Revisiting the 'matching managers to strategy' argument in the context of a firm's internationalisation strategy

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ABSTRACT

- Purpose: In this paper, we revisit the long-standing in the management literature argument of 'matching managers to strategy' in the new empirical context of the top management team (TMT) and firm internationalisation. The purpose of this research is to examine the consequences of matching nationalities of the TMT members to the multinational corporations' (MNC) countries of operation.
- Design/methodology/approach: Our research is based on the quantitative methods. We utilise the traditional regression analysis, with the ordinary least squares estimation, in the moderated multiple regression models.
- Findings: The study findings point to the importance of the asset-based exposure to international environments for the benefits of the TMT nationality matching to materialise. They re-affirm the critical remarks on the early 'matching managers to strategy' frameworks, which indicated that the effectiveness of matching is underpinned by the detailed specification of the matching contingencies that influence the matching process.
- Originality: Our measure of matching the TMT foreign nationals to the MNCs' host countries constitutes a novel way of capturing the TMT internationalisation, as opposed to measuring the incidence of foreigners on the TMTs or the TMT nationality diversity variable. It therefore underlines the aspect of matching in terms of the cultural fit between the TMT nationalities and countries of MNCs' operations.

206 words

Keywords: *Firm internationalisation,* **'***Matching managers to strategy', Nationality, Top management team, Upper echelons*

1. Introduction

It has been over thirty years since the seminal contributions on the 'matching managers to strategy' argument were published (Gupta, 1986; Gupta and Govindarajan, 1984; Szilagyi and Schweiger, 1984). We adopt it in this research on the top management team (TMT) and firm internationalisation. Our endeavour is to validate the predictions of this managerial framework of high intuitive appeal and specify what implications it has for the managerial practice of TMTs in multi-national corporations (MNCs). To this end, we study the consequences of a phenomenon of matching the TMT foreign nationals to a firm's host countries under the strategic contingency of changes to the asset exposure to different institutional contexts of host countries.

The research stream based on the upper echelons theory (Finkelstein, Hambrick and Cannella, 2009; Hambrick and Mason, 1984) has grown to the extent that merited the publication of the first review and meta-analytical articles (Certo, Lester, Dalton and Dalton, 2006; Yamak, Nielsen and Escribá- Esteve, 2014; Nielsen, 2010b). However, the variables of the TMT internationalisation, such as international experience and nationality, especially, have been comparably less studied than the other TMT characteristics, such as age, gender, education or functional experience (Nielsen, 2010a, 2010b; Nielsen and Nielsen, 2011; Nielsen and Nielsen, 2013). So, there is still scope for new insights in the TMT demography research with reference to the TMT internationalisation variables (Carpenter, Geletkanycz and Sanders, 2004).

There are two main sources of international expertise in the executive suite: (1) domestic but internationally experienced managers, and (2) foreigners. The first category is captured with the variable of international experience and the second with the variable of the nationality. There are comparably more studies devoted to the TMT international experience than the TMT nationality variable in the TMT demography literature (e.g., Nielsen and Nielsen, 2011; Nielsen and Nielsen, 2013; Tasheva and Nielsen, 2020). In addition, it is the variable of nationality, which represents a factor which determines communication patterns and interaction styles, as well as the structure and content of personality trait hierarchy (Oetzel 1995). In trans-national teams, nationality is therefore indicated to be the primary status-determining characteristic that influences a person's behaviour and the perception thereof (Earley and Mosakowski 2000; Hambrick, Davison, Snell and Snow, 1998). So, the nationality of TMT members represents a trait which is particularly determining for group dynamics in the multi-national teams, and hence the possibility for the contribution.

The TMT internationalisation literature posits that international expertise on the TMT, no matter whether embodied in domestic but internationally experienced or foreign managers, should aid MNCs with coping with the demands of the internationalisation strategy (e.g., Greve, Nielsen and Ruigrok, 2009; Nielsen and Nielsen, 2011; Sambharya, 1996; Sanders and Carpenter, 1998). By revisiting the 'matching managers to strategy' argument' with regard to the research theme of the TMT internationalisation, we demonstrate that this TMT international expertise matched to the MNCs' host countries proves indeed beneficial for MNCs, provided that MNCs undertake strategic moves in terms of changes to their asset-based exposure to international markets within the confines of the cultural zone of the MNCs' headquarters.

In the existing studies the adopted measurements of the TMT internationalisation based on the nationality variable were not allowing for gauging the alignment with the firm internationalisation strategy. Scholars were either applying the sheer count of and/ or percentage ratios of foreigners on the TMTs (e.g., Caligiuri, Lazarova and Zehetbauer, 2004; Heijltjes, Olie and Glunk, 2003; Pisani, Muller and Bogăţan, 2018; Van Veen and Marsman, 2008) or the Blau's index (1977) of heterogeneity (e.g., Boone, Lokshin, Guenter and Belderbos, 2019; Nielsen, 2010a; Nielsen and Nielsen, 2011; Ruigrok, Georgakakis and Greve, 2013; Tasheva and Nielsen, 2020). In the former case, they were capturing the degree of foreigness of the TMT, i.e.

the extent to which the TMT ranks are open to foreign nationals (Pisani *et al.*, 2018). In the latter instance, they were picking up the dispersion of nationalities, *i.e*. the degree of variety in terms of nationalities on the TMT (Harrison and Klein, 2007). Yet, the gist of ensuring certain composition of the TMT members' national backgrounds lies in aligning it with the geographic map of companies' operations (e.g., Athanassiou and Nigh, 2000; Carpenter and Frederickson, 2001; Carpenter, Sanders and Gregersen, 2001; Hermann and Datta, 2005; Sambharya, 1996; Sanders and Carpenter, 1998; Tihanyi, Ellstrand, Daily and Dalton, 2000). Otherwise, this enhanced international cognitive capacity of the TMT members may not be justified or be even misaligned, and the strategic leadership may be better enacted by the domestic managers (Kaczmarek and Ruigrok, 2013).

So, in our article we construct the novel measure of the TMT internationalisation based on the nationality variable, which scoops out its alignment aspects with the firm's internationalisation strategy. By doing so, we touch upon the marrow of opening the executive ranks to foreigners. This is because this international cognitive capacity on the TMT (e.g., Bouquet, 2005; Hofstede and Hofstede, 2005) is meant to reflect the geographic map of companies' operations and aid with navigating them through complex international environments (e.g, Kobrin, 1994; Pisani *et al.*, 2018; Sambharya, 1996; Sanders and Carpenter, 1998; Tasheva and Nielsen, 2020).

In researching the phenomenon of the TMT internationalisation we revisit and build on the framework of 'matching managers to strategy' (Gupta, 1986; Gupta and Govindarajan, 1984; Szilagyi and Schweiger, 1984). The concept of 'matching managers to strategy' comprises three basic tenets: (1) strategies differ across organisations and over time, which underpins the relative usefulness of different managerial skills, (2) managers differ in terms of their educational backgrounds, experiences, and personality traits, which impacts on the skills and orientations that they bring to their positions, and (3) matching managers to strategies leads to improved performance (Gupta, 1986). Accordingly, a firm’s internationalisation strategy puts the international cognitive capacity into spotlight (Niittymies and Pajunen, 2020). Introducing foreigners from the firm’s countries of operations to executive ranks is meant to ensure that they bring the necessary skills and orientations to the TMT in internationalised companies (Boone *et al.*, 2019; Mohr and Batsakis, 2019). Ultimately, we posit that this matching of job requirements in TMTs of internationalised companies and the professional profiles of international executives will be beneficial in terms of improved firm performance. However, following the arguments by Carpenter (2002) and Certo *et al.* (2006), who indicated that the TMT research frequently suffers from de-contextualisation, we also examine these relationships in the context of the asset-based internationalisation strategy, as this is the strategic context, in which the TMT international expertise is likely to prove to be most useful. This is because such localisation of assets in foreign markets requires dexterous managerial attention characterised by international expertise in order to safeguard firm performance.

Our findings provide evidence that matching foreigners on the TMT to the firm’s countries of operations alone does not lead to improved firm performance. The benefits of such TMT matching only unfold under the strategic contingency of changes to the asset exposure to international markets. Moreover, we find that ultimately the limit to this beneficial alignment of international cognitive capacity of the TMT members to the firm’s countries of operations under the condition of the asset-based international expansion is related to the variable of cultural distance. Our results suggest that the asset-based internationalisation is in itself challenging enough. Undertaking such internationalisation strategy in culturally distant countries puts additional layer of complexity on the TMTs. Even enhanced international cognitive capacity among the TMT members does not allow them to effectively grapple with such managerial demands (*cf.* Hutzschenreuter, Voll and Verbeke, 2011; Penrose, 1959). This means that when companies expand into culturally unrelated areas with their assets, TMTs become 'over-stretched', despite the fact that their nationalities are matched with the host countries of those companies' operations.

We structure the article as follows. In the next section, we provide the literature review and lay out the theoretical foundations for the paper. In the following section we derive our hypotheses. Further, we discuss the methodology of the study. The result section comes next, followed by our discussion of the findings and the limitations and future research directions. In the final part we come up with our concluding remarks.

2. Literature review

2.1 'Matching managers to strategy' argument

The early 'matching managers to strategy' models, such as strategic archetypes model (Wissema, Van Der Pol and Messer, 1980), stages of growth model (Leontiades, 1980, 1982), or reward system model (Kerr, 1982), were criticised for proposing unclear strategy classifications and personality-based archetypes/ prototypes of managers. This is to some extent rectified in the two popular in the literature strategic typologies, *i.e.* Miles and Snow's (1978) classification of defenders and prospectors and Porter's (1980) generic strategies of cost leadership, differentiation, and focus. However, they were not the 'matching managers to strategy' models *per se*. Nevertheless, they were praised for generating specific job requirements and managerial skills required for a given strategy type. For example, financial and/ or production experts are meant to be the suitable executors of the defender or cost leadership strategy, whereas marketing and R&D experts are supposed to be adequate managers for the prospector or differentiation strategy (Szilagyi and Schweiger, 1984).

This criticism of the ‘matching managers to strategy’ model was accompanied with propositions for improvement. The gist of the matching process lies in the detailed specification of job requirements. They, in turn, result from the pursued strategy on one hand, and the managerial backgrounds and skills on the other hand, and are based on the matching criteria. Examples of the specified job requirements include: environmental scanning efforts, job complexity (difficulty, uncertainty, and change), relevant external contacts, etc. Suggested exemplifications of managerial skills matching these requirements comprise: specific industry knowledge, number and quality of relationships with external networks, quality of communication, flexibility and adaptability in assignments, etc. (Szilagyi and Schweiger, 1984). Szilagyi and Schweiger (1984) also underlined that ‘matching managers to strategy’ typically unfolds under matching contingencies, such as a power factor, organisational structure or culture, the impact of which varies with conditions in an organisation.

The ‘matching managers to strategy’ literature also has an empirical component. For instance, Gupta and Govindarajan (1984) provided validation for the ‘matching managers to strategy’ model based on the typology of ‘build’ and ‘harvest’ strategies. Similarly, Thomas, Litschert and Ramaswamy (1991) and Thomas and Ramaswamy (1996) empirically verified the model based on the Miles and Snow’s (1978) classification of strategy. More recently, there appeared empirical contributions that tested the propositions of the ‘matching managers to strategy’ argument with regard to a firm’s diversification strategy (e.g., Michel and Hambrick, 1992; Marlin, Lamont and Geiger, 2004), which suggested that fine-grained measures of both strategy and managerial skills should be applied to properly account for the effects of matching.

2.2. Revisiting the ‘matching’ argument in the empirical context of a firm’s internationalisation strategy

Despite the intuitive appeal of the ‘matching managers to strategy’ argument, there is paucity of research that would validate its predictions with regard to the internationalisation strategy. Contributions in the literature examining the TMT and/or board nationality and/or international experience diversity on one hand and firm internationalisation on the other hand (e.g. Greve *et al.*, 2009; Heijltjes Olie and Glunk, 2003; Van Veen and Marsman, 2008; Nielsen, 2010a; Nielsen and Nielsen, 2011; Pisani *et al.*, 2018) somewhat imply the ‘matching’ based on the international expertise criterion, however they neither explicitly measure nor empirically test the propositions of the ‘matching managers to strategies’ argument.

The unprecedented developments in the world economy, where some MNCs generate revenues that are greater than gross domestic products of some smaller nation states (Rugman and Collinson, 2009), and TMTs and boards of these MNCs are increasingly open to foreigners (Staples, 2007; Van Veen and Marsman, 2008; Van Veen and Elbertsen, 2008), provide a unique opportunity to revisit the original ‘matching managers to strategy’ framework in the empirical context of the TMT and firm internationalisation.

A firm’s internationalisation strategy is associated with additional costs compared to the domestic growth strategy. They are referred to as the liability of foreignness in the international business literature. They result from discrimination hazards (preferential treatment of domestic firms by customers, suppliers and the local government), exchange rate, economic and political risks in the host countries, as well as increased administrative expense due to costs of travel and transportation over various time zones, setup, coordination and monitoring of operations spread across foreign lands (Elango, 2009; Luo, Shenkar and Nyaw, 2002; Zaheer, 1995; Zaheer and Mosakowski, 1997). This magnifies the managerial challenges for the internationalising companies. Knowledge on foreign markets and familiarity with the local contexts, cultures and languages become then the essence of the managerial tool-kit, especially on the TMTs.

Finkelstein and Hambrick (1996, p. 8) define the TMT as 'the relatively small group of most influential executives at the apex of an organisation-usually CEO (or general manager) and those who report directly to him or her'. The TMT is responsible for the strategic leadership, strategy formulation and implementation as well as overall conduct and performance of an entire organisation. Therefore, the executive decisions made by the TMT cascade down an organisation and the importance of matching backgrounds, skills and behaviours of these most senior executives to a firm's strategy is probably more critical than matching at any other level of the managerial hierarchy in an organisation (Gupta, 1986; Gupta and Govindarajan, 2002).

Accordingly, introducing foreigners to executive ranks as a means of enhancing the inter-cultural competence on the TMT appears an apposite organisational response to a firm's internationalisation strategy (Athanassiou and Nigh, 1999; 2000; Boone *et al.*, 2019; Greve *et al.*, 2009; Kobrin, 1994; Mohr and Batsakis, 2019; Van Veen and Marsman, 2008). For the matching process to be effective, however, it has to unfold based on the precise matching criteria. In case of the firm and TMT internationalisation, such criteria naturally result from geography and culture. For example, if a British company enters Germany, it would be advisable to hire a German TMT member who is then likely to be familiar with the German market and culture, as opposed to say a Malaysian TMT member who comes from a very distant to Germany cultural context.

So, the novelty of our approach to the measurement of the TMT internationalisation phenomenon consists in the incorporation of the alignment between the TMT member nationality and a firm's countries of operations. Thanks to this variable operationalisation, we do not capture the degree of foreignness of the TMT (e.g., Pisani *et al.*, 2018) or the TMT nationality diversity (e.g., Boone *et al.*, 2019; Nielsen, 2010a), but the extent to which the inter-cultural competence on the TMT reflects the company's geographic map of operations. Whilst a degree of foreignness describes how international the TMT is and the nationality diversity indices depict the dispersion of nationalities on the TMT, it is our matching measure that probably most precisely captures the main idea of introducing foreigners to executive ranks in the first place, *i.e.* to reflect the ‘company geography’ in the TMT composition.

3. Hypotheses

The main thesis of the TMT internationalisation literature states that in tandem with increases in the internationalisation posture, the international cognitive capacity on the TMT is also being enhanced by introducing foreigners and/ or internationally experienced managers (Carpenter and Fredrickson, 2001; Kobrin, 1994; Sambharya, 1996; Tihanyi *et al.*, 2000). However, the presence of foreigners on the TMT *per se* does not constitute an exact matching of foreign executives to an international strategy. What if those foreigners come from countries in which an MNC does not operate? In line with the ‘matching managers to strategy’ argument we postulate that scholars need to look at the measure of alignment of the TMT international cognitive capacity with the geographic map of the MNC’s operations.

Academic research demonstrates that in order for MNCs to achieve global integration and local responsiveness, they should have a culturally diverse TMT, because then they are able to respond effectively to the demands of local stakeholders, including political actors, local employees, suppliers and customers (Bartlett and Ghoshal, 1989; Doz, Santos and Williamson, 2001; Mellahi, Frynas and Finlay, 2005; Rosenzweig and Singh, 1991). Managers from host countries have country-specific knowledge, skills, command of the language and the familiarity with the local cultural context, and in consequence they are in a better position to tackle complexity of the host country challenges than the domestic managers in MNCs’ headquarters (Carpenter, Sanders and Gregersen, 2001; Frynas, Mellahi and Pigman, 2006; Gong, 2003;

Mellahi and Collings, 2010). Thanks to this inter-cultural competence on the TMT companies can efficiently operate in the international market-space, which is likely to have value-creating implications.

In addition to this increased TMT information-processing capacity, foreign nationals on the TMT matched to countries of a firm's operations are likely to be instrumental for MNCs in establishing legitimacy in host countries by enhancing its local image and elevating its status, and thus bolstering social acceptance in host markets (Mellahi and Collings, 2010; Sambharya, 1996; Suchman, 1995). Through their social networks in the host countries, they can facilitate the process of affiliation of MNCs with local business groups, which allows for smooth internalization of information about the local environment and achieving gains from legitimacy spillovers. This effective embeddedness in local networks also facilitates resource-provision, which is translated into tangible performance improvements (Kiss and Danis, 2008; *cf.* Elango, 2009; Maznevski and Athanassiou, 2006; Oxelheim and Randøy, 2003).

Finally, such TMT foreign nationals matched to the host countries are likely to reduce the need for costly parent-country expatriates in the local subsidiaries and hence lower the agency costs arising from the opportunistic behavior on the part of local managers and other partners, who can be efficiently supervised by TMT members matched to the host countries[[1]]. As a result, companies can save costs of hiring and sending abroad the parent-country expatriates (*cf.* Buckley and Casson, 1998; Harzing, 2001).

[1] Arguably, there may be additional costs of coordination of the TMTs with foreigners as compared to the TMTs composed uniformly of domestic managers. This is likely to result from the fact that bringing different national mindsets together in one team requires additional management effort (e.g., Belderbos, Lokshin, Boone and Jacob, 2020). However, as elucidated by Hambrick *et al.* (1998), group performance of the multi-national teams is different depending on the nature of the task. They distinguish among the computational, coordinative and creative tasks and claim that multi-national teams confronted with creative tasks experience group performance gains rather than losses. TMTs, as groups at the top of organisational hierarchies, are endowed with a number of strategic tasks, which are creative in nature (Finkelstein *et al.*, 2009). So, such additional coordination costs of having a nationality mix on the TMTs are likely to be small, if they are to occur at all. In effect, framing such costs and the gains from the improved supervision over the local subsidiary managers by the foreign TMT members on the MNCs' headquarters as the cost- benefit analysis, we are entitled to contend that the benefits would exceed the costs.

In sum, the benefits of matching result from the increased information-processing capacity, gained legitimacy in local markets and reduced agency costs of supervising local managers, which are likely to be translated into positive firm performance effects. Therefore, we propose that the benefits of matching will be reflected in organizational performance.

H1*: There will be a positive relationship between matching the TMT foreign nationals to a firm’s host countries and firm performance.*

Following Certo *et al.* (2006) we recognise the need for studying moderating influences on the relationship between TMT composition variables and firm performance. Thus, we contend that the examination of the value-creating implications of the matching TMT foreign nationals to a firm’s host countries requires contextualisation (Carpenter, 2002; *cf*. Marlin *et al.*, 2004). Therefore, we suggest the measure of the depth of internationalisation to capture the asset-based internationalisation strategy. This corresponds with Sullivan’s (1994) structural dimension of internationalisation, which out of all three dimensions of internationalisation (the other are financial/ revenue-based and attitudinal) places comparably the greatest demands on the management.

Asset-based internationalisation, be it asset-seeking or asset-augmenting, signifies strong commitment to international markets. Such asset orchestration on the international arena requires asset relocation and hence constitutes considerable investment. Strategic moves of that kind may also lead to sunk costs and be irreversible. As opposed to the mere exporting transaction, international asset orchestration therefore represents significant embeddedness of companies in international environments (Dunning, 1988; Dunning, 2000; Rugman and Collinson, 2009; Tasheva and Nielsen, 2020). As a result, asset-based internationalisation puts comparably to other modes of internationalisation greatest managerial demands on the TMTs. Knowledge on the political, legal, economic and social environments in the foreign countries of the companies’ operations becomes an essential managerial tool-kit. This is where foreigners in the executive ranks prove useful, provided that they are culturally matched to the countries of companies’ operations.

The strategic contingency in terms of the depth of internationalisation for matching the TMT foreign nationals to a firm’s host countries can be also framed as a strategic intent, *i.e.* changes (increases or decreases) along the structural dimension of the internationalisation strategy. Such changes in the depth of internationalisation can be seen as a trigger for the benefits of matching the TMT cognitive capacity with the geographic map of an MNC’s operations to emerge. This is because decisions on the localisation of assets in foreign markets or the withdrawal thereof from them represent significant managerial challenges, which have far-reaching implications for the company functioning. As a result, companies should ideally adjust the level of their inter-cultural competence on the TMT to the level of the international asset exposure. Such alignment will endow companies with the necessary knowledge on the foreign political, legal, social and economic environment, which allows for the due appreciation of the context for the decisions on internationalisation or de-internationalisation in terms of assets and the company management in the aftermath of such decisions (Barkema and Shvyrkov, 2007; Nielsen and Nielsen, 2011; Nielsen and Nielsen, 2013; Sanders and Carpenter, 1998).

Increases or decreases in the structural dimension of the internationalisation are a product of important executive decisions, which involve allocation or withdrawal of substantial amounts of capital and resources to or from complex and uncertain foreign markets. This, in turn, magnifies the need for extensive environmental scanning and information-processing on the part of the TMT (Belderbos *et al.*, 2020). Therefore, such decisions have to be taken in a well-informed manner and with due diligence. Ultimately, changes in the depth of internationalisation entail reorganisation of an MNC's resources in the foreign institutional environment, which places high cognitive demands on the TMT. Under such strategic contingency the gravity of managerial challenges makes the inter-cultural competence of the TMT members salient for the efficient navigation in the international marketplace. The TMTs with foreign nationals from the MNCs' host countries are better equipped than the TMTs composed uniformly of the domestic managers to weigh the pros and cons of the executive decisions on the potential allocation to and/or withdrawal of assets from the foreign markets[2]. Their knowledge on cultures and institutions of the host countries, such as norms, values, beliefs and languages, allows for the due appreciation of these cultural contexts in different MNCs' activities, *i.e.* marketing, human resources management, R& D and production, as well as finance and accounting (Greve *et al.*, 2009; Lisak, Erez, Sui and Lee, 2016; Sanders and Carpenter, 1998). As a result, such executive decisions on the commitment of assets to foreign markets and/ or withdrawal thereof can be taken in a more informed and adequate way than the decisions made by TMTs which comprise domestic managers only. Finally, the TMTs with international cognitive capacity are also likely to reduce the agency costs of collaboration with the local subsidiaries. Their familiarity with the local contexts increases the task programmability and reduces the information asymmetry between the TMTs of the MNCs' headquarters and TMTs of the local subsidiaries (Luo, 2005a; Luo, 2005b). As a result, the control and monitoring function of the TMTs of the MNCs' headquarters, also with regard to the decisions on the level of the exposure of assets to foreign

[2] Our research is based on the cross-sectional data. Therefore, two scenarios here are equally likely. First, the international expansion unfolded into countries that the TMT members are from, so the international expertise was residing in the TMT before the decision on the international expansion was made. Second, companies first expanded internationally and only then recruited TMT members from the host countries.. This is the endogeneity problem that one cannot resolve with the cross-sectional data. So, as a matter of convention, we assumed the scenario, in which the international expertise is present in the executive suite first, and based on it the decision on the international expansion is made.

markets, can be executed in a more efficient manner than it is the case, when TMTs are homogenously composed of the domestic managers.

We therefore propose that changes in the depth of internationalisation represent important strategic contingency, under which the benefits of matching foreign nationals to the host countries of an MNC's operations can materialise. When there are no changes along the structural dimension of internationalisation of an MNC, such international cognitive capacity of the TMT may be misaligned and the managerial tasks can be efficiently executed by the home country nationals.

H_2: The relationship between matching the TMT foreign nationals to a firm's host countries and firm performance will be positively moderated by changes in the depth of internationalisation.

Increasing contextualisation of international business research in recent years makes the notion of the cultural distance between the home and host country an important phenomenon to consider for both academics and practitioners (Pisani *et al.*, 2018). It captures the degree of similarity or dissimilarity between these countries in terms of the cognitive and normative dimensions (Chao and Kumar, 2010; *cf.* Kostova, 1999). We propose that cultural distance adds another layer of complexity to the analysis of strategic contingencies that make the matching of TMT members to the host countries of an MNC's operations salient. Implicit to the notion of cultural distance is the degree of complexity and friction in-built in the process of navigating a company in an international environment (Cuervo-Cazurra and Genc, 2011; Luo and Shenkar, 2011; Shenkar, Luo and Yeheskel, 2008). Countries culturally close to an MNC's home country are likely to bear important similarities with an MNC's country of origin in terms of language, culture, legal environment and economic development, which are likely to reduce the managerial challenges ahead of the TMT. Operations in culturally distant countries will, in turn, magnify the challenges arising from the liability of foreigness and embeddedness in the culturally unrelated institutional contexts, which will necessitate increased managerial input on the part of the TMTs (Chao and Kumar, 2010; Elango, 2009; Hutzschenreuter *et al.*, 2011; Hutzschenreuter, Kleindienst and Lange, 2014; Wang and Schaan, 2008).

When companies increase or decrease their asset-based presence within the area that is culturally close to their country of origin, there is likely to be some amount of procedural stickiness in TMT actions. This is because the required cognitive capacity of the TMT members is not stretched to grapple with the less known and certain environment in order to fulfil the managerial tasks, effectively. In contrast, when the changes in the deployment of assets in international markets unfold in the areas that are noticeably culturally different to the country of an MNC's headquarters, the managerial qualities that the host country nationals bring to the TMT become even more salient than it is the case when such changes in the depth of internationalisation occur within the culturally-related blocs of countries (Barkema and Shvyrkov, 2007; Greve *et al.*, 2009; cf. Nielsen and Nielsen, 2011). Equally, the requirements for the effective information-processing, establishing legitimacy to and networking with the local stakeholders, as well as reducing the agency costs of supervising local managers by the internationalised TMTs of the MNCs' headquarters will be even more pronounced (Harzing, 2001; Lisak *et al.*, 2016; Sanders and Carpenter, 1998; Suchman, 1995). The same will apply to the need for enhancing the inter-cultural competence of the TMTs, when it comes to making executive decisions on the changes in the level of exposure of assets to the international environments. This is because the costs arising from the liability of foreigness and the differences between the cultural contexts of the home and host countries will be higher. In sum, high cultural distance will be therefore a factor further magnifying the gravity of the managerial challenges ahead of the TMTs in MNCs (Elango, 2009; Hutzschenreuter *et al.*, 2011).

We therefore propose that the beneficial interplay between the TMT managers matched to an MNC's host countries and changes in the depth of internationalisation will be more pronounced when these international moves unfold in culturally distant areas rather than in countries of cultural proximity to the home country. This is because the challenges ahead of the TMT and the complexity of the international environment will require even more sophisticated managerial input based on the familiarity with the distant, local, cultural context. In effect, such strong managerial demands placed on the TMTs, when the MNCs pursue the asset-based internationalisation and/ or de-internationalisation beyond the confines of the culturally similar blocs of countries, will allow MNCs to fully utilise the cultural expertise residing on the TMTs. As a result, we contend that the benefits of matching the TMT members' nationalities to the MNCs' host countries will be then materialising to a larger extent than in case of the asset-based international moves within the area of high cultural proximity to the MNC's country of origin.

H_3*: The positive interaction between matching the TMT foreign nationals to a firm's host countries and changes in the depth of internationalisation will be greater for firms with international operations in culturally distant than in culturally related countries.*

4. Methods

4.1 Sample

The sample in this study has been based on the population of 100 biggest stock exchange-listed companies in Switzerland, distinguished upon the criterion of market capitalisation as of the year-end 2005. The Swiss Stock Exchange (SWX) introduced new guidelines regarding the corporate governance disclosure in July 2002. Since that time Swiss companies have been consistently reporting the nationality of members of their executive and non-executive boards in their annual reports, which greatly facilitates the examination of the TMT nationality variable (Ruigrok, Peck, Tacheva, Greve and Hu, 2006). Using the sample from 2005 allowed us to benefit from this consistent reporting by Swiss companies in terms of data collection. Moreover, taking the sample from before the time of eruption of the financial crisis in 2008 allowed us to avoid picking up factors that may have impacted on the long-term firm performance (*cf.* Tasheva and Nielsen, 2020). Finally, Switzerland as a small, open economy hosts a number of MNCs. The TMTs of Swiss companies are highly international, as the TMT diversity of national backgrounds is amongst the highest in the world (Greve and Ruigrok, 2008; Nielsen, 2010a; Nielsen and Nielsen, 2011; Nielsen and Nielsen, 2013). So, overall, Switzerland provides a unique basis for testing the predictions of the 'matching managers to strategy' argument in the empirical context of the TMT and firm internationalisation.

The additional criteria for the inclusion of companies into the sample were adopted to avoid cases that could adversely impact on the data analysis and inferences: (1) a firm had to be a non-SME (small and medium enterprise) according to the European Union definition (a number of employees above 250, more than €50 million revenue), (2) typical investment vehicles (the first two digits of the Standard Industry Classification Code (SIC) equaling 67), which minimise the number of employees, were excluded. All collected data were valid for the year-end 2005 except for the depth of internationalisation and firm performance data, which were also collected for the year-end 2007.

First, the secondary information sources were consulted extensively: the companies' websites, annual reports, the LexisNexis database, the Thomson ONE Banker database, and information generated through casual Internet searches. In case some data points were unavailable, the pertinent firms were contacted by the means of e-mail, fax and telephone interview. Altogether 690 executive profiles have been collected and analysed.

4.2 Measures

4.2.1 Dependent Variables.

As an *explanandum*, we utilise an accounting-based measure of *firm performance*, return on assets (ROA) as of year-end 2007. Asset relocation internationally represents substantial investment and its effects on company operations and performance take time to materialise (e.g., Dunning, 2000; Rugman and Collinson, 2009). Therefore, we decided to choose a 2-year window in measuring changes in the asset-based internationalisation and firm performance as of year-end 2007 for these effects to settle in[3].

ROA is defined as the net income divided by total assets and measures the efficiency, with which a firm employs its current asset base, and is thus especially pertinent to this research, as internationalisation strategy is theoretically based on the search for economies of scope and scale (Dunning, 1988). Therefore, ROA should enable insights with regard to the efficiency with which companies utilise the asset base available in their international expansion strategies.

4.2.2 Independent Variables.

The main explanatory variable in our models is the *TMT nationality match*, which we developed drawing on the notion of 'matching managers to strategy' to capture the alignment between the cognitive capacity of the TMT members and the geographic map of a firm's operations. We delimit the TMT based on the notion of *Geschäftsleitung*, describing the core executive team in Switzerland, as it is defined and reported in the companies' annual reports. We code as 1 the presence of a company's subsidiaries in any of the 10 cultural zones, as

[3] As a robustness check,we have also tested these relationships for a 1-year window of changes in the depth of internationalisation and the subsequent performance in terms of ROA as of year-end 2006. The obtained results were essentially the same.

distinguished by Ronen and Shenkar (1985), and supplemented further with the zone of Central and Eastern European Countries (CEEC) to account for the geo-political changes after 1989: (1) Arab, (2) Near Eastern, (3) Nordic, (4) Germanic, (5) Anglo, (6) Latin European, (7) Latin American, (8) Far Eastern, (9) Independent, and (10) CEEC. Summing these scores we obtain an overall score of a firm’s geographic spread between 1 and 10. Then, we compare the nationalities of the TMT members with these zones. If a given nationality signifies a country that belongs to the region in which a company has operations, a matching pair is found which we again code as 1 (if there are more than one TMT member of the same nationality, we still code it as 1, as it is the cultural expertise and a match in relation to the same country/ cultural bloc). In case of dual nationalities of TMT members, we assign a designate of 0.5 for a matching pair found for each nationality. If any of the two nationalities in case of a dual nationality were already counted as a single nationality, we do not count them again in terms of the matching pairs. In other words, no matter how many TMT members from a given nationality there are in the executive team, no matter whether this is a single or dual nationality, we only count it as 1 matching pair if the respective region of the MNC’s operations is found. The sum of the matching pairs is then divided by the obtained earlier score of a firm’s geographic spread, as a result of which we find that our match indicator is placed between 0 and 1 (e.g., the maximum matching pairs can be 10, the same as the number of zones, in which a company can have subsidiaries, which gives the maximum score of 1). Thanks to this procedure we obtain a ratio type of measurement for the matching phenomenon which is comparable with the ratio type measures of the depth of firm internationalisation.

Arguably, our match measure could be even more precise, if we made our comparison to find matching pairs at the level of countries rather than cultural blocs. However, given the number of subsidiaries in which some of the most dispersed countries are present, it would be computationally unwieldy, as it would be difficult to find the matching pairs. So, we decided to proceed with the measurement at the higher level of aggregation, i.e. the cultural blocs. The cultural blocs (groups of countries sharing a similar culture) and clustering of countries at this level have recently become an important unit of analysis in the international business research (Ronen and Shenkar, 1985; Ronen and Shenkar, 2013). This is because companies frequently draw on one country as a test market before expanding to the next, and regions rather than countries increasingly constitute a basis of competition. Moreover, countries with the given cultural cluster are characterised by cultural proximity (Barkema and Drogendijk, 2007; Buckley and Ghauri, 2004; Delios and Henisz, 2003; Rugman and Verbeke, 2008). So, overall, our matching measure based on the cultural blocs as a unit of analysis has a good degree of approximation of matching in terms of the cultural fit between the TMT nationalities and MNCs' countries of operations.

This way of measurement constitutes the novel way of assessing the phenomenon of TMT internationalisation based on the 'matching managers to strategy' argument. In prior studies, the nationality variable was typically captured as the count of and/or percentage of foreigners on the TMTs (e.g., Pisani *et al.*, 2018; Van Veen and Marsman, 2008; Van Veen and Elbertsen, 2008), or as the diversity measure with the use of the Blau's (1977) index (e.g., Greve *et al.*, 2009; Nielsen 2010a; Nielsen and Nielsen, 2011; Nielsen and Nielsen, 2013). Our TMT nationality match measure has a potential to generate more fine-grained predictions as to the extent to which the TMT international expertise is attuned to a firm's internationalisation strategy than predictions generated by those other measures of the TMT internationalisation.

4.2.3 Moderating Variables.

In models testing hypotheses 2 and 3, we use the variable of a *change in the depth of internationalisation*, as a moderator, to account for changes along this structural dimension of internationalisation and their impact on the matching phenomenon (in the model testing hypothesis 1 it serves as a control variable). Such moves on the international arena are a product of executive decisions which involve a high degree of cognitive complexity and therefore place substantial demands on the TMT. Ultimately, changes in the exposure of assets to the international environment represent considerable adjustments to the company's operations, which reverberate throughout the organisation and thus require considerable managerial input.

We compute this measure by first capturing the depth of internationalisation, which we define as the ratio of foreign assets to total assets (FATA). This indicator is derived from the structural dimension of Sullivan's (1994) typology of dimensions of a firm's internationalisation and captures the extent to which a company depends on foreign markets for factors of production (the other two dimensions are performance/financial and attitudinal). It also measures the overall degree of commitment of a company to foreign markets in which it operates in terms of its asset base that is involved in the conduct of international operations. Such asset-based internationalisation exposes an MNC to the international environment the most out of all dimensions of internationalisation, as it entails substantial investments of resources of an MNC in the complex and uncertain international environment (e.g., UNCTAD, 1996; Gomes and Ramaswamy, 1999). We then capture changes along this structural dimension of the internationalisation posture for a two-year time span between 2007 and 2005 by subtracting the 2005 values of FATA from the 2007 values of FATA.

Finally, in the model testing hypothesis 3, which involves a three-way interaction term, we apply the *cultural distance* (CD) measure as a second moderator (equivalent of Sullivan's attitudinal dimension of internationalisation). We calculate the CD index for all countries in which Swiss companies have subsidiaries and for which the Hofstede's (1980, 2001) scores for dimensions of national culture are available (79 countries): (1) power distance, (2) individualism versus collectivism, (3) masculinity versus feminity, and (4) uncertainty avoidance. We use Kogut and Singh's (1988) formula: $CD_j = \sum_{i=1}^{4} \{(I_{ij} - I_{iS})^2 / V_i\} / 4$, where CD_j represents cultural distance between country *j* and Switzerland, I_{ij} is a Hofstede's score for the cultural dimension *i* for country *j*, I_{iS} is a Hofstede's score for the cultural dimension *i* for Switzerland, and V_i represents variance of the cultural dimension *i*. Then, we take an arithmetic average of all pair-wise scores of the CD between Switzerland and the given country. Despite the criticism that has surrounded Hofstede's (1980, 2001) research, Drogendijk and Slangen (2006) reported that the explanatory power of Hofstede's dimensions of national culture is not lower than the power of the competing Schwartz's (1994) measures, and at the same time higher than the questionnaire-generated managerial perceptual measures of CD.

4.2.4 Control Variables.

Across all models we control for the *TMT size* as a factor that increases the likelihood of incidence of foreigners on the TMT, and hence chances for matching their nationalities with countries of a firm's operations. A larger TMT also means a greater human and social capital of the team, which can then fulfil its statutory functions better (Certo *et al.*, 2006). We define the TMT size as a count of all TMT members as reported by companies in their annual reports.

We also control for firm characteristics, as they are likely to explain the differential firm performance effects between firms. First, larger companies are more likely to have stabilised revenue streams and thus can enjoy performance advantages over their smaller counterparts. Moreover, they are more likely to expand internationally, as they enjoy scale advantages, thanks to which they are able to overcome structural and financial difficulties inherent to investments abroad (Calof, 1994). Therefore, we capture *firm size* as a firm’s total sales (e.g., Fich and Shivdasani, 2006).

Second, we control for *firm diversification* as an important corporate dimension, which also has been shown to be at the root of differential firm performance effects between firms (e.g., Hitt, Hoskisson and Kim, 1997). We define the firm diversification variable as a count of all business segments in which a firm is active based on the two-digit SIC codes (Fama and Jensen, 1983; Guest, 2009; or Linck, Netter and Yang, 2008). The count of businesses measure belongs to the so-called ‘business count approach’ as opposed to ‘strategic approach’ in measuring corporate diversification and has this advantage over the latter measures that it relies on SIC data rather than on the subjective judgment of the researcher (Martin and Sayrak, 2003).

Finally, firm performance is largely conditioned on the industry structure in which the company is operating. We control for *industry effects* with the use of the dummy variable based on the one-digit SIC codes (e.g., Ruigrok *et al.*, 2006), which corresponds to the Datastream Level 2 Industry Groupings (*cf.* Guest, 2008).

4.3 Analysis

In the test of hypothesis 1, we use the multi-variate regression model based on the ordinary least squares (OLS) estimation. For the tests of hypotheses 2-3, we apply the moderated multiple regression (MMR) models, whereby with regard to hypothesis 2 we examine the two-way interaction terms and for hypothesis 3 we scrutinize the three-way interaction term between the predictor variables. In all MMR models, all predictor variables forming the cross-product terms are continuous variables. The MMR analysis allows for specification of conditions in terms of moderating variables under which the main effect of the main explanatory variable on the dependent variable is likely to unfold (Aiken and West, 1991; Aguinis, 2004). Accordingly, through this modelling we are able to discern the impact of the TMT nationality match variable on firm performance under the strategic contingencies of the change in the depth of internationalisation as well as the cultural distance of international operations.

The moderated multiple regression (MMR) models are known for the problem of multicollinearity between predictor variables and their cross-product term. Based on VIF statistics we do not detect this problem for models testing hypothesis 2 , therefore there was no need to mean-centre the predictor variables. However, we detect this problem in the three-predictor setting of the model testing hypothesis 3. Shieh (2010) provides arguments and evidence that over-emphasis on the multicollinearity problem in the MMR analysis may actually undermine the ability to detect moderation effects, suggesting that there are counterintuitive, beneficial effects of multicollinearity in the MMR models. We therefore ran the model testing hypothesis 3 with mean-centred predictor variables as well and the results of the three-way moderation remained unchanged. We thus conclude that the problem of multi-collinearity does not distort the results of this MMR model and for consistency we report the original not mean-centred model in Table 2.

Natural logarithms are typically used in econometric modelling to correct the skewness of data, which is frequently the case with the variables of firm size and performance. So, for consistency we take natural logarithms of all studied variables (Gujarati and Porter, 2008; Kennedy, 2003). All regressions are checked for the correctness of the assumptions of the classical regression model with the regression diagnostics functions of the statistical software package STATA.

5. Results

The means, standard deviations, and the correlation matrix of all variables used in the analysis are presented in Table 1. We find that the actual measure of matching nationalities of TMT members to countries of a firm's operations is at a considerable level of 0.34 (0.43 in the antilog form), which demonstrates that Swiss companies matched over one-third of regions of their operations with foreign managers from those cultural blocs on their TMTs.

Insert Table 1 about here

In Table 2, we present the statistical estimates of the OLS regression model testing hypothesis 1. The coefficient of the TMT nationality match variable does not reach the significance level (β = -0.31, $p > 0.10$). Therefore, we do not detect the impact of the matching variable alone on firm financial performance. Hypothesis 1 is not supported.

The statistical estimates of the MMR model testing hypothesis 2 are also presented in Table 2. The increase in the explained variance through the augmented model is statistically significant, which provides validation to the MMR modelling (ΔR^2=0.09; $p < 0.001$). The coefficient of the two-way cross-product term between TMT nationality match and change in the depth of internationalisation is positive and significantly different from zero (β = 17.71, $p < 0.001$). In Figure 1, we plot graphically slope differences for the low (μ-1SD), mean (μ), and high (μ+1SD) values of the moderator. The chart demonstrates that for very high values of changes in the depth of internationalisation the TMT nationality match variable positively influences firm financial performance. Thus, hypothesis 2 is supported.

In the following MMR model, we test hypothesis 3. The increase in the explained variance through the model with the three-way cross-product term compared to the model with the two-way moderation is statistically significant, which provides validation to the MMR modelling (Δ R^2=0.11; p < 0.001). The coefficient of the three-way cross-product term between TMT nationality match, change in the depth of internationalisation, and the cultural distance is negative and significantly different from zero (β = -80.48, p < 0.001). Moreover, in Figure 2, we present graphically slope differences for four combinations of two moderators: 1 (low CD, low change in depth of internationalisation), 2 (low CD, high change in depth of internationalisation), 3 (high CD, low change in depth of internationalisation), 4 (high CD, high change in depth of internationalisation). The chart demonstrates that the impact of the TMT nationality match variable on firm financial performance turns positive when CD is low and the change in depth of internationalisation is high, and when CD is high and the change in depth of internationalisation is low. This constitutes counter-veiling evidence to hypothesis 3 and suggests that the interaction between the TMT nationality match and asset-based moves in the international arena has positive influence on firm performance, when the company remains within the culturally related blocs of countries. Hypothesis 3 is not supported.

Insert Table 2 about here

Insert Figure 1 about here

Insert Figure 2 about here
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6. Discussion

The results of our research indicate that matching the nationalities of the TMT members to an MNC's countries of operations is not beneficial *per se*. The impact of this variable on firm financial performance is highly contextual and we demonstrate that it matters the most, when a company changes the level of its exposure to the cultural contexts of the host countries in terms of assets. Otherwise a nationally homogeneous TMT is equally likely, if not better, to perform the managerial tasks required of the TMT and this international cognitive capacity is misaligned (Kaczmarek and Ruigrok, 2013). Only changes to the international presence along the structural dimension of internationalisation engender significant challenges for the TMT, which put into spotlight the managerial qualities that host country nationals are likely to possess in terms of their country-specific knowledge, skills, command of language and familiarity with the local cultural contexts that translate into improved firm performance.

Under the strategic contingency of changes to the asset-based exposure to international markets, such enhanced international cognitive capacity of the TMT can lead to tangible benefits for an MNC. We suggest that it represents a tractable way of mitigating the costs and challenges arising from the liability of foreignness (Elango, 2009) and embeddedness in different cultural contexts of the host countries (Chao and Kumar, 2010). First, host country nationals on the TMT are likely to increase the team's information-processing capacity with regard to international operations (Sanders and Carpenter, 1998). Second, they are likely to facilitate establishing legitimacy in the host countries, in which their social networks can be instrumental and enable the MNC's participation in the local business groups. Especially if this is perceived as important for internalization of information about local environment and attaining gains from legitimacy spillovers (Oxelheim and Randøy, 2003; Suchman, 1995). Finally, such TMT foreign nationals matched to the host countries may enhance the quality of communication with and supervision of local subsidiary managers and other partners. This may, in turn, reduce the need for costly parent-country expatriates in the local subsidiaries and reduce the agency costs due to opportunistic behavior on the part of the local managers and other partners (Carpenter *et al.*, 2001; Gong, 2003;

Harzing, 2001; Kiss and Danis, 2008; Maznevski and Athanassiou, 2006; Mellahi and Collings, 2010).

However, we also detect an important limit to this beneficial interplay between the TMT nationality match and changes in the depth of internationalisation. When companies move to explore blocs of culturally distant countries based on the asset-driven expansion, the TMT nationality match ceases to bring any positive effects. Barkema and Drogendijk's (2007) research seems to suggest that such 'jumps' from the home country to the culturally distant host countries are likely to put a strain on the organisational learning capacity of an MNC, ultimately leading to the performance discount. Arguably, the confrontation with the less known and uncertain international environment is likely to over-stretch the TMT, despite its enhanced international cognitive capacity. This finding also provides testimony to the Uppsala model of internationalisation, in line with which companies are inclined to first explore the culturally similar areas, because then they can follow the well-trodden paths of operations and there is some degree of stickiness in terms of operating procedures that are in place (Johanson and Vahlne, 1977; Johanson and Vahlne, 2009). Moreover, the asset-based expansion into culturally distant areas is likely to lead to the dynamic adjustment costs, because the MNC must recombine its extant resource base with needed resources in the external environment in order to conform to the new cultural setting (Meyer, Mudambi and Narula, 2011). Hutzschenreuter *et al.* (2011) propose that when companies add high cultural distance countries to their portfolio of operations, the so-called *Penrose effect* (Penrose, 1959) is likely to occur, *i.e.* managers cannot cope with the rapid growth. We demonstrate that adding the international expertise to the TMT is not likely to suffice for the TMT to be able to overcome that effect (*cf.* Hutzschenreuter et al., 2014). The asset-based internationalisation represents a challenging strategic trajectory in itself. It puts high managerial demands on the TMT. Enhanced inter-cultural competence on the TMT that is achieved through the introduction of foreign managers from the MNC’s countries of operations largely addresses these demands and firm performance improves. However, when this asset-based expansion unfolds to culturally distant countries, even internationalised TMTs become over-stretched. The added layer of managerial complexity through embeddedness in culturally unrelated markets engenders such challenges that even the international TMTs with foreigners from the host countries cannot cope with.

In sum, our research demonstrates that international challenges of the asset-based international expansion are the *sine qua non* condition for the benefits of the TMT nationality match to materialise. However, there is a limit to this relationship, and an MNC should dose these international challenges moderately. Namely, the asset-based moves in the culturally distant countries are likely to place such managerial demands on the TMTs that even the internationalised TMTs are likely not to be able to cope with. The findings of our study therefore indicate that the benefits of matching emerge under the strategic contingency of changes in the depth of internationalisation, provided that they unfold within the confines of areas that are culturally related to an MNC’s country of origin.

6.1 Managerial relevance

Our work suggests that almost 40 years after the seminal contributions on the ‘matching managers to strategy’ argument this basic thesis does not lose its intuitive appeal. Each strategic move has a downside in terms of risks that it entails. This is no different in our case. However, the evidence that we generate shows that the most tangible benefits of matching the TMT foreign nationals to the host countries as a means of aligning the TMT cognitive capacity with the geographic map of an MNC’s operations are likely to emerge only, when managerial challenges ahead of TMT members are high. These challenges result from the asset-based expansion to international markets. There is also the limit to this beneficial effects. The asset-based exploration of the culturally distant areas is likely to over-stretch the TMT and even enhancing its international cognitive capacity does not suffice to overcome these complex challenges. Therefore, an MNC must balance and dose these managerial demands related to the firm internationalisation strategy, in order to be able to reap the benefits of the TMT nationality match. These findings echo and reaffirm the main line of the criticism of the early 'matching managers to strategy' models that the key to effectiveness of matching lies in the detailed specification of the matching contingencies. So, if matching fails, this is most likely because the matching criteria and the contingencies impacting on the matching process were not specified correctly (Gupta, 1986; Gupta and Govindarajan, 1984; Szilagyi and Schweiger, 1984).

6.2 Limitations and future research directions

The main limitations of our work are a relatively small sample size, a single-country setting and a lack of the longitudinal dimension. Therefore, a viable extenstion of our research would be to conduct the analysis based on the same or similar research design in a longitudinal study and for a larger sample of companies, also from other countries. Such analysis of the panel data across several years would increase the robustness of findings, whereas the analysis of these relationship in the different country settings would enhance the generalisability of the results to other cultural contexts. We recognise the potential that resides in this avenue of research, especially that internationalisation of upper echelons is gaining prominence among both academics and practitioners (e.g., Kwee, Van Den Bosch and Volberda, 2011; Maznevski and Athanassiou, 2006; Nielsen, 2010a; Nielsen, 2010b; Pisani *et al.*, 2018; Tasheva and Nielsen, 2020). For example, the natural extension of our research would be to compare the findings with the study of the performance implications of the third-country nationals on the TMT, which by the definition of our TMT nationality match measure are excluded from our work (e.g., Barmeyer, Stein and Eberhardt, 2020). Another conceivable avenue of future research would be to incorporate the MNCs’ headquarters- subsidiary interface to the research design, which would also cover the nationality composition of the employee groups and examine the mechanisms of psychological attachment in relation to the TMT nationality matching measure (e.g., Hyun, Oh and Paik, 2015; Vora and Kostova, 2020).

Moreover, the limitation of the nationality variable is that it does not capture the influences of other cultures to which the person has been exposed through international assignments in her/his lifetime, which can be picked up by the variable of international experience. Internationally experienced managers may have considerable experience from a variety of countries and regions, based on which they are able to offer a seasoned perspective on the global marketplace (Mohr and Batsakis, 2019; Wrede and Dauth, 2020). In addition, a person can acquire nationality in the course of her/his life and thus possess cultural pre-dispositions typical of a country of her/his origin rather than of a country the national of which she/he became. Finally, there seems to be a subtle difference between the variable of nationality and international experience. Whilst foreign nationals represent true embodiments of the cultures, in which they have been brought up, as this is their cultural mindset, the latter variable rather encapsulates only knowledge on the foreign countries, to which the internationally seasoned managers were exposed through their international assignments. So, introducing a variable of the TMT members’ international experience to the research design would have enriched our study findings. There is therefore a potential for novel conceptualisations of the international expertise of a person, which would combine the influences of the nationality and international experience variable, such as in the form of the latent construct of an international mindset encompassing both variables (e.g., Nielsen, 2010a; Wrede and Dauth, 2020; *cf.* Greve *et al.*, 2009; Hambrick *et al.*, 1998).

Finally, our TMT nationality match measure based on the level of cultural blocs is at the higher level of aggregation than the moderating variable of cultural distance that is based on countries. As we elucidate in the Methodology section such a design of the TMT nationality match measure is required, because otherwise it would be computationally unwieldy, and it overall fulfils its function. Nevertheless, ideally it could be based at the level of countries to correspond with the level at which the cultural distance measure is computed.

7. Conclusion

Our work revisits the long-standing argument in the management literature of 'matching managers to strategy' in the empirical context of the TMT and firm internationalisation. The measure of matching the cognitive capacity of TMT members to the geographic map of countries of a firm's operations allows us to go beyond capturing the mere incidence of foreigners on the TMT or the TMT composition in terms of nationality diversity. As a result, we do not study the degree of foreignness of the TMT or the dispersion of nationalities on the TMT, but touch upon the ultimate *raison d'être* of the TMT internationalisation, according to which the TMT composition in terms of cultural backgrounds should reflect the company 'geography'. In sum, we are better able than the predecessor TMT internationalisation studies to account for the usefulness of this enhanced international cognitive capacity of the TMT members in relation to the international strategy of an MNC.

Our results suggest that the benefits of matching fully unfold when a company changes the level of the exposure of its asset base to international markets. However, there is a limit to the amount of international challenges that such internationalised TMTs are able to cope with. The asset-based expansion into culturally distant areas is likely to place such demands on the TMT that matching the nationalities of its members to the host countries of an MNC's operations ceases to bring any positive effects. Therefore, an arising managerial implication is that MNCs should dose the amount of managerial demands that are placed upon the TMTs, in order to be able to reap the benefits of matching. The strategic contingency of changes in the depth of internationalisation is necessary for the positive effects of matching to emerge. However, at the same time the asset-based expansion into culturally distant areas engenders such an additional layer of managerial complexity that it makes even the internationalised TMTs over-stretched.

Overall, our study reaffirms the points raised by critics of the early ‘matching managers to strategy’ frameworks that the effectiveness of matching is underpinned by the detailed specification of the matching contingencies that are likely to affect the matching process. If the matching criteria and the contingencies impacting on the matching process are not correctly specified, the matching process fails. In practical terms related to our study, this means that introducing foreigners to the TMT *per se* may be of no use, if those foreign executives do not come from and hence do not have specific knowledge on the countries of an MNC’s operations. Moreover, the benefits of matching will not emerge, if a company is not strongly exposed in terms of assets to cultural contexts of the host countries. Finally, the benefits of such TMT and firm internationalisation matching persist, provided that the firm remains within the confines of the culturally related areas.

There is still much that can be unveiled with regard to the potential consequences of opening TMT ranks to foreigners in MNCs through creative and innovative studies, and therefore we hope that our work will inspire such fruitful discussions with great relevance for strategy and managerial practice in the globalised world.

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Vitae

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Table 1: Descriptive statistics and the correlation matrix

	Variable	Mean	S. D.	1	2	3	4	5	6	7
1	Firm performance	1.72	1.00	1.00						
2	TMT nationality match	0.34	0.19	-0.21	1.00					
3	Firm size	7.06	1.49	-0.18	-0.24	1.00				
4	TMT size	1.81	0.40	-0.03	0.30	0.22	1.00			
5	Δ Depth of internationalization	0.04	0.22	0.07	-0.06	0.27	0.08	1.00		
6	Cultural distance	0.34	0.61	0.25	-0.34	0.32	0.40	0.09	1.00	
7	Firm diversification	0.85	0.60	0.35	-0.36	0.14	-0.13	-0.03	0.20	1.00

Pair-wise correlation coefficients equal or greater than 0.26 in absolute values are significant at the p=0.05 level or grea

Table 2: Hypotheses 1, 2 and 3: MMR model

Variable	1 Firm performance B	1 (SE)	2 Firm performance B	2 (SE)	3 Firm performance B	3 (SE)	4 Firm performance B	4 (SE)
TMT nationality match			-0.31	(0.58)	-0.55	(0.52)	-1.98*	(0.88)
Firm size	-0.05	(0.06)	-0.08	(0.07)	-0.08	(0.06)	-0.20	(0.07)
TMT size	-0.04	(0.17)	0.03	(0.24)	0.02	(0.22)	0.30	(0.27)
Δ Depth of internationalization			0.34	(0.42)	-5.33***	(1.49)	-19.16***	(3.67)
Cultural distance							-0.96	(0.60)
Firm diversification	0.26	(0.17)	0.31†	(0.18)	0.25	(0.17)	0.62**	(0.19)
Industry controls	Yes		Yes		Yes		Yes	
TMT nationality match*Δ Depth of internationalization					17.71***	(4.48)	52.41***	(8.51)
TMT nationality match* Cultural distance							2.51	(1.58)
Δ Depth of internationalization * Cultural distance							30.14***	(6.80)
TMT nat. match*Δ Depth of intern. * Cultural distance							-80.48***	(17.73)
Constant	2.63***	(0.58)	2.84***	(0.73)	3.01***	(0.66)	3.55***	(0.65)
R^2	0.45		0.57		0.66		0.77	
ΔR^2			0.12***		0.09***		0.11***	
F- value	10.12***		9.33***		11.90***		10.68***	
N	94		73		73		61	

*** p< 0.001, ** p< 0.01, * p< 0.05, † p< 0.10

Figure 1: Hypothesis 2: Slope differences for low (μ-1SD), mean (μ), and high (μ+1SD) value of the moderator

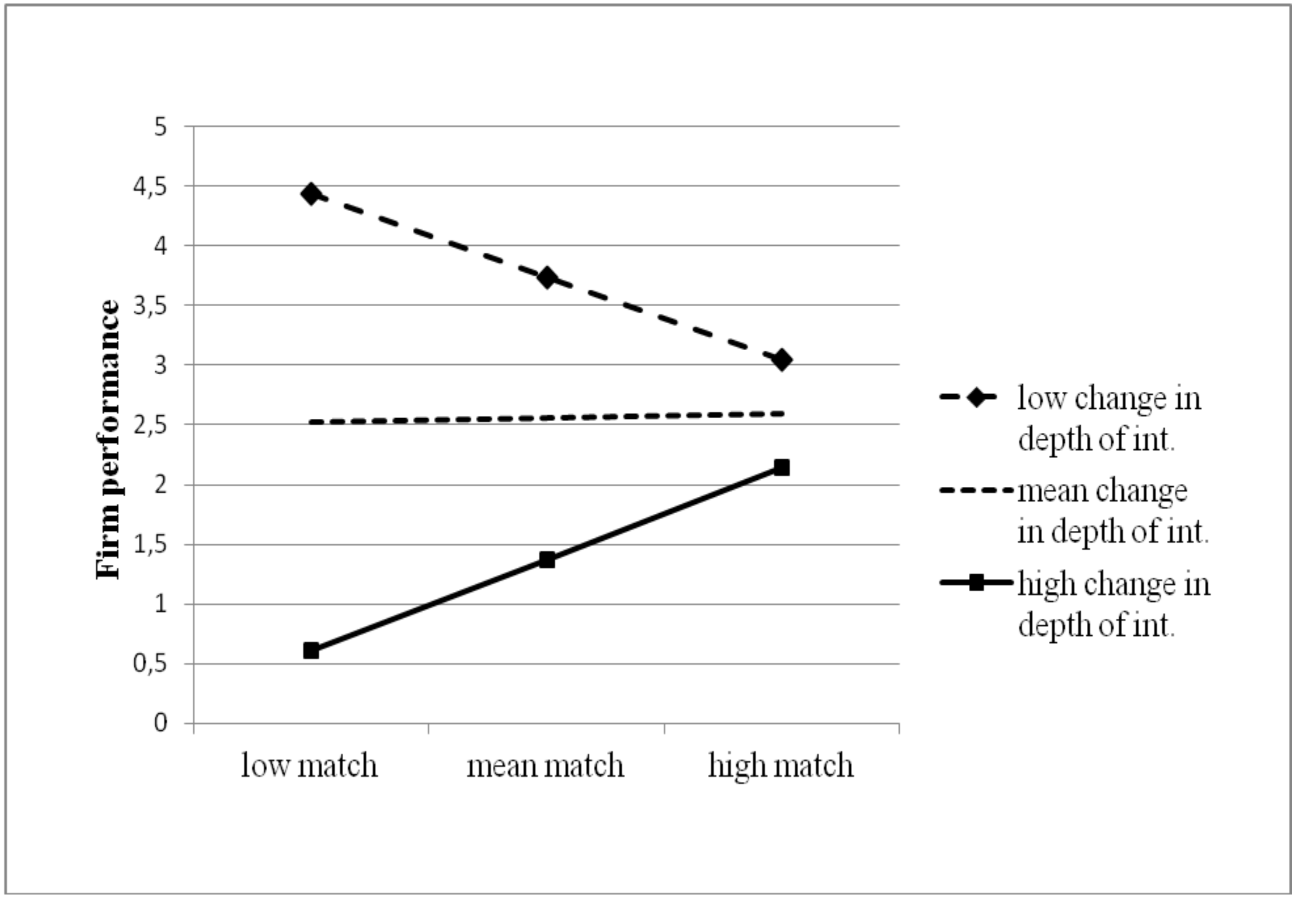

Figure 2: Hypothesis 3: Slope differences for four combinations of two moderators: 1 (low CD, low change in depth of internationalization), 2(low CD, high change in depth of internationalization), 3(high CD, low change in depth of internationalization), 4(high CD, high change in depth of internationalization).