

# Master Thesis International Business

## The influence of home country culture on firm performance

*Do Born Globals differ from traditional MNEs?*

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## **Abstract**

Culture is an important factor in shaping international business performance. This Master's thesis investigates how home country culture influences the performance of internationally operating firms, with a particular emphasis on the differences in outcome between Born Globals (BGs) and traditional Multinational Enterprises (MNEs). Drawing on Hofstede's cultural framework—specifically the dimensions of masculinity, long-term orientation, and indulgence—and firm-level data sourced from the ORBIS and LSEG databases, this study employs a panel data regression with random effects to measure the relationship between home country culture and performance outcomes, as measured by the firm's Return on Assets.

The results indicate that indulgence has a significant negative impact on MNE performance, while masculinity and long-term orientation exhibit no significant effects. Furthermore, the moderation of BGs on the direct relationship between culture and MNE performance shows no significance either. These results indicate that home country culture impacts distinct types of international businesses in more similar ways than theorized, regardless of their diverging internationalization strategies. The study contributes to a broader understanding of the phenomenon of Born Globals and offers practical guidance for managers seeking to align their strategies to their home country cultural contexts.

### **Key words**

Multinational Enterprises | Born Globals | Home country culture | Internationalization strategies  
| Strategic alignment | Masculinity | Long-term Orientation | Indulgence

### **Paper type**

Master Thesis | International Business | Radboud University

## Introduction

In modern day international business, home country culture acts not merely as a background element but functions as a key enabler or invisible barrier to firm performance (Fan & Phan, 2007). Through the process of imprinting (Stinchcombe, 1965, 2000), managers and entrepreneurs are bound by their cultural cognitive frameworks in their decision-making, strategizing, and operations, consequently influencing firm performance across borders (Harzing & Sorge, 2003; Waguespack, Dunford, Birnir, 2018).

Culture, described by Hofstede (2001) as "the collective programming of the mind that distinguishes members of one group from another", is embedded in national institutional systems and is resistant to change, creating different viewpoints towards organizational design across countries. Every decision-maker in internationally operating firms originates in a certain institutional and cultural environment, which shapes their thinking and behavioural patterns in ways that often remain unnoticed yet powerful (North, 1990). A wide range of studies, often based on Hofstede's (1980; 1983; 1991) seminal work, have highlighted the influence of culture on within-firm decision-making (Autio, Pathak, Wennberg, 2013; Stephan & Uhlaner, 2010), ethical choices (Vitell, Nwachukwu, & Barnes, 1993; Robertson & Fadil, 1999), innovation capabilities (Shane, 1992, 1993; Taylor & Wilson, 2012), and employee responses to managerial practices (Leung, Su, Morris, 2001; Schneider & De Meyer, 1991). This cultural influence is especially important given that internationally operating firms make up a substantial part of global GDP and world exports (Andrenelli, Cadestin, De Backer, Miroudot, Rigo, Ye, 2018), impacting development across different regions and shaping international politics (UNCTAD, 2024).

Traditional MNEs typically follow the Uppsala model, incrementally expanding from culturally similar markets to more distant ones as they gain experience (Johanson & Vahlne, 1977). This gradual approach allows them to slowly adapt to cultural differences and refine their strategies accordingly. In contrast, BGs challenge this well-accepted internationalization theory by internationalizing immediately from their conception, often targeting multiple distant markets simultaneously without gradually adapting to foreign cultures.

This divergence creates a gap in contemporary BG theory: the mechanisms through which culture influences how international businesses operate may differ fundamentally for BGs compared to traditional MNEs. For BGs, the influence of home country culture could be more pronounced compared to traditional MNEs. Since BGs internationalize rapidly, they have

limited time to adapt to foreign cultures and develop localized approaches. Additionally, due to their limited resources (Aldrich & Auster, 1986; Sapienza, Autio, George, Zahra, 2006), BGs face greater challenges in overcoming cultural barriers when entering multiple markets simultaneously. The rapid internationalization process with limited resources means BGs often have to rely more heavily on internal factors when making strategic decisions. This suggests that certain cultures may either enable or restrict rapid internationalization strategies, with advantages or constraints that may differ significantly from those affecting traditional internationalization strategies.

The theoretical concern of this knowledge gap is significant. If culture influences international performance differently compared to traditional MNEs, contemporary theories for understanding culture in international business may be insufficient in explaining the influencing factors of BG success. Music streaming platform Spotify exemplifies this concern, launching in Scandinavia, the UK, France, and Spain all in the same year (Belanger, 2023). Originating from Sweden, Spotify could have leveraged its country's uncertainty-tolerant environment and individualistic innovative orientation to scale across borders successfully in its early stages of operation (Fleischer & Snickars, 2017). This suggests that certain cultural environments may provide inherent advantages or constraints for rapid internationalization strategies, which operate differently compared to traditional internationalisation strategies.

Furthermore, BG prevalence differs greatly across countries, suggesting some cultural environments may provide more fertile ground for BG establishment and success than others. Without an understanding of how culture influences BG performance, and how this differs from its influence on MNE performance, a sufficient explanation is lacking why certain countries bring forth more successful BGs than others.

In order to address the knowledge gaps, this research investigates whether specific cultural dimensions influence BG performance differently compared to traditional MNEs. The central research question for this investigation is: *How does the influence of the home country culture on performance differ for Born Globals compared to traditional MNEs?*

To test the influence of home country culture, the study utilizes three dimensions of the Hofstede framework (Hofstede, 1983; Hofstede, Hofstede, Minkov, 2010), namely Masculinity, Long-Term Orientation, and Indulgence. These well-accepted dimensions allow researchers to compare cultural characteristics across countries and facilitate meaningful comparisons with existing literature (Beugelsdijk, Maseland, Van Hoorn, 2015; Sondergaard, 1994). To measure

the performance of both MNEs and BGs, the paper uses Return on Assets (ROA) as key indicator, providing a comparable performance metric across countries and industries. Control variables include a country's GDP, GDP growth, and institutional quality and several firm-specific control variables.

A random effects panel data regression is employed to assess the impact of different cultural value scores on the performance indicators. This quantitative type of measurement is in line with the nature of the data, which is sourced from ORBIS and LSEG data base for firm-level information, and the World Values Survey for country culture data.

By comparing BGs with MNEs, the research examines whether and how the different ways of internationalisation of these firms create different responses to cultural benefits or constraints. This comparative approach identifies interaction effects between cultural dimensions and distinct types of internationalization strategies. In doing so, it reveals whether certain cultural dimensions that benefit traditional internationalization approaches might constrain BG internationalization approaches, and vice versa.

This research contributes to the literature on culture and international business in multiple ways. First, by testing the impact of home country culture on both BGs and MNEs, it examines whether rapid internationalisation strategies of BGs are enabled or hindered differently by their cultural origins compared to traditional MNEs. This demonstrates if differences in internationalisation patterns moderate the influence of culture on organizational performance. In doing so, it develops a contemporary framework of the relationships between culture and performance which can be applied to diverging internationalization strategies. This augments the existing theories about culture in international business and offers a valuable tool for future cross-cultural research in international business.

Second, the research clears up theoretical contradictions about the different impacts of home country culture on international performance (Halkos & Tzeremes, 2008; Martins & Lopes, 2016; Taylor and Wilson, 2012) by offering a more nuanced incorporation of different internationalization strategies. By testing how cultural dimensions affect different internationalization patterns, this research provides explanations for contradictory findings in previous studies that focused solely on a single type of internationalization.

Third, the paper augments the modern-day theory on Born Globals by identifying the significance of culture enabling or constraining BG performance. By doing this, it moves beyond individual-level characteristics of decision-makers in BGs to a broader country-level

context. As current research mostly focuses on the firm- and entrepreneur-specific characteristics of BGs, the broader country-level environment remains an important underexplored factor. This country-level influence of BG performance is important, as BG prevalence and performance differs largely across countries. Understanding how home country culture influences BG performance therefore augments the contemporary understanding of the BG phenomenon.

Besides advancing the literature on culture and international business, this research also offers several practical implications. For decision-makers within BGs, it provides insights on how to leverage their home country cultural values to optimize their organizational structure, resource allocation, and internationalization strategy, specifically given the lack of consensus on whether traditional MNE theories can be applied to these types of international firms. Managers in BGs can leverage this developed understanding by aligning more to cultural strengths while mitigating potential weaknesses, as they are more aware of the impacts of their home country culture. For policymakers, understanding the influence of culture enables them to develop more tailored support mechanisms for BGs that enhance positive and mitigate negative effects of the home country culture. These tailored mechanisms improve general internationalization support mechanisms that often insufficiently align with the specific characteristics of BGs.

## **Literature review**

### **Culture**

Culture has been a topic of interest for scholars for more than a hundred years (Kroeber & Kluckhohn, 1952; Weber, 1906). While exact definitions diverge, this research uses Geert Hofstede's definition of culture, which is 'the collective programming of the mind that distinguishes the members of one group or category of people from others' (Hofstede, 2001). Culture develops people unconsciously at an early age, within families and institutions. As institutions differ across borders, the cultural values and behaviours absorbed differs across borders too, creating differences between people from different countries. The unconscious learning in different settings programs every human being mentally. When a group of people is exposed to similar circumstances, which is logical within a country due to shared institutions, collective mental programming is developed, whereby groups of people unconsciously learn

from shared experiences. Because these experiences within institutions vary across borders, collective mental programming also differs, creating cross-cultural differences (Hofstede, 1983). In short, national culture shapes the way individuals communicate with one another, their social interactions, and their cognitive frameworks (Harrison & Huntington, 2000).

Culture shapes and has shaped the way modern day institutions are designed. Governmental, legal, educational, and industrial systems, for example, all reflect the ways of thinking of the people who established them. Therefore, culture is not easily changeable and is not only rooted in people by means of their upbringing, but also in their institutional systems (Hofstede, 1983), creating self-enforcing structures where culture and institutions strengthen one another. This stability makes the concept of culture a valuable and reliable explanatory variable when examining cross-cultural differences.

## **Multinational Enterprises and Born Globals**

Multinational enterprises have dominated the business world for over four centuries, starting with the Dutch VOC in the 17th century (Gaastra, 2016). Contemporary theories explaining the internationalisation process of MNEs largely emerge from the Uppsala model for internationalisation (Johanson & Vahlne, 1977), which describes the incremental internationalization process based on the development of market knowledge and commitment. According to this model, organizations follow an establishment chain, beginning with non-regular exports that eventually become regular. As market knowledge grows, firms establish sales subsidiaries and, eventually, full operations in foreign markets. The concept of psychic distance (Johanson & Vahlne, 1977) suggests firms typically enter culturally similar markets first before gradually expanding to more culturally distant ones. Hennart (2001) added to the traditional internationalisation knowledge that MNEs emerge when internalizing cross-border activities is more efficient than relying on market mechanisms.

In stark contrast to traditional MNEs, Born Globals represent a fundamentally different approach to internationalization that challenges established theories (Knight & Cavusgil, 1996; McDougall, Shane, Oviatt, 1994). The rising globalisation and digital transformation have lowered barriers for firms to internationalise soon after their inception (Knight & Cavusgil, 2004). As a result, these firms do not follow the traditional stages as described by Johanson and Vahlne (1977), setting them apart from extensively studied MNEs.

The criteria for defining BGs vary, but researchers generally agree that BGs operate internationally within two or three years from their inception, more than 25% of their sales stem

from foreign countries (Knight and Cavusgil, 1996), are highly innovative (Cavusgil and Knight, 2015), and are flexible in leveraging limited resources (Tanev, 2012).

BGs attract researchers' interest because they deviate from the traditional internationalization theory. Based on the traditional theory, BGs are expected to encounter three distinct types of liabilities. Since BGs are new and inexperienced in foreign markets, they lack brand image and status in these markets, which forms the liability of newness (Sapienza et al., 2006; Stinchcombe, 1965; Sing, Tucker, House, 1986). Due to their limited size, BGs would lack the resources necessary to compete with established MNEs, a challenge referred to as the liability of smallness (Aldrich & Auster, 1986; Baum, 1996; Freeman, Edwards, Schroder, 2006). Lastly, because they are not from the country of operation, BGs possess less knowledge about its market and non-market environments compared to their domestic competitors. BGs therefore would face more 'costs of doing business abroad', which is the liability of foreignness (Zaheer, 1995; Zaheer & Mosakowski, 1997). Given these liabilities, expanding abroad within two years from the inception of the BG would theoretically result in failure. But in spite of that, it does not.

To overcome the liabilities faced in foreign markets, BGs leverage a combination of external and internal strengths and capabilities. Being new in these markets allows BGs to capitalize on learning advantages for growth (Autio, Sapienza & Almeida, 2000), and to rapidly adapt to the external environment (Sapienza et al., 2006), providing them advantages over established competitors. BGs often operate in niche markets, like Spotify in the example given in the introduction, which often do not necessarily require a physical presence. This helps to reduce the liability of smallness, since the required investments are lower (Merrilees & Tiessen, 1999). Additionally, this approach diminishes the liability of foreignness, as exporting to niche markets requires less physical presence when BGs can leverage their global legitimacy.

Summing up the differences between Multinational Enterprises and Born Globals, MNEs typically follow a gradual, incremental internationalisation strategy (Johanson & Vahlne, 1977), whereas BGs internationalise rapidly after inception despite lacking prior domestic and foreign experience. MNEs possess large human, technological and financial resources, while BGs face the liabilities of smallness, newness, and foreignness, often relying on innovation to overcome these challenges. As a result, BGs typically focus on niche markets, whereas MNEs target a broad range of markets, benefiting from economies of scale (Buckley & Casson, 1976). MNEs are generally more risk-averse and conservative in expanding abroad, whilst BGs are more willing to take risks, as they tend to be more opportunity-driven. Organizational structures

in MNEs are often characterized by hierarchy, with established procedures, whereas BGs tend to be more flexible and adaptable, as they are flatter structured. MNEs expand while calculating risks in doing so, whereas BGs tend to be more tolerant to risks, utilizing innovation as survival mechanism. Decision-making within MNEs is often a formalized process, led by multiple stakeholders. Within BGs, decision-making tends to be more entrepreneur-driven, in a centralized manner.

As MNE and BG internationalization strategies, organizational structures and core characteristics contrast largely, the impact of home country culture likely results in different outcomes for these firms. While MNEs can rely on gradual learning processes, BGs must rapidly adapt to foreign contexts with limited resources, highlighting the crucial role of the entrepreneur and making his background potentially more significant.

## **The Influence of Home Country Culture**

In the examination of performance of the international operations of firms, the influence of the firm's home country culture plays a significant role (Stephan & Uhlaner, 2010). The home country culture refers to the culture in which the international firm is founded and headquartered. The cultural context in this key location leaves a lasting effect on the organization, which persists as the organization expands abroad. Waguespack et al. (2018) established that founders and managers of organizations are cognitively constructed by formal institutions, created by culture, in their home countries, which in turn results in diverging organizational design choices. This effect, called 'imprinting', originates from Stinchcombe (1965, 2000), who argued that social and historical influences were reflected in practical characteristics of new organizations, heavily influenced by the founder.

Home country culture influences communication behaviour and decision-making patterns (Leung, Bhagat, Buchan, Erez, Gibson, 2005), responses to managerial practices (Leung et al., 2001), and is intertwined with socio-economic-political variables (Leung et al., 2005), and therefore impacts organizational behaviours directly and indirectly. Although many firms nowadays operate on a global level, country-of-origin characteristics heavily shape strategy-making processes of these firms (Stephan & Uhlaner, 2010), resulting in highly diverging performance outcomes across nations (Harzing & Sorge, 2003).

For globally operating organizations especially, home country culture creates both advantages and disadvantages in international operations. Being one of the four key dimensions of the CAGE framework, culture leads to one of the main challenges that influences

internationalisation success (Ghemawat, 2001). Consequently, better cultural alignment between the internationally-operating firm and the foreign market environment involves lower transaction costs, better fitting entry modes, and the transfer of practices (Beugelsdijk, Kostova, Kunst, Spadafora & Van Essen, 2018). This cultural alignment relies heavily on the home country culture of the firm, and especially on the entrepreneurs and managers understanding of this. Therefore, understanding the specific mechanisms through which home country culture influences firm performance in international markets is crucial.

Home country culture is likely to impact both MNEs and BGs significantly, though in distinct ways, reflected by their different internationalization approaches and organizational structures.

For MNEs, home country culture shapes long-term strategic decisions, organizational hierarchies, and international expansion patterns. The country-level culture structures individual- and firm-level decisions, and when expanding across borders, differences in cultures are among the toughest challenges (Beugelsdijk, 2017). Cultural values in the home country influence the MNE's internationalization strategy, leadership style and decision-making processes. Therefore, scholars conclude that countries that produce more efficient MNEs are culturally different from those that produce lower performing MNEs (Halkos & Tzeremes, 2008).

For BGs, the influence of home country culture is often more immediate. Internal key factors driving the international success of BGs are often related to the entrepreneur behind the firm (Liesch, Welch, Buckley, 2011). These factors include the entrepreneur's international network (Johnson, 2004), international experience (Karagozoglu & Lindell, 1998; Loane et al., 2007), a mindset not limited by national borders (Loane et al., 2007), and global perspective shaped by either ambition or experience (Andersson & Evangelista, 2006). Home country culture of the entrepreneur plays a crucial role in all these internal factors, shaping the entrepreneur's mindset and approach to international expansion, risk tolerance, decision-making, and strategy-development, thereby affecting the performance of BGs.

In order to measure the impact of home country culture on the performance of MNEs and BGs, this research employs the Hofstede framework based on the World Values Survey (WVS), which remains to be a highly relevant and broadly accepted framework to measure cross-cultural differences (Hofstede, 1983; Sondergaard, 1994). The framework constituted from the survey originally consisted of four dimensions: Individualism/Collectivism, Power

Distance, Uncertainty Avoidance, and Masculinity/ Femininity. Based on the results of the WVS, country cultures were quantified on these four dimensions. To enhance the full perspective on culture, the dimensions Long-Term Orientation and Indulgence versus Restraint were identified and introduced later (Hofstede, 1991; Hofstede et al., 2010; Minkov, 2007).

Hofstede's framework comprises six dimensions. Individualism denotes the extent to which people see themselves as independent individuals, as opposed to being members of larger groups, which is called collectivism. Power distance measures the degree to which people accept and expect that power is not equally distributed. Masculinity refers to the degree to which cultures value competitiveness, achievement, and success, emphasizing these traits over values like caring for others and quality of life. Uncertainty avoidance reflects the degree to which cultures are comfortable with unpredictable or uncontrollable situations (Hofstede, 1983). The later added dimension long-term orientation measures the degree to which people are focused on the future and are willing to sacrifice short-term gratification for long-term rewards (Hofstede, 1991). People from lower long-term oriented cultures tend to value tradition and the preservation of established practices more (Beugelsdijk et al. 2015). The most recently added dimension indulgence versus restraint captures the extent to which people are free to celebrate life versus the extent to which social norms regulate or suppress such indulgence (Hofstede et al., 2010).

Hofstede's cultural framework, having expanded to include six dimensions, has proven to be stable over time, shifting a little in absolute terms, but maintaining consistent relative differences between countries (Beugelsdijk et al., 2015). This demonstrates that culture is deeply rooted within people and institutions, changing only slightly over time. Culture is fundamental for every country's modern-day society (Weber, 1906), making it a relevant phenomenon for measuring and differentiating between countries.

The applicability of Hofstede's cultural insights has gained criticism, as the role of culture would be not as significant as Hofstede implies (Gerhart & Fang, 2005), behavioural outcomes stem from other contextual factors than culture only (McSweeney, 2002), and most often argued, one country does not necessarily equate to a single culture, since culture is not directly bound by borders and multiple distinct cultures can exist within a single country border (Jones, 2007; McSweeney, 2002). However, despite these arguments, cultural differences remain to be a widely recognized challenge for managers and international entrepreneurs (Beugelsdijk et al., 2015). Moreover, Hofstede's large-scale studies and frequently cited results prove its relevance and general acceptance within international business studies (Beugelsdijk

et al., 2015; Kirkman et al., 2006). Later culture-comparison frameworks have gained significant attention (House, Hanges, Javidan, Dorfman, Gupta, 2004; Schwartz, 1994), yet Hofstede's model has remained far more influential over the years.

## **The impact of Cultural Dimensions on MNE and BG Performance**

This study utilizes three dimensions of the Hofstede framework of culture in examining differences in performance outcomes across countries. The decision for testing only three of the original six dimensions of the Hofstede framework is based on theoretical considerations that address the general acceptance in existing cultural understanding as well as the relevance of examining specific cultural dimensions on Born Global performance. As the dimensions individualism, power distance and uncertainty avoidance stem from Hofstede's first work of 1980, their effects on MNE and BG performance are largely tested and theoretically well-accepted. It is nowadays acknowledged that individualism does positively affect MNE and BG performance, as it stimulates innovation rates (Shane, 1992; 1993; Taylor & Wilson, 2012), whereas power distance negatively affects MNE performance through increased hierarchy (Halkos & Tzeremes, 2008) resulting in lower participation in decision-making (Teece, 1977). Lastly, scholarly evidence has established that uncertainty avoidance negatively influences MNE and BG performance, as less uncertainty avoidant cultures are more acceptable to taking risks, enabling them to more successfully leverage uncertain opportunities in international markets (Efrat, 2014, Shane, 1993).

However, there is less scholarly consensus about the impacts of masculinity, long-term orientation, and indulgence on MNE and especially BG performance, presenting opportunities for theoretical contributions. There is no general consensus regarding the effects of masculinity on the performance of MNEs and BG. This theoretical divergence opens up an important research gap, especially as the effects of masculinity may vary between MNEs and BGs. Furthermore, as the dimensions long-term orientation and indulgence were added later to ensure the framework's comprehensiveness, their influence on MNEs and BGs is still relatively unexplored. Next, the three dimensions under examination constitute complementary coverage of the phenomenon culture and its effects on international businesses, as masculinity addresses the competitive and performance orientation, long-term orientation encompasses the temporality of strategic approaches, and indulgence captures the entrepreneurial freedom prevailing in certain cultures. All dimensions address separate theoretical mechanisms, avoiding potential overlap that might come into play when testing the complete framework,

while ensuring sufficient coverage of the most relevant cultural factors. By concentrating solely on the dimensions masculinity, long-term orientation, and indulgence, this research tries to advance the limited consensus regarding their impacts in international business theory. Instead of confirming scholarly-established relationships, it develops new theoretical understanding of the influence of culture on diverging internationalization strategies.

Based on the theoretical basis focusing on the Hofstede dimensions, the forthcoming hypotheses examine how Masculinity, Long-term Orientation, and Indulgence affect MNE performance and how these effects are moderated by a firm's Born Global status.

Research on the influence of masculinity on MNE performance is currently limited, and findings are divergent. Within the financial sector, lower masculinity correlates with a higher return on assets (Gerecke and House, 2013). However, Martins & Lopes (2016) found no significant performance differences among European MNEs originating from cultures with varying levels of masculinity. Regional differences therefore arise, such as in Asia, where masculine cultures tend to support technology transfer more than feminine cultures (Swierczek, 1994), potentially due to a stronger emphasis on achievements and results. Additionally, masculine cultures prefer larger enterprises (Yan and Hunt, 2005), potentially favouring MNEs. Distinct levels of masculinity correspond with different innovation patterns. Masculine cultures tend to register more patents, whereas feminine cultures generate more scientific articles, indicating different forms of innovation (Efrat, 2014). To conclude, findings regarding the influence of masculinity on MNE performance are either negative, neutral, or positive, often depending on the context of measurement. However, since the balance of evidence suggests that masculinity emphasizes results and achievements, we expect that this is beneficial for MNEs in highly competitive markets, and we therefore state:

*H1: Higher levels of masculinity in the home country positively influence MNE performance.*

Hofstede (1991) highlights that a strong desire to win and compete is a key trait of masculine cultures. The competitive nature of these cultures therefore has strong implications for organizational behaviour within BGs. As BGs must remain resilient to defend their international market positions efficiently with limited resources, organizations from masculine cultures tend to leverage innovation more effectively than those from feminine cultures (Halkos & Tzeremes, 2008). Next to that, as the focus within masculine societies often lays on performance metrics, BGs may actively pursue internationalisation strategies to achieve these objectives, whereas traditional MNEs often internationalize gradually, building up relationships

along the way, which aligns more to feminine cultures. Based on this reasoning, we hypothesize:

*H2: The effect of masculinity in the home country on MNE performance is positively moderated by a firm's Born Global status.*

The dimension long term orientation does significantly influence MNEs' strategy development and priority setting. Long-term orientated countries prioritize sustained investments over immediate results, while short-term orientated countries focus more on immediate gains based on past performance (Barkema & Vermeulen, 1997). In business contexts, long-term oriented cultures are characterized as pragmatic, whereas short-term oriented countries are considered normative (Martins & Lopes, 2016). Research by Lin, Shi, Prescott, and Yang (2019) demonstrates that within MNEs, top managers with a long-term orientation enhance both faster and more creative decision-making, which are critical factors for performance in international markets. Based on the identified benefits of higher long-term orientation in business research, we hypothesize:

*H3: Higher levels of long-term orientation in the home country positively influence MNE performance.*

The temporal orientation of managers and founders has distinctive implications for strategy making within BGs. While Lin et al. (2019) state that the long-term orientation of top managers enhances decision-making speed and creativity in MNEs in general, these factors are expected to be even more important for BG performance given their needs for rapid internationalization and adaptability. Paradoxically, the focus on short-term results within short-term-oriented cultures can also be beneficial for BGs, as short-term results are crucial in the preliminary stages of internationalization when BG expansion requires urgency. Next to that, long-term planning may constrain adaptation to dynamic market conditions and consequently limit BG performance. Considering these contradicting arguments, we hypothesize:

*H4: The effect of long-term orientation in the home country on MNE performance is negatively moderated by a firm's Born Global status.*

In organizational contexts, more indulgent countries tend to focus more on work-life balance and positive communication within the workspace, contributing to higher employee satisfaction and creativity. When analysed in combination with other dimensions, MNEs from more indulgent cultures manifest higher profitability within European markets (Martins &

Lopes, 2016). Contrastingly, research within the Jordanian financial sector reveals that indulgence has a negative effect on firm performance (Aleqdat, Mansur, Shatnawi, Hyasat, Al-Sulaiti, 2022). However, as this context is very specific, it is hard to generalise these findings. Direct empirical evidence linking indulgence to MNE performance is still underdeveloped. Therefore, based on the theoretical assumptions of workspace positivity and employee satisfaction, we hypothesize:

*H5: Higher levels of indulgence in the home country positively influence MNE performance.*

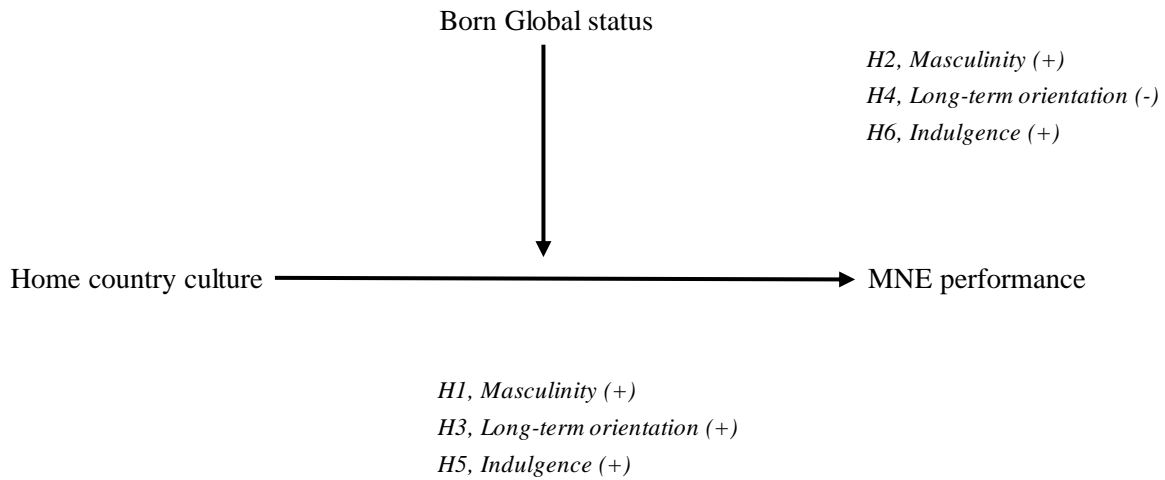
The influence of indulgence versus restraint and organizational performance has not been extensively measured yet for both MNEs and BGs. Nevertheless, preliminary research provides several potential pathways through which indulgence might impact BG performance. BGs typically focus on niche markets to leverage their global legitimacy (Merrilees & Tiessen, 1999). Niche markets are possibly interconnected with indulgence, as the focus on premium products could stem from greater acceptance of personal gratification (Le Monkhouse, Barnes, Stephan, 2012). Consequently, indulgence may have a greater impact on BG performance compared to traditional MNEs that often target broader markets. Despite limited theoretical evidence, these assumptions lead us to hypothesize:

*H6. The effect of indulgence in the home country on MNE performance is positively moderated by a firm's Born Global status.*

Summarizing the hypotheses, we expect that higher levels of masculinity positively influence both MNE and BG performance. Long-term orientation is expected to be positively related to MNE performance, but negatively related to BG performance. Higher levels of indulgence are expected to positively influence both MNE and BG performance, even though an empirical basis for this expectation is currently lacking.

## Conceptual model

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*Note. Plus (+) and minus (-) signs indicate the hypothesized direction of effects for each cultural dimension.*

## Methodology

### Research context

To test the formulated hypotheses and to formulate an answer to the research question, a quantitative mode of measurement is used. This method is justified because it enables the analysis of a large number of cases, which are MNEs in this research. Additionally, by constructing statistical models, we can evaluate the hypothesized relationships between culture and MNEs, as well as the moderating role of BGs within these relationships. By quantitatively analyzing data from a large number of MNEs worldwide, practical research challenges are deterred in assessing their performance outcomes.

In line with the cross-cultural characteristics of the data, multiple regressions will be run, in the form of a random effects panel data analysis. Using this approach, we are able to test whether different scores on the independent variables result in different scores on the dependent variable. Additionally, the moderating status of BGs is accounted for in this approach.

### Sample & data

The research uses data from multiple sources. First, regarding the dependent and moderator variables, MNE and BG performance, data is sourced from the Orbis and LSEG

databases. These databases provide information on more than 300 million firms globally. As for Born Globals, criteria within the obtained datasets can be added to determine whether the organization is a Born Global, based on the definition that Born Globals operate internationally within two years from their inception and 25% of their sales stem from foreign markets (Knight & Cavusgil, 2004).

In the regressions regarding the impact of culture on MNEs, the direct effects of the cultural dimensions are tested on the performance of MNEs. In total, 4580 observations were conducted in the years 2021, 2022, and 2023, using 1742 individual firms. In the second round of regressions, the direct effects of cultural dimensions on MNEs are moderated by the firm's Born Global status. In total, 120 observations were conducted in the years 2021, 2022, and 2023, using 50 individual firms.

**Table 1**  
**Countries of origin MNEs**

Country	Frequency	Percent
Australia	23	0.50
Brazil	6	0.13
Canada	63	1.38
Chile	3	0.07
China	1828	39.90
Germany	46	1.00
United Kingdom	290	6.33
Indonesia	22	0.48
India	251	5.48
Japan	632	13.80
Korea	570	12.45
Mexico	7	0.15
Malaysia	33	0.72
Netherlands	46	1.00
Romania	2	0.04
Singapore	4	0.09
United States	754	16.47

**Table 2**  
**Countries of origin BGs**

Country	Frequency	Percent
Australia	3	2.50
Germany	17	14.17
India	3	2.50
Korea	17	14.17
Netherlands	10	8.33
United States	70	58.33

For the independent variables, the results of latest wave (7) of the World Values Survey are used, from which the interviews have taken place between 2017 and 2022. As culture shifts little over time (Beugelsdijk et al., 2015), taking the most recent wave of the WVS is the most relevant option to contribute to contemporary international business theory. Within this latest wave of the WVS, survey data is gathered in 66 countries across the globe, with more than 1000 respondents per country on average, ensuring its construct validity (Hair, Black, Babin, Anderson, Tatham, 2010).

## **Variables**

### **Dependent variable**

MNEs are companies that operate across borders, generating a substantive part of their sales in foreign countries. The dependent variable assessed in this study is Return on Assets (ROA) from 2021 to 2023. ROA is a globally recognized performance indicators calculated as the ratio of the company's net profit to its total assets. The higher this ratio is, the higher the efficiency to which the MNE or BG allocates its resources (Robert, Jennifer, Todd, 2023). A higher ROA therefore indicates better performance.

### **Independent variables**

The independent variables of use in this research are three dimensions of the Hofstede framework of culture, namely masculinity, long-term orientation, and indulgence. These dimensions are extracted from the most recent wave of the WVS, which encompasses data from 2017 to 2022 (Haerpfer et al., 2022). Based on multiple items, country cultural scores on the Hofstede dimensions are identified, constituting scores ranging from 0 to 100. This means that in the case of masculinity, a higher score reveals that the country's culture is very masculine, whereas a lower score states that the culture is more feminine. The three dimensions formulated by Hofstede construct a clear view of what a certain country's culture is like, and therefore, one is able to compare diverse cultures based on their differences on these dimensions.

### **Moderator variable**

Within this research, the moderator variable classifies whether the MNE is a Born Global. BGs are a specific type of MNE that internationalize more rapidly than traditional MNEs. Therefore, in this research, a BG is defined as being founded no more than 2 years ago and generating at least 25% of its sales from international markets. This leads to the inclusion of a dummy variable, where a score of 0 is a traditional MNE, and a score of 1 is a BGs. By using this moderator, we can assess the relationship between home country cultural dimensions and the performance indicators for Born Globals only.

### **Control variables**

To isolate the relationships between home country culture and performance of MNEs and BGs in particular, several control variables are included to assess their impact. Including control variables increases the robustness of the model, since the tested relationships can be

impacted by these control variables. Firstly, the industry within which the organisation operates is tested for. The type of industry could have an impact on the level of innovation within the firm, and thereby impacting its performance. Second, the firm size will be controlled for by the total number of employees working for the organization. Larger firms are expected to possess greater resources and networks, positively influencing their performance. The last firm-level control variable is R&D intensity, which is the proportion of sales spend on R&D, implying that higher proportions correlate with more firm-level innovation. R&D intensity is particularly relevant for BGs, as innovation is critical for them to compete in global markets (Knight & Liesch, 2016).

On the country level, the institutional quality of the home country is assessed. Countries with lower institutional quality are less likely to produce MNEs, as firms from these countries would face more challenges when doing so (Peng, Wang, Jiang, 2008). The institutional quality of the home country is measured by the Worldwide Governance Indicators, which comprise the following: Voice and Accountability, Political Stability and Absence of Violence/Terrorism, Government Effectiveness, Regulatory Quality, Rule of Law, and Control of Corruption (Kaufmann, Kraay, Mastruzzi, 2011). In addition to this, overall GDP is controlled for, as smaller economies could impact MNE and BG development differently compared to larger economies (Hennart, 2014). Lastly, GDP growth is incorporated, as it accounts for dynamic effects of the home country, possibly creating opportunities for internationalizing firms. Rapidly growing economies could influence MNE and BG formation and performance divergently to maturing or stagnating economies (Autio, Nambisan, Thomas, Wright, 2018).

When testing for the random effects using a panel data regression in STATA, the first step is to check all variables on interpretability and normality. Therefore, control variable GDP is rescaled by dividing it by 1,000,000,000,000, improving its interpretability. Next, the control variable representing the number of employees working for a firm is logarithmically transformed, as this variable was heavily skewed. In order to address the extreme skewness in the variable R&D intensity, this variable is also logarithmically transformed. Here, a small constant (0.0001) is added prior to the transformation to address undefined variables. Next, control variable Industry is grouped and encoded into the divisions of the Standard Industrial Classification (SIC) Manual (United States Department of Labor, Occupational Safety and Health Administration, n.d.), preparing the variable usable for regression use. Lastly, the six Worldwide Governance Indicators are tested in a factor analysis. This factor analysis results in one significant factor, which leads to the averaging of the six indicators to one new variable.

The transformation and rescaling of these variables improves the distributional quality of the variables, reducing the influence of extreme outliers and allowing for a more reliable interpretation of the regression analysis.

The descriptive statistics of the control variables—descriptive characteristics and correlations—for both the direct effects as the moderating effects are visualised in the tables 3, 4, 5, and 6 underneath.

**Table 3**  
**Descriptive characteristics direct effect regressions**

Variable	Mean	Std. dev.	Min	Max
ROA	1.08	24.08	-956.44	175.57
Masculinity	55.66	23.80	0	81.26
Long-term Orientation	64.28	19.41	0	100
Indulgence	54.12	8.90	19.03	89.98
R&D intensity	0.87	2.00	-9.21	12.45
Employee number	7.66	2.07	0.46	13.10
GDP	8.14	9.02	0.31	27.72
GDP Growth	3.87	1.66	0.34	9.69
Institutional Quality	72.00	17.89	16.00	93.20
Industry	5.25	2.09	2	11
Year	2022	0.30	2021	2023

Std. dev. = Standard Deviation

**Table 4**  
**Variable correlations direct effect regressions**

	ROA	Masculinity	Long-term Orientation	Indulgence	R&D intensity	Employee number	GDP	GDP Growth	Institutional Quality	Industry	Year
ROA	10										
Masculinity	0.1566	10									
Long-term Orientation	0.0442	0.2819	10								
Indulgence	0.0986	0.3173	-0.6403	10							
R&D intensity	-0.3052	-0.1660	-0.0095	-0.0746	10						
Employee number	0.3077	0.0182	-0.1151	0.3874	-0.2064	10					
GDP	-0.0442	-0.0343	-0.4946	0.5805	0.2153	0.2370	10				
GDP Growth	0.1514	0.4356	-0.6135	0.7722	-0.1805	0.2350	0.3222	10			
Institutional Quality	-0.1481	-0.7864	0.2808	-0.8053	0.1205	-0.2433	-0.4226	-0.7799	10		
Industry	-0.1964	-0.2450	-0.1333	-0.0457	0.1794	-0.1285	0.0242	-0.0571	0.1771	10	
Year	-0.1101	0.0768	0.0272	-0.0266	0.0255	-0.0285	-0.0272	-0.2404	-0.0312	-0.0348	10

**Table 5****Descriptive characteristics moderating effect regressions**

Variable	Mean	Std. dev.	Min	Max
ROA	-4.53	29.16	-263.27	54.39
Masculinity	33.95	23.89	0	81.03
Long-term Orientation	52.06	17.85	25.34	100
Indulgence	54.60	6.44	45.07	89.98
R&D intensity	1.52	2.22	-9.21	12.45
Employee number	7.51	1.93	2.77	11.40
GDP	10.63	11.43	0.43	27.72
GDP Growth	3.37	2.34	0.07	9.69
Institutional Quality	80.84	9.31	31.53	93.20
Year	2022	0.81	2021	2023
Industry	5.95	2.36	2	10

Note. Std. dev. = Standard Deviation

**Table 6****Variable correlations moderating effect regressions**

	ROA	Masculinity	Long-term Orientation	Indulgence	R&D intensity	Employee number	GDP	GDP Growth	Institutional Quality	Year	Industry
ROA	10										
Masculinity	0.0373	10									
Long-term Orientation	0.0061	0.8472	10								
Indulgence	-0.0521	-0.6733	-0.9428	10							
R&D intensity	-0.4261	-0.2330	-0.1703	0.1385	10						
Employee number	0.3509	-0.4912	-0.5674	0.4985	-0.2088	10					
GDP	0.0044	-0.2558	-0.4092	0.4030	0.2532	0.2741	10				
GDP Growth	0.0419	-0.0407	-0.2425	0.2899	-0.0840	0.1745	-0.0217	10			
Institutional Quality	-0.1191	-0.5861	-0.1002	-0.0757	0.1458	0.0314	-0.3314	-0.2443	10		
Year	-0.1081	0.0510	0.0739	-0.0785	0.0924	-0.1214	0.0450	-0.7511	0.0290	10	
Industry	-0.1826	-0.3028	-0.1883	0.1400	0.1768	-0.0258	-0.2752	0.0090	0.3714	-0.0087	10

## **Analysis technique**

The analysis technique used in this paper is a random effects (RE) panel data regression. However, to empirically validate the use of the three Hofstede dimensions based on the World Values Survey, first an exploratory factor analysis (EFA) (Principal Axis Factoring with Varimax rotation) is conducted. The WVS is not originally designed to measure the Hofstede dimensions specifically, demanding an empirical validation of the proposed dimension use. As the WVS consists of multiple items per dimension or factor, we indicated which specific item belong to which factor by utilizing approaches in earlier research on culture (Beugelsdijk & Welzel, 2018; De Mooij & Hofstede, 2011; Hofstede et al., 2010; Maseland & Van Hoorn, 2017; Minkov & Kaasa, 2022), eventually constructing the six factors in a valid way (Hair, Black, Babin, Anderson, Tatham, 2010; Maseland, Dow & Steel, 2018). These items are reviewed carefully to guarantee its alignment with Hofstede's definitions of each cultural dimension. In some cases, items are reverse-coded to ensure proper alignment with the directions of the dimensions. The specific questions per cultural dimension are documented in appendix 2.

To evaluate the hypotheses, a random effects panel data model is the justified method, as it allows to examine the effects of home country culture on the performance of different firms, while accounting for unobserved heterogeneity. As we are observing multiple companies across multiple time periods, the model has a RE panel structure. This RE panel data model acknowledges that every individual company in the database has its own characteristics influencing their performance, which are not measured in the variables of this research, and therefore includes unobserved heterogeneity. Next, the RE approach allows for the inclusion of both time variant—performance—and time invariant—culture and the Born Global status—variables (Borenstein, Hedges, Higgins, Rothstein, 2010). Since a Fixed Effects model does not allow to include time-invariant variables, the RE approach is the preferred option in this research. As described earlier, the model uses firm performance as dependent variable, three Hofstede's cultural dimensions based on the factor analysis as independent variables, and the Born Global status of the firm as moderator. Including time-invariant variables like these cultural dimensions is not possible in a fixed effects model, and so there is no possibility of running a Hausman test. Post-estimation tests for all models show that the Breusch and Pagan Lagrangian multiplier tests (1980) support the use of a RE model over Pooled OLS to analyse the effects. The entire process of regressions is documented in appendix 3, where a STATA DO-file is attached.

The model enables us to include interaction terms with Born Globals and each individual relationship, making it possible to assess differences in effects between BGs and MNEs. The model is expressed as follows:

$$\text{Performance}_{it} = \beta_0 + \beta_1 \text{BornGlobal}_i + \beta_2 \text{Masculinity}_{it} + \beta_3 \text{LongTermOrientation}_{it} + \beta_4 \text{Indulgence}_{it} + \beta_5 (\text{Masculinity}_{it} * \text{BornGlobal}_i) + \beta_6 (\text{LongTermOrientation}_{it} * \text{BornGlobal}_i) + \beta_7 (\text{Indulgence}_{it} * \text{BornGlobal}_i) + X_{it\gamma} + \alpha_i + \varepsilon_{it}$$

In this model,  $k$  represents the specific performance indicator of measure,  $i$  is the firm,  $t$  denotes the time period in years,  $X$  is the vector of control variables,  $\alpha_i$  represents unobserved heterogeneity, and  $\varepsilon_{it}$  is the error term.

## Research ethics

This study is executed in line with the ethical standards outlined in the Netherlands Code of Conduct for Research Integrity (2018). This code of conduct is based upon five principles, which are honesty, scrupulousness, transparency, independence, and responsibility. All the data used comes from credible sources, namely Orbis, LSEG, and World Values Survey. Subsequently, the researcher did not participate in the primary collection of this data, as only secondary sources are used. In line with Radboud University protocols on research data management, this study utilizes publicly available data to ensure that other researchers can verify the findings. Data is unaltered by the researcher, guaranteeing the integrity and reproducibility of this research.

## Results

### Factor analysis on WVS

The factor analysis employs an iterative process consisting of several stages to ensure methodological rigour. The analysis begins by extracting the three Hofstede dimensions used in the hypotheses. These dimensions demonstrate statistically significant factor loadings with minimal cross-loadings. The three-factor result does not exceed acceptable thresholds, with a KMO of .747, a significant Bartlett's test ( $p < .001$ ), and explained variance of 78.4%. Cronbach's alpha values for the yielded dimensions are robust (Masculinity  $\alpha = .90$ , Long-term

Orientation  $\alpha = .71$ , Indulgence  $\alpha = .74$ ), indicating strong internal validity. An overview of the key statistical results of the factor analysis is given in appendix 1.

## **Hypothesis estimates results**

The hypotheses of this research posited that higher levels of masculinity (H1), long-term orientation (H3), and indulgence (H5) in the home country would positively influence MNE performance. Next, the hypotheses posited that the influence of masculinity (H2) and indulgence (H6) would be positively moderated by Born Global status, while the influence of long-term orientation (H4) would be negatively moderated when the firm is a Born Global.

The results of the regressions testing these hypotheses are shown in table 7 below. The first column shows the names of the variables included. Following a systematic approach to statistic model building, first a baseline model is established, including only the control variables (model 1). Subsequently, the cultural dimensions are added individually (model 2, 3, and 4). Models 5, 6, and 7 reveal the results of the moderating effect of Born Globals on the relationships between the individual cultural dimensions and MNE performance. This model-building approach enables us to isolate the effect of each cultural dimension while maintaining model stability. Table 8 summarises all hypotheses and their outcomes.

The first regressions (table 7, models 2, 3, and 4) reveal diverging findings across the cultural variables tested. Masculinity shows a positive but insignificant effect on MNE performance ( $\beta = 0.057$ ,  $p > 0.1$ ), failing to support hypothesis 1, which predicted that higher levels of masculinity would positively influence MNE performance. Similarly, Long-term Orientation shows a positive but insignificant effect on MNE performance ( $\beta = 0.038$ ,  $p > 0.1$ ), failing to support hypothesis 3, which predicted that higher levels of long-term orientation would positively influence MNE performance. Contrastingly, Indulgence shows a moderately significant negative effect on MNE performance ( $\beta = -0.185$ ,  $p < 0.1$ ). This result contradicts hypothesis 5, which predicted that higher levels of indulgence in the home country would positively influence MNE performance.

The second round of regressions (table 7, models 5, 6, and 7) examines the moderation of Born Globals in the effects of home country culture on MNE performance. Following the same regression sequence used to assess the direct effects, several interaction effects are found. First, contrary to hypothesis 2, model 5 demonstrates a negative but non-significant interaction effect ( $\beta = -0.059$ ,  $p > 0.1$ ). This fails to support hypothesis 2, which expected that a Born Global status would positively moderate the relationship between masculinity and MNE

performance. Next, long-term orientation also shows a negative interaction effect, ( $\beta = -0.041$ ,  $p > 0.1$ ), although this effect is also not statistically significant. Even though the direction aligns with hypothesis 4, which predicted that a Born Global status would negatively moderate the effect of long-term orientation on MNE performance, the insignificance of this effect reveals that this hypothesis is not supported. Lastly, indulgence shows a negative interaction effect ( $\beta = -0.144$ ,  $p > 0.1$ ), thereby contradicting hypothesis 6 which predicted a positive moderation by a firm's Born Global status. This effect is also statistically insignificant and therefore fails to support or contradict the hypothesis. Altogether, none of the moderating effects by a firm's Born Global status achieve statistical significance, indicating that this Born Global status does not significantly moderate the relationships between the three cultural dimensions and MNE performance.

**Table 7**  
**Results of direct and moderating relationships: Culture on MNE and BG performance**

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
Masculinity		0.057 (0.037)			0.048 (0.037)		
Long-term Orientation			0.038 (0.026)			0.028 (0.027)	
Indulgence				-0.185* (0.108)			-0.162 (0.109)
Born Global					-6.518 (4.655)	-6.316 (8.746)	-0.481 (28.713)
Born Global * Masculinity					-0.059 (0.125)		
Born Global * Long-term Orientation						-0.041 (0.171)	
Born Global * Indulgence							-0.144 (0.517)
Constant	-19.025*** (5.189)	-20.151*** (7.140)	-13.767*** (4.628)	0.908 (8.321)	-19.348*** (7.149)	-13.771*** (4.620)	-1.429 (8.391)
R&D intensity	-2.074*** (0.189)	-2.045*** (0.189)	-2.058*** (0.189)	-2.048*** (0.188)	-2.026*** (0.188)	-2.034*** (0.189)	-2.027*** (0.188)
Employee number	2.246*** (0.220)	2.408*** (0.224)	2.317*** (0.218)	2.438*** (0.227)	2.360*** (0.224)	2.288*** (0.218)	2.401*** (0.227)
Controlled for industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controlled for year	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GDP	0.057 (0.114)	-0.153** (0.065)	-0.178*** (0.057)	-0.173*** (0.057)	-0.142** (0.065)	-0.167*** (0.057)	-0.154*** (0.057)
GDP Growth	0.062 (0.110)	0.156 (0.105)	0.179* (0.107)	0.182* (0.107)	0.161 (0.105)	0.176* (0.107)	0.185* (0.107)
Institutional Quality	0.088 (0.067)	-0.009 (0.050)	-0.080*** (0.025)	-0.124*** (0.037)	-0.009 (0.050)	-0.068*** (0.025)	-0.106*** (0.037)
R-squared	0.165	0.167	0.167	0.167	0.169	0.169	0.171
N	4580	4580	4580	4580	120	120	120
Prob > Chi2	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Highest VIF		3.19	3.19	3.19	3,21	3,22	3,22

Note: The table shows estimated coefficients and standard errors in parentheses.

\* $p < .10$ .

\*\* $p < .05$ .

\*\*\* $p < .01$ .

**Table 8***Results of all hypotheses*

Hypothesis	Description	$\beta$	p	Result
H1	<i>Higher levels of masculinity in the home country positively influence MNE performance.</i>	0.057	0.121	Not supported
H2	<i>The effect of masculinity in the home country on MNE performance is positively moderated by a firm's Born Global status.</i>	-0.059	0.640	Not supported
H3	<i>Higher levels of long-term orientation in the home country positively influence MNE performance.</i>	0.038	0.152	Not supported
H4	<i>The effect of long-term orientation in the home country on MNE performance is negatively moderated by a firm's Born Global status.</i>	-0.041	0.812	Not supported
H5	<i>Higher levels of indulgence in the home country positively influence MNE performance.</i>	-0.185	0.087	Supported
H6	<i>The effect of indulgence in the home country on MNE performance is positively moderated by a firm's Born Global status.</i>	-0.144	0.781	Not supported

Note.  $\beta$  = standardised regression coefficient. p-values of significance rounded to three decimal places

All regression models, testing both the direct and moderation effects, demonstrate statistical significance (Prob > Chi<sup>2</sup> = 0.000 for the main effects and for the moderation analyses). Multicollinearity tests confirm acceptable variance inflation factor (VIF) levels. All models show R-squared levels of at least 0.165, which is above the critical threshold of 0.1. This level is only acceptable if a sufficient number of predictor variables are significant (Ozili, 2023), which is the case for all models.

Across all models, the control variables show consistent patterns. Testing the firm-specific control variables first, the natural logarithm of organization size (Employee number) shows a consistently strong positive effect on ROA of MNEs ( $\beta = 2.246$  to  $2.438$ ,  $p < 0.01$ ), and this effect is found back in the moderation of BGs ( $\beta = 2.288$  to  $2.401$ ,  $p < 0.01$ ). The natural logarithm of R&D intensity shows a significant negative impact on performance in both rounds of regressions ( $\beta = -2.026$  to  $-2.074$ ,  $p < 0.01$ ), implying that R&D investments negatively affect performance for internationally operating firms.

Among country-specific control variables, GDP shows paradoxically negative relationships with MNE performance, also after the moderation of the BG status ( $\beta$  ranging from  $-0.142$  to  $-0.178$ ,  $p < 0.01$  to  $p < 0.05$ ). GDP growth shows moderately positive effects on performance in models 3, 4, 6, and 7 ( $\beta = 0.176$  to  $0.185$ ,  $p < 0.1$ ). In the same models, institutional Quality paradoxically shows negative effects on performance of both MNEs and their moderation by BGs too ( $\beta = -0.068$  to  $-0.124$ ,  $p < 0.01$ ), suggesting that higher levels of institutional quality result in lower performance outcomes of MNEs and BGs.

## **Robustness tests**

In order to test the quality of the results, two robustness tests are done, specifically relating to the Born Global group of MNEs. In the first robustness test, all control variables are excluded from the regression to examine the moderating effects in isolation from controlling variables. Without these variables, the sample size increases from 120 observations in 50 firms to 317 observations in 128 firms, originating from 13 countries. The results of this first robustness test are documented in models 8 to 10 in appendix 4. These results show that indulgence ( $\beta = -0.525$ ,  $p < 0.1$ ) shows moderately significant negative effects. This result indicates that a firm's Born Global status weakens the relationship between indulgence and firm performance, however, this effect is not robust, as it disappears after the inclusion of the control variables. Furthermore, these less robust regressions led to even lower R-squared values, ranging between 0.031 and 0.042, indicating reduced explanatory power of the models without

the control variables. This, in turn, underscores the importance of including alternative explanations in the assessment of the relationships.

The second test for robustness is the replacement of the dependent variable Return on Assets by Return on Equity (ROE). To test the moderating effects of a firm's Born Global status on the relationship between the cultural dimensions and ROE, Pooled OLS regressions are performed, as the characteristics of the data violate the assumptions for performing a Random Effects regression (Breusch and Pagan Lagrangian multiplier (1980):  $p = > 0.05$ ). The results of this second robustness test are documented in models 11 to 17 in appendix 5. These results fail to reveal any significant relationships for both direct and moderation effects. Next, none of the models demonstrate overall statistical significance, indicating that these models are inadequate in explaining meaningful variance in the dependent variable ROE. The lack of significant findings in these models suggest that home country culture, especially indulgence, may have a larger influence on how firms structure their asset management—as reflected in ROA—rather than on how firms generate revenue for shareholders—as reflected in ROE.

## **Discussion**

### **Main findings**

The primary aim of this paper is the examination of how home country culture influences the performance of internationally operating businesses, and specifically whether these effects differ between Born Globals and traditional Multinational Enterprises. The sample data covers 4580 observations of 1742 MNEs located in 17 countries and 120 observations of 50 BGs located in 6 countries. The findings both support and challenge the theoretical expectations regarding the relationships between cultural dimensions and performance of internationally operating firms.

The most significant finding is the negative relationship between indulgence and MNE performance, generalizing the findings of Aleqdat et al. (2022). This finding contradicts the initial hypothesis 5 and its foundational theory, which predicted that MNE performance is positively influenced by more indulgent home country cultures. The significant negative relationship indicates that organizations originating from cultures characterized by higher indulgence exhibit lower performance. The magnitude of this effect suggests that a more

indulgent cultural background represents a meaningful constraint to firm performance in the context of international business.

In contrast with the hypotheses, masculinity and long-term orientation showed no significant direct effects on MNE performance, and thereby fail to support hypotheses 1 and 3. The absence of significance suggests that these cultural dimensions may operate through different or more complex mechanisms than theorized in this research.

The moderating analysis testing how a firm's Born Global status influences the relationship between home country culture and MNE performance reveals a different pattern than expected. In contrast to the significant effects observed in the previous analyses, none of the cultural dimensions demonstrate significant moderation effects when interacted by the Born Global status.

Masculinity demonstrates a negative but non-significant effect on the performance of Born Globals, failing to support hypothesis 2. This finding suggests that the competitive characteristics of more masculine cultures do not impact BGs differently compared to traditional MNEs, in terms of performance outcomes.

Long-term orientation similarly demonstrates a negative but insignificant moderation effect, failing to support hypothesis 4. Even though the direction of this result aligns with the theoretical expectation that a BGs' focus may be less compatible with cultures that emphasize long-term planning and patience, the lack of significance provides no empirical evidence for this relationship.

Lastly, also Indulgence exhibits a negative and non-significant interaction effect, therewith contradicting hypothesis 6. A firm's BG status does not enhance performance benefits expected from more indulgent cultures. Overall, these results indicate that the influence of home country culture on MNE performance is not altered by whether or not the firm is a BG. This suggests that cultural effects may be more consistent across different types internationally-operating firms than theorized.

A robustness test within the Born Global subsample reveals that when control variables are excluded from the regressions to increase the sample size, all cultural effects become non-significant, and the explanatory power of the model decreases substantially. This underscores the importance of including controlling variables in explaining Born Global performance and suggests that the effects of the home country culture may be more nuanced than initially

theorized. Next, when using Return on Equity as dependent variable, significant results disappear, implying that home country culture may exert limited influence on a firm's ability to generate shareholder revenue. Cultural factors, especially indulgence, therefore appear to be more related to strategic design decisions concerning internal asset allocation.

## **Theoretical implications**

Based on the results, this research offers several theoretical implications that substantially reshape the general understanding of cultural effects in international business and Born Global theory.

First, the study contributes to the literature on culture, specifically augmenting theory regarding the impact of home country culture on international business performance. It extends contemporary theory on culture by revealing that not every cultural dimension influences firms to the same extent. The negative relationship between indulgence and firm performance suggests that certain cultural characteristics of a firm's home country inherently disadvantage this firm in international markets, regardless of its strategic alignment.

The lack of significant effects of masculinity and long-term orientation on MNE performance suggests that the relationship between culture and international performance is more nuanced than previously proposed in existing theories. This finding partially resolves the contradictions pointed out in earlier research (Gerecke and House, 2013; Martins & Lopes, 2016), by demonstrating that cultural effects are highly context-dependent and moderated by factors beyond firm internationalization strategies alone.

Next, the results augment the literature on Born Globals substantially by examining the influence of home country culture on BG performance. Until now, researchers have mostly focused on firm-level and individual-level indicators influencing BG performance (Gull et al., 2021; Karra et al., 2008), leaving the cultural contexts from which these firms unexamined. This overlooking of higher-level influences has created a knowledge gap, as differences in BG performance rates and prevalence across countries were left unexplained.

This paper is therefore among the first in examining a country-level indicator, demonstrating its substantial impact on BG performance. The finding that Born Global status does not significantly moderate the relationship between masculinity, long-term orientation or indulgence and performance challenges existing theoretical assumptions about how home country culture affects rapid internationalization patterns differently compared to traditional

MNEs. This result enlarges BG theory by indicating that the defining characteristics of BGs may be less contingent than previously theorized. The absence of significance suggests that BGs do not operate under fundamentally different cultural logics compared to traditional MNEs. Instead, it reveals that while BGs utilize different internationalization strategies, the influence of culture on this type of internationally-operating organization is quite similar to that of MNEs in general. This has significant implications for the concept of BG uniqueness. Instead of being constrained or advantaged by culture in different ways, BGs remain subject to cultural pressures in the same manner as MNEs in general are. Whereas established BG theory often states that BG rapid internationalisation strategies provide advantages over traditional, gradual internationalisation patterns, the findings of this research suggest a more nuanced reality: BGs must navigate the same cultural advantages and constraints as traditional MNEs, and do not avoid cultural challenges despite their different internationalisation strategies.

The factor analysis results, revealing three valid Hofstede dimensions, contribute significantly to the methodological discussion on cross-cultural research. While the strong internal validity of the three dimensions proves the applicability of the Hofstede framework, it also demonstrates the need in future research to empirically validate cultural frameworks before use, rather than assuming their universal relevance.

## **Managerial implications**

Besides augmenting contemporary knowledge on Born Global and culture theory, this paper also provides practical implications, both for managers in MNEs and BGs as for policymakers. The findings offer strategic advice for MNE and BG decision-makers originating from diverse cultural contexts. The significant negative relationship between indulgence and MNE performance suggests that managers from more indulgent countries should develop compensatory strategies to overcome this structural constraint. This can include the creation of within-organization cultures that emphasize strategic focus rather than immediate gratification.

For Born Global managers in particular, the findings reveal that the home country culture does not lead to differences in performance effects, compared to traditional MNEs. The absence of significant moderation effects across the cultural dimensions suggests that BG managers do not need to adopt radically different cultural alignment than those used in traditional MNEs. BG decision-makers can apply established cultural adaptation strategies based on the direct effects of this paper, without needing to develop tailored approaches based on their unique internationalisation patterns.

In general, this paper provides guidance for MNE and BG managers worldwide. Being consciously aware that the home country culture creates both advantages and disadvantages would already benefit managers, as they know they should first assess their home country culture before entering international markets. Furthermore, BG managers should not adopt different strategies adapted to the home country culture than MNE managers do, as their rapid internationalization strategy is not challenged substantially different by their cultural contexts.

Policymakers and institutions supporting international venturing should acknowledge that home country culture affects BGs and MNEs, and therefore should design their support mechanisms accordingly. Generic internationalisation support programs are sufficient for addressing the specific cultural constraints BGs face. Policymakers within more indulgent societies could design more discipline-building programs to enhance their MNE's international competitiveness.

### **Limitations and opportunities for future research**

This research has several limitations, presenting opportunities for future research. First, it examines culture at the country level by assigning single scores to entire countries. This approach does not capture within-country cultural variations and subcultures that might significantly impact business practices. Next, this paper uses a relatively simplified definition of Born Globals for operationalization purposes. Since BGs are defined as founded no more than two years prior to date of measurement and generating at least 25% of sales internationally, the innovative character and niche market focus (Merrilees & Tiessen, 1999) are not captured, potentially overlooking nuanced distinctions in internationalization patterns. Third, the paper only analyses listed firms—both MNEs and BGs—since they provide complete performance data in the ORBIS and LSEG databases. While this utilization ensures the reliability and usability of the data, it significantly limits the BG subsample. Many Born Globals are small and unlisted, especially in their first stages following their inception. Consequently, the study excludes a substantial portion of the Born Global population, possibly creating sampling bias and raising concerns about whether the data represents the total population of BGs. Fourth, this paper focuses on the home countries of both MNEs and BGs as the influencing variable. However, MNE and BG founders and decision-makers may originate from countries different from where the MNEs or BGs are established. The research therefore does not control for the founder effect and cannot fully account for individual-level characteristics within MNEs and BGs. Fifth, the study exclusively relies on Return on Assets and Return on Equity as

performance indicators, which may not always be the most important indicators for international business success, as international firms prioritize not only financial performance but also brand establishment, network development, and reputation (Richard, Devinney, Yip, & Johnson, 2009). Lastly, the robustness of the Born Global sample reveals notable methodological constraints. When the sample size moves from 120 to 316 observations after the removal of control variables, the moderating effect of BG status on the relationship between indulgence and firm performance becomes significant, while the model's explanatory power drops substantially. This implies that the identified cultural effects may be sensitive to model specification and sample composition.

The limitations identified present valuable opportunities for future research. First, while the research quantitatively examines the influence of certain cultural dimensions on international businesses, it does not investigate the underlying mechanisms driving these cultural effects. Qualitative research should explore these underlying mechanisms, for instance, by exploring why and how an indulgent home country culture influences MNE performance. Second, longitudinal studies could follow Born Globals from inception to maturity, examining the role of the home country culture throughout their development. This approach enables the examination of how the effects of a single cultural dimension may vary across different phases of organizational development. Third, future research could examine the impact of cultural distance in BG performance. As this paper only focuses on home country culture, the role of cultural distance between the home and host country remains unexamined. Investigating cultural distance could offer valuable insights into how differences between home and host country cultures impact Born Global strategic decision making, adaptability and overall performance.

## **Conclusion**

This study examined how home country culture influences the performance of international businesses, and specifically whether the effects of home country culture differ for Born Globals compared to traditional Multinational Enterprises, as BG internationalization strategies differ largely from those of traditional MNEs. By using a robust panel data regression with random effects, combining firm-level performance indicators with cultural dimensions, the study reveals that influences of home country culture are not consistent across diverging international business strategies.

The key discovery of this paper is the significant and negative impact of indulgence on MNE performance, suggesting that more indulgent cultures impose constraints for firms seeking performance in international business contexts. Contrastingly, despite theoretical relevance and speculation, masculinity, and long-term orientation, did not show significant effects on performance of MNEs. Moreover, none of these cultural effects were significantly moderated by a firm's Born Global status, implying that their different internationalisation pattern does not fundamentally alter the effects of culture on the firm's performance.

These findings challenge the theorized prediction that BGs, due to their rapid internationalisation strategies, experience home country cultural effects differently from traditional MNEs. Instead, the findings suggest a more consistent cross-firm interpretation of cultural effects, offering valuable implications for both theory and practice. Theoretically, the findings highlight the varying impacts of individual cultural dimensions on international businesses. Practically, the findings suggest that managers in these international businesses benefit from aligning their internationalization strategies to their home country culture, leveraging its strengths and counteracting its weaknesses.

While the paper contributes new insights, it also has limitations, particularly regarding the measurement of cultural effects within a limited sample of MNEs and BGs. Future research should look into the qualitative mechanisms behind the findings or examine the role of cultural distance rather than solely assessing the influence of home country culture on BG performance.

This research offers a more nuanced understanding of the effects of home country culture on internationally operating firms, providing both clarity and suggestions for future research across different types of firms. The findings reveal a profound truth: although home country culture does affect MNE performance, the differences between Born Globals and traditional MNEs are less pronounced than previously theorized.

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## Appendices

### Appendix 1, Factor analysis results

**Table 1**

*Kaiser Meyer Olkin and Bartlett's Test of Sphericity (cultural dimensions)*

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0,747
Bartlett's Test of Sphericity	Approx. Chi-Square	414,861
	df	45
	Sig.	<,001

**Table 2**

*Total Variance Explained (cultural dimensions)*

Factor	<b>Initial Eigenvalues</b>			<b>Extraction Sums of Squared Loadings</b>		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3,737	37,368	37,368	3,512	35,121	35,121
2	2,657	26,566	63,934	2,345	23,447	58,568
3	1,444	14,439	78,373	1,084	10,837	69,404
4	0,653	6,528	84,901			
5	0,428	4,282	89,183			
6	0,348	3,478	92,661			

*Note* : Extraction Method: Principal Axis Factoring.

**Table 3***Rotated Factor Matrix (cultural dimensions)*

	<b>Factor</b>		
	1	2	3
INV_37	0,975	-0,187	-0,111
INV_41	0,849	-0,155	-0,358
INV_30	0,761		0,113
INV_40	0,747		-0,341
Q49	-0,175	0,898	
INV_46		0,821	
Q48	-0,152	0,698	-0,395
INV_13			0,77
INV_14	-0,31	-0,26	0,683
INV_8	-0,257		0,562

Note : Extraction Method: Principal Axis Factoring.

Rotation Method: Varimax with Kaiser Normalization\*

\* = Rotation converged in 5 iterations.

Note : INV\_ = Reverse-coded Item

## Appendix 2, questions from WVS

<b>Dimension</b>	<b>Question</b>	
	<b>number</b>	<b>Question</b>
Indulgence Cronbach's Alpha: 0.74	Inv_46	Feeling of happiness Taking all things together, would you say you are: (very happy, quite happy, not very happy, not at all happy) Please use this scale where 1 means "none at all" and 10 means "a great deal" to indicate how much freedom of choice and control you feel you have over the way your life turns out.
	49	
	48	All things considered, how satisfied are you with your life as a whole these days?
Masculinity Cronbach's Alpha: 0.90	Inv_30	University is more important for a boy than for a girl
	Inv_37	It is a duty towards society to have children
	Inv_40	Work is a duty towards society
	Inv_41	Work should always come first, even if it means less spare time
Long-term orientation Cronbach's Alpha: 0.71	Inv_8	Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? <i>Independence</i>
	Inv_14	Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? <i>Determination and perseverance</i>
	Inv_13	Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important? <i>Thrift saving money and things</i>

## Appendix 3, Do-file with STATA-commands.

*STATA DO-file with RE regression prompts.*



STATA-prompts RE  
regressions.do

## Appendix 4, Robustness test 1 results

**Table 8**  
**Results of robustness test 1: Without control variables**

Variable	Model 8	Model 9	Model 10
Masculinity	0.063*** (0.017)		
Long-term Orientation		-0.011 (0.021)	
Indulgence			0.142*** (0.045)
Born Global	-9.764** (3.886)	-17.366*** (6.643)	20.498 (17.418)
Born Global * Masculinity	0.091 (0.089)		
Born Global * Long-term Orientation		0.176 (0.117)	
Born Global * Indulgence			-0.525* (0.319)
Constant	-2.075** (1.041)	2.168 (1.399)	-6.203** (2.444)
R-squared	0.0061	0.0044	0.0088
N	120	120	120
Prob > Chi2	0.0000	0.0012	0.0000

*Note: The table shows estimated coefficients and standard errors in parentheses.*

\* $p < .10$ .

\*\* $p < .05$ .

\*\*\* $p < .01$ .

## Appendix 5, Robustness test 2 results

**Table 10**  
**Results of robustness test 1: ROE as dependent variable**

Variable	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17
Masculinity		-0.850 (1.246)			-0.902 (1.262)		
Long-term Orientation			-0.005 (0.893)			-0.015 (0.901)	
Indulgence				1.976 (3.420)			2.068 (2.436)
Born Global					-35.800 (145.055)	-73.262 (282.574)	346.451 (968.684)
Born Global * Masculinity					1.334 (3.974)		
Born Global * Long-term Orientation						1.702 (5.622)	
Born Global * Indulgence							-6.124 (17.408)
Constant	-296.509 (157.842)	-134.564 (285.177)	-295.941 (193.758)	-412.595 (255.547)	-127.738 (286.044)	-297.272 (193.870)	-421.528 (258.219)
R&D intensity	-17.299** (7.270)	-17.275** (46.085)	-17.296** (7.274)	-17.203** (7.262)	-17.208** (7.269)	-17.274** (7.283)	-17.192** (7.268)
Employee number	15.519** (7.019)	14.489** (7.021)	15.525** (6.879)	14.423** (7.115)	14.620** (7.039)	15.724** (6.908)	14.568** (7.131)
Controlled for industry	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Controlled for year	Yes	Yes	Yes	Yes	Yes	Yes	Yes
GDP	1.030 (1.661)	0.083 (2.165)	1.026 (1.882)	0.607 (1.815)	0.050 (2.169)	1.038 (1.887)	0.625 (1.826)
GDP Growth	3.900 (8.556)	1.189 (9.435)	3.871 (10.241)	2.225 (9.034)	1.077 (9.447)	3.870 (10.243)	2.257 (9.054)
Institutional Quality	0.594 (0.913)	-0.620 (2.002)	0.593 (0.956)	1.003 (1.156)	-0.682 (2.011)	0.595 (0.965)	1.033 (1.175)
R-squared	0.0036	0.0037	0.0036	0.0037	0.0038	0.0037	0.0037
N	4467	4467	4467	4467	120	120	120
Prob > Chi2	0.4372	0.4754	0.5079	0.4845	0.6031	0.6355	0.6110

Note: The table shows estimated coefficients and standard errors in parentheses.

\* $p < .10$ .

\*\* $p < .05$ .

\*\*\* $p < .01$ .