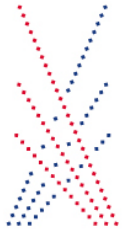

BRITISH ACADEMY
OF MANAGEMENT

BAM
CONFERENCE

3RD-5TH SEPTEMBER
ASTON UNIVERSITY BIRMINGHAM UNITED KINGDOM

This paper is from the BAM2019 Conference Proceedings

About BAM

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

http://www.bam.ac.uk/

CULTURAL PRACTICES AND VARIATIONS INFLUENCE ON MANAGERIAL DISCRETION AND THE IMPLICATIONS FOR NATIONAL COMPETITIVENESS

ABSTRACT

Purpose: This paper examines cross-cultural differences in managerial discretion and the extent to which variations in inter- and intra-cultural practices affect the degree of freedom in decision-making that is afforded to executives. Research into the degree of discretion, or 'latitude' of executive action, has primarily focused on individual-, firm-, and industry-level factors which, either enable or otherwise constrain the freedom of executive action. However, research into its national-level antecedents and consequences remains limited.

Design: We further develop the national-level construct of managerial discretion by empirically investigating the influence of cultural practices and their variations on CEOs' discretion and its consequent implications across 18 countries.

Findings: We find that cultural practices¬- individualism, power distance, future, humane, and performance orientations, along with gender egalitarianism and assertiveness-and the degree of variation surrounding each of these are associated with the managerial discretion. In turn, we conduct a multilevel regression analysis on a panel dataset spanning 17 years of national competitiveness levels to empirically demonstrate the direct influence of managerial discretion on national competitiveness. Finally, we show that managerial discretion mediates the relationship between cultural practices and national competitiveness.

Originality/value: We contribute to the field of cross cultural and strategic management, by discovering for the first time new national-level antecedents and consequences of managerial discretion, offering new theoretical insights and practical implications.

KEYWORDS managerial discretion, cultural practices, cultural variation, national competitiveness, CEOs.

INTRODUCTION

CEOs' influence on firm performance continues to increase, with 8.6 percent (1950–1969) to now up to 26.4 percent (1990–2009) of firms' performance attributable to individual CEOs (Quigley and Hambrick, 2015). Managerial discretion, or the latitude of executive action (Hambrick and Finkelstein, 1987), is the primary conduit enabling CEOs to put their own distinctive marks on firms' performance (Crossland and Hambrick, 2011). Such managerial discretion is limited by the "zone of acceptance" of powerful stakeholders (Hambrick and Finkelstein, 1987). Recent research has uncovered individual-, organization-, and industry-level antecedents of managerial discretion (e.g., McClelland *et al.*, 2010; Peteraf and Reed, 2007; Quigley and Hambrick, 2012). However, beyond the micro-level aspects, at the broader national level, culture may have further significant influences on the degree of executive leeway. At a national level, culture shapes the practices and behavior of its members (Javidan *et al.*, 2006). As such, these culturally embedded practices may also directly influence organizational and leadership behavior in countries (Geletkanycz, 1997; House *et al.*, 2014). Yet, except for few studies, Crossland and Hambrick (2011) and Haj Youssef and Christodoulou (2017, 2018), culture's influence on managerial discretion has received scant attention in the literature. Therefore, there is a need for further insights into the primary cultural drivers and hindrances to managerial discretion at the national level.

Beyond the need to uncover the influence of cultural practices themselves, recent research has emphasized the importance of considering the implications of the degree to which executives adhere to these practices (e.g., Gelfand *et al.*, 2011). Intra-cultural variation is an important yet an understudied layer of national culture. Within cultural variations has proven to have an impact on several macro- and micro-level variables (e.g. Beugelsdijk et al., 2014) and its association with managerial discretion has been studied only on individualism, uncertainty tolerance, and power distance (Haj Youssef and Christodoulou, 2018). Thus, a

more nuanced understanding of the implications of variation surrounding each cultural practice may aid in further understanding the drivers of managerial discretion.

Moreover, while managerial discretion has long been related to performance, there is stark controversy on whether greater degrees of managerial discretion are always desirable. Regardless of whether managerial discretion is directly related to positive or negative firm performance (Wangrow *et al.*, 2015), studies have called for further research to consider the performance implications at the national level as well (Crossland and Hambrick, 2011).

In answering this call, we make three primary contributions. First, we draw on recent cross-cultural research (House *et al.*, 2004) to contribute to the emerging discretion research by disaggregating the differential effect of all cultural practices on managerial discretion. Crossland and Hambrick (2011) and Haj Youssef and Christodoulou (2017) show the importance of individualism, uncertainty tolerance, and power distance in shaping the degree of managerial discretion across countries. Using GLOBE's cultural practices scores (House *et al.*, 2004) and discretion ratings derived from a panel of senior management consultants, we empirically assess and compare the impact of future, humane, and performance orientations, along with gender egalitarianism and assertiveness, on managerial discretion.

Second, our study extends the strategic management literature on strategic leadership, which posits that executives can take idiosyncratic actions insofar as those actions fall within the zone of acceptance of powerful stakeholders (Hambrick and Finkelstein, 1987). Building on recent theorization in cross-cultural psychology (Uz, 2015), we view the role of variation surrounding each cultural practice as driver or hindrance for managerial discretion.

Third, we add to recent research on managerial discretion by assessing its implications for national competitiveness. Quigley and Hambrick (2015) assert that the proportion of variance in firms' performance attributable to individual CEOs has increased over time. Similarly, Crossland and Hambrick (2011) find that attribution of the "CEO

effect" differs from one country to another. For example, CEOs exert greater influence in the United States than Japan (Crossland and Hambrick, 2007). However, it is unclear whether managerial discretion is desirable to enhance country performance. In line with Crossland and Hambrick's (2011) conceptualization, we empirically demonstrate the national implications of managerial discretion on country performance and how discretion mediates the relationship between cultural practices and national competitiveness.

In the remainder of this paper, we provide an overview of the research on managerial discretion and its theoretical underpinnings. We then construct our theoretical model shown in Figure 1, and provide specific hypotheses on the antecedents (cultural practices and variation surrounding these cultural practices) and consequences (national competitiveness) of managerial discretion. Next, we empirically test our hypotheses related to the implications of the cultural practices and their variations for managerial discretion. Finally, we relate managerial discretion to country performance.

*** Please Insert Figure 1 About Here ***

THE CONCEPT OF MANAGERIAL DISCRETION

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

At the individual level, research shows that executives operating within the same domain can foresee distinct sets of actions depending on their individualities and psychological characteristics (Wangrow *et al.*, 2015). Some executives can envision a wider range of alternatives and to create multiple courses of actions that affect organization outcomes. These psychological micro-foundations are unique features that determine executives' discretion. For example, executives with greater locus of control (Carpenter and Golden, 1997), ambiguity tolerance (Dollinger *et al.*, 1997), networking relationships (Geletkanycz and Hambrick, 1997), risk-taking behavior (Roth, 1992), and low commitment to the status quo (McClelland *et al.*, 2010) possess higher degree of discretion.

At the organizational level, firms with abundant resources that are easily transferable enable executives to foresee change and choose from a wider variety of alternatives (Hambrick and Finkelstein, 1987). Similarly, the lack of ingrained culture and the existence of a passive board accord executives with more discretion (Boyd and Salamin, 2001). Relatedly, CEO duality increases the likelihood of strategic change, which in turn enhances managerial discretion (e.g., Kim, 2013; Quigley and Hambrick, 2012). In contrast, organizations with an entrenched rigid culture and control place strict constraints on executives' actions and limit strategic change initiatives (e.g., Key, 2002; Wangrow *et al.*, 2015).

Moreover, the task environment in which firms operate can drastically alter executive actions. Some industries can afford a greater variety of choices/actions than others. Hambrick and Abrahamson (1995) argue that advertising, R&D intensity, and market growth promote managerial discretion. However, industry regulation constrains executives' latitude of actions (Peteraf and Reed, 2007). Similarly, Finkelstein (2009) finds that both demand variability and industry concentration negatively affect CEOs' discretion. Despite Hambrick and Finkelstein's (1987: 379) argument that discretion is closely related to "the degree to which

the environment allows variety and change," most conceptualizations view the task environment in terms of industry characteristics (e.g., Haj Youssef and Christodoulou, 2017).

Recent endeavors have broadened the milieu in which discretion emanates. Crossland and Hambrick (2011) assert that cultural values operationalized as individualism, uncertainty tolerance, power distance, and cultural looseness significantly shape the degree of managerial discretion. Similarly, Haj Youssef and Christodoulou (2017) show the degree of discretion accorded to executives in each country depend on the cultural behaviour of the society. Also, Haj Youssef and Christodoulou in a recent study showed that discretion is also related to the variations surrounding individualism, uncertainty tolerance and power distance. Despite this attempt, they didn't extend the theoretical framework to include other cultural dimensions that have an impact on managerial discretion. National culture comprises a broader array of practices (Javidan *et al.*, 2006), therefore, further research into the remaining cultural practices and their implications on managerial discretion is necessary.

THEORETICAL BACKGROUNG AND RESEARCH HYPOTHESES

National culture and managerial discretion

Institutions are classified in two categories: informal and formal. The latter are explicit, codified, written that consist of economics, political rules and contracts that govern transactions in a society (North, 1990), which are enforced by the government. In contrast, informal institutions are usually unwritten, tacit and exist outside the governing legal system (Helmke and Levitsky, 2006), that are enforced by societal members themselves. They are based on conventions, norms, values and code of practices or behavior that shape the interpersonal relations in a society.

National culture is one of the important informal institutions. The informal controls imposed by national culture are the "socially shared rules, usually unwritten, that are created, communicated and enforced outside official sanctioned channels" (Helmke and Levitsky,

2006: 5). Hofstede (1980: 25) defines national culture as the "collective programing of the mind which distinguishes the members of one human group from another." Institutional theory asserts the role of social beliefs, values, structures, relations, expectations and constraints by arguing that firms are embedded in nexus of informal and formal institutions (North, 1990). Individuals in a cultural environment use rule-based mental paradigms to interpret and analyze the environment stimuli (Walsh, 1995), creating problem solving functions. With time, cultures develop responses to specific actions that will be positively reinforced whereby such practices become symbolic. Therefore, these responses become the appropriate behavior that force societal members to act publicly in ways that attend to this code of behavior and deviate from their private inclinations (Miller, 1999). This directly influence firms' activities they engage in and the subsequent outcomes. Not only that, but also executives of firms operating in a country are subject to the pressure imposed by that country's institutions. Geletkanycz (1997) shows how such cultural values impose pressure on organizational behavior to follow appropriate course of actions. He found that commitment to the status quo (CSQ), which relates to the executive beliefs that firm's present actions are appropriate for the future, differed according to cultural norms.

Hambrick and Finkelstein (1987) argued that discretion exists to the extent to which a chosen action falls within the 'zone of acceptance' of powerful stakeholders. The judgement on whether an action falls inside or outside this zone depends on the perceived radicality and the power of stakeholders to object. The latter is strongly related to formal institutions as the source that generate power whereas the former is closely associated with informal institutions and particularly national culture. The radicality of an action is perceived if it contravenes acceptable practices and more importantly social norms. Countries differ in their culture and the degree of constraints varies from one country to another (Davis et al., 1997). Thus, an

action that is considered benign in one culture may well be perceived as threatening in another.

Crossland and Hambrick (2007, 2011) is one of the first studies that explicitly attempted to show that national culture measured through a set of values affects the degree of CEOs' discretion. Although the value-based framework of measuring culture has been helpful in revealing the impact of national culture on a variety of behaviors (Leung *et al.*, 2005), it is not necessarily the most robust way of measuring culture (Javidan *et al.*, 2006). Culture is more than a set of values (Schein, 1992); it comprises the actual ways individuals in a society behave (i.e., cultural practices). Research shows that cultural practices are more predictive of societal phenomena than cultural values (House *et al.*, 2004). Recent study (Haj Youssef and Christodoulou, 2017) replicated Crossland and Hambrick (2011) framework using cultural practices. Haj Youssef and Christodoulou (2017) studied cultural practices of individualism, uncertainty tolerance, and power distance and their effect on CEO discretion in six Arab countries. They corroborated extant research findings and assert that cultural practices significantly influence managerial discretion.

Furthermore, members of a culture often differ from one another, as most cultural environments possess a degree of both homogeneity and heterogeneity (variation) in behaviour innate to that society (Carpenter, 2000; Uz, 2015). Most research focuses on the "central tendency" of societal members, which denotes the typical members of a country. Quantitatively, the central tendency of societal members on a specific characteristic is mainly represented by the cultural means of such attributes (Au, 1999). The essence of cross-cultural research is to offer scientific interpretation of cultural differences rather than simply presenting the differences between countries (e.g. Mullen, 1995). Not considering within-country

variance or diversity may well lead to a missed opportunity for a more nuanced, holistic, and comprehensive approach to studying national culture.

According to Klein and Kozlowski's (2000) typology, the conceptualisation of a group has three main properties: global, shared, and configurational. The global aspect involves the encompassing properties that are mostly dominant and recognisable, such as political system, economic growth, and so on. Although the shared and configurational properties both emerge from the characteristics of a group (in this case a country), the shared properties are common among all the group members who embrace such a particularity. By contrast, the configurational property is not shared and is unique to each group member (Ralston *et al.*, 2014). These differences are mainly due to either meso-level (e.g. religion, region) or individual-level (e.g. age, gender) attributes. While most of the works in the cross-cultural literature, especially in the field of managerial discretion, have relied on the first two properties of Klein and Kozlowski's (2000) typology, some have incorporated the within-country differences to provide a better understanding of the impact of culture. Recently, Venaik and Midgley (2015) incorporated the configurational perspective and reconciled it with the national averages theoretical construct to develop cultural archetypes. Similarly, Richter *et al.* (2016) argue that the configurational perspective allows for a more holistic understanding of cultural dimensions and their consequent effects.

Furthermore, Tsui *et al.* (2007) argue that culture scholars rely heavily on the consideration of the global and shared properties of national culture and assume that shared property, using mean scores, is the main characteristic of a nation. Similarly, the observations of Au and Cheung (2004) explicitly indicate the lack of consideration of the dispersion of behaviour or practices within a country. In their

review of cross-cultural studies, Kirkman *et al.* (2006) highlighted this gap and encouraged researchers to employ the intra-country variation construct. Such importance is also reflected in Kirkman *et al.*'s (2009) study of Chinese and US employee–manager relationships, in which they concluded that to understand culture, one needs to know the within-country variance and not only the shared attributes of a society. In the same vein, Steel and Taras (2011) described in their meta-analysis study that almost 90 percent of variance in cultural attributes can be found within countries. Therefore, the adoption of the configurational perspective, which has been recognised by some scholars (e.g. Fischer *et al.*, 2011; Gurven *et al.*, 2008; Lenartowicz and Roth, 2001), is crucial to provide new insights and develop the cross-cultural field. The fundamental tenet of intra-cultural variation is to show the extent to which the shared practices within a society are widely and deeply shared among its members (Puia and Ofori-Dankwa, 2013). Drawing on the multi-layered construct of culture (Leung *et al.*, 2005), Tung (2008a) argued for the necessity to account for intra-national variation when conducting cross-cultural research.

Existing work in the stakeholder literature argues the importance of treating various stakeholder groups equally well, to enhance organizational performance (e.g. Donaldson and Peterson, 1995; Harrison *et al.*, 2010), which is the focal objective of executives. Philips *et al.* (2011) argue that executives, and by extension their firms, have the latitude to choose pre-defined actions in response to existing internal or external events. However, the discretion literature well documents that this latitude is limited and subject to various internal (e.g. firm characteristics, executive individualities [Wangrow *et al.*, 2015]) and external (e.g. industry and country characteristics [Crossland and Hambrick, 2007]) factors. The argument rests

on the premise that firms function within a collection of constituencies that have varying degrees of power, which ultimately impose restrictions on executives' actions. Thus, it would be almost impossible to explain the viability of stakeholder influence as an external factor affecting firms' outcomes without acknowledging the condition of this influence: the degree of managerial discretion.

Research shows that the heterogeneity of stakeholders exists across cultures and even within an environment (country or industry) (e.g. Gardberg and Fombrun, 2006). These stakeholder groups impose strong normative and coercive pressures on organizations (Delmas and Toffel, 2004), which consequently lead to pressures on executives' actions. Top managers are exposed to and face a population of distinct stakeholder groups, each with different motives and heterogeneous behaviour (Bridoux and Stoelhorst, 2014). Furthermore, Hambrick and Finkelstein (1987: 374) state that "To us, constraint exists whenever an action lies outside the 'zone of acceptance' of powerful parties who hold a stake in the organization…. Extending the concept to other types of stakeholders, one can think of board members, bankers, regulators, employees, customers as well as other parties, as all having their own zones of acceptance." Thus, actions that are acceptable by a given stakeholder group may well be objectionable by others. In such cases and by following the configurational approach, executives exposed to a diverse set of stakeholder groups are strongly challenged to take actions that are in line with the acceptance scale of these stakeholders. Discretion exists insofar as actions fall within the zone of acceptance of stakeholders (Crossland and Hambrick, 2011). In this case, the zone of acceptance is not only related to the central tendency of the society, instead it refers to the variable behaviour within that society.

Stakeholder theory distinguishes between the various stakeholders a manager is exposed to and recognises that interests differ both between and across these stakeholder groups (Wolfe and Putler, 2002). Executives' discretion in this case is a function of both the holder-specific discretion, particularly to each stakeholder group, and the aggregate discretion (the shared behaviour), which is common across all stakeholder groups. In the cultural realm, managerial discretion has been considered from the latter dimension only—the aggregation of stakeholders' zones of acceptance using cultural values or practices (Crossland and Hambrick, 2011; Haj Youssef and Christodoulou, 2017). However, the particularity of each stakeholder group's zone of acceptance is of great importance. This is because increasing the heterogeneity within a given context would lead to the creation of several cultural archetypes, which in turn increase the institutional constraints imposed on executives operating in such a context. Actions that do not conform to the zone of acceptance of individual stakeholder groups would be perceived as objectionable even if it falls within the shared zone of acceptance. Haj Youssef and Christodoulou (2018) adopted such approach and studied the impact of variations on individualism, uncertainty tolerance and power distance within cultures and found that greater variations on these cultural practices negatively affect managerial discretion. Despite this, Haj and Christodoulou (2018) did not take into consideration other cultural practices which are also crucial and can play a role in changing the degree of discretion accorded to executives.

The argument is that in societies with low intra-cultural variation, executives need to adapt to few stakeholder groups, which allows them to foresee a broader set of actions. It is easier for individuals to attend to a homogeneous than a heterogeneous culture because the contact with a divergent set of exemplars may

become confusing and thus provide further constraints on the information-processing ability of executives (Abrahamson and Hambrick, 1997). Cognitive theorists argue that executives encounter more information than their cognitive capability can integrate (Surroca *et al.*, 2016); for that reason, they focus on domains that they perceive as critical. This attention pattern will therefore determine their strategic agenda (Nadkarni and Barr, 2008). In the absence of the pressure generated from a variety of stakeholder groups, executives would not be inclined to adhere to a diverse set of societal expectations. In this situation, it becomes easier for them to make greater strides to interpret and comprehend a smaller set of information, which will ultimately be reflected in more strategic change and the generation of new choices. On the other hand, attending to a larger set of constraints, more information, generated from each stakeholder group will make it much more challenging for executives to understand and take actions that fall within their zones of acceptance. An executive focusing on one stakeholder group may well be in a position of high discretion vis-à-vis that individual group, but at the cost of added constraints from other stakeholder groups. In societies with a limited number of stakeholder groups (low intra-cultural variation), the opportunity cost to attend to the powerful stakeholder groups decreases, and executives can attend to the needs of a concentrated set of individual stakeholder groups, which ultimately generates higher discretion. Therefore, we believe that variations surrounding each of the cultural practices discussed below will have a negative effect on the degree of discretion accorded to executives.

Future orientation

Future orientation refers to the extent to which a society promotes future-oriented behavior such as planning, investing for the future, and delaying current gratification (House *et al.*,

1999). This cultural practice is based on the time orientation of the society, which is a commonly quoted feature of national cultures (Legoherel *et al.*, 2009). In this sense, time relates to delineating the past, present, and future (Venaik *et al.*, 2013).

Businesses and individuals operating in future-oriented societies are accustomed to building stronger positions in the future and do not expect instant results. In turn, these societies become relatively more tolerant of the unpredictability of events and means–end ambiguity (Hofstede, 2001). Such orientation becomes more associated with the idea of progress and innovation (Teather and Chow, 2000; Van Everdingen and Waarts, 2003). By emphasizing this long-term behavior, societies scoring high on future orientation should provide less restrictions on executives' actions, as stakeholders have more tolerance for unpredictability, means–end ambiguity, and eccentric risky actions.

In contrast, societies scoring low on future orientation have less tendency for change and try to avoid future anxiety by relying on past experiences and maintaining the status quo (House *et al.*, 2004; Keough *et al.*, 1999). Bold and idiosyncratic types of actions that enhance the pace of change and are associated with more risk are not permitted in these cultures. Instead, executives are expected to take actions that are consistent with the past and do not involve deviation from the status quo. Accordingly, we argue that:

Hypothesis 1a: A greater level of future orientation increases managerial discretion.

Hypothesis 1b: Greater intra-cultural variation surrounding future orientation decreases managerial discretion.

Humane orientation

Humane orientation refers to the level at which a society promotes thoughtful, caring, and fairness principles among society members (House *et al.*, 1999). The more benevolence, love, and care societal members show to one another, the more they are considered humane

oriented (Triandis, 1995). Societies scoring high on humane orientation exert strong pressures on executives to act in favor of the collective (House *et al.*, 1999; Kanungo and Aycan, 1997). In such societies, people with power tend to act as "parents" for their subordinates, care about their personal problems, and offer help (House *et al.*, 2004).

House *et al.* (2014) find that CEOs with high humane orientation have a positive relationship with top management team engagement in decision making. When members of the top management team participate more in the decision-making process, they exert greater influence on CEOs' actions, which in turn should reduce their latitude of actions (Finkelstein, 1992).

In contrast, societies low on humane orientation encourage self-interest, power, and material possession, which reduce the pressure exerted on executives because they are not required to be empathetic or to show concern about subordinates (Yukl, 2013). As such, in these societies, executives can implement more radical actions, such as cutting jobs, without taking into consideration the consequences of their actions on other societal members. Thus:
Hypothesis 2a: A greater level of humane orientation reduces managerial discretion.

Hypothesis 2b: Greater intra-cultural variation surrounding humane orientation decreases managerial discretion.

Performance orientation

Performance orientation as a cultural practice reflects the extent to which societies reward and encourage innovation, performance improvement, and high standards (House *et al.*, 2004). Performance-oriented societies adopt appraisal systems that emphasize accomplishing results (House *et al.*, 1999) and have more locus of control (House *et al.*, 2004), which represents individuals' ambitions, higher standards for performance, and thirst for

advancement (Hofstede and Bond, 1988; Rotter, 1966). Carpenter and Golden (1997) find that internal executives (in control) perceive more discretion than their external counterparts.

Moreover, appraisal techniques that particularly reward CEOs depending on their performance have been a central theme in the discretion literature (Wangrow *et al.*, 2015). Finkelstein and Boyd (1998) argue that managerial discretion goes hand in hand with CEO reward (compensation). Evidence show that the scale of this reward varies across cultures, with higher compensation for U.S. executives than their Japanese counterparts (Tosi and Greckhamer, 2004). This financial reward, which represents an important norm appreciated in countries high on performance orientation (House *et al.*, 2004), likely explains the variance in CEO compensation across countries. Performance-based compensation is significantly and positively associated with greater discretion (e.g., Boyd and Salamin, 2001; Rajagopalan, 1997; Rajagopalan and Finkelstein, 1992). Therefore:

Hypothesis 3a: A greater level of performance orientation increases managerial discretion.

Hypothesis 3b: Greater intra-cultural variation surrounding performance orientation decreases managerial discretion.

Gender egalitarianism

Gender egalitarianism refers to the equality between genders in a society (House *et al.*, 2004). Each society prescribes and proscribes various roles for men and women. Societies that appreciate gender equality try to minimize gender role differences, whereas those that discourage it try to increase the gap between genders (House *et al.*, 1999). In the strategic management and leadership literature streams, early studies on the importance of gender focused on the glass ceiling (e.g., Cook and Glass, 2014; Helfat *et al.*, 2006), which describes the prevention of career for women from advancing to the upper echelons of firms, by linking such hindrances to gender bias (Muller-Kahle and Schiehll, 2013).

Culture is a contextual characteristic that shapes the perception of gender roles (Abdullah *et al.*, 2016). Women leaders are perceived as lacking traits of successful leadership (Eagly *et al.*, 1992), and thus theories on leaders' influence on firm performance may not be applicable for female executives (Kulich *et al.*, 2011). This is due to the taboo placed on women's behavior, especially in masculine societies that do not appreciate gender equality (Hofstede, 1998). In these societies, women rarely break through the glass ceiling to reach higher corporate positions. However, even if they succeed in breaking the glass ceiling, their behavior is highly constrained (Cook and Glass, 2014). Therefore, we posit:

Hypothesis 4a: A greater level of gender egalitarianism increases managerial discretion.

Hypothesis 4b: Greater intra-cultural variation surrounding gender egalitarianism decreases managerial discretion.

Assertiveness

Assertiveness refers to the level at which people in a certain society tend to be forceful, dominant, tough, and aggressive in their relationships with other (House *et al.*, 1999). Such practice emphasizes the importance of explicitly exhibiting the self or own desires and opinions (Booream and Flowers, 1978). Assertive countries tend to appreciate competition and competitive behavior over cooperation (House *et al.*, 2004).

Competitiveness exists in countries that implement a free-market economy, in which the support is for firms' competition and individual decisions (North, 1990; Reed, 2001). In this vein, Makhija and Stewart (2002) find that executives in free-market economies (e.g., United States) have a greater sense of power over decision outcomes, have greater risk-taking behavior, and perceive more outcome accountability. In such countries, executives can implement idiosyncratic actions from a wider array of choices. Thus, assertive societies should also provide executives with a greater latitude of actions.

Hypothesis 5a: A greater level of assertiveness increases managerial discretion.

Hypothesis 5b: Greater intra-cultural variation surrounding assertiveness decreases managerial discretion.

Managerial discretion and national competitiveness

One of the most notable inferences of managerial discretion is its ability to determine whether executives have leeway in affecting organization outcomes. As such, research has long used discretion to explain variance in firm performance attributable to individual CEOs (Quigley and Hambrick, 2015). Yet earlier research fails to show whether the discretion construct has a positive or negative effect on performance (Crossland and Hambrick, 2011).

Notwithstanding its implication for strategy, managerial discretion might also have other national-level implications. Countries with greater discretion provide executives with a wider array of actions that, in turn, may enable faster firm actions, more innovation, and heterogeneous strategies. By aggregating the competitive success of firms to the national level, the overall national competitiveness increases (Thompson, 2004). This happens because national performance is not inherited but rather depends on the capacity of that nation's industry to innovate and upgrade (Davies and Ellis, 2000; Porter, 1990; Snowdon and Stonehouse, 2006). The way firms contribute to the overall performance of a country is based on their strategic orientation. In general, national competitiveness does not equate directly to the relative international market price of factor inputs but rather stems from the free and undistorted competitive activity in the domestic institutional environment (Thompson, 2004). As such, when executives have more latitude of actions and can choose strategic initiatives without environmental constraints, the overall competition scale of the domestic market increases, leading to greater national competitiveness.

Firms that innovate and seek growth opportunities through development of products and markets tend to provide executives with more discretion (Rajagopalan and Finkelstein, 1992). By following this orientation, they tend to bear high ambiguity and uncertainty in cause–effect relationships. In contrast, countries with low discretion limit executives' array of actions. In this case, firms operating in these environments tend to foster strategies that are like competitors and focus on building stable strategies. For example, Japan, a low discretion country, is home to firms with homogeneous strategies (Porter *et al.*, 2000). When companies follow stability in strategies and undertake more constrained behavior, their executives will in turn have reduced latitude of actions (Rajagopalan, 1997).

National competitiveness is also closely related to the ability of a society to tolerate changes and adapt to the uncertainty surrounding future development opportunities (Mackic *et al.*, 2014). Societies' outcomes and efforts to adapt to external changes and internal integration are important contributors to national competitiveness (Javidan and Hauser, 2004). Similarly, Lee and Peterson (2000) argue that a society's propensity to generate autonomous, risk-taking, innovative, and proactive behavior depends on that society's cultural attributes. All these societal characteristics trigger more managerial discretion, and in line with House *et al.*'s (2004) empirical justification that societal practices (e.g., performance orientation) are positively related to national competitiveness. Therefore:
Hypothesis 6: Managerial discretion has a significant, positive relationship to national competitiveness.

So far, we have argued that cultural practices are closely related to the degree of managerial discretion provided to CEOs. At the same time, we have argued that managerial discretion is also related to the level of national competitiveness. In addition, cultural practices play an important role in driving national competitiveness (House *et al.*, 2004). As such, we posit:

Hypothesis 7: Managerial discretion mediates the relationship between cultural practices and national competitiveness.

We divide our empirical analysis into three sections. First, we examine the influence of cultural practices and their variations on managerial discretion (Hypotheses 1–5). Second, we consider the effect of managerial discretion on national competitiveness (Hypothesis 6). Finally, we test the mediating role of managerial discretion between cultural practices and national competitiveness (Hypothesis 7).

CULTURE AND MANAGERIAL DISCRETION

Sample

We selected the same 15 countries that Crossland and Hambrick (2011) used in addition to three countries from a new cultural context, the Arab World. In total, we test our hypotheses on a sample of 18 countries from 6 distinct regional clusters including: Australia, Austria, Canada, Egypt, France, Germany, Italy, Japan, Kuwait, the Netherlands, Qatar, Singapore, South Korea, Spain, Sweden, Switzerland, the United Kingdom and the United States. These countries, except, Egypt, Kuwait and Qatar, have been heavily used in earlier cross-cultural studies (e.g. La Porta *et al.,* 1999; Crossland and Hambrick, 2011). Also, these countries account for most the publicly listed companies around the world and constitute the highest percentage of the global domestic product. Additionally, by using a similar sample of countries to examine managerial discretion, we would be able to validate previous studies (Wangrow *et al.,* 2015). We choose to include three more countries – Egypt, Kuwait and Qatar – to provide more richness to the data and help improve the generalisability of the findings.

Measures

Dependent variable: managerial discretion

In empirical studies so far, scholars have theorized organizational-level antecedents of discretion, including sales, firm size, slack, R&D intensity, company structure, advertising intensity, volatility, and strategic orientation (e.g., Boyd and Salamin, 2001; Finkelstein and Boyd, 1998; Kim, 2013; Quigley and Hambrick, 2012; Rajagopalan, 1997). Others have used industry variables, such as regulatory conditions, demand instability, market growth, product differentiability, attentional homogeneity, and industry capital intensity (e.g., Datta and Rajagopalan, 1998; Finkelstein, 2009; Haleblian and Finkelstein, 1993; Keegan and Kabanoff, 2008; Peteraf and Reed, 2007). Another cluster of researchers has employed individual executives' characteristics, measuring variables such as locus of control, perception, commitment to the status quo, tenure, age, education, and risk-taking behavior (e.g., McClelland *et al.*, 2010; Miller *et al.*, 1982; Roth, 1992). All these measures represent an indirect approach for assessing the degree of managerial discretion. These studies have treated discretion as a "black box," (Crossland and Hambrick, 2011) associating it with various individual-, organization-, and/or industry-specific proxies. As Wangrow *et al.* (2015: 124) note, "future research could pilot additional studies with industry experts, academics and managers to assess the level of discretion in firms, industries and nations." Such call represents a need to assess discretion in a direct manner without relying on proxy measures.

Notwithstanding their probable perceptual bias, expert panel ratings allow for consistent and valid assessments and are an established method to investigate organizational phenomena, including business strategies (Crossland and Hambrick, 2011; Hambrick and Abrahamson, 1995; Haj Youssef and Christodoulou, 2017, 2018). As such, we sought discretion scores from long-tenured, prominent, and highly experienced management consultants. These consultants possess extensive knowledge about various external (environmental, including market and country), internal (related to the firm), and even individual characteristics of CEOs headquartered in our sampled countries. We pre-screened

these management consultant respondents using their companies' web pages to ensure they had at least 10 years of experience in consultancy and were in a current senior position in one of the major multinational consultancy firms (i.e., Accenture, Aon Consulting, Bain & Company, BSG Consulting, Deloitte, Ernst & Young, Grant Thornton, KPMG, McKinsey & Company, Mercer LLC, PricewaterhouseCoopers, Roland Berger, and Strategy&). The resulting sampling frame included 188 management consultants (e.g., principal, partner, senior associate, director, or managing director). We gathered the data in three successive mail surveys during 2014–2015. We provided respondents with a brief description of managerial discretion based on Hambrick and Finkelstein's (1987) original definition. Each respondent then rated on a 7-point Likert scale the degree of discretion available to CEOs of public firms headquartered in these 18 countries. Of the 193 management consultants contacted, 57 (29.5%) granted participation and provided utilisable responses. Compared to the 25% (8 panellist) response rate achieved by Crossland and Hambrick (2011), 57 is satisfactory. The 57 panellists provided 792 ratings, with every country receiving between 30 and 56 ratings (overall mean of 44 scores per country).

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

A common challenge in surveying individuals from different cultures is the response bias due to cultural background (e.g., Hui and Triandis, 1989; Triandis, 1995). Prior studies suggest several procedures to derive "corrected scores," which are then aggregated to the societal level of analysis (House *et al.*, 2004; Triandis, 1995). We followed House *et al.*'s

(2004) approach. We generated corrected scores by computing the mean rating and the standard deviation in rating per respondent. We then subtracted the mean from each individual response and divided it by the standard deviation. For each respondent, we regressed the corrected score against his or her original scores and used the unstandardized regression values shown as bias-free ratings. Subsequently, using Pearson correlation we found a high correlation between the corrected scores and the original raw scores ($r = 0.90$, $p < 0.001$), indicating that our panelists' ratings are relatively free from any response bias.

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

Independent variables

Following Basuil and Datta (2015), we derived cultural scores from the GLOBE cross-cultural model (House *et al.*, 2004). We used cultural practices rather than values, because the latter is based on self-ratings, which are problematic (e.g., Bierbrauer *et al.*, 1994; Oyserman *et al.*, 2002), yield ambiguous cross-cultural comparison and do not reflect national culture characteristics (Fischer, 2006). Instead, cultural practices reflect individuals' ratings on societal behavior (e.g., Peterson and Fischer, 2004) and report on descriptive norms related to a society (Cialdini and Trost, 1998; Ehrhart and Naumann, 2004). Table 1 provides the mean discretion scores and cultural practices for the 15 countries in our sample.

*** Please Insert Table 1 About Here ***

Furthermore, we used data from GLOBE (House *et al.*, 2004); we do not report these scores as a courtesy to House *et al.* (2004). We operationalized the variation in views regarding the individual social practices using the quartile coefficient of dispersion (Bonett, 2006). An approximate confidence interval is proposed for a robust measure of relative dispersion, and the coefficient of quartile variation provides an alternative to interval estimates for other measures of relative dispersion. That is, we derived the quartile range between the third (Q3) and the first (Q1) quartile for each cultural practice and country across all responses. We then divided the difference by the sum to derive the coefficient per country (i) and practice (p) as follows:

$$CVG_{ip} = (Q_{3,ip} - Q_{1,ip}/Q_{3,ip} + Q_{1,ip}).$$

Thus, we derived the variation in views in social practices for each country as additional predictors of managerial discretion. We conducted fixed-effect regressions to assess the individual effects of the variation per practice; we report the results in Table 4.

*** Please Insert Table 2 About Here ***

Control Variables

Earlier work in the discretion literature particularly from the national-level (Crossland and Hambrick, 2011; Haj Youssef and Christodoulou, 2017) have explored a variety of national variables that directly affect the degree of managerial discretion available to CEOs headquartered in a country. From the informal institutions part, cultural values and practices – particularly individualism, uncertainty tolerance and power distance – were directly related to managerial discretion. Also, formal institutions have shown a significant effect on managerial discretion; these variables were: ownership structure (concentrated versus dispersed), legal origin (common versus civil) and employer flexibility. Therefore, we control for these variables when running the regression models and operationalised using House et al. (2004).

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

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

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

For the empirical part assessing the impact of managerial discretion on national competitiveness we selected other control variables discussed below. Previous research has shown the importance of national culture in driving economic performance and how culture can advance the economic development of countries

(e.g. Petrakis *et al.,* 2015). Studies have also shown that national culture can increase wealth, which will in turn enhance countries' economic performance (Hofstede, 2001). Particularly, House *et al.* (2004) examined the direct association between national cultural dimensions and country competitiveness. As a result, the first control variable is national culture, measured as a set of cultural practices and values as per House *et al.* (2004) along with the cultural tightness-looseness dimension as per Gelfand *et al.* (2011).

In addition to the national cultural influence, formal institutions are expected to influence countries' economic development (e.g. Minkov and Hofstede, 2012; North, 1990), and as such their national competitiveness. For instance, studies in the corporate governance literature have demonstrated the increased importance of the governance systems implemented in various countries; this includes, for instance, the ownership structure (La Porta *et al.,* 1999) of publicly listed firms. Therefore, to control for ownership structure, we use the mean score of all four proportions that exist in La Porta *et al.,* (1999). These scholars calculated the proportion of firms that are widely held if shareholders' rights do not exceed a certain threshold.

Moreover, Millar *et al.* (2005) argue that countries characterised by an Anglo-American system and a common legal law origin are more developed economies. Thus, the country legal origin plays an important role in driving a country's economic development and as a result its competitiveness. Accordingly, we also control for the legal origin based on La Porta *et al.*'s (1999) classification of common versus civil legal law origins; each country was coded either 1 for common law origin or 0 for civil legal low origin.

Furthermore, the employee protection and legislation that help to sustain long-term employment in a country would positively contribute to reducing that country's

unemployment, which in turn is healthy for economic growth. Hence, we control for the employment protection as per Botero *et al.*'s (2004) employment law index, which was constructed using three indicators: employee protection legislation, collective dismissals protection and company-based protection.

Furthermore, because we are interested in the impact of managerial discretion on national competitiveness, which is the relative quality of a country to compete at an international level with other countries and the probability of winning such competition (Francis, 1992), it is important to control for the aggregate economic performance of a country. As such, we control for the level of economic output per country as it plays an extremely important role in allowing countries to be more competitive. Following recent studies (e.g. Berry *et al.,* 2014; Macher and Mayo, 2015), the aggregate economic performance of countries was operationalised using GDP per capita. However, it is important to note that due to the highly-skewed nature of GDP per capita variables, we used logged GDP per capita.

Finally, because economic freedom is considered an essential contributor to the development and competitiveness of countries, we control for it using the Economic Freedom Index published and created by the Heritage Foundation and the Wall Street Journal. Economic freedom is strongly associated with greater economic development, healthier societies, better per capita wealth, etc. and captures several variables such as: rule of law, limited government, regulatory efficiency and open markets.

Analysis

We test the effect of cultural practices and their intra-cultural variation on managerial discretion using fixed-effect regression analysis. In contrast with ordinary least squares,

fixed-effect regression addresses the unobserved heterogeneity between raters as well as controls for the distinctive panelists' rating patterns (Kennedy, 2008: 282). We report the results of the proposed main effects in Table 3.

*** Please Insert Table 3 About Here ***

Results

In line with Hypothesis 1a and as reported in Model 1, we find that greater future orientation in a society is significantly and positively related to the level of managerial discretion ($p<0.001$). However, when assessing the variation surrounding future orientation, it appears to have a negative impact on managerial discretion ($p<0.001$), supporting hypothesis 1b. In support of hypothesis 2a and 2b, Model 2 shows that societies with high humane orientation and variations surrounding have a negative impact on the degree of managerial discretion ($p<0.01$ and $p<0.001$ respectively). Hypothesis 3a is also supported where we find that greater performance orientation in a society is significantly and positively related to the level of managerial discretion as per Model 3 ($p<0.001$). However, in contrast to what we hypothesized, greater variation surrounding performance orientation will have a positive effect on managerial discretion ($p<0.001$). Model 4 shows support for Hypothesis 4a ($p<0.01$), that argue that the greater the gender egalitarianism in a society, the higher is the level of managerial discretion. However, the variation surrounding gender egalitarianism was not significant despite showing negative direction. As such hypothesis 4b not supported. Lastly, in support of Hypothesis 5a and as shown in Model 5, we find that greater assertiveness in a society is significantly and positively related to the level of managerial discretion ($p<0.001$). But, the variation surrounding assertiveness is not significant, thus no support for hypothesis 5b.

MANAGERIAL DISCRETION AND NATIONAL COMPETITIVENESS

Methods

To study the implications of managerial discretion for national-level competitiveness, we conducted an international field study using the publicly listed database of the World Economic Forum (WEF) to derive country-level competitiveness scores. The Global Competitiveness Index (GCI) generated by WEF was used as the dependent variable, which represents the national level competitiveness of countries. Consistent with studies in the management literature (e.g. House *et al.,* 2004; Herciu and Ogrean, 2008; Casero *et al.,* 2013; Petrakis *et al.,* 2015; Welsh *et al.,* 2016), GCI is considered one of the main aggregate indicators of national competitiveness, which has been widely used by earlier researchers (e.g. Thompson, 2004).

We considered the same 18 countries as per the previous empirical analysis, and for the years 1998–2014, we collected national competitiveness data. In accordance with recent conceptualizations of country performance in management research (e.g., Judge *et al.*, 2008; Petrakis *et al.*, 2015; Thompson, 2004), we used the GCI as a primary measure for countries' overall performance in a given year. We used managerial discretion scores derived from our senior management consultants as our primary independent measure. Following Bamiatzi *et al.* (2015), we created a dummy variable to control for financial crisis years 2008-2010.

Analysis

To capture the estimates of the explanatory variables at the year and country levels and thereby predict individual national-level performance per year, we specified a multilevel regression model, often referred to as hierarchical linear model (HLM) (Bliese and Hanges, 2004). This approach is appropriate for the current data structure because it accounts for the interdependencies among repeated observations per country (e.g., multiple years by the same country), whereas standard regression techniques do not and instead assume that each yearly observation is independent of the others. Our data contained multiple yearly observations (17 per country) nested within any given country, and the HLM approach appropriately

controlled for the possibility that GCI performances from the same country would be more similar to one another than to performances from another country.

Before estimating the hypothesized relationships, we tried to determine whether there was any significance between-group variation in our dependent variables, a prerequisite for conducting multilevel analysis (Algesheimer and Herrmann, 2005). We first estimated a baseline ordinal regression model (intercept only) that included only the dependent variable (GCI), and then we conducted a baseline multilevel regression (intercept only) that included GCI as the dependent variable and a random effect for the country as a grouping variable. A likelihood ratio test indicated that the multilevel ordinal regression model provided significantly better fit than the nonnested ordinal regression mode ($\chi^2_{(2)} = 352.93$, $p < 0.001$), indicating the appropriateness of the multilevel modeling techniques.

We calculated the ICC statistic for multilevel ordinal regression models (Algesheimer and Herrmann, 2005), which yields a ratio of between-group variance to total variance. The ICC value of 0.85 indicated that differences between countries accounted for a large percentage of the total variance in the yearly GCI. We next specified the multilevel regression model to estimate the effect of the antecedent year- and country-level variables on GCI. We relied on STATA14 to estimate the model.

Results

Table 4 contains the results for our HLM. As per Model 6, managerial discretion has a positive and significant effect on national competitiveness measured by GCI ($p<0.001$), providing support for hypothesis 6. Countries that allow for greater latitude in executive decision making perform better overall. We controlled for the 2008–2010 financial crisis, which had a negative impact on national competitiveness.

*** Please Insert Table 4 About Here ***

Finally, to determine whether discretion mediates the relationship between cultural practices and national competitiveness (Hypothesis 7), we performed separate Sobel tests (Sobel, 1982) for each of the seven cultural practices that showed significant impact on managerial discretion in the preceding analysis. We constructed the Sobel tests' confidence intervals using bootstrapping (Preacher and Hayes, 2004). We find support for hypothesis 7 as per table 5, that managerial discretion mediates the relationship between individualism, power distance, future orientation, humane orientation, performance orientation, gender egalitarianism, assertiveness, and GCI.

*** Please Insert Table 5 About Here ***

DISCUSSION

For nearly three decades, research has focused mainly on the industry (e.g., Abrahamson and Hambrick, 1997; Finkelstein, 2009), organization (e.g., Boyd and Salamin, 2001; Kim, 2013), and individual (e.g., Carpenter and Golden, 1997; McClelland *et al.*, 2010) contexts. In this paper, we build on Crossland and Hambrick's (2011) framework to broaden the milieu in which executive matter. Our results extend the institutional framework of managerial discretion by discovering new national-level antecedents that have a strong impact on CEOs' discretion. In an examination of 18 countries, we find that an encompassing array of societal practices is significantly related to the degree of discretion available to CEOs of public firms headquartered in these countries. Crossland and Hambrick (2011) argue that managerial discretion refers only to the latitude of executive actions and is not necessarily good or bad. In this paper, we aimed to answer this question and showed that managerial discretion has positive consequences on countries' overall performance. We demonstrated that countries allowing more latitude of actions to CEOs are more competitive. Also, we showed that discretion is an important mediator between cultural practices and national competitiveness.

Cultural practices shape managerial discretion

Whereas Crossland and Hambrick (2011) exhibited that individualism, uncertainty tolerance and power distance are the national-level antecedents of managerial discretion, we showed that there exist other important cultural antecedents. We demonstrated that societies high on future and performance orientations along with gender egalitarianism and assertiveness provide executives with greater levels of managerial discretion. In contrast countries, high on humane orientation provide executive with low degree of managerial discretion.

Scholars have long emphasized disentangling the individual-, organization-, and task environment–level characteristics that trigger more managerial discretion, but the field lacks a reconciliation of the task environment dimension particularly from the national level (Wangrow *et al.*, 2015). As such, with the aim to validate extant research (Crossland and Hambrick, 2011; Haj Youssef and Christodoulou, 2017, 2018), we extended their frameworks by including new contexts and discovering new national-level antecedents.

Managerial discretion literature posits that executives can take idiosyncratic actions insofar as those actions fall within the zone of acceptance of powerful stakeholders (Hambrick and Finkelstein, 1987). Most work in this research field except for Haj Youssef and Christodoulou (2018), takes the zone of acceptance as the average dominant behavior in the external environment. For example, Crossland and Hambrick (2011) operationalize executives' zone of acceptance as the average of cultural values in a country. However, zone of acceptance in its theoretical conceptualization is the range of acceptable behavior. As such, using recent theorization in cross-cultural psychology (e.g., Uz, 2015) and statistical dispersion techniques, we could better operationalize executives' zone of acceptable behavior. Our findings demonstrated that variation surrounding cultural practices is dependent on the cultural dimension itself. We argued that because of the pressure imposed on executives to attend to various stakeholder groups, they will be unable to construct a wider array of actions. However, this was not empirically supported for all cultural dimensions. For

humane orientation, we found that variation on this cultural dimension have a positive effect on managerial discretion. Also, we didn't find any relationship between variations surrounding gender egalitarianism; assertiveness and managerial discretion. Such findings suggest that variations surrounding cultural practices are related to a behaviour, where some will pose greater pressure on executives whereas others don't. Despite this, our study proposes that a country's full array of cultural practices plays a fundamental role in affecting the degree of managerial discretion, but most important, variations surrounding these cultural practices also should be taken into consideration.

Managerial discretion consequences

We noted previously that the managerial discretion literature has failed to answer a fundamental question—Is discretion good or bad? The majority of work in this field of research has examined the various consequences of managerial discretion, from the individual (e.g., CEO risk-taking behavior, Miller *et al.*, 1982; compensation, Rajagopalan and Finkelstein, 1992), organization (e.g., strategic change, Quigley and Hambrick, 2012), industry (e.g., attentional homogeneity, Abrahamson and Hambrick, 1997), and even the national level (e.g., CEO influence on firm performance, Crossland and Hambrick, 2011; CEO accountability, Crossland and Chen, 2013). However, no study has examined whether discretion is a desirable construct for better performance. Crossland and Hambrick (2011: 815) note that "discretion is not, per se, necessarily good or bad, but simply refers to the latitude of action available to executives.". We responded to that proposition and empirically demonstrated that managerial discretion is beneficial for country performance. Our findings indicate that managerial discretion has a positive effect on national competitiveness. Countries that provide greater latitude of actions for CEOs are more competitive than their counterparts. This is because of the positive impact of managerial discretion on fostering a competitive environment among firms.

Furthermore, cross-cultural studies provide evidence that a country's cultural characteristics represent important drivers for national competitiveness (e.g., House *et al.*, 2004; Javidan *et al.*, 2006). We showed that discretion is driven by a country's cultural practices and affects national competitiveness. While other mediators may also play a role in enhancing national competitiveness, our findings strongly indicate that discretion is a prominent conceptual fulcrum that mediates the relationship between cultural practices and national competitiveness.

Implications

National differences have resulted in numerous failures in cross-cultural business phenomena, such as market penetration, mergers and acquisitions (Stahl and Javidan, 2009). Cross-border mergers and acquisitions are complex business phenomena (Collins *et al.*, 2009) that involve higher levels of uncertainty (Shimizu *et al.*, 2004). In addition, such large strategic actions are dependent on the cultural profiles of the countries of the firms involved in these transactions (Basuil and Datta, 2015). Managerial discretion may provide a clearer framework for executives to interpret cross-border mergers and acquisitions and may predict the success and failure of such deals. Executives operating in high discretion countries tend to take bold strategic actions, due to a greater zone of acceptance, whereas executives in low discretion countries tend to focus more on implementing symbolic actions based on market signaling. Therefore, initiating merger-and-acquisition transactions between countries that differ in their discretion levels could lead to undesirable outcomes.

Also, managerial discretion could shed light on the foreign direct investment entry modes and location of the target market. National differences exert a strong influence on market entry strategies (Hennart and Larimo, 1998). CEOs operating in high discretion countries may want to internationalize through entry modes that involve more control and risk (e.g., greenfield investment). These strategies offer more latitude of actions and

considerable options from which executives can choose. Conversely, executives who are used to less discretionary environments may choose to undertake international expansion using less risky strategies (e.g., joint ventures). Moreover, the location of the target market may also be related to the levels of discretion in that country. Executives operating in countries that provide considerable leeway to their actions may logically internationalize to similar countries rather than countries that impose more constraints on their actions.

CONCLUSION

This study contributes to the strategic management and particularly managerial discretion literature by examining the national-level antecedents and consequences of managerial discretion across countries. We provided a deeper understanding of the factors that yield managerial discretion and how discretion contributes to national performance. Understanding how discretion functions at the national-level remains an underresearched topic in the literature, and though our study represents an attempt to address this gap, there are several avenues for future research to consider.

Acknowledgment: We thank Professor Paul Hanges (University of Maryland) who agreed to provide the standard deviation scores for each dimension for all the GLOBE countries (62 societies), which also covered the sample of countries included in our study

REFERENCES

Abdullah SN, Ismail KN, Nachum L. 2016. Does having women on boards create value? The impact of societal perceptions and corporate governance in emerging markets. *Strategic Management Journal*, **37**: 466-476.

Abrahamson E, Hambrick DC. 1997. Attentional homogeneity in industries: The effect of discretion. *Journal of Organizational Behavior*, **18**: 513-532.

Algesheimer R, Dholakia UM, Herrmann A. 2005. The social influence of brand community: Evidence from European car clubs. *Journal of Marketing*, **69**: 19-34.

Au KY. 1999. Intra-cultural variation: Evidence and implications for international business. *Journal of International Business Studies*, **30**: 799-812.

Bamiatzi V, Bozos K, Cavusgil ST, Hult GM. 2015. Revisiting the firm, industry, and country effects on profitability under recessionary and expansion periods: A multilevel analysis. *Strategic Management Journal*, in press.

Basuil DA, Datta DK. 2015. Effects of industry- and region-specific acquisition experience on value creation in cross-border acquisitions: The moderating role of cultural similarity. *Journal of Management Studies*, **52**: 766-795.

Bierbrauer G, Meyer H, Wolfardt U. 1994. Measurement of normative and evaluative aspects in individualistic and collectivistic orientations: The cultural orientation scale (COS). In *Individualism and collectivism: Theory, method and applications*, Kim U, Triandis HC (eds). Sage: Thousand Oaks, CA.

Bliese PD, Hanges PJ. 2004. Being both too liberal and too conservative: The perils of treating grouped data as though they were independent. *Organizational Research Methods*, **7**, 400-417.

Bonett DG. 2006. Confidence interval for a coefficient of quartile variation. *Computational Statistics and Data Analysis*, **50**: 2953-2957.

Booream CD, Flowers JV. 1978. A procedural model for training of assertive behvaior. In *Approaches to assertion training*, Whitely JM, Flowers JV (eds). Brooks/Cole: Monterey, CA.

Boyd BK, Salamin A. 2001. Strategic reward systems: A contingency model of pay system design. *Strategic Management Journal*, **22**: 777-792.

Carpenter MA, Golden BR. 1997. Perceived managerial discretion: A study of cause and effect. *Strategic Management Journal*, **18**: 187-206.

Carpenter S. 2000. Effects of cultural tightness and collectivism on self-concept and causal attributions. *Cross-Cultural Research*, **34**: 38-56.

Cialdini RB, Trost MR. 1998. Social influence: social norms, conformity, and compliance. In *The Handbook of Social Psychology*, Gilbert DT, Fiske ST, Lindzey G (eds). McGraw-Hill: Boston; 151-192.

Collins JD, Holcomb TR, Certo ST, Hitt MA, Lester RH. 2009. Learning by doing: Cross-border mergers and acquisitions. *Journal of Business Research*, **62**: 1329-1334.

Cook A, Glass C. 2014. Above the glass ceiling: When are women and racial/ethnic minorities promoted to CEO?. *Strategic Management Journal*, **35**: 1080-1089.

Crossland C. 2008. Why do CEOs matter more in some countries than others? The antecedents and consequences of cross-national differences in managerial discretion. Ph.D. Dissertation, Pennsylvania State University.

Crossland C, Chen G. 2013. Executive accountability around the world: Sources of cross-national variation in firm performance–CEO dismissal sensitivity. *Strategic Organization*, **11**: 78-109.

Crossland C, Hambrick DC. 2007. How national systems differ in their constraints on corporate executives: A study of CEO effects in three countries. *Strategic*

Management Journal, **28**: 767-789.
Crossland C, Hambrick DC. 2011. Differences in managerial discretion across countries: How nation-level institutions affect the degree to which CEOs' matter. *Strategic Management Journal*, **32**: 797-819.
Datta DK, Rajagopalan N. 1998. Industry structure and CEO characteristics: An empirical study of succession events. *Strategic Management Journal*, **19**: 833-852.
Davies H, Ellis P. 2000. Porter's competitive advantage of nations: Time for the final judgment?. *Journal of Management Studies*, **37**: 1189-1213.
Davis J, Schoorman F, Donaldson L. 1997. Toward a stewardship theory of management. *Academy of Management Review* **22**: 20–47.
DiMaggio P, Powell W. 1983. The iron cage revisited: institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, **48**: 147–160.
Dollinger MJ, Golden PA, Saxton T. 1997. The effect of reputation on the decision to joint venture. *Strategic Management Journal*, **18**: 127-140.
Eagly AH, Makhijani MG, Klonsky BG. 1992. Gender and the evaluation of leaders: A meta-analysis. *Psychological Bulletin*, **111**: 3-22.
Ehrhart MG, Naumann SE. 2004. Organizational citizenship behavior in work groups: A group norms approach. *Journal of Applied Psychology*, **89**: 960-974.
Finkelstein S. 2009. Why is industry related to CEO compensation? A managerial discretion explanation. *Open Ethics Journal*, **3**: 42-56.
Finkelstein S. 1992. Power in top management teams: Dimensions, measurement and validation. *Academy of Management Journal*, **35**: 505-538.
Finkelstein S, Boyd BK. 1998. How much does the CEO matter? The role of managerial discretion in the setting of CEO compensation. *Academy of Management Journal*, **41**: 179-199.
Fischer R. 2006. Congruence and functions of personal and cultural values: Do my values reflect my culture's values?. *Personality and Social Psychology Bulletin*, **32**: 1419-1431.
Geletkanycz MA. 1997. The salience of 'Culture's Consequences': the effects of cultural values on top executive commitment to the status quo. *Strategic Management Journal*, **18**: 615-634.
Geletkanycz MA, Hambrick DC. 1997. The external ties of top executives: Implications for strategic choice and performance. *Administrative Science Quarterly*, **42**: 654-681.
Gelfand MJ, Raver JL, Nishii L, Leslie LM, Lun J, Lim BL. et al. 2011. Differences between tight and loose cultures: A 33-nation study. *Science*, **332**: 1100- 1104.
Haj Youssef, M., & Christodoulou, I. 2017. Assessing the Generalizability of Managerial Discretion: An Empirical Investigation in the Arab World. *Journal of Management and Strategy*, 8(1): 28-36.

Haj Youssef, S. M., and Christodoulou, I. 2017. Strategizing in a focused context: Managerial Discretion in the Arab World. Journal of Strategy and Management, 10(4): 430-452.

Haj Youssef, S. M., &Christodoulou, I. 2018. Exploring cultural heterogeneity: the effect of intra-cultural variation on executives' latitude of actions in 18 countries. International Journal of Cross Cultural Management, 18(2): 241-263.

Haleblian J, Finkelstein S. 1993. Top management team size, CEO dominance, and firm performance: The moderating roles of environmental turbulence and discretion. *Academy of Management Journal*, **36**: 844-863.
Hambrick DC, Abrahamson E. 1995. Assessing managerial discretion across industries: A multi-method approach. *Academy of Management Journal*, **38**: 1427-1441.
Hambrick DC, Finkelstein S. 1987. Managerial discretion: A bridge between polar views of organizational outcomes. *Research in Organizational Behavior*, **9**: 369-406.
Hambrick DC, Mason AP. 1984. Upper echelons: the organization as a reflection of its top managers. *The Academy of Management Review*, **9**: 193-206.
Hannan MT, Freeman J. 1977. The population ecology of organizations. *American Journal of Sociology*, **82**: 929-964.
Helfat CE, Harris D, Wolfson PJ. 2006. The pipeline to the top: Women and men in the top executive ranks of US corporations. *Academy of Management Perspectives*, **20**: 42-64.
Helmke G, Levitsky S. 2006. *Informal institutions and democracy: Lessons from Latin America*. Johns Hopkins University Press: Baltimore, MD.
Hennart JF, Larimo J. 1998. The impact of culture on strategy of multinational enterprises: Does national origin affect ownership decisions?. *Journal of International Business Studies*, **29**: 515-538.
Hofstede G. 1980. *Culture's Consequences: International Differences in Work-Related Values*. Sage: Thousand Oaks, CA.
Hofstede G. 1998. *Masculinity and Femininity: The taboo dimension of national cultures*. Sage: Thousand Oaks, CA.
Hofstede G. 2001. *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. Sage: Thousand Oaks, CA.
Hofstede G. 1993. Cultural constraints in management theories. *Academy of Management Executive*, **7**: 81-94.
Hofstede G, Bond MH. 1988. The Confucius connection: From cultural roots to economic growth. *Organizational Dynamics*, **16**: 4-21.
House RJ, Dorfman PW, Javidan M, Hanges PJ, de Luque MF. 2014. *Strategic Leadership Across Cultures: The GLOBE Study of CEO Leadership Behavior and Effectiveness in 24 Countries.* Sage: Thousand Oaks, California.
House RJ, Hanges PJ, Ruiz-Quintanilla SA, Dorfman PW, Javidan M, Dickson M, Gupta V. 1999. Cultural influences on leadership and organizations: Project GLOBE. In *Advances in global leadership*, Mobley W (eds). JAI Press: Stanford, CT; 171-233.
House RJ, Hanges PJ, Javidan M, Dorfman PW, Gupta V. 2004. *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Sage: Thousand Oaks, CA.
Huang X, Van de Vliert E. 2003. Where intrinsic job satisfaction fails to work: national moderators of intrinsic motivation. *Journal of Organizational Behavior*, **24**: 159-179.
Hui CC, Triandis HC. 1989. Effects of culture and response format on extreme response style. *Journal of Cross-Cultural Psychology*, **20**: 296-309.
Javidan M, Hauser M. 2004. The linkage between GLOBE findings and other cross-cultural information. In *Culture, leadership and organizations: The GLOBE study of 62 societies*, House RJ, Hanges PJ, Javidan M, Dorfman PW, Gupta V (eds). Sage: Thousand Oaks, CA.
Javidan M, House RJ, Dorfman PW, Hanges PJ, de Luque M. 2006. Conceptualizing and measuring cultures and their consequences: a comparative review of GLOBE's and Hofstede's approaches. *Journal of International Business Studies*, **37**: 897-914.
Judge WQ, Douglas TJ, Kutan AM. 2008. Institutional Antecedents of Corporate Governance Legitimacy. *Journal of Management*, **34**: 765-785.

Kanungo RN, Aycan Z. 1997. Organizational culture and humane resource practices from a cross-cultural perspective. Paper presented at the annual meeting of the *Canadian Psychological Association*, Toronto, Canada.
Keegan J, Kabanoff B. 2008. Indirect industry- and sub-industry-level managerial discretion measurement. *Organizational Research Methods*, **11**: 682-694.
Kennedy P. 2008. *A Guide to Econometrics*. Blackwell: Malden, MA.
Keough KA, Zimbardo PG, Boyd JN. 1999. Who's smoking, drinking and using drugs? Time perspective as a predictor of substance use. *Basic and Applied Social Psychology*, **21**: 149-164.
Key S. 2002. Perceived managerial discretion: An analysis of individual ethical intentions. *Journal of Managerial Issues*, **14**: 218-233.
Kim EH. 2013. Deregulation and differentiation: Incumbent investment in green technologies. *Strategic Management Journal*, **34**: 1162-1185.
Kulich C, Trojanowski G, Ryan M, Haslam AS, Renneboog LR. 2011. Who gets the carrot and who gets the stick? Evidence of gender disparities in executive remuneration. *Strategic Management Journal*, **32**: 301-321.
Lee SM, Peterson S. 2000. Culture, entrepreneurial orientation, and global competitiveness. *Journal of World Business*, **35**: 401-416.
Legoherel P, Dauce B, Hsu C, Ranchold A. 2009. Culture, time orientation and exploratory buying behavior. *Journal of International Consumer Marketing*, **21**: 93-107.
Leung K, Baghat RS, Buchan NR, Erez M, Gibson CB. 2005. Culture and international business: recent advances and their implications for future research. *Journal of International Business Studies*, **36**: 357-378.
Mackic V, Peric BS, Soric P. 2014. Systematic competitiveness of post-socialist and capitalist economies: a broader look at the competitiveness debate. *Post-Communist Economies*, **26**: 477-497.
Makhija M, Stewart A. 2002. The effect of national context on perceptions of risk: A comparison of planned versus free-market managers. *Journal of International Business Studies*, **33**: 737-756.
McClelland PL, Liang X, Barker VL. 2010. CEO commitment to the status quo: Replication and extension using content analysis. *Journal of Management*, **36**: 1251-1277.
McGrath RG, Nerkar A. 2004. Real options reasoning and a new look at the R&D investment strategies of pharmaceutical firms. *Strategic Management Journal*, **25**: 1–21.
Miller DT, Kets De Vries MR, Toulouse JM. 1982. Top executive locus of control and its relationship to strategy making, structure, and environment. *Academy of Management Journal*, **25**: 237-253.
Muller-Kahle MI, Schiehll E. 2013. Gaining the ultimate power edge: Women in the dual role of CEO and chair. *The Leadership Quarterly*, **24**: 666-679.
North DC. 1990. *Institutions, institutional change and economic performance*. Cambridge University Press: New York.
Oyserman D, Coon HM, Kemmelmeier M. 2002. Rethinking individualism and collectivism: Evaluation of theoretical assumptions and meta-analyses. *Psychological Bulletin*, **128**: 3-72.
Peteraf M, Reed R. 2007. Managerial discretion and internal alignment under regulatory constraints and change. *Strategic Management Journal*, **28**: 1089-1112.
Peterson MF, Fischer R. 2004. Organizational culture and cli- mate. In *Encyclopaedia for applied psychology*, Spielberger C (eds). Elsevier: New York.
Petrakis P, Kostis P, Valsamis D. 2015. Innovation and competitiveness: Culture as a long-term strategic instrument during the European Great Recession. *Journal of Business Research*, **68**: 1436-1438.

Porter ME. 1990. *The Competitive Advantage of Nations*. Macmillan: London.
Porter ME, Takeuchi H, Sakakibara M. 2000. Can Japan compete?. Perseus Publishing: Cambridge, MA.
Preacher KJ, Hayes AF. 2004. SPSS and SAS procedures for estimating indirect effects in simple mediation models. *Behavior Research Methods, Instruments and Computers*, **36**: 717-731.
Quigley TJ, Hambrick DC. 2012. When the former CEO stays on as board chair: Effects on successor discretion, strategic change, and performance. *Strategic Management Journal*, **33**: 834-859.
Quigley TJ, Hambrick DC. 2015. Has the "CEO effect" increased in recent decades? A new explanation for the great rise in America's attention to corporate leaders. *Strategic Management Journal*, **36**: 821-830.
Rajagopalan N. 1997. Strategic orientations, incentive plan adoptions, and firm performance: Evidence from electric utility firms. *Strategic Management Journal*, **18**: 761-785.
Rajagopalan N, Finkelstein S. 1992. Effects of strategic orientation and environmental change on senior management reward systems. *Strategic Management Journal*, **13**: 127-141.
Reed OL. 2001. Law, the rule of law, and property: A foundation for the private market and business study. *American Business Law Journal*, **38**: 441-473.
Roth K. 1992. Implementing international strategy at the business unit level: The role of managerial decision-making characteristics. *Journal of Management*, **18**: 769-789.
Rotter JB. 1966. Generalized expectancies for internal versus external control of reinforcement: Psychological monographs. *General and Applied*, **80**: 1-28.
Schein EH, 1992. *Organizational culture and leadership*. Jossey-Bass: San Francisco.
Shen W, Cho TS. 2005. Exploring involuntary executive turnover through a managerial discretion framework. *Academy of Management Review*, **30**: 843-854.
Shenkar O. 2012. Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences. *Journal of International Business Studies*, **43**: 1-11.
Shimizu K, Hitt MA, Vaidyanath D, Pisano V. 2004. Theoretical foundations of cross-border mergers and acquisitions: a review of current research and recommendations for the future. *Journal of International Management*, **10**: 307-353.
Snowdon B, Stonehouse G. 2006. Competitiveness in a globalized world: Michael Porter on the microeconomic foundations of the competitiveness of nations, regions and firms. *Journal of International Business Studies*, **37**: 163-175.
Sobel ME. 1982. Asymptotic confidence intervals for indirect effects in structural equations models. In *Sociological Methodology*, Leinhardt S (eds). Jossey-Bass: San Francisco; 290-312.
Stahl GK, Javidan M. 2009. Cross-cultural perspectives on international mergers and acquisitions. In *Culture, organizations and work*, Bhagat RS, Steers R (eds). Cambridge University Press: Cambridge, UK; 118-147.
Taggar S. 2002. Individual creativity and group ability to utilize individual creative resources: a multi-level model. *Academy of Management Journal*, **45**: 315-330.
Teather EK, Chow CS. 2000. The geographer and the feng shui practitioner: So close and yet so far apart? *Australian Geographer*, **31**: 309-332.
Thompson ER. 2004. National competitiveness: A question of cost conditions or institutional circumstances. *British Journal of Management*, **15**: 197-218.
Tosi HL, Greckhamer T. 2004. Culture and CEO compensation. *Organization Science*, **15**: 657-670.
Triandis HC. 1995. *Individualism and collectivism*. Westview: Boulder, CO.

Uz I. 2015. The index of cultural tightness and looseness among 68 countries. *Journal of Cross-Cultural Psychology*, **46**: 319-335.
Van Everdingen YM, Waarts E. 2003. The effect of national culture on the adoption of innovations. *Marketing Letters*, **14**: 217-232.
Venaik S, Zhu Y, Brewer P. 2013. Looking into the future: Hofstede long-term orientation versus GLOBE future orientation. *Cross-cultural Management: An International Journal*, **30**: 469-482.
Wangrow BD, Schepker JD, Barker III LV. 2015. Managerial Discretion: An Empirical Review and Focus on Future Research Directions. *Journal of Management*, **41**: 99-135.
World Bank. 2014. *World Development Indicators Database*. World Bank: Washington, DC.
Yukl G. 2013. *Leadership in organizations*. Prentice Hall: Upper Saddle River, NJ.

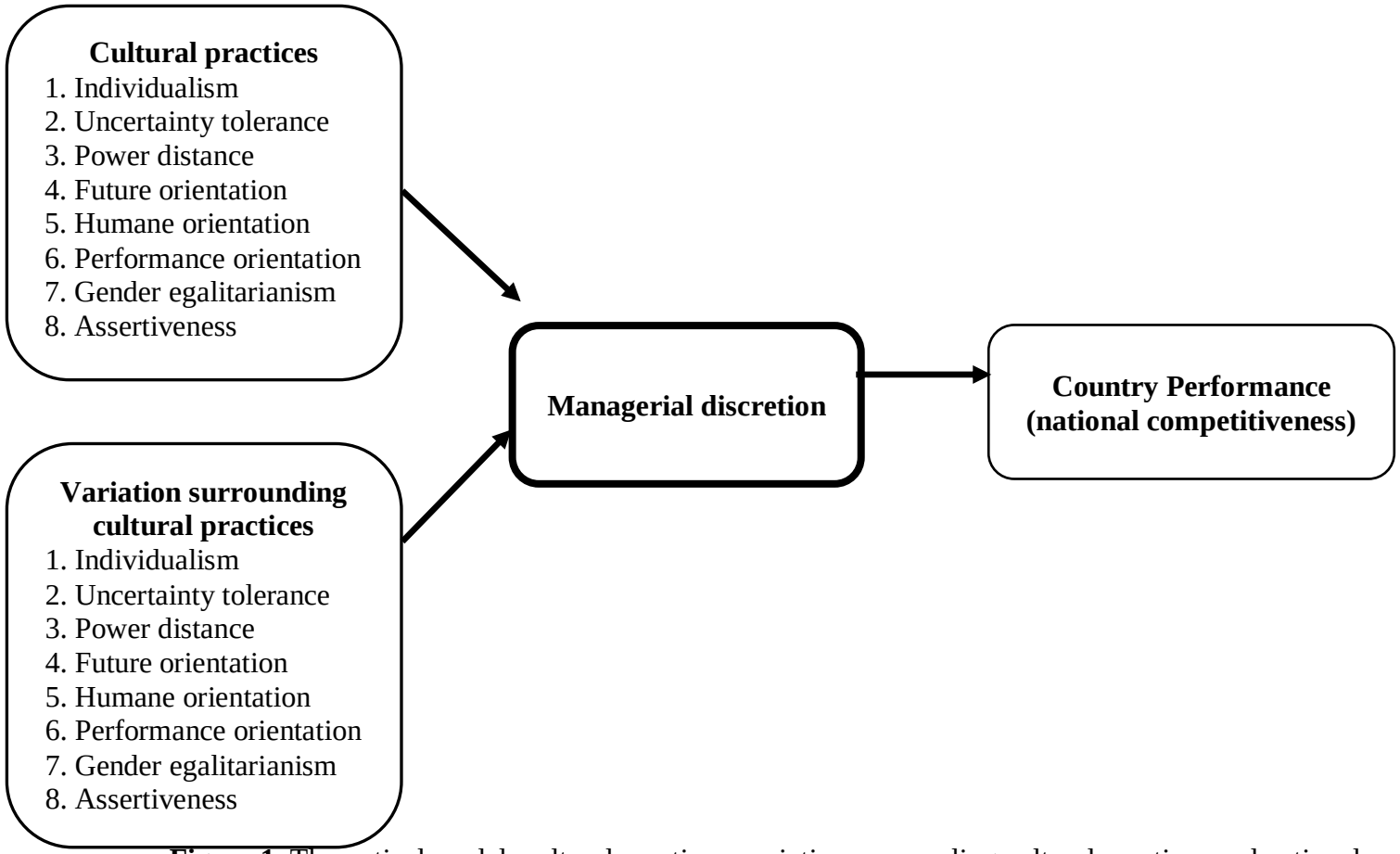

Figure 1. Theoretical model: cultural practices, variation surrounding cultural practices and national competitiveness

Table 1. National-level managerial discretion and cultural practices scores

Country	Managerial discretion	Individualism	Uncertainty tolerance	Power distance	Future orientation	Humane orientation	Performance orientation	Gender egalitarianism	Assertiveness
Australia	5.73	-4.31	-4.40	4.81	4.09	4.32	4.37	3.41	4.29
Austria	4.90	-4.34	-5.10	5.00	4.47	3.77	4.47	3.18	4.59
Canada	5.59	-4.36	-4.54	4.85	4.40	4.51	4.46	3.66	4.09
France	5.02	-4.20	-4.66	5.68	3.74	3.60	4.43	3.81	4.44
Germany	5.04	-3.82	-5.27	5.59	4.23	3.38	4.29	3.21	4.72
Italy	4.82	-3.75	-3.85	5.45	3.34	3.66	3.66	3.30	4.12
Japan	4.53	-5.23	-4.07	5.23	4.29	4.34	4.22	3.17	3.69
Korea	4.76	-5.20	-3.52	5.69	3.90	3.73	4.53	2.45	4.36
Netherlands	5.36	-4.62	-4.81	4.32	4.72	4.02	4.46	3.62	4.46
Singapore	4.98	-4.77	-5.16	4.92	4.88	3.29	4.81	3.52	4.06
Spain	4.81	-3.87	-3.95	5.53	3.52	3.29	4.00	3.06	4.39
Sweden	4.91	-5.26	-5.36	4.94	4.37	4.09	3.67	3.72	3.41
Switzerland	5.20	-4.26	-5.24	5.03	4.58	3.86	4.70	3.29	4.10
UK	5.73	-4.31	-4.70	5.26	4.31	3.74	4.16	3.67	4.23
US	6.09	-4.21	-4.15	4.92	4.13	4.18	4.45	3.36	4.50

Table 2. Descriptive statistics and bivariate correlations (all variables)

	Discretion	IC_P	UA_P	PD_P	FO_P	HO_P	PO_P	GE_P	AA_P	Ownership dispersion	Legal origin	Employer flexibility	Tightness	Individualism	Uncertainty tolerance	Power distance	IC_Q	UA_Q	PD_Q	FO_Q	HO_Q	PO_Q	GE_Q
Discretion	1.00																						
IC_P	0.09	1.00																					
UA_P	0.12	0.01	1.00																				
PD_P	-0.05	-0.25	-0.25	1.00																			
FO_P	0.20	0.37	0.69	-0.53	1.00																		
HO_P	-0.11	0.33	-0.27	-0.55	-0.05	1.00																	
PO_P	0.19	0.07	0.30	-0.10	0.60	-0.17	1.00																
GE_P	0.23	-0.10	0.50	-0.35	0.41	-0.05	-0.05	1.00															
AA_P	0.20	-0.60	0.02	0.19	0.04	-0.47	0.40	0.01	1.00														
Ownership dispersion	0.27	-0.01	-0.08	-0.08	0.22	0.27	0.35	0.11	0.07	1.00													
Legal origin	0.29	-0.07	0.06	-0.30	0.34	0.13	0.36	0.36	0.10	0.64	1.00												
Employer flexibility	-0.10	-0.27	0.21	0.25	-0.31	-0.45	-0.38	0.08	0.17	-0.69	-0.67	1.00											
Tightness	0.29	-0.54	0.02	-0.27	0.06	0.03	0.18	0.35	0.55	0.30	0.24	0.11	1.00										
Individualism	0.36	-0.41	0.26	-0.17	0.16	0.04	0.02	0.59	0.28	0.48	0.39	0.00	0.78	1.00									
Uncertainty tolerance	0.24	0.14	0.59	-0.48	0.67	-0.10	0.27	0.51	-0.12	0.26	0.68	-0.26	0.00	0.30	1.00								
Power distance	-0.30	0.13	-0.47	0.15	-0.48	0.10	-0.23	-0.24	-0.29	-0.23	-0.16	0.03	-0.49	-0.68	-0.30	1.00							
IC_Q	-0.29	0.28	-0.30	0.03	-0.36	0.44	-0.24	-0.17	-0.48	0.00	-0.25	-0.08	-0.48	-0.51	-0.34	0.77	1.00						
UA_Q	-0.19	-0.15	-0.24	-0.27	-0.20	0.23	-0.20	0.17	-0.20	-0.18	0.01	-0.07	-0.20	-0.32	-0.03	0.69	0.57	1.00					
PD_Q	-0.20	0.38	-0.27	-0.37	-0.08	0.58	-0.16	0.16	-0.30	-0.18	-0.20	-0.04	-0.15	-0.27	-0.26	0.50	0.67	0.59	1.00				

FO_Q	-0.37	0.07	-0.44	0.16	-0.54	0.33	-0.44	-0.41	-0.27	-0.31	-0.59	0.14	-0.43	-0.49	-0.61	0.59	0.68	0.49	0.59	1.00			
HO_Q	-0.22	0.20	-0.65	-0.07	-0.42	0.56	-0.40	-0.12	-0.41	-0.02	-0.04	-0.28	-0.31	-0.38	-0.36	0.58	0.64	0.62	0.65	0.51	1.00		
PO_Q	-0.21	-0.30	-0.18	-0.15	-0.47	0.34	-0.67	0.25	-0.29	-0.31	-0.20	0.16	-0.06	-0.07	-0.27	0.40	0.48	0.69	0.47	0.48	0.60	1.00	
GE_Q	-0.20	0.01	-0.33	-0.26	-0.25	0.26	-0.45	0.06	-0.17	-0.15	0.05	-0.12	-0.28	-0.42	-0.08	0.63	0.54	0.70	0.49	0.37	0.69	0.68	1.00
AA_Q	-0.11	-0.03	-0.31	0.13	-0.07	0.06	-0.02	0.04	-0.03	-0.16	-0.02	-0.26	-0.16	-0.29	-0.30	0.27	0.20	0.41	0.33	0.23	0.47	0.36	0.26

Table 3. Fixed-effect regression: the effect of cultural practices and their intra-cultural variations on managerial discretion

		Model 1	Model 2	Model 3	Model 4	Model 5
Constant		4.877***	4.877***	4.879***	4.879***	4.876***
Future Orientation	Practice	1.276***				
	Variation	-0.947***				
Humane Orientation	Practice		-0.145**			
	Variation		-0.550***			
Performance Orientation	Practice			1.924***		
	Variation			1.562***		
Gender Egalitarianism	Practice				0.930**	
	Variation				-0.045	
Assertiveness	Practice					0.328***
	Variation					0.037
Control Variables						
Individualism Practice		-2.998***	1.272***	3.888**	-2.890**	0.593**
Uncertainty Tolerance Practice		-1.404***	-0.034	-0.578**	-0.971**	-0.006
Power Distance Practice		-1.139***	0.219	1.631***	-1.325*	0.179
Individualism Variation		0.611***	0.128*	-2.351***	0.795*	0.342***
Uncertainty Tolerance Variation		-1.441***	1.399***	-0.647	-0.806*	0.576***
Power Distance Variation		2.539***	-0.777**	-4.982**	3.158***	-0.287
Individualism Values		1.295***	-0.156***	1.706**	-1.139**	0.319***
Uncertainty Tolerance Values		-0.295	-1.099***	2.422***	-0.560*	-0.136
Power Distance Values		0.743***	-1.377***	1.706**	-0.976***	-0.478***
Cultural Tightness		-3.054***	0.291	3.238**	-2.686**	0.157
Ownership Dispersion		0.061	0.396***	0.376	0.771***	-0.033
Legal Origin		-0.306	1.587***	-1.912**	0.579**	0.500**
Employer Flexibility		0.320*	1.039***	-0.482	0.928***	0.247
F		817.5***	5145.3***	418.1***	636.8***	23766.8***
R^2		0.512	0.512	0.509	0.509	0.512

$N^1 = 792$; $n^2 = 18$; *$p < 0.05$, **$p < 0.01$, ***$p < 0.001$.

Table 4. HLM: the effect of managerial discretion on national competitiveness

	Model 7
Constant	0.244***
	(0.058)
Managerial Discretion	2.505***
	(0.477)
GDP Per Capita	2.627***
	(0.541)
Economic Freedom Index	0.012*
	(0.006)
Ownership Dispersion	2.755***
	(0.362)
Legal Origin	-0.871***
	(0.179)
Employment Law Index	3.825***
	(0.577)
Entrepreneurial Behaviour	-0.603***
	(0.127)
Individualism	5.932***
	(1.360)
Uncertainty Tolerance	7.708***
	(1.537)
Power Distance	-2.191***
	(0.543)
Future Orientation	6.042***
	(1.163)
Humane Orientation	6.686***
	(1.239)
Performance Orientation	-4.370***
	(1.084)
Gender Egalitarianism	-5.029***
	(1.079)
Assertiveness	-1.215**
	(0.379)
Cultural Looseness	0.352***
	(0.101)
Year	-0.000
	(0.007)
lns1_1_1	-3.600***
	(0.217)
lns1_1_2	-2.996***
	(0.604)
lnsig_e	-2.293***
	(0.061)
Wald Statistic	525.28***
LR Statistic	26.20***
Log Likelihood	122.80

*n= 180; number of groups 18; *p<0.05; **p<0.01; ***p<0.001*

Table 5: Results for the mediation test

Variables	Mediation Effect	
	P-values	Std Error
Individualism	2.3033***	(0.0755)
Uncertainty Tolerance	0.8780***	(0.0355)
Power Distance	-0.6560***	(0.0329)
Future Orientation	0.2385***	(0.0110)
Humane Orientation	-0.2353***	(0.0131)
Performance Orientation	0.8548***	(0.0390)
Gender Egalitarianism	0.3776***	(0.0472)
Assertiveness	0.3486***	(0.0161)

*n= 180; $^{+}$p<0.1; *p<0.05; **p<0.01; ***p<0.001*