

**THE INFLUENCE OF TOP MANAGEMENT TEAM
CHARACTERISTICS ON THE HOME-REGION ORIENTATION
OF MULTINATIONAL COMPANIES**

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This paper uses Upper Echelon theory to develop a theoretical framework for the directional influence of Top Management Team demographic characteristics on Multinational Companies' home-region orientation. The central argument is that there exists a relationship between Top Management Team demographic characteristics such as age, board tenure, education and international experience from within the home region and the home-region orientation of Multinational Companies. Hypotheses will be developed to give a partial explanation as to why Multinational Companies set their focus on a home-region orientation instead of fostering a more global orientation of their business activities. Scientific challenges regarding the future operationalization of the hypotheses are discussed.

1. INTRODUCTION

Rugman (2000, 2005) and Rugman and Verbeke (2004, 2005) were the first who demonstrated that the majority of large Multinational Companies (MNCs) pursue home-regional rather than global strategies. Based on Fortune Global 500 data, they found that the typical MNC achieves 70 % of its overall sales in its home region of the broad Triad, and less than 20 % of its overall sales in each of the two other Triad regions. Among others, the recently introduced regionalization theory as well as the concept of regional liability of foreignness as one of this theory's main elements are expected to be partially responsible for regional orientation of MNCs (Miller/Richards, 2002, Rugman/Verbeke, 2004, 2007, Wolf, Dunemann, Egelhoff, 2008). Still, no fully satisfying explanation for this home-region orientation has been found to date.

Extending the concept of dominant coalition (Cyert/March, 1963) and based on Hambrick and Mason's (1984) renowned article on the influences of demographic characteristics of top managers on organizational outcomes, the authors expect that reasons for home-region orientation can be found in Top Management Team (TMT) orientation, which itself correlates

with TMT characteristics. This concept follows the reasoning that experiences made in an executive's career have a direct influence on the executive's values, beliefs and reasoning and therefore ultimately also on his or her decision-making. While for the past quarter of a century scholars have suggested that the aforementioned Upper Echelons' demographics are a sensible proxy to determine the influence of a company's strategic leadership (Finkelstein et al., 2009) on a companies' strategic orientation (Finkelstein/Hambrick 1990, Wiersema/Bantel 1992, Gabarro 2007), the link to home-region orientation of MNCs remains unresearched, although there are convincing reasons to believe that such a link exists.

This paper will first introduce the existing concept of a home-region orientation as well as TMT research, before developing hypotheses and discussing the reasoning behind the authors' expectations. Ultimately, the authors will provide an overview of potential research implications, including an explanation on why results so far might have been ambiguous or contradictory.

2. BACKGROUND

Since the beginning of the millennium, there has been an ongoing debate within the International Business (IB) and International Management (IM) literature as to whether MNCs are becoming more global in their internationalization process or whether they are still mainly to be considered home-region oriented and will also stay at that level in the future.

On one hand, researchers claim that the thesis introduced by Bartlett and Ghoshal's (1989) archetypal work of the transnational solution is still up to date. Therein, the authors state that most industries have become global and that many MNCs compete on a worldwide basis. As a consequence of this, Bartlett and Ghoshal continue to argue that in order to be successful, MNCs have to implement a so called "transnational solution" – an organizational form where the MNC establishes highly interdependent worldwide units in order to react to the challenges of firms caused by the dispersion of sales and assets throughout the world (Bartlett et al., 2004, pp. 346 et seq.). On the other hand, researchers support a concept introduced by Rugman (2000, 2005) and Rugman and Verbeke (2004, 2005) of the regional orientation of MNCs. Studying Fortune Global 500 firms, Rugman and Verbeke identified an increasing orientation on the home region of the analyzed firms, opposing an expected even global

distribution of activities as assumed previously (cf., Egelhoff, 1988, Bartlett/Ghoshal, 1989, Bartlett et al., 2004). In this paper, the argumentation will follow the concept of home-region orientation of MNCs, which will be explained in greater detail in the following.

Rugman (2000, 2005) as well as Rugman and Verbeke (2004, 2005) analyzed the dispersion of sales and assets of Fortune Global 500 firms throughout the world. In doing so, they used the Triad concept introduced by Ohmae (1985) to classify the world into three regions, namely North America, Asia/Pacific, and Europe. A key observation was that most of the analyzed firms were not able to establish an even allocation of sales and assets and thereby were not able to reach a considerable market position in all three regions of the world. Even more so, most of the observed Fortune Global 500 companies were also short of achieving a major market share in two regions of the Triad. On the contrary, at least 320 of the 380 firms analyzed derived at least 50 % of their sales within their respective home region, with an average of 80.3 % of sales in the home region. This group of home-region oriented firms consisted of MNCs such as Wal-Mart or Mitsubishi with 94.1 % and 86.6 % of the respective sales generated in their home region (Rugman/Verbeke, 2008). Moreover, only 36 firms were identified as either bi-regional, i.e. generating at least 20 % of their sales in a second region and less than 50 % in the home region, or host-regional, i.e. generating more than 50 % of sales in a region different from the home region. Overall, out of the 380 of the Fortune Global 500 companies, only 9 were defined as global with at least 20 % of sales generated in all three regions and no more than 50 % generated in their respective home regions (Rugman, 2005, Rugman/Verbeke, 2004).

These findings were further confirmed by researchers such as Dunning, Fujita, and Yokova (2007), Rugman and Oh (2007), Delios and Beamish (2005), Grosse (2005), and Yin and Choi (2005). As a consequence, a controversial debate has emerged as to how to interpret these results (cf., Osegowitsch/Sammartino, 2008, Stevens/Bird, 2004). While this discussion will not be the subject of this study, the regional classification used by Rugman (2000, 2005) and Rugman and Verbeke (2004, 2005) will be adopted. Concerns raised against this classification by e.g., Osegowitsch and Sammartino (2008) were reduced in their impact by Rugman and Verbeke's (2008) direct response. Accordingly, even if Rugman and Verbeke's 50 % threshold for home-regional MNCs was to be abandoned, as demanded by Osegowitsch and Sammartino (2008), and the host-region threshold was set to 20 %, 15 %, or 10 %, at least 54.8 % of the analyzed MNCs would still need to be classified as home-region oriented.

The tendency of MNCs to prefer internationalization into home regions over internationalization into foreign regions has been explained by the regionalization theory introduced by Rugman and Verbeke (2004, 2007). Accordingly, the underlying issues developed to explain the home-region orientation of MNCs are, among others, the lack of accessibility and attractiveness of products to consumers throughout all regions of the Triad, as shown in the uneven distribution of sales; the insufficient replication of a MNC's firm-specific advantages, such as technology, reputation, etc. into foreign regions resulting in a market performance short of that in the home region; and the need for different competitive strategies required in various regions. Additional reasons for a home-region orientation can be drawn from the concept of liability of foreignness introduced by Hymer (1960) and refined by Zaheer (1995) and the recently developed concept of liability of regional foreignness (Miller/Richards, 2002, Rugman/Verbeke, 2004), wherein MNCs active in foreign regions are expected to face higher costs in the process of attaining familiarity and legitimacy than MNCs headquartered in the respective region. Further explanations were introduced by Wolf, Dunemann, and Egelhoff (2008) using economic, psychological, as well as sociological theories. From these theoretical approaches, various reasons for the explanation of a home-region orientation of MNCs can be drawn. They include, among others, the existence of regional integration agreements along with high levels of economic liberalization, increased agglomeration forces and the existence of relevant knowledge clusters within the home region as well as increased psychic distances between home and host region (Wolf/Dunemann/Egelhoff, 2008). Here, the psychological arguments seem to be most interesting, since they indicate that MNCs' home-region orientation are somehow related to the personal characteristics of their decision makers.

Rugman and Verbeke (2008) stated various implications resulting from the abovementioned causes leading to a MNC's home-region orientation. Concluding from these implications, a high percentage of MNCs seem to be incapable of deriving the same level of sales in other regions of the Triad as they are in their home region. This difference in market presence is furthermore argued to be due to differences in the managerial attention paid to other regions (Rugman/Verbeke, 2008). One aspect Rugman and Verbeke (2008) mention in order to achieve a significant market share in other regions, is to implement "region-based components in the MNC's coordination and control structure" (p. 307). MNCs are recommended to adjust

their market strategy approach to the requirements of the host region to address the challenges arising within and from within these regions.

In strategic decision making, executives are faced with situations which tend to be “ambiguous, contradictory and far-flung”. Furthermore these situations are “not knowable; they are only interpretable” (Finkelstein/Hambrick/Cannella, 2009, p. 3). With regards to a firm’s general strategy, this tends to be developed, implemented, and assessed by those executives at the top of the company. Finkelstein, Hambrick, and Cannella (2009) even go on to argue that the fall or raise of a company can often be directly associated only with the executive at the top, i.e. the firm’s CEO. Consider for instance Aharoni’s (1966) work on the Foreign Direct Investment process of internationalizing firms where he – consistent with Finkelstein, Hambrick, and Cannella’s (2009) view – showed that, for managers, the FDI decision “was to a large extent a trip to the unknown” (p. 42). In media, as a positive example, Jack Welch often is described as the former master mind and chief strategists behind the US-American multinational conglomerate General Electric, while Jeffrey Skilling, former president of Enron, is often blamed for Enron’s financial collapse. It is interesting to see that IB/IM research already in its early stages considerably related strategic internationalization decisions to the key managers responsible for it.

Contrary to this, Hambrick (1987) argues that “the strategic success of a business depends not on just one person but on the entire Top Management Team” (p. 106). Daily and Schwenk (1996) mention that researchers have been focussing on CEOs, Top Management Teams and Board of Directors as the locus of their strategic leadership research. While the definition of CEO and Board of Director is relatively clear cut, the general term of “Top Management Teams” in this sense has sometimes been identified based on the formal titles of executives, or based on whom the CEO considers as being part of the helm of the company (Finkelstein/Hambrick/Cannella, 2009, Hambrick, 1987).

The concept that TMTs play a major role in the internationalization process of MNCs has long been suggested in IB/IM research and is important for both academics as well as practitioners to understand the determinants of internationalization (Herrmann/Datta, 2005, Lee/Park, 2006). The idea that TMTs have an impact on strategic decision making goes back to Cyert and March (1963) who introduced the concept of dominant coalition. Cyert and March argued that organizational goals are largely set by a negotiation process among

members of dominant coalitions. Two decades later, Hambrick and Mason's (1984) article on Upper Echelons is seen as the first basic framework with which to explain that "organizations are reflections of the values and cognitive bases of powerful actors" and that therefore internationalization can be "partially predicted by managerial background characteristics" (Hambrick/Mason, 1984, p. 193). This concept received further proof when Hitt and Tyler (1991) confirmed that executive characteristics have a significant impact on strategic decision making.

Similarly and based on the Resource-Based View (RBV) (Barney, 1991), TMTs can be understood as an asset, accumulating and sharing tacit knowledge about the MNC's international activities and hence as one of the main components for the success of the internationalization process (Athanassiou/Nigh, 1999). The higher the firm's internationalization extent, the more complex the knowledge stock and the capabilities of the Top Management Team need to be in order to manage the complex requirements of heterogeneous markets. This appears to be particularly true as the amount of incoming and needed information increases with a growing internationalization due to the accompanying diversity of customers, competitors, and regulations, and the arising risks of internationalization (Weick/Van Orden, 1990). The resulting challenges have an impact on the cognitive abilities, orientation, and competencies of the TMT involved in this process, which are argued to be mainly influenced by their demographic characteristics (Sanders/Carpenter, 1998, Tihanyi et al., 2000, Herrmann/Datta, 2005, Singh/Gaur/Schmid, 2010). The backgrounds of TMTs have a major influence on their competencies and preferences and hence either support or impede the internationalization process and the underlying strategy formulation and implementation of MNCs (Peyrefitte/Fadil/Thomas, 2002).

Concluding and similar to RBV research, Upper Echelons theory argues that the TMT and the TMT's experiences are essential in strategy creation and hence essential on firm outcomes, such as overall performance and internationalization (Hambrick/Mason, 1984, Wiersema/Bantel, 1992). This should be equally true with regards to the home-region orientation of MNCs. When trying to understand why TMT members make the decisions they make, Upper Echelons research argues that the influence of top executives on firms depends on the executives' lifetime experiences (Carpenter/Fredrickson, 2001). For any analysis, these experiences would ideally have to be measured as psychological factors such as values, cognitive style, cognitive content, or receptivity to innovation (Finkelstein/Hambrick/-

Cannella, 2009) to understand each executive's values, beliefs, and the overall decision making process. It is for operational reasons though that researchers have so far mainly relied on more easily observable experiences such as demographic characteristics as proxies for a TMT's experiences.

With regards to home-region orientation, it can be expected that diversity of customers, competitors, and regulations will be larger in foreign regions than in the home region of MNCs. The authors expect that equal to existing Upper Echelons research, the aforementioned differences in managerial attention within home-region orientation can be tied to a TMT member's previous experiences. In example, managers with international experience from the home region will only principally know about the advantages, but equally know about the arising challenges, complexity, and uncertainties of internationalization. It is due to the origin of their international experience though that they feel more at ease in the home region and therefore tend to increase their focus on the more familiar home region. In contrast to Rugman and Verbeke (2008), the authors expect that TMTs will rather limit their focus on foreign regions with increased age, tenure, and international home region experience, as well as low education and instead will pay more attention to their home region. As a consequence, the authors expect that the restriction to the home region is not so much explained by an absence of capabilities of the MNC, but rather by the characteristics and the decision of the TMT to concentrate on the home region.

Before developing the relevant hypotheses on home-region orientation it is worth noting that Upper Echelons researchers have looked at several possible TMT relationships over the past 25 years, often with ambiguous results. Due to this ambiguity it appears essential to terminate our background overview with a summary on currently existing TMT research on relationships between TMT characteristics and strategic orientation and particularly the international diversification of firms:

2.1 TMT and the strategic orientation of firms

Litschert and Ramaswamy (1991) discovered that organizations pursuing distinctly dissimilar strategies will be led by managers possessing distinctly similar attributes, such as age, tenure, functional background, and education. A key stem of research in this field has looked at a

possible relationship between TMT age and tenure and the frequency of change in strategic orientation. Both average tenure (Finkelstein/Hambrick 1990, Wiersema/Bantel, 1992, Gabarro, 2007) and average age of the TMT (Finkelstein/Hambrick, 1990) have shown negative relationships with change in strategic orientation. In the same study Wiersema and Bantel (1992) found a positive relationship between both average educational level of TMTs, as well as educational heterogeneity within TMTs and the change in corporate strategy (measured as absolute change in diversification level). They nevertheless were unable to establish a significant relationship between academic specialization in science and engineering within a TMT and change in corporate strategy.

2.2 TMT and international diversification of firms

The main demographic TMT characteristics which have been tested so far concerning a relationship with international diversification of MNCs have been age (cf., Tihanyi et al., 2000, Simeon, 2001, Herrmann/Datta, 2005, Fernández-Ortiz/Lombardo, 2009), education (cf., Tihanyi et al., 2000, Wally/Becerra, 2001, Carpenter/Fredrickson, 2001, Herrmann/Datta, 2005), work experience (cf., Wally/Becerra, 2001, Carpenter/Fredrickson, 2001, Lee/Park, 2006), tenure (cf., Tihanyi et al., 2000, Simeon, 2001, Barkema/Shvyrkov, 2007, Jaw/Lin, 2009), and international experience (cf., Sambharya, 1996, Tihanyi et al., 2000, Athanassiou/Nigh, 2002, Pulkkinen, 2005, Fernández-Ortiz/Lombardo, 2009). While Hermann and Datta (2005) discovered a negative relationship between age as well as organizational tenure and international diversification, other researchers have found an opposite relationship for organizational tenure (Tihanyi et al., 2000, Wally/Becerra, 2001) and top managers' mean organization tenure (Peyrefitte et al., 2002). While Wally and Becerra (2001) did not find a relationship between the educational level of TMTs with firm international diversification, Hermann and Datta (2005) and Tihanyi et al. (2000) managed to establish a positive relationship for the same. As mentioned previously, less ambiguity exists regarding the positive relationship between international experience of the TMT and international diversification (Sambharya, 1996, Herrmann/Datta, 2005, Tihanyi et al., 2000, Carpenter/Fredrickson 2001, Athanassiou/Nigh, 2002, Peyrefitte/Fadil/Thomas, 2002, Reuber/Fischer, 1997). Nielsen and Nielsen (2008) furthermore discovered that a growth in TMT and board nationality diversity is positively related to subsequent firm

internationalization. Nevertheless Wally and Becerra (2001) found a negative relationship between TMT international experience and international diversification.

The above overview clearly demonstrates that results from TMT research generated over the past 25 years have been ambiguous and contrary at times. The authors of this study argue that part of this ambiguity originates within the operationalization of firm internationalization, which will also be discussed further as part of the conclusion. It is expected that TMT characteristics not only influence internationalization as described previously, but that they also influence the actual type of regional orientation of any such internationalization. Consequently, while some TMT characteristics might lead to strong home-region oriented internationalization, their exact opposite might lead to bi-regional or global MNC internationalization. While in both cases the level of internationalization increases, the reasons for this are of contrary origins. Even more so, comparability of research results would be questionable and potentially impossible.

3. THEORY AND HYPOTHESES

Based on the previously introduced theories and assumptions, the authors will elaborate the TMT characteristics of age, education, board tenure, and home region international experience and derive hypotheses in order to better understand why MNCs might opt for a home-region orientation as opposed to global internationalization. Each hypothesis will be preceded by a theoretical evaluation of already existing TMT research on international diversification and a critical acclaim of potential relationships with home-region orientation. As the relationship between TMT characteristics and the home-region orientation of MNCs has not yet been conceptualized and tested, the authors will also develop some “fresh” arguments not yet presented elsewhere.

Building an initial bridge between research on home-region orientation of MNCs and TMT research, the following hypotheses will consequently require testing, which will be critically looked at in the conclusion.

3.1 Age

Research on the influence of firm's management's age on organizational growth goes as far back as Child (1974) and Hart and Mellors (1970), who saw a relationship between managerial youth and firm growth. Concerning Upper Echelons theory, the effect of age on decision-making and the organizational outcome has been demonstrated in various studies (Wiersema/Bantel, 1992, Srivastava/Lee, 2008). As to the impact of age on the internationalization of firms, it has been tested by e.g., Tihanyi et al. (2000) and Herrmann and Datta (2005) who found a significant negative relationship.

The rationale behind such a relationship is based on the idea that younger managers are associated with a higher level of strategic change (Tihanyi et al., 2000), organizational growth, as well as fluctuation in sales and income of a firm (Child, 1974, Hart/Mellors, 1993). Younger managers are argued to be willing to take higher risks, especially with regards to more risky strategies such as the expansion into new international markets (Hambrick/Mason, 1984). In contrast, older managers are expected to have less physical and mental endurance and a lower information-processing capacity (Child, 1974). They are more conservative in their actions and are not believed to comprehend new ideas and learn innovative behavioral patterns as easily (Bantel/Jackson, 1989). Furthermore, older managers are at a point of their career where financial stability is regarded as more important and hence risky behavior can be perceived as a threat to this security, leading to more risk-averse bearing (Carlsson/Karlsson, 1970, Wiersema/Bantel, 1992). It appears to be in the interest of older managers to maintain the status quo of a firm and adhere to the heretofore-applied strategies (Stevens/Beyer/Trice, 1978, Hambrick/Mason, 1984). Increasing complexity and risks connected with a higher level of internationalization and strategic change pose difficult challenges to managers and will be more relevant to younger and more dynamic managers (Tihanyi et al., 2000). Especially the outlook of financial and job-related rewards will lead younger managers to accept these higher risks (Tihanyi et al., 2000). All together, these arguments in IB/IM literature lead to the conclusion that younger managers can be associated with a higher internationalization of a firm.

With regards to the effect of average TMT age on home-region orientation of MNCs, it can be expected that younger managers prefer a more global internationalization with higher potential gains, but equally more elevated risks. This argumentation rests on the assumption that host-country markets within the home region are culturally, institutionally, and economically more close to the MNC's home country as shown by Dow and Karunaratna

(2006). Younger managers can process relevant information quicker and are therefore willing to take a, in their perspective, predictable higher risk by internationalizing into foreign regions. They are more willing to adapt their behavior in case of environmental change and to learn new behavioral patterns in order to align their course of action to the challenges arising in foreign regions. More so, it can be expected that younger managers have a higher affinity to new communication channels such as the Internet, email, and video conferences, thereby reducing the perceived geographical distance to business units in foreign regions as compared to older managers. Equally, younger managers are still at the beginning of their careers and perceive the need to establish themselves within the MNC. One opportunity to do this can be the expansion of business activities to further away foreign regions and thereby accepting elevated risks and uncertainties in the hope of proving their superior capabilities in managing these.

Older managers on the other hand, seek more financial stability, being closer to the end of their career, which is more easily accomplished by internationalizing within the home region due to the aforementioned elevated risks in foreign regions. Further on, as mentioned by Tihanyi et al. (2000), a younger TMT's willingness for strategic change fosters a global orientation of the MNC. As presented above, the majority of Fortune Global 500 MNCs are home-region oriented. Higher conservatism also associated with older TMTs therefore further fosters a home-region orientation since the expansion to foreign regions not marketed before goes along with greater strategic change and the adoption of new behavioral patterns. It can be expected that this increases the mental barrier of older managers towards a more global orientation. Additionally, TMTs of MNCs which have already established themselves in their home region will endeavour to stick to a certain status quo. This risk-averse preference towards the status quo will be more attractive to older managers. Older managers can rely on the experiences made within the home region in the past, supporting their view of the positive effects of a home-region orientation. A change in strategy toward foreign regions therefore would be benefited by younger TMT members' increased ability to adjust to strategic change, increased information-processing capabilities as mentioned above and lower risk-aversion. Older managers, on the other hand, are likely to vote for a stronger internationalization within the home region, further increasing the already existing home-region orientation of their MNCs. These managers see less risk within their home region and therefore are reluctant to take the additional risks of expanding to markets beyond the home region of the MNC. Ultimately, the older TMT members' decreased information-processing capacity is more

attuned to the already known and experienced challenges of the home region since information about these markets is more readily available and less hard to grasp. Following this argumentation, it can also be expected that older TMTs will not have the physical and mental endurance to meet the increased challenges of an expansion to foreign regions and the accompanying rising workload. Even if the idea to expand to foreign regions is introduced within the TMT, it will take a longer time and meet stronger resistance within older TMTs before a final decision is made, as older managers tend to seek more information, evaluate any information more thoroughly and therefore take longer to make a decision (cf., Taylor, 1975). Finally, one might refer to sociological studies showing that the cohorts of the currently younger people tend to have higher global travelling experience than the cohorts of people who are now older (cf., Lohmann/Danielsson, 2001). This means that the younger generation tends to be more experienced with respect to geographically and culturally very distant countries, which are typically located outside the home region. Based on this line of argumentation, the authors derive the following hypothesis:

H1: Average age of the Top Management Team is positively related to the home-region orientation of a MNC.

3.2 Board Tenure

Concerning the general relationship of average tenure and the internationalization level of firms, opposing results have been observed: Both a positive as well as a negative relationship between average tenure of the TMT and international diversification have been tested and both directions of relationships found significant support (cf., Tihanyi et al., 2000, Simeon, 2001, Wally/Becerra, 2001, Herrmann/Datta, 2005). This ambiguity is particularly interesting as it appears logical that a high tenure will unlikely be associated with low age and vice versa. Rather to the contrary, a positive correlation between age and tenure appears logical as with increasing tenure it can be expected that age increases as well. In the following, the authors will introduce arguments concerning the negative impact of TMT board tenure on internationalization and will consequently derive arguments explaining the impact of TMT board tenure on the home-region orientation of MNCs.

It has been argued within IB/IM literature that higher tenure can be, first of all, connected to increased stability, conflict reduction, and superior communication within the TMT (Katz, 1982). Secondly, a strong social coherence develops with rising tenure within teams leading to shared knowledge structures, norms, language, as well as routines (Michel/Hambrick, 1992, Zenger/Lawrence, 1989, Smith et al., 1994). In terms of the internationalization process of a firm, including its uncertainties and complexity, it is argued that a shared understanding of the TMT about the international environment is crucial for success (Tihanyi et al., 2000). It has further been argued that TMT members working together for longer periods of time also develop common mindsets (Pfeffer, 1983). Opposed to the positive effect on stability, conflict reduction and communication with regards to international diversification, these collective mindsets are considered as negative, leading to generally defensive attitudes of the TMT and interfering with decision-making processes within the TMT (Keck, 1997). The expected development of firm habits and “groupthink” of higher tenure TMTs are argued to lead to self-satisfaction, adhesion to identical information sources, and perpetuation of the status quo of the firm (Janis, 1972, Finkelstein/Hambrick/Cannella, 2009). Correspondingly, TMTs with lower average tenure are expected to have a much weaker commitment toward the status quo of a firm and an increased risk-tolerance, including a more open, international perspective, tending toward a more international strategy (Dichtl/Koeglmayr/Mueller, 1990, Grimm/Smith, 1991).

Longer tenured TMTs are furthermore expected to eventually develop a certain patriarchal aura, while they increase their stock ownership of the firm and grow their power within the firm (Herrmann/Datta, 2002). In addition, TMT members accumulate a growing social and business network over time helping them in marketing their products and services abroad (Westhead/Wright, 2001).

Similar to the effects of TMT age, TMT tenure is regarded to be a key indicator of the information-processing capacity. With growing tenure the information-processing capacity declines (Miller, 1991). If a person has served as a manager for a long time, then routine and daydreaming might become more important and his/her attention with respect to emerging environmental jolts will be reduced. This leads to the assumption that managers with a higher tenure hinder the international development of a firm since higher internationalization also goes along with increased information-processing requirements (Herrmann/Datta, 2005).

Longer tenure in a firm is moreover connected to a restricted perspective and a limited perception and knowledge-base (Cyert/March, 1963).

Leaning onto the aforementioned arguments, the authors expect that increased TMT board tenure leads to a less global internationalization, but rather an increased focus on the home region of the firm. Due to the increased experience of managers with a higher tenure, the accompanying risks, complexity, and uncertainties of the internationalization process beyond the home region are better known to them and thus will be avoided. This behavior has several reasons: First of all, managers with a higher tenure have, as mentioned above, a higher risk-aversion. Higher tenured TMTs are expected to have experienced the disadvantages of a global orientation such as increased transaction costs, higher information-processing requirements, higher resource requirements, and enlarged uncertainties of foreign markets and their environments (Hejazi, 2007, Qian et al., 2008). Additionally and due to their seniority and along going increased power within the firm and TMT, TMT members with a higher average board tenure are also in the position of convincing other lower board tenured TMT members of their own positive views on the advantages of a home-region orientation. Especially the increased stock ownership of TMTs with higher board tenure can be considered to lead them to follow a more risk-averse, conservative international diversification in order not to risk losses of their stocks and thereby reducing income. As mentioned above, regarding the influence of higher age, financial security and stability is a major factor for older managers and equally for managers with higher board tenure.

As to the abovementioned social and business networks of TMTs, it can be expected that network partners of TMTs with elevated board tenure will rather be located within the TMT's home region. Based on the observation by Rugman (2000, 2005) and Rugman and Verbeke (2004, 2005) of the regional orientation of MNCs, longer board tenured TMTs will have built up their social and business networks within their home region. An additional effect for this can be found in the lower level of cultural and geographic distance to network partners within the home region, which is also expected to be preferred by longer board tenured TMTs. The geographic proximity of the home region enables higher board tenured TMTs to better maintain and enlarge existing relationships, which further helps to market their products and services within the home region.

Negative attributes such as common mindsets, groupthink, decreased information-processing capacity, and perpetuation of the status quo of TMTs with longer board tenure can also be argued to have a positive influence on the home-region orientation of a MNC. Higher demands of a bi-regional or global diversification result from higher complexity and a higher need for information. This will be avoided by TMTs with higher board tenure in order not to disturb the established equilibrium within the TMT caused by a common mindset and resulting defensive attitudes. Consequently, longer tenured TMTs will base their decision-making more on already existing information sources which are expected to be more easily available within the already marketed home region and will minimize the otherwise required effort of searching for new information sources. The adhesion to the status quo of higher tenured TMTs also reduces the required flexibility to expand into foreign regions. The need to react to possible political or economical instability and the increased uncertainties of foreign, less-known markets in potential host regions requires openness and a move away from status-quo, which higher board tenured TMTs will be reluctant to voluntarily submit to. Additionally, and based on Hambrick and Fukutomi (1991), task interest of longer board tenured TMTs is expected to decline over time. Higher board tenured TMTs are expected to prefer repetition and routine in strategic decision making. In doing so, they experience less challenge and possess more experience and perceived control to successfully deal with markets and countries more known to them such as the home region of the MNC. This argument towards a preference by higher board tenured TMTs is further underlined by Rugman and Verbeke (2008), expecting that most MNCs have not successfully replicated their market performance of the home region in foreign regions and hence prefer to set their focus on the former.

Ultimately, based on these arguments and past research, the authors expect that higher board tenure leads to higher home-region oriented internationalization. The authors therefore propose the following hypothesis:

H2: Average board tenure of a TMT is positively related to the home-region orientation of a MNC.

3.3 Education

Another important dimension which is expected to influence the cognitive basis and knowledge of the TMT (Hambrick/Mason, 1984), and hence the relationship between TMT characteristics and the home-region orientation of MNCs, is education. Results have been far less ambiguous than those mentioned in the introduction to the hypothesis on TMT board tenure.

In principal, a higher educational level can be associated with an increased susceptibility to new ideas and change in general, such as strategic change or product and market differentiation (Grimm/Smith, 1991, Wiersema/Bantel, 1992, Bantel/Jackson, 1989). Moreover, higher TMT professional management education is understood to have a positive effect on the TMT's ability to cope with administrative complexity and the sophistication of the firm (Hambrick/Mason, 1984). With particular regards to business education, positive effects are claimed to originate from two separate factors: firstly, the general nature of business school applicants which tend to have an open mind-set and secondly the business schools' curriculum, which fosters "learning of formal planning systems, complexity of structures and coordination devices, budgeting detail and thoroughness, and complexity of incentive-compensation schemes" (Hambrick/Mason, 1984, p. 201).

Independent of education type, a better education is expected to go along with a higher amount of accumulated knowledge which a manager can contribute to decision-making processes of a firm as well as a higher information-processing capacity (Hambrick/Mason, 1984). According to Ginsberg (1990), the socio-cognitive capacity of a highly educated TMT is an essential factor in conceiving diversification processes and results, and thus, also in the international diversification of a firm (Wally/Becerra, 2001). As a result of a better education, managers exhibit a particular general-management logic, a specific mindset, to which they are accustomed and which leads to the entrenchment of collective experiences within the TMT influenced by the quality of their education (Prahalad/Bettis, 1986, Ginsberg, 1990). Further beneficiary skills which have widely been associated with higher education are a rational contribution to decision-making processes as well as the ability to generate creative solutions to complex situations (Bantel/Jackson, 1989). More so, a better education is argued to induce a higher amount of knowledge about foreign countries as well as their markets and cultures (Wally/Becerra, 2001, Patzelt/Knyphausen-Aufseß/Fischer, 2009) thereby reducing psychic distance and facilitating internationalization into psychically more distant markets as introduced by the internationalization process model (cf., Johanson/Vahlne, 1977,

Johanson/Wiedersheim-Paul, 1975). So far, the majority of business literature has set higher average education of TMTs in a positive relation to the degree of general internationalization of a firm.

The prevailing home-region orientation of MNCs, as demonstrated by Rugman (2000, 2005) as well as Rugman and Verbeke (2004, 2005), implies that any additional internationalization toward host-regions would signify increased administrative complexity and a high level of information processing needs. Based on their increased ability to cope with such an increased administrative complexity as well as their higher information processing capacity, the authors argue that higher educated TMTs are more likely to engage in global internationalization than less educated TMTs.

Fundamentally, the authors expect that higher educated TMTs have a more open mind-set than their less educated counterparts. This leads higher educated TMTs to engage more in information acquisition on foreign regions as well as increased willingness to travel into foreign regions. While the impact of personal international experience will be discussed as part of the next hypothesis, higher education is generally expected to lead to higher awareness and better understanding of foreign cultures and regions. An increased education of TMTs is therefore expected to provide the TMT with superior knowledge on the advantages, as well as thresholds, drawbacks, and risks of an internationalization outside the home region. Following Qian et al. (2008), it can be expected that the above described increased capability of assessing countries, markets, and cultures will lead the higher educated TMTs to better establish that the distances and barriers of foreign regions can only be overcome by heavy investments of the MNC. In principal, any such investments into foreign regions are expected to be accompanied by an increased demand for information and knowledge about investment opportunities which are relatively more costly to obtain in foreign regions than in the home region (Hejazi, 2007). Based on the previous paragraph, higher educated TMTs might already possess some of the information and knowledge needed in order to internationalize into foreign regions, thereby reducing their overall psychic distance (cf., Johanson/Vahlne, 1977, Johanson/Wiedersheim-Paul, 1975). This ultimately enables the higher educated TMTs to relatively better judge investments needed for global internationalization at a relatively lower cost, compared to their less educated counterparts. The less educated TMTs are in contrast expected to prefer home-region oriented internationalization as analysis and understanding of the associated necessary investments appear relatively more logical to them compared to

those investments needed for a more global internationalization. This reduces the associated perceived risks of home-region orientation versus global orientation for less educated TMTs.

Furthermore, when deciding on internationalizing into foreign regions, higher educated TMTs will have access to more innovative market entry strategies, as the authors expect that increased levels of TMT education are linked to increased levels of innovation (Bantel/Jackson, 1989, Wiersema/Bantel, 1992). The potential negative effects of complexity arising from internationalizing into foreign regions will consequently be reduced by the more educated TMT's ability to better deal with a higher degree of cognitive complexity (Hitt/Tyler, 1991, Wally/Baum, 1994). Less educated TMTs, on the other hand, lack the needed innovativeness and therefore prefer further expansion into the already relatively more known home region.

In addition to the aforementioned arguments, the authors also argue that increased host-region orientation of higher educated TMTs is related to TMT information networks. The authors expect that the more education TMTs have had, the more exposure to other international, higher educated individuals they will have experienced. As a consequence, it can be assumed that these higher educated TMTs have access to a larger global network of international, educated individuals, which they can draw on for information gathering, recommendation or general help. Information networks of less educated TMTs will in contrast be much smaller than those of higher educated TMTs, while also being far more home-region focused.

While the authors expect the aforementioned reasoning to be valid for any type of education, they furthermore believe that higher business education will have an additional beneficial effect on any such relationships. Especially students from business schools, such as MBA graduates, will have had more exposure to various cultural backgrounds, markets and regions than students without such experience. Equally, these students will have been provided with more up to date tools and case studies to analyze the more complex business situations associated with foreign regions. Ultimately, studying at a business school will not only have enlarged a TMT's social network, but it will further have enlarged it by other international and business oriented minds and experts.

Concluding and based on the abovementioned reasons, highly educated TMTs appear to be relatively better equipped to extend the business activities of their firm towards host regions

than their less educated counterparts, who will prefer home-region oriented extensions. Therefore, the authors derive the following hypothesis:

H3: Average education level of the Top Management Team is negatively related to the home-region orientation of a MNC.

3.4 International Experience

The first researcher who furthered Hambrick and Mason's (1984) rather broad term of "Other career experiences" into international experience was Sambharya (1996). He argued that international experience, among others, guides TMTs in their belief systems when interpreting their business environments. A key advantage often associated with international experience within TMT research is the development of a global mindset (Sambharya, 1996, Tihanyi et al., 2000), which Adler and Bartholomew (1992) also deem essential for a company's international behavior and performance. International experience helps managers to become directly familiar with foreign markets (Gunz/Jalland, 1996) and helps them identify trade possibilities and even upcoming change in foreign markets (Zou/Stam, 1998). Moreover, it also helps managers to accumulate cultural knowledge (Sambharya, 1996). While Sambharya expects such knowledge to originate from international experience in education and tenure abroad, additional "stock of knowledge" on technologies, needs and attitudes of foreign markets is not only expected to be obtained from living, studying, or working in foreign countries, but also from merely exporting to foreign countries (Cheong/Chong, 1988).

In addition to the abovementioned global mindset, international experience can also provide managers with a broader international business advice network (Tihanyi et al., 2000, Athanassiou/Nigh, 1999), helping them in better evaluating foreign markets and regions.

Equally, international experience can help improve the information flow between parent companies and their foreign subsidiaries, as well as within the foreign subsidiaries (Black/Gregersen/Mendenhall, 1992). Via international experience and drawing upon an extension of the "intellectual horizon" of TMTs (Athanassiou/Nigh, 2002), MNCs can obtain tacit knowledge on foreign markets, both on an individual as well as a group and a company level (Athanassiou/Nigh, 1999). International experience is therefore regarded to reduce

uncertainty when dealing with foreign markets (Sambharya, 1996), while also reducing chauvinistic attitudes and increasing risk tolerance towards them (Adler/Bartholomew, 1992, Gray, 1997).

It appears obvious that TMT members gather important insights into international markets from their international experience (Hermann/Datta, 2005) and that those TMT members without such experience primarily perceive greater risk from foreign activities (Cavusgil/Noar, 1987). Nevertheless, international experience will not always automatically lead to a more positive outlook on all foreign markets.

With regards to the home-region orientation of MNCs, the authors expect that the combination of the aforementioned global mindset and international business advice network from international experience principally fosters internationalization, although a differentiation is necessary with regards to the origin of any such international experience; i.e. whether international experience originates from within the home region or from outside the home region. It is expected that international experience made within the home region will strengthen the home-region orientation of MNCs while international experience made in foreign regions will foster the foreign-region orientation, mainly due to increased cultural, political and institutional distances associated with the latter. This differentiation as introduced by the authors can be underlined by an interview by the authors with Prof. Dr. Dr. Dr. h. c. Jürgen Radomski (member of the board of directors, Siemens AG, 1994-2007) in which he states that “international experience, particularly from Asia, can make managers feel very humbled. While this international experience should generally be considered as positive for them, it also demonstrates to managers that they cannot always apply their home country management techniques to every country”. In principal, the broader the horizon (Athanassiou/Nigh, 2002) and the better the ability to judge foreign markets, the more will international experience help TMTs in deriving decisions on foreign diversification. Along with the abovementioned argument and interview, it can further be argued that TMTs with higher amounts of foreign experience from outside the home region have directly experienced and realized the additional risk associated with international expansion into host regions and are therefore better capable of both judging and handling these. In the same way, TMTs with international experience from within the home region can be expected to have experienced only the benefits and risks of expansion into the home region, but not into foreign regions and

are hence less accustomed to potential risks and resulting uncertainty of expanding into foreign regions.

Besides singular negative international experience from foreign regions, as in example mentioned above, the authors furthermore expect the general cultural distance between regions to be of utmost importance. Next to experiencing political and economical distances to foreign regions first hand, the awareness of cultural distances is argued to have a strong impact on regional orientation. Depending on the quality and quantity of international experience made in foreign regions, TMTs with international experience from foreign regions should feel more comfortable with arising challenges in foreign regions and therefore feel more at ease when expanding into these regions. Based on Hofstede's (1980) study on cultural distances between IBM employees, the authors expect that TMT members' general experience of cultural differences can also negatively impact managerial decision making. Again, drawing on the abovementioned business advice network and personal experience, TMTs with higher foreign region international experience and a strong business advice network beyond the home region will be in a better position to cope with cultural differences between their home region and potential host regions. They will therefore see less risk in internationalizing away from their home region. In contrast, TMTs with international experience from within the home region are expected to only possess either a smaller or no business advice network beyond the home region at all, leading them to perceive far greater cultural distance to foreign regions and a higher preference and tendency to internationalize within the home region.

The above argument of a differentiation between the location of international experience is further underlined by the type of international experience. For example, study exchange programs, such as e.g., Erasmus, often focus on one Triad region only. As a consequence, home-region oriented international experiences will be far more common than international experience from other, more far away foreign regions. Equally, international work experience of TMTs from assignments within their company will most likely originate from the MNC's home region as most Fortune Global 500 firms are only present in one, i.e. their home region of the Triad (cf., Rugman, 2000, 2005, Rugman/Verbeke, 2004, 2005). Consequently, with the majority of educational and assignment experience originating within the home region, it can be expected that any such experience will not be of great help in understanding the advantages or challenges of foreign regions. With both educational as well as work related

international experience today primarily originating from within the home-region, these TMTs will feel more at ease with home-region oriented internationalization than with internationalization into foreign regions.

Altogether, the authors therefore expect that TMTs with higher international experience from within the home region will tend to internationalize more in their home region than in or into potential host regions, due to the perceived greater risk of these foreign regions as implicated by Rugman and Verbeke (2008). Consequently, TMTs with international experience from beyond the home region will be able to draw on their more global international experience and therefore tend towards a more global orientation of a MNC. Therefore, the authors derive the following two hypotheses:

H4: Average international experience of the Top Management Team from within the home region is positively related to the home-region orientation of a MNC.

H5: Average international experience of the Top Management Team from outside the home region is positively related to the host-region orientation of a MNC.

4. CONCLUSIONS

This paper has used Upper Echelons theory as introduced by Hambrick and Mason (1984) to create a theoretical framework linking TMT characteristics to the concept of home-region orientation as introduced by Rugman (2000, 2005) and Rugman and Verbeke (2004, 2005). By giving an overview on existing TMT literature, it has been demonstrated that a limited number of current TMT research has already been able to establish significant relationships between certain TMT characteristics, such as age, tenure, education or international experience and firm international diversification. Taking this research one step further into research on the home-region orientation of firms will enable to create valuable insights into why companies internationalize in the way they do and how TMTs impact this process. As already mentioned above, the authors of this study expect that relationships between TMT characteristics and internationalization are influenced by the home-region orientation of MNCs.

Namely, the authors have presented arguments as to why they expect a positive relationship between TMT age and TMT board tenure and the home-region orientation of MNCs. While it

has been argued that there should exist a certain correlation between age and board tenure, the development of the relevant hypotheses has evolved separately. For both age and board tenure, aspects such as risk aversion, information-processing capabilities and business networks of TMTs are expected to have an impact on the decision of regional orientation of MNCs. Due to increased risk-aversion, reduced information-processing capabilities and the majority of business networks within the home region, older TMTs, similar to TMTs of a higher board tenure, will feel less at ease with internationalizing into foreign regions and will prefer home-region orientation as they are already more accustomed to it.

The third hypothesis developed argues that there exists a negative relationship between TMT education and home-region orientation of MNCs. The authors expect that while global internationalization increases with TMT education, low TMT education equally leads to an internationalization, but rather with a home-region orientation. The reason for this has been argued to originate from a difference in the ability to cope with complexity as well as increased knowledge on and capabilities required for foreign regions associated with higher education. The argumentation ended with an analysis of the origin and consequences of business and social networks, which have been argued to differ based on both education level and type.

Ultimately, two hypotheses have been developed regarding the relationship of international experience of the TMT and region-oriented internationalization. It has been argued that the origin for opposing MNC regional orientation can be found in the location of the TMT's international experience. While international experience from within the home region fosters a home-region orientation, international experience from outside the home-region will foster an internationalization into foreign regions. This appears logical, as the location of the experience made should have a direct impact on how confident the respective TMTs feel with a given region. As an example, foreign experience from France will have a relatively far less positive effect on internationalization into Asia than foreign experience from e.g., China or Japan.

As to the empirical testing of the developed hypotheses, the authors of this study argue that any ambiguity in previous empirical tests, as mentioned and discussed above, could be originating from the difference in data used for the respective studies. Of the aforementioned studies, only very few (cf., Reuber/Fischer, 1997, Carpenter/Fredrickson, 2001,

Wally/Becerra, 2001) have had the chance to rely on longitudinal data. As the vast majority of TMT research had to rely on cross-sectional data, this has undoubtedly limited the respective research and only enabled the respective researchers to establish general relationships of the variables. In order to derive any results with regards to directional relationships, longitudinal data would be a logical necessity. Concluding, the authors plead for the utilization of longitudinal data in future empirical tests on both the influence of TMT characteristics on the home-region orientation of MNCs, and the influence of TMT characteristics on organizational outcome of firms in general. The authors expect that by drawing on longitudinal data, existing ambiguity and fuzziness of research findings within this stem of IB/IM research could be reduced or even eliminated. Future research on the relationships of TMT characteristics and home-region orientation of MNCs therefore promises, especially when based on longitudinal data, to deliver more clear cut relationships, as well as more uniform and hence more comparable results, eventually leading to a better explanation of the home-region orientation of MNCs.

Future research will consequently need to test the derived hypotheses and further any corresponding new insights into why executives matter and how TMTs influence strategic decision making with regards to home-region orientation.

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