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Influence of CEO's Nationality on Organizational Structure and Design, on Corporative Culture and on Innovation (In Case of Canadian and Russian Enterprises Based in China)

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Abstract: Overall aim of this research is to compare the influence of Chief Executive Officers' nationality in Canadian and Russian enterprises based in China on organizational structure and design, on cultural and corporative management and on innovation (including business intelligence and competitive intelligence). Thus, from the abovementioned point of view representatives of three different business cultures (Canadian, Chinese and Russian) are compared in this study. After a review of extant literatures in organizational structure and design, cross-cultural management, innovation, business intelligence and competitive intelligence, a list of 15 variables (including Centralization, Formalization, Coordination, Delegation, Administrative Organization, Organizational structure and Design, Family, Eiffel Tower, Guided Missile and Incubator, Innovation, Business Intelligence, the Competitive Intelligence and Liaison Team) was compiled and employed in a questionnaire survey. In total, 246 employers from 181 Canadian enterprises based in China and 247 employers from 193 Russian enterprises based in China were interviewed. The analysis includes reliability analysis and Kruskal-Wallis tests (using Statistical Package for the Social Sciences software). The results show significant differences in the influence of leaders' nationality on the 15 variables and reveal advantages and disadvantages of different business cultures. The results of the present research could help international enterprises to select Chief Executive Officers in order to find better solutions to current problems in the organization.

Key words: CEO, Organizational structure and design, corporate culture, innovation, business intelligence, competitive intelligence

INTRODUCTION

Canadian Guru Nancy Adler noted managing the global enterprises and modern business management has become synonymous. Definitions of success now transcend national boundaries. In fact, the very concept of domestic business may have become anachronistic (Adler, 2002). Today, global business success depends increasingly not only on being effective in understanding and bridging between different national cultures but also on being intercultural effective by integrating diverse cultural knowledge (Brannen and Thomas, 2010). Some scholars (Mintzberg, 1983; Tung, 2001; Verbeke and Yuan, 2013), suggest this special issue sparks interest in the Multi National Organization as an important context for the study of organizational behavior. In spit of this, as classical Gurus in management (Mintzberg, 1983), such

modern researches noted the role of CEO in cross-cultural organization structure and design (Aktas *et al.*, 2011; Orens and Reheul, 2013; Fitzsimmons and Stamper, 2014). Mintzberg's framework (Mintzberg, 1983) described Organizational Structure and Design of Research and Development' enterprises is adhocracy. The Adhocracy must hire and give power to CEO- professionals whose knowledge and skills have been highly developed in training programs. Additionally, CEO should be not only Chief Executive Officers but and "chief environmental officer" (Percy, 2000).

Robledo *et al.* (2012) notes, given the importance of expertise for the leadership of scientists and engineers, it seems reasonable to assume that emerging leaders may be scientists or engineers who are promoted to a CEO position. Thus career development could focus on technical and organizational/field expertise. Clearly,

resource acquisition entails being able to sell the research and development effort which involves knowing how work is conducted in the organization/field and having access to CEO (Howell and Boies, 2004). Moreover, scholars noted the influence of CEO's decision making on Innovation (Hong *at al.*, 2012), BI (Kokin and Wang, 2013) CI (Ignatov, 2004) and LT (Pedyash *et al.*, 2013).

Summary, this research analyzed scientific literature and focused in the fifteen following variables: Centralization (C) (Johnson, 2011); Formalization (F); Coordination (Coord); Administrative Organization (AO) (Yang *et al.*, 2013); Organizational structure and Design (OSD) (Winter and Albani, 2013); Delegate (Del); Culture (Cult); Corporate Culture (Corp. Cult), more detail: Family (Fam), Incubator (Inc), Eiffel Tower (ET), Guided Missile (GM) and the Incubator (Inc) (Trompenaars *et al.*, 2012); Innovation (Inn.), Business Intelligence (BI), Competitive Intelligence (CI) and Liaison Team (LT) (Lew and Sinkovics, 2012).

Canadian management is considered to be classical and compressing can be made basing on it (Ananthram and Chan, 2013). Russian management study which has certain features from the Soviet Union period, is very interesting due to the fact that it has just begun to develop (McCarthy and Puffer, 2013). Chinese management has taken much from different cultures; however, it has its own specific character (Tsui *et al.*, 2006). Comparative management research has traditionally focused on value, attitude and management practice differences that contribute to cultural distance and that seem to affect the work interaction of managers from different cultures (Kling *et al.*, 2013).

Many researchers have noted (Tsui *et al.*, 2006; Pedyash *et al.*, 2013) that international enterprises often face the choice of who should be the CEO: A representative of the home country or a representative of the host country? For example, what nationality is the CEO of a Russian Enterprise Based in China (REBC): Chinese or Russian? There are a many overseas Chinese (huaqiao) in Canadian Enterprises Based in China (CEBCs). Hence, this research focuses on Russian and Chinese CEOs in REBCs and Canadian, Chinese and overseas Chinese in CEBCs. This study examines the weaknesses of each CEO nationality in terms of their impact on organizational structure.

MATERIALS AND METHODS

The study was conducted in the period from 2011-2013, overall in total 493 respondents from 374 enterprises were interviewed. More detail, 246 employers from 181 CEBC (authors visited 58 enterprises) and 247 employers from 193 REBC (82 enterprises were visited) participated in the survey and were interviewed. Nearly

Table 1: Syntax and reliability for fifteen general items (CEBC)

(a) Case processing summary			(b) Reliability statistics	
	N	(%)	Cronbach's alpha	N of Items
Cases valid	246	99.6	0.789	15
Excluded[a]	1	0.4		
Total	247	100.0		

Listwise deletion based on all variables in the procedure

Table 2: Syntax and reliability for fifteen general items (REBC)

(a) Case processing summary			(b) Reliability statistics	
	N	(%)	Cronbach's alpha	N of Items
Cases valid	246	99.6	0.748	15
Excluded[a]	1	0.4		
Total	247	100.0		

Listwise deletion based on all variables in the procedure

half of Respondents have 300-500 employees. Largest REBCs had 2000 workers. Largest CEBCs had 5000 employees. The Top-5 of CEBC' profile focused on Biotechnological manufacturing; Pharmaceutical and medical manufacturing; Computer, Electronic and communication Equipment manufacturing; Locomotive and railroad cars manufacturing. It defers on REBC' Top-5: Machinery, Motor, vehicle (parts) manufacturing; Industrial electronics manufacturing; Power, energy and battery; Chemical material and product manufacturing; Metal (metal construction) manufacturing. Overall, this different seems reasonable, as Canadian Industrial is more Hi-technology.

In line whit the advice of many social scientists (Oyedele, 2012; Lee *et al.*, 2013) that a Cronbach's alpha coefficient of reliability should be calculated when using Likert scale in a questionnaire, it was imperative for this study to determine the internal consistency of the criteria contained in the questionnaire. The aim here is to confirm whether the criteria and their associated Likert scale are actually measuring the construct they were intended to measure which is architects demotivation in this case. Since, Cronbach's alpha coefficient is usually between 0 and 1; as a rule of thumb (Chenouri *et al.*, 2011) suggest that a value of 0.6 is acceptable, while is 0.8 indicates good internal consistency.

Using the SPSS (Statistical Package for Social Sciences) software tool, the overall Cronbach's alpha coefficient for fifteen general Items of this research was 0.789 (in case of CEBC). Table 1 demonstrates SPSS's indicators the above in more detailed.

Accordingly, in case of CEBC's fifteen general items, Cronbach's alpha coefficient indicates a good reliability and internal consistency of majority of the criteria.

Regarding REBC, Cronbach's alpha coefficient is 0.748 (Table 2). It demonstrates a normal reliability (Muenchen, 2011; Lee *et al.*, 2013; Gatignon, 2014).

According to Chenouri *et al.* (2011), in this survey the above variables were ordinal but were not normally distributed. Moreover, three or more groups of sample data (three or more separate groups of participants, each

of whom gave us a single score on a rating scale) has been compared. Ratings were examples of an ordinal scale of measurement and so the data were not suitable for a parametric test. Unfortunately, this case was used when the assumptions of ANOVA were not met, because ANOVA is a statistical data analysis technique that is used when the independent variable groups are more than two (Fitzsimmons, 2013). In ANOVA, it was assumed that distribution of each group should be normally distributed. The non-parametric equivalent to a one-way ANOVA is the Kruskal-Wallis test. In spite of this, The Kruskal-Wallis One-Way Analysis of Variance by Ranks the independent (Grouping variables (condition) in SPSS) variables impacted on the depended variables (rating in SPSS) (Lee *et al.*, 2013).

A type of hypothesis used in statistics that proposes that no statistical significance exists in a set of given observations. The null hypothesis attempts to show that no variation exists between variables, or that a single variable is no different than zero (Airoldi and Blocker, 2013; Muenchen, 2011). It is presumed to be true until statistical evidence nullifies it for an alternative hypothesis (Rodriguez, 2013).

Thus, the Null hypothesis is: There are no significant differences between the effects of the Grouping variables on the depended variables. Specifically, the Grouping variable does not impact on depended variables. According to Oyedele (2012), alternative hypothesis (H_A): There are significant differences between the effects of the Grouping variables on the depended variables; grouping variables impact on OSD', Culture' and Innovation' variables in more detail. Typically, Null Hypothesis will be not assuming if Significance Level (Asymptotic significance-Asymp. Sig.) set to 0.05 ($p<0.05$). The null hypothesis should be retained for the entire criteria since all the values were higher than 0.05 (Chenouri *et al.*, 2011).

In this research authors combined the Data from Table (Notes, Ranks, Test Statistics, Reports, Case Processing Summary, Means etc.) of SPSS analyze. (Table 3). The H_0 was: There were no significant differences between the effects of the Nationality of CEO on the Centralization (C), the Formalization (F), the Coordination (Coor.), the Delegation (Del.), the Administrative Organizational (AO), the Organizational Structure and Design (OSD); the Culture variables (Cul.) and the Corporative Culture' types (the Family (Fam.), ?the Eiffel Tower (ET), the Guided Missile (GM) and the Incubator (Inc.), the Innovation variables: the Innovation (Inn.), the Business Intelligence (BI), the Competitive Intelligence (CI) and the Liaison Team (LT). Consequently, defining alternative hypothesis H_A: There

were significant differences between the effects of the CEO's Nationality on these dependent variables.

RESULTS AND DISCUSSION

According to Table 3 in case on CEBCs, since Asymptotic significance (Asymp. Sig. or p) value was greater than the 0.05 criterion of statistical significance; it is concluded that there were not significant differences among the groups. In other words, assuming the H_0 for Coordination (Coor), Administrative Organizational (AO), Organizational Structure and Design (OSD), Family (Fam), Eiffel Tower (ET) and Guided Missile (GM). However, the H_0 is rejected for other variables (Table 3).

For example, with REBC' CEO since Asymptotic significance (p) value was less than the 0.05 criterion of statistical significance; it was concluded that there are significant differences among the groups (expect for OSD -0.396 and Inn. -0.397). OSD and Innovation items did not depend on Nationality of CEBC' CEO). In spite of this, not assuming the H_0 and, as the withdrawal, the OSD's, Culture and Innovation's variables depend on Nationality of CEO in the REBC.

More prominently, Table 3 indicates Mean Rank of Russian and Chinese CEOs in the REBC. Thus, according to the questionnaire, it was assumed the following. In particular, Russian CEOs Mean Rank was 129.10. Thereby, according to the questionnaire survey, the decision authority of the Russian CEOs was more decentralized than decision authority of their Chinese colleagues (107.33) who located decision authority near the top of the REBC. But Chinese boss's management was more formalized (137.35) than Russian boss's management (113.25). Russian Leaders were greater coordinate, of the REBCs (137.83), than the quality of collaboration across departments by Chinese boss (109.94). Chinese leaders had a higher index of AO (141.35), Russian-101.47. Thus, it can be assumed, Chinese CEO more inclined to tight vertical structures (mechanistic) than Russian. Mean Rank in case of Delegation item greater in Russian (127.00). Hence, Russian CEO used to transfer authority and responsibility to positions below them in the hierarchy; Chinese CEO found the delegation more difficult. As for Culture challengers in the REBC, Russian CEOs have more experience difficulties (127.43), as Chinese CEOs did not require adaptation in culture in the Home Country (116.89). Russian boss was more inclined to Incubator (146.30) and Guided Missile (134.03) corporate cultures. Traditionally, Chinese boss prefers Family (135.34) and Eiffel Tower (123.57). Table 3 and Fig. 1 indicate Business Intelligence (BI), the Competitive Intelligence (CI) and the Liaison Team (LT) ranks are higher for

Table 3: Who is CEO?

Items	CEBC CEO	N	Mean rank	KWT (p)	REBC CEO	N	Mean rank	KWT (p)
C	Canadian	127	125.09	0.041	Russian	124	129.10	0.001
	Chinese	54	130.73		Chinese	111	107.33	
	Chinese-overseas	59	115.53					
F	Canadian	127	120.39	0.012	Russian	124	113.25	0.003
	Chinese	54	116.16		Chinese	111	137.35	
	Chinese-overseas	59	134.96					
Coord.	Canadian	127	123.03	0.051	Russian	124	137.83	0.015
	Chinese	54	121.59		Chinese	111	109.94	
	Chinese-overseas	59	123.75					
AO	Canadian	124	119.96	0.288	Russian	124	101.47	0.022
	Chinese	54	118.85		Chinese	111	141.35	
	Chinese-overseas	59	130.65					
OSD	Canadian	127	126.48	0.732	Russian	124	113.70	0.396
	Chinese	54	126.48		Chinese	111	135.81	
	Chinese-overseas	59	115.76					
Culture	Canadian	124	120.11	0.018	Russian	124	127.43	0.001
	Chinese	54	112.02		Chinese	111	116.89	
	Chinese-overseas	59	137.64					
Delegation	Canadian	127	133.85	0.009	Russian	124	127.00	0.001
	Chinese	54	112.52		Chinese	111	120.04	
	Chinese-overseas	59	123.31					
Family	Canadian	127	110.74	0.088	Russian	124	129.21	0.015
	Chinese	54	129.56		Chinese	111	*135.34*	
	Chinese-overseas	59	108.14					
Incubator	Canadian	127	121.48	0.049	Russian	124	146.30	0.005
	Chinese	54	107.31		Chinese	111	90.36	
	Chinese-overseas	59	139.92					
ET	Canadian	127	122.39	0.451	Russian	124	120.60	0.024
	Chinese	54	113.44		Chinese	111	123.57	
	Chinese-overseas	59	133.67					
GM	Canadian	127	132.89	0.098	Russian	124	134.03	0.001
	Chinese	54	105.29		Chinese	111	96.69	
	Chinese-overseas	59	120.51					
Innovation	Canadian	127	127.39	0.019	Russian	124	123.96	0.397
	Chinese	54	105.89		Chinese	111	123.13	
	Chinese-overseas	59	131.92					
BI	Canadian	127	122.60	0.040	Russian	124	138.43	0.029
	Chinese	54	108.06		Chinese	111	105.45	
	Chinese-overseas	59	135.08					
CI	Canadian	127	120.63	0.032	Russian	124	140.30	0.003
	Chinese	54	114.77		Chinese	111	102.02	
	Chinese-overseas	59	134.03					
LT	Canadian	127	130.59	0.033				0.005
	Chinese	54	119.44		Russian	123	133.99	
	Chinese-overseas	59	134.41		Chinese	111	108.73	

[1]Excluded 1 (0.4%). For each dependent variable in a table, user-defined missing values for the dependent and all grouping variables are treated as missing. Cases used for each table have no missing values in any independent variable and not all dependent variables have missing values. Statistics for each test are based on all cases with valid data for the variable(s) used in that test

Russian CEOs. This different seems reasonable seeing Russian boss more flexible (decentralize decisions, delegate authority).

Also as the full information approach, I compared the mean rank of Russian and Chinese CEOs in the REBCs and mean rank of Canadian, Chinese and Chinese-overseas in the CEBCs (Fig. 1). Certainly, it was critical lose sight of KWT's and Significance levels (Asymptotic significance-Asymp. Sig) results. Additionally, the environment in the CEBC and in the REBC had big distinctions. In spite of this, cases of CEBC were not completely valid but helped provide in this research.

Figure 1 showed that Russian, Canadian and Chinese (from C EBC) CEOs had a tendency to decentralization. Chinese CEO from REBC and Chinese-overseas CEO had a tendency to centralization. Moreover, they were both very formalized. Russian CEO was most coordinating his management; Chinese boss had a little coordination in enterprise's operations. CEBC' Canadian, Chinese and Chinese-overseas CEOs had almost equal rank of centralization. Chinese CEO from REBC and CEBC's Chinese-overseas had tendency to tight vertical structures (mechanistic). OSD and Culture Expected that Canadian CEOs are the leaders in the Delegation; Russian and Chinese-overseas located in the "middle"; Chinese CEOs both in REBCs and in CEBCs had difficulty delegating authority. Traditionally, Chinese boss from REBC, as Chinese boss from CEBC chose
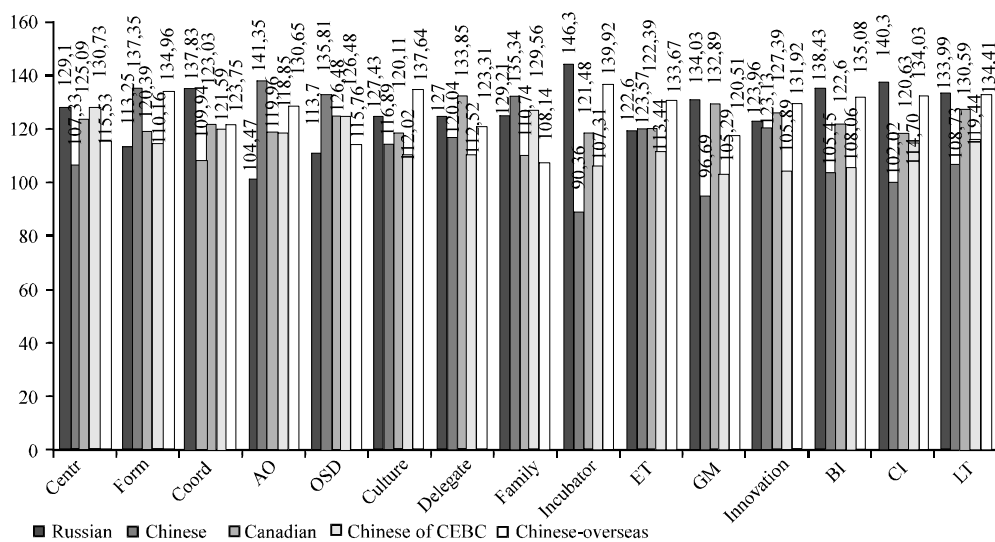
Fig. 1: Mean ranks of REBC and CEBC

the Family corporate culture (Trompenaars *et al.*, 2012; Su and Chen, 2013). The majority of Russian and Chinese-overseas CEOs were more prone to the Incubator, Chinese-overseas inclined to the Eiffel Tower too; Canadian CEOs chose the Guided Missile. Russian CEOs also prefers this corporate culture. Chinese CEOs (CEBC) were more cautious about the Innovation. Canadian and Chinese-overseas CEOs were more flexibility for Innovation. CEOs from REBC located in the middle. Russian, Canadian and Chinese-overseas CEOs were using the BI, CI and LT. Chinese CEOs used them at least.

CONCLUSION

In view of the above, KWT reports that there is a statistically significant difference, where p<0.05, are more actual for REBC' Organization structure. Despite this, CEO nationality in the case of CEBCs has less influence on organizational structure and design than for REBCs. Similarly and more prominently, there is evidence for a difference between Russian, Canadian and Chinese nationalities. In the case of REBCs, a Chinese CEO's management differs from the management of a Chinese CEO in a CEBC. In addition, overseas Chinese CEOs in a CEBC differ from Chinese CEOs in both CEBCs and REBCs.

Consequently, when appointing a CEO, the enterprise must consider all organizational and cultural issues related to a CEO's nationality. There may be organizational and the cultural issues related to his nationality.

The framework presented in this article offers a theoretical and practical basis for understanding how multicultural employees may contribute to their organizations. A more in-depth examination is needed for future research.

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