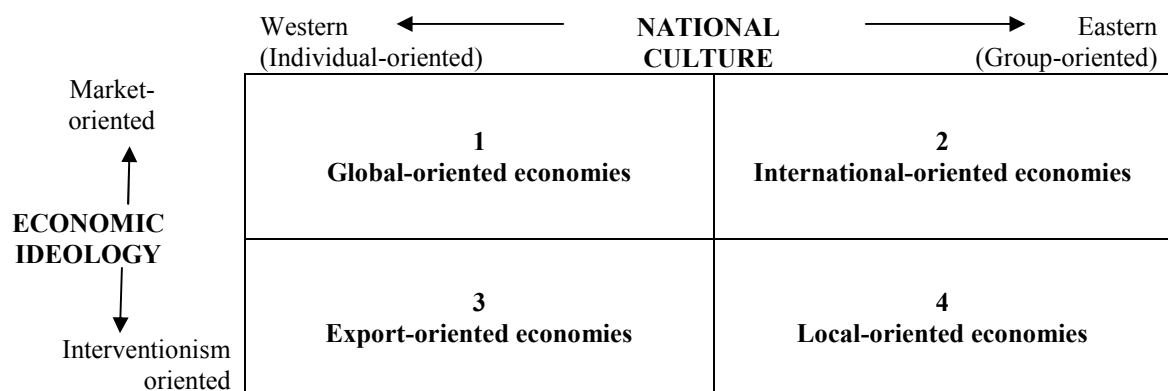


Figure 1. Matrix of National Culture and Economic Ideology

First, global-oriented economies operate largely within a national regulatory framework under the competitive principle (see *Figure 1*). Because these economies are market-oriented, they often reach high rates of economic growth coupled with high per capita income. Individual actions, which are motivated by individual incentives, make up the core of the system. As manifested in the growing global flow of commodities, services, labour, and culture, global-oriented economies have been aided by the expansion of information technology and its dynamism, which has led to what Schumpeter (1942) referred to as “creative destruction”.

Second, international-oriented economies, similar to global-oriented economies, also show a high degree of compatibility between economic ideology and globalization (see *Figure 1*). Nevertheless, these countries' cultural values remain largely unaffected by globalization, and thus the strategies introduced by incoming firms do not always fit with local culture and labour expectations. Therefore, these economies are often less competitive due either to rigid labour markets or legal/cultural systems that inhibit market efficiency.

Third, in export-oriented economies, compatibility between individualistic national culture and globalization is moderated (see *Figure 1*). The final balance results from a trade-off between civil behaviour based on individualism and influence markets with important entry barriers. Because the influence of culture and economic ideology on individual attitudes is not strong enough to drive the country toward a market-oriented system, domestic competitiveness is reduced and firms, therefore, must achieve growth via exports to foreign

¹At this respect, several issues should be set up, as suggest Grundey (2007), what are the most important national culture elements?

²The economic ideology, although formally undefined, is closed tied to a country's legal ideology and system. Triandis (1995) suggest that nations can be classified as having either a collectivist or individualist emphasis.

markets. Finally, in local-oriented economics culture and economic ideology are highly disconnected from globalization. Relevant trade barriers exist and political authorities still intervene in the financial flows. Schumpeter's (1942) "creative destruction" and the continuous technological renovation are impeded by market distortions that prevent a steady growth of wealth and better quality of life. As a result, firms within these countries are not competitive and cannot reach foreign markets. Therefore, they are necessarily focused on domestic and local demand.

As the market becomes more global and more competitive, how national culture characteristics affect the relation between institutional and financial variables and the type of competitive advantages that firms can exploit in their process of internationalization (both external and internal) has become increasingly relevant. Therefore, we examine the co-evolution of the structure of countries' financial systems and the capabilities of firms, conditional on the attitude of each country toward globalization.

The remainder of the paper is organized as follows. In *Section 1*, we focus on the varying and dynamic interaction between the internal and external capabilities of the firm and the institutional characteristics of the country to develop hypotheses about the contexts of countries as clustered by institutional culture. *Section 2* provides our data, methodology, and empirical results. *Section 3* presents our findings, and followed by concluding remarks.

1. Hypotheses

The role that economic culture plays in economic progress is determined by particular cultural elements such as work discipline, initiative, the promotion of educational values, and the propensity for savings. In this context, country-, region-, or firm-level prosperity is determined by the productive use of capital as well as natural and human resources. Countries thus position themselves to favour the competitiveness of their firms to achieve sustainable growth. The key question is how to encourage firms to use the best production methods, the most highly trained workers, and the newest technologies. In other words, the distinction between firms that is or is not directly competitive or between domestic and foreign firms becomes less important than realizing competitive advantages capable of improving productivity and increasing the level of added value in products and services (Porter, 1990).

Although the currently emerging global culture is strongly influenced by the highly individualistic, market-driven U.S. economic culture, the beliefs, values, and conduct of individual people globally are not profoundly affected. In fact, current global culture has significant local roots. The infiltration of global culture can either encourage indigenous cultural development, or it can lead to hybridization - that is, a synthesis of foreign and native elements. For example, Japan, as a society, reflects a clear synthesis of foreign and native traits. Similarly, the Chinese international business culture, in which highly modern business techniques are combined with traditional Chinese idiosyncrasies, is another clear example of cultural hybridization.

A country's cultural values and the development of its financial and industrial systems can interact in different ways, and this interaction can, in turn, be interpreted differently. For example, cultural values can be viewed as a determining factor in social behaviours, attitudes, and organizational behaviours or as a mediator that acts on the relation between the individual and civil and business organizations³. In either case, higher levels of interdependence and

³ Numerous studies examine the relation between culture values and behavior at the individual, group, and national level (Au, 1999; Brockner, 2005; Cox *et al.*, 1991; Eby, Dobbins, 1997; Elroy, 1997; Hofstede, 1980;

cooperation are positively related to greater transparency and openness of a country's financial system (primarily its banking system) and deeper deregulation of its financial markets. The level of interdependence and cooperation is related to the availability of information (Brown and Eisenhardt, 1995), pluralism (Albach, 1994), and competitive development (Hauptmann and Hirji, 1996). In addition, cooperation must exist between cultural values and market forces.

The interaction among these cross-functional aspects of cooperation and cultural values is relative to a country's individualism or collective orientation. In other words, the possible relations between a country's social and economic changes and its cultural values can be explained by the country's level of individualism (Brigham and De Castro, Shepherd, 2007). Specifically, a higher degree of individualism leads to greater levels of experimentation and to greater economic and social openness than collectivism does (Shane, 1992, 1993). In addition, the spirit of competition that is present in the societies, dominated by individualism, often promote rapid innovation (Herbig and Millar, 1992).

Although some studies have suggested that the influence of national cultural values is ever lessening (Ohmae, 1995), the national context undeniably retains a very important role in the behaviour and success of social and trade organizations (Krugman, 1994; Porter, 1990). For example, countries vary in size, level of development, and maturity of institutions. These factors, among others, influence the transparency and efficiency of a country's financial markets and on the development of its banking system (Bowen and De Clercq, 2008). Indigenous firms can use these particularities to exploit either internal or external capabilities to improve their competitiveness and growth. Ginarte and Park (1997) showed that the most developed countries present high levels of research and development (R&D) and technological intensity as a result of greater protection of proprietary rights. Technological investments are also closely related to economic development (Bernardes and Albuquerque, 2003). Thus, firms in more developed countries make greater use of their internal competitive advantages.

Therefore, our first hypothesis is stated as follows:

Hypothesis 1. *Capitalism-oriented economic ideologies and national individual-oriented cultures promote skills in a country's labour force. Therefore, in these countries, firms rely more heavily on their internal competitive advantages (i.e., R&D investments and intangible capital).*

In addition, the transparency and efficiency of a country's financial markets, legal protection, and the development of the banking system⁴ reinforces the relation between the skill level of employees and the internal competitive advantages of firms. Consequently, our second hypothesis is stated as follows:

Hypothesis 2: *Greater transparency and efficiency of financial markets, greater protection of the rights of participants, and a well-developed banking system in market oriented-economies (global and international) strengthen the relation between the skill level of employees and the use of internal competitive advantages.*

Hui, 1988; Kirkman, Shapiro, 2001; Kirkman *et al.*, 2006; Morris *et al.*, 1993, 1994; Oetzel, 1998; Pikturiené, 2005; Pillai, Meindl, 1998.).

⁴ As previously mentioned, differences across countries in the protection provided by laws and regulations have been shown to lead to important variations in the level of financial market development (La Porta, López-de-Silanes, and Shleifer, 2006).

At the same time, the industrial structure and social and cultural context of a country can encourage firms' pursuit of R&D activities to the detriment of the use of capital and human resources (Steers *et al.*, 2008). Specifically, uncertainty within the industrial sector in terms of technological change, volatility of demand, and intensity of global competition may cause firms to displace resources from investment in fixed assets and workforce to R&D activities. Global and local factors strongly influence the process of transferring from multinationals corporations to local subsidiaries (Cui *et al.*, 2006; Lindqvist *et al.*, 2000). The effects vary according to the nature of competition in each industrial sector (Yip, 2003). Some effects are global, given that the activities of their operations are integrated and interdependent with those of other countries (Cray, 1984; Hout *et al.*, 1982). The international synergies between these operations favour the appearance of economies of scale and efficiency in manufacturing (Morrison and Roth, 1992). Other industrial sectors are multi-domestic, and the activities of firms in these sectors in different countries are relatively autonomous and centered on the specific activities of a particular market (Porter, 1986). Thus, the characteristics of a given industrial sector may influence innovating activities.

Similarly, financial globalization has brought about growth in capital flows between countries, a closer relation among financial markets, and stronger growth of the markets - all of which has encouraged monetary stability and economic growth. The macroeconomic and institutional characteristics of countries have favoured greater transparency and efficiency of financial markets, greater deregulation of the banking system (Djankov *et al.*, 2001), and greater legal protection for investors in capital markets. This process has meant that the moderating influence of the context of each country, including the size of its economy and its level of social and cultural development, is focused basically on the innovating activities that firms undertake in pursuit of target growth.

Firms that compete in globalized industrial sectors as they move toward global integration are under strong competitive pressure in terms of innovation and development of new products. This pressure is not affected by the differences among countries and requires high levels of investment in R&D and less investment in tangible capital and labour. By contrast, competitive pressures among local firms tend to fit national needs, which sometimes mean maintaining a policy of innovation is a more expensive business strategy. According to the previous discussion, greater industrial and financial development of a country fosters its firms' ability to compete in global sectors, which requires an adaptation of their value chains to meet global needs. Conversely, in less-developed industrial and financial contexts, this rationale would also suggest that local firms' value chains would swing toward national needs and, therefore, R&D would be more expensive to pursue. Thus, we state our third and fourth hypotheses as follows:

Hypothesis 3: *In countries with less-developed financial markets, more regulated banking sectors, and poorer legal protection of investors (i.e., export and local-oriented economies), firms will make greater use of their external competitive advantages (i.e., labour and capital intensity).*

Hypothesis 4: *The higher the level of economic and financial development of a country, the more likely financial markets and the banking system (i.e., global-oriented economies) are to finance R&D activities rather than investments in fixed capital and human resources.*

2. Data and Method

The data are drawn from three databases: Worldscope, International Labor Organization's Laborsta: Yearly and Segregate Data, and UNESCO⁵ From these databases, we selected data on 3,176 firms and their performance criteria from the period of 1991 – 2002. Given that not all firms had observations in all time periods, the panel of data is unbalanced. The final sample includes 18,732 firm/year observations from 34 countries (see *Table 1*).

Table 1. Composition of the sample by country

Country	No. observations	Country	No. observations	Country	No. observations
Argentina	12	Germany	436	Pakistan	246
Australia	45	Greece	162	Peru	22
Austria	67	Indonesia	561	Portugal	39
Belgium	13	Ireland	39	Singapore	11
Brazil	138	Israel	90	Spain	163
Canada	598	Italy	66	Sweden	131
Chile	27	Japan	6,789	Thailand	273
Colombia	26	Malaysia	49	Turkey	614
Denmark	165	Mexico	70	United Kingdom	1,041
Egypt	9	New Zealand	13	United States	6,001
Finland	215	Norway	35	Venezuela	11
France	555				

Source: Based on Worldscope, International Labor Organization's Laborsta: Yearly and Segregate Data, and UNESCO.

Our method of analysis is structured in two steps. First, we classify countries based on whether they predominately make use of internal or external competitive advantages. To establish the relative position of each country (i.e., not the absolute value of the variable but rather how each country stands relative to other countries) in terms of exploitation of internal and external advantages, we normalize internal and external competitive advantages (INTADV and EXTADV, respectively) by subtracting the mean from each variables and dividing the result by the standard deviation. To facilitate the interpretation of our findings, in the second stage of our analysis, we first distribute the 34 countries into one of nine cultural subgroups, based on Ronen and Shenkar's 1985 culture clusters (see *Table 2*). We then run intra-cluster tests to examine how the characteristics of the economic/financial system of each country affect the type of advantages most used by each country's firms.

Following Carlin and Mayer (2003), we classify the economic systems and banking-industry relations of each country based on three criteria: the degree of development of their financial markets, the degree of development of financial intermediaries, and the influence of the labour market.

For the degree of development of markets variable, we focus on the effect that this development has on the financing of firms or, in other words, the growth of business financing through securities listed in financial markets.

⁵ Data drawn from the UNESCO database (enrollment in tertiary education) are based on the educational standards defined in ISCED 97 UNESCO.

Table 2. Classification of countries

Latin American	Latin European	Anglo-Saxon	Germanic	Nordic	Middle Eastern	Arab	Southeast Asian	Independent
Argentina	France	Australia	Austria	Finland	Turkey	Egypt	Singapore	Israel
Venezuela	Belgium	Canada	Germany	Norway	Greece	Pakistan	Malaysia	Japan
Mexico	Italy	USA		Denmark			Indonesia	Brazil
Peru	Spain	Ireland		Sweden			Thailand	
Colombia	Portugal	UK						
Chile		New Zealand						

Source: Own classification based on Ronen and Shenkar's 1985 culture clusters.

Specifically, we calculate our first variable as the ratio of the increase of annual financing through securities/stocks or bonds to the growth of net physical capital (CAPMK) as a measure of the degree to which firms' financing depends on the markets. Because the degree of development of financial intermediaries is relevant as long as it affects business financing, we use the proportion of total corporate debt from banks as the second variable (BKDBT). However, Worldscope does not provide information on the origin of outside resources that are not linked to securities; therefore, we use the value of the total bank debt is proxied as the ratio of short-term debt to total debt, because most bank debt is short-term. Finally, the effect of the labour market is measured through a workforce training variable (SKILL), which defined as the number of highly educated employees scaled by the total workforce

Furthermore, we make a distinction between external and internal advantages. Within external advantages, we consider capital intensity (INTCAP), defined as net fixed assets divided by total assets, and labour intensity (LABINT), expressed as labour expenditures divided by sales. Internal advantages are technological intensity (TECHINT), calculated as R&D expenditures divided by total assets, and the results of innovation (RINNOV), measured as fixed capital (excluding R&D expenditures) divided by total assets. *Table 3* provides descriptive statistics for all variables.

In the first stage of our work, we identify the relative position of each country in terms of orientation toward internal or external competitive advantages. The main difficulty we face at this stage is the creation of a single measure of these advantages, given that both internal and external advantages are comprised of two aspects, which may not completely converge. For example, a high level of capital intensity does not necessarily imply a greater or lesser level of labour intensity. Similarly, greater technological intensity in a country's firms does not always imply more innovation. Because these issues can become increasing difficult as the range of variation for these variables broadens widely (as shown in *Table 2*), we normalize, or standardize, the four variables by dividing each by the sample mean and creating two new variables, EXTADV and INTADV. These new variables have been defined as the sum of the two ways of measuring each of the mentioned variables. The mean values of these variables are also presented in *Table 3* and they are, as would be expected, distributed around zero, although it is necessary to highlight their dispersion.

In the second step of our analysis, we examine the empirical relation between the financial configuration of the economic system and firms' external competitive advantages and between the characteristics of the labour market and firms' internal competitive advantages.

Table 3. Descriptive statistics of the variables

Variable	No. observations	Mean	Std. dev.	Minimum	Maximum
INTCAP	14.366	0.2857	0.1702	0.0000	0.9716
LABINT	18.732	0.2596	1.1598	0.0000	45.7800
TECHINT	12.143	3.8627	68.1541	0.0000	5,778.7290
RINNOV	7.821	0.0689	0.1574	0.0000	9.2446
CAPMK	14.366	0.2857	0.1702	0.0000	0.9716
BKDEBT	18.616	0.1913	0.3796	-7.3568	44.1417
SKILL	18.732	0.3108	0.1000	0.0400	0.5800
EXTADV	3.067	0.0613	1.3392	3.3442	7.1807
INTADV	6.157	-0.0080	1.4373	1.7784	34.2668

Notes: INTCAP = capital intensity, calculated as net fixed assets divided by total assets. LABINT = labour intensity, calculated as labor expenditures divided by sales. TECHINT = technological intensity, calculated as research and development (R&D) expenditures divided by total assets. RINNOV = results of innovation, calculated as fixed capital (which excludes R&D expenditures) divided by total assets. CAPMK = ratio of the increase of annual financing through securities/stocks or bonds to the growth of net physical capital. BKDEBT = proportion of total corporate debt from banks. SKILL = the number of highly educated employees scaled by the total workforce. EXTADV (INTADV) = external (internal) competitive advantages, calculated by normalizing INTCAP, LABINT, TECHINT, and RINNOV.

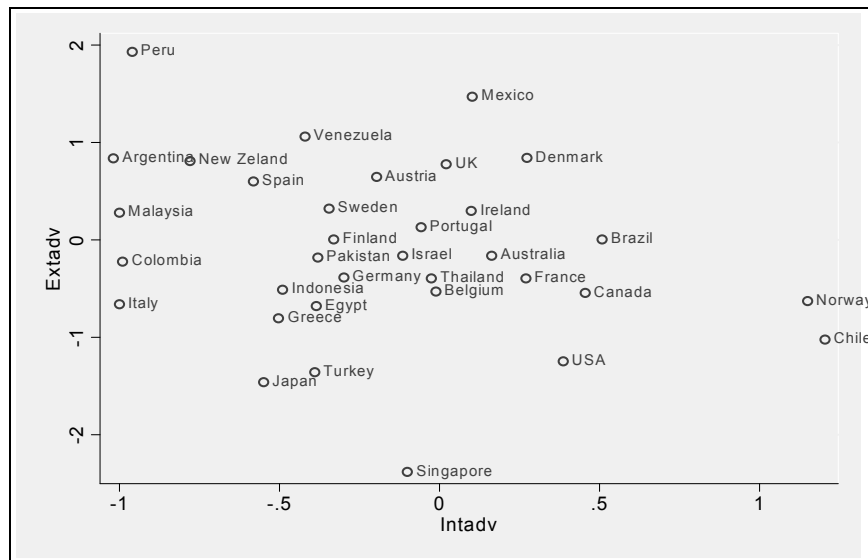
Source: based on own calculation.

This step implies a double task, first we run intra-group tests on each country within the nine culture clusters to examine to what extent each of the country's financial characteristics (in the sense of the importance of capital markets and financial intermediaries) interact with its firms' capital and labour intensity. From a methodological perspective and independent from any sense of causality, we probe the relation between two pairs of variables, all metric, which leads us to use canonical correlation analysis. This technique allows the study of interrelations among multiple dependent variables and multiple independent variables. Thus, we begin our analysis by establishing a relation between the vector criterion variables (LABINT and INTCAP) and the vector predictor variables (CAPMK and BKDEBT).

Second, we examine the link between the labour market and internal competitive advantages. This relation is somewhat distinct, given that the relation is between a single variable (SKILL) and a set of variables (TECHINT and RINNOV). Accordingly, in this situation, we opt for a multiple regression analysis, which establishes a greater number of restrictions on the data than analysis of canonical correlation does. We, therefore, define a relation between SKILL as independent variable and TECHINT and RINNOV as dependent variables.

3. Findings

Our empirical results of the estimations of the relations between the characteristics of each country's economic/financial system and components of internal and external competitive advantages are presented in *Figure 2* and *Table 4*. *Figure 2* illustrates the interaction between firms' external advantages (vertical axis) and internal advantages (horizontal axis). The different values relative to the two axes allow us to identify groups of countries by their firms' intensity level of exploitation of their internal or external competitive advantages. Thus, on the vertical axis, we construct a scale according to the intensity level of external competitive advantages.



Source: own elaboration.

Figure 2. Relative Orientation toward Internal or External Competitive Advantages

As the vertical axis of *Figure 2* shows, the Latin American countries (Mexico, Venezuela, Argentina, and Peru) make greater use of external competitive advantages – to the detriment of their internal competitive advantages – whereas the United States and Japan make the least use of external competitive advantages. Nordic countries (Denmark, Sweden, and Finland) and some Latin European countries (Spain and Portugal) display moderate use of external competitive advantages. The horizontal axis shows that Norway, Chile, and Brazil exploit internal competitive advantages most intensely. Anglo Saxon countries, especially the United States and Canada, also make strong use of internal competitive advantages whereas many Latin American countries, along with Malaysia and Italy, make the least use of internal competitive advantages. The clustering of countries around zero suggests that some seek trade-offs between the use of internal and external competitive advantages. This last category includes Austria and Germany (Germanic), Greece and Turkey (Middle East), Brazil and Israel (independent), Thailand and Indonesia (South Asian), and Egypt and Pakistan (Arab).

The results, which suggest that greater cultural, social, and economic development of a country fosters a higher skill level within the workforce and encourages among firms the use of either a mixture of internal and external competitive advantages or results in a higher prevalence of the use of internal competitive advantages, provides initial support for our first hypothesis.

Table 4, Panel A presents the main results concerning the relation between the financial configuration of the nine country clusters' economic systems and the use of external competitive advantages. Panel B shows the relation between the level of training of the workforce and the utilization of internal competitive advantages within each country clusters' firms. As Panel A shows, the results reflect high canonical correlation values between the variables CAPMK and BKDEBT and firms' external competitive advantages. The highest correlations are found among the Arab (95%), Latin American (75%), and Middle Eastern (60%) clusters. Germanic countries (28%) independent countries (27%), and Nordic countries (23%) fall at the midrange, and the remaining country clusters (Latin European, Anglo Saxon, and Southeast Asian) have very low canonical correlation, with values less of than 20%. These results suggest that the lower the level of economic and financial development in a

country and the less protection for investors, the higher the use of external competitive advantages will be, thus supporting our third hypothesis.

Table 4. Estimated coefficients and *t*-distributions

Panel A. Analysis of the canonical correlation between the characteristics of the financial systems and external competitive advantages									
	Latin American countries	Latin European countries	Anglo Saxon countries	Germanic countries	Independent countries	Nordic countries	Middle Eastern countries	Arab countries ^a	Southeast Asian countries
CAPMK	1.415*	0.059**	0.001	0.001	0.100	0.044	0.001**	0.010	0.013
	(-2.15)	(-2.59)	(1.26)	(0.01)	(1.09)	(-0.88)	(-0.01)	(0.35)	0.98
BKDEBT	-2.904	-1.741	-2.949	-3.229**	-3.274	-3.692	-3.595**	-2.700**	-2.886**
	(-0.75)	(-1.36)	(-3.65)	(-4.88)	(-1.80)	(-3.73)	(-13.44)	(-6.10)	(-4.00)
INTCAP	-3.105	5.804**	4.364	6.141**	-3.389	5.674**	4.693**	2.438	4.810**
	(-0.87)	(2.70)	(2.82)	(4.41)	(-1.29)	(3.66)	(13.32)	(3.94)	4.10
LABINT	29.407*	2.450	0.351	3.131	5.333	-2.744	-1.271	6.994	-1.566
	(1.96)	(0.81)	(2.80)	(1.65)	(1.31)	(-1.48)	(-1.22)	(2.85)	(-0.46)
Canonical correlation coefficients	0.7185	0.1176	0.1710	0.2817	0.2706	0.2302	0.5845	0.9502	0.2050
	0.5938	0.0097	0.0139	0.0176	0.1758	0.0250	0.0761	0.2022	0.0633
Panel B. Intra-group estimations of the relation between the characteristics of the labor markets and internal competitive advantages, with SKILL as dependent variable									
Intercept	0.144**	0.227**	0.370	0.209**	0.331**	0.252**	0.123**	—	0.057**
	(2.87)	(16.24)	(174.02)	(17.23)	(197.07)	(37.61)	(19.49)	—	(5.52)
TECHINT	-24.038	0.057	0.070	-0.001	0.095**	0.025	0.086	—	-0.487**
	(-0.80)	(0.39)	(5.44)	(-0.01)	(2.68)	(0.52)	(1.24)	—	(1.76)
RINNOV	32.076	-0.193	-0.086	-0.054	0.370**	-0.046	0.009	—	-2.38**
	(0.61)	(-1.05)	(-3.20)	(-0.20)	(6.07)	(-0.38)	(0.13)	—	(5.28)
Adj. R ²	0.6949	0.044	0.0056	0.0124	0.0517	0.0007	0.0109	—	0.0391

Notes: *t*-distributions are in parentheses. See Table 3 for variable definitions. ^a Results for intra-group estimations for Arab countries are not reported due to an insufficient number of observations. **denotes significance at the 0.01 level. *denotes significance at the 0.10 level.

Source: own elaboration.

By contrast, Table 4, Panel B, which provides the results of our analysis of the relation between the skill level of the labour force and internal competitive advantages, shows highly significant values for the Anglo Saxon countries, at the 1% level. The negative sign of the RINNOV variable can be explained by the existence of a threshold of technological development. In other words, technology must reach a minimum level to produce implementable outcomes to neutralize the negative sign of RINNOV. In the independent countries, the coefficients are both positive and significant at the 1% level. Both variables are significant at the 1% level for Southeast Asian countries, although with opposite signs, which denotes the difficulty of transferring technological innovation to a better trained workforce. These results show that, as predicted by Hypotheses 2 and 4, countries with greater transparency and efficiency of financial markets and better investor protection present a closer relation between the training level of the workforce and firms' use of internal competitive advantages.

Conclusions

As the market continues to become a more and more competitive and globally oriented environment, it is becoming increasingly important to understand the factors underlying firms' internal and external competitive advantages and how these advantages can best be

exploited. However, these particularities cannot be isolated from the configuration of the culture and the financial system of each country as well as the rapid pace of technological advancement. To be most productive, firm strategy must not only develop its own capacities and expertise but also seek to benefit from the experience, capacities, and expertise of the countries' economic structures.

Therefore, in this article we examine the co-evolution of the structure of countries' financial systems and the capabilities of firms, conditional on the attitude of each country toward globalization. We posit that the cultural and ideological orientation of a country acts as a determinant of the competitive advantages on which the firms of the country rely. Besides, the economic and institutional environment of a country shapes the choice between R&D vs. fixed capital investment.

Our results provide two main findings.

Firstly, we demonstrate that the development of a firm's internal capacities promotes the interaction between the most efficient organizations and the most qualified workers. As a consequence, this relation broadens the standards of existing knowledge and improves competitive advantages. We find a particularly strong relation between Anglo Saxon and Nordic firms' use of internal competitive advantages and those countries' economic, social, and financial development.

Secondly, we find that in the least technologically developed countries (Arab, Latin American, and Middle Eastern) the acquisition of knowledge and the increase of transparency in financial markets are incentives for firms to rely more heavily on external competitive advantages (i.e., capital and labour intensity).

In sum, our results suggest that higher efficiency in a country's financial system and more economic and cultural development encourage firms to assimilate external knowledge and information. In so doing, firms produce new knowledge and generate added value, which, in turn, facilitates the training of the labour force and a more intensive use of the firms' internal competitive advantages.

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EKONOMINĖ ORIENTACIJA IR ĮMONIŲ PAJĖGUMAI PASAULYJE: AR INDIVIDUALIZMO IR KOLEKTYVIZMO VERTYBĖS REIKŠMINGOS?

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SANTRAUKA

Remiantis duomenimis iš atrinktų 34 šalių, straipsnyje nagrinėjama, kaip kiekvienos šalies finansinė sistema ir kultūrinė ideologija sąveikauja su globalizacija, kad paveiktų įmonių gebėjimus panaudoti išorinius (t.y., kapitalas ir darbo jėga) ir vidaus (t.y., tyrinėjimas ir išsivystymas ir neapčiuopiamas kapitalas) pranašumus.

Pirma, autoriai pagrindžia, kad įmonės vidaus galimybių išvystymas skatina sąveiką tarp efektyviausiai veiklą vykdančių organizacijų ir kompetentingiausių darbuotojų. Kaip rinkos fenomenas, šis ryšys praplečia egzistuojančių žinių standartus ir didina konkurencinį pranašumą. Autoriai identifikavo ypač stiprų ryšį tarp Anglo-saksų ir Skandinavijos įmonių vidaus konkurencinio pranašumo panaudojimo ir tų šalių ekonominio, socialinio, ir finansinio išsivystymo.

Antra, mokslininkai pastebėjo, kad mažiau technologiškai išsivysčiusiose šalyse (arabų, Lotynų Amerikos ir Artimųjų Rytų) žinių įsisavinimas ir finansų rinkos skaidrumo ir aiškumo augimas yra tie rinkos valdymo stimulai, kurie leidžia įmonėms labiau pasitikėti išoriniais konkurenciniais pranašumais (t.y., kapitalu ir darbo intensyvumu).

Apibendrinant gautus rezultatus, autoriai teigia, kad šalies finansinės sistemos efektyvumas ir didesnis ekonominis bei kultūrinis išsivystymo lygis skatina įmones asimiliuoti išorines žinias ir rinkos informaciją. Dėl to, įmonės naudoja naujas žinias ir kuria pridėtinę vertę, kuri, savo ruožtu, lengvina darbo jėgos apmokymus ir skatina intensyvesnį įmonių vidaus konkurencinių pranašumų realizavimą.

REIKŠMINIAI ŽODŽIAI: individualizmas, kolektyvizmas, nacionalinė kultūra, globalizacija, įmonių pajėgumai, finansinė sistema.