The Impact of National Cultural Orientations on Individual Absorptive Capacity in Maryland SMEs

by

Megan Miller MBA

Doctoral Study Submitted in Partial Fulfillment of the Requirements for the Degree of Doctor of Business Administration

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Abstract

There is a growing need to understand the use of knowledge as a resource for small and medium sized firms (SMEs). SMEs are characteristically limited in their access to and possession of resources, forcing them to rely heavily on the ability to adjust to changes in market demands to stay competitive. The use of knowledge as a competitive resource is vital to SMEs and could prove a viable solution to the problem of discrepancies in competitive ability among SMEs and between SMEs and MNCs particularly when operating in global markets. The following quantitative survey methodology dissertation lends empirical support identifying the influence national culture has on an SMEs ability to identify, extract, absorb, translate and exploit knowledge for competitive means by using the leader or top management team of the firm as the conduit for national cultural values. Using an online based survey and multiple regression analysis, data was collected from a sample of Maryland SME leaders to determine if there is a statistically significant relationship between the individual cultural orientations defined by Hofstede and the individual absorptive capacity of SME leaders. An extensive literary analysis illustrating the theoretical integration of national cultural values and the adoption of absorptive capacity in SMEs is followed by an overview of the research design, and a presentation of the findings.

Keywords: absorptive capacity, SMEs, culture, individual absorptive capacity, multiple linear regression
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Dr. Gene Sullivan

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Dr. Ed Moore

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Dr. Gene Sullivan

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Dr. Scott Hicks
Dedication

This dissertation is dedicated to my parents Mark Miller and Hollis Miller, and my aunt Lynne Loving who have shown me unfailing support throughout my academic career. This paper and the entirety of the effort behind it is a small reflection of my appreciation for the love, faith, and courage you have given me. Your sacrifices have allowed me to achieve the honor of becoming a Doctorate of Business Administration. Thank you.
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SECTION 1: FOUNDATION OF THE STUDY

There is a growing interest in identifying and developing constructs that surround SMEs both academically and professionally as these types of organizations fill an increasingly critical role in the global economy (Chen & Chang, 2012; Eltamimi, 2013; Gray, 2006). The ability of SMEs to adapt, support, and grow local economies has made them come to the forefront of much academic research. The limited resources of SMEs often hinder them from taking advantage of economies of scale, especially within global markets, forcing them to turn to other means for obtaining competitive advantages (Gray, 2006). Knowledge has thus become even more vital resources for SMEs making the development of ACAP a necessary element for strategic performance.

Research has identified a firm’s absorptive capacity as a dynamic capability that enables firms to obtain competitive advantages (Zahra & George, 2002). Absorptive capacity (ACAP) is the ability to identify and assimilate external knowledge that can be transformed and exploited for profitable and competitive outcomes (Adriansyah & Afiff, 2015; Brettel, Greve, & Flatten, 2011). The concept of ACAP is rooted in organizational learning theory which proposes that an organization can learn and therefore adapt to changes in its environment (Vasylieva, 2013). This is facilitated through the organization’s employees who are conduits for the transfer of knowledge between the organization’s external environment and its internal processes (Cohen & Levinthal, 1990).

The leadership of the firm is critical in determining the degree of an organization’s ACAP since these roles dictate the culture and operational processes of the
firm through strategy development and resource allocations (Ndiege, Herselman, & Flowerday, 2012). The organizational culture, structure, and processes are directly and indirectly indicative of the leader or management teams in small and medium sized enterprises (SMEs), making the individual ACAP of the leaders a vital factor in the firm’s ACAP (Sanders, Geletkanycz, & Carpenter, 2004). ACAP is a change mechanism that allows for firms to enjoy long-term profits and competitive advantages. Its links to improved innovation, entrepreneurial orientation, global position and profits for SMEs make it a critical resource.

The concept of ACAP in SMEs, is an active area of academic research as SMEs assume greater roles in local and national economies (Gray, 2006). This research examined the relationship between Hofstede’s national cultural orientations and the ability of a firm to adopt ACAP within SMEs to better understand how SMEs might either accept or resist adopting ACAP into the organization. SME leaders hold the simultaneous position of representatives of their national culture and drivers of organizational strategy development and implementation. By assessing the relationship between SME leaders’ cultural orientations and their ACAP, the likelihood of the organization to adopt or resist ACAP can be predicted.

**Background of the Problem**

Absorptive capacity has been theoretically established as a valid construct and needs more empirical testing to validate theoretical frameworks and explore contingent factors (Greve, Engelen, & Brettel, 2009). ACAP is a dynamic capability that provides competitive advantages based on knowledge attraction, retention, and utilization.
Knowledge is a valued resource among all firms but particularly SMEs who could significantly enhance their competitive ability by embracing the ACAP process (Ndiege, Herselman & Flowerday, 2012; Zonooz, Farzam, Satarifar, & Bakhshi, 2011). Knowledge and a firm’s ability to manage knowledge has been established as a dynamic capability and a means of developing competitive advantages (Zahra & George, 2002). ACAP is the adaptive process whereby firms develop knowledge capabilities and advantages by extracting knowledge from the external environment and adjusting internal processes accordingly (Zahra & George, 2002; Zonooz et al., 2011). SMEs are vital economic growth activators and stabilizers in local, national, and global markets primarily due to their innovative and entrepreneurial tendencies (Agbeibor, 2006; Garg & De, 2014). However, they are characterized by limitations regarding resource acquisition, management and application of resources (Ndiege et al., 2012; Williams, 2014). National cultural orientation is a contingent factor of ACAP and the relationship between the two needs to be explored empirically and theoretically (Sofka, 2008). Understanding this relationship will clarify if or how national culture facilitates or hinders the ACAP abilities of SMEs. As the driving forces of organizational structure and culture, managerial antecedents are the most salient determinants of the outcomes of organizational ACAP (Breunig & Martinkenaite, 2015). As SMEs become increasingly vital to the stabilization and expansion of global markets, there is a need to understand the influence culture has on ACAP in SMEs and the role individuals play in the ACAP process (Chauvet, 2014). A growing body of research is exploring the links between national cultural values and ACAP within the context of SMEs (Adriansyah & Afiff,
2015; Ahmad, Mohamad, & Ibrahim, 2013). However, there is currently very little empirical support identifying how national culture orientations impact the adoption of ACAP within SMEs and how managerial antecedents impact this process. Understanding this relationship can help SME leaders recognize areas of improvement and strengths related to their organization’s ability to adopt or accept absorptive capacity.

**Problem Statement**

The problem to be addressed is the lack of sufficient ACAP in some SMEs to compete effectively within a global market. Empirical evidence identifying the relationship between an organization’s ability to adopt ACAP and the organizational leader’s national cultural values can help highlight how divergences in compatibility between culture and the adoption of ACAP can be mitigated in SMEs. Greve et al.’s (2009) integrative theoretical framework indicates how firms may adopt ACAP when the characteristics of ACAP dimensions and the characteristics of Hofstede’s cultural orientations align. Firms must decide which resources and capabilities to pursue (i.e. from available potential resource stocks in their external and internal environments). This decision-making process is referred to as the adoption stage of the capabilities lifecycle which illustrates how resources are identified, incorporated, re-bundled, and applied to produce competitive outcomes (Helfat & Peteraf, 2003). The leaders of SMEs have significant autonomy over the resource acquisition and application process within the firm. Williams (2014) indicates SME failure is not attributed to lack of resources alone, but can be partially attributed to the institutional environment of the organization and the mismanagement of organizational resources. Cultural orientations shape both the
institutional environment and the decision-making paradigm of SME leaders which directly impacts if and how ACAP is formed within an organization (Adriansyah & Afiff, 2015; Ahmad et al., 2013; Greve et al., 2009; Kreiser, Marino, Dickson, & Weaver, 2010). Firms with higher levels of ACAP outperform firms with lower levels (Eltamimi, 2013). Therefore, understanding if and what type of relationship exists between national culture orientations and the adoption of ACAP using leaders as the intermediary can potentially help SMEs develop knowledge based dynamic capabilities leading to deeper or expanding competitive advantages in global markets.

The focus of this study was to determine if individual national cultural orientations significantly impact the ACAP of SME leaders to see if a firm will likely adopt ACAP (Daspit & D’Souza, 2013; Greve et al., 2009; Ndiege et al., 2012). The study has implications for furthering ACAP research by introducing a cultural aspect that can help leaders of globally positioned SMEs develop their ability to compete more effectively by identifying barriers and limitations to developing their ACAP. The empirical results of the study help fill the gap in ACAP and national cultural orientation research calling for validation of relationships between the two constructs at an individual level of analysis and within the context of SMEs.

**Purpose Statement**

The purpose of this quantitative study was to test Greve et al. (2009) theoretical framework integrating national culture and ACAP to fill the gap in current literary research that examines the relationship between an SME's ability to adopt ACAP and national cultural values represented in the organization’s leader. The empirical findings
of this study help substantiate the integrative framework proposed by Greve et al. (2009) that have theorized the positive or negative relationship between Hofstede’s cultural value orientations and the adoption of ACAP. This data can potentially be used by SME leaders to adjust the design and development pathways for the organization to improve ACAP capabilities and therefore, increase competitive ability (Greve et al., 2009; Yamak, Nielsen, & Escribá-Esteve, 2014).

**Nature of the Study**

The data identified if there is a statistically significant relationship between individual national cultural orientations represented in Hofstede’s cultural dimensions and the individual ACAP of SME leaders. The design of the study was fixed, using quantitative methods to capture and analyze the data. The purpose for selecting a quantitative study is two-fold: it addresses a need in current ACAP and national cultural dimension research for more empirical tests to identify antecedents of the constructs within SMEs, while also expanding the available research validating a relationship between national cultural values and organizational ACAP (Creswell, 1994; Greve et al., 2009; Volberda, Foss, & Lyles, 2010). A quantitative design was appealing given the recent developments of two validated survey instruments that identify cultural orientations and ACAP levels of individuals (Chauvet, 2014; Yoo, Donthu, & Lenartowicz, 2011). These survey instruments were used to collect data from the sample population of SME leaders in the state of Maryland. The readily available and extensive theoretical and empirical literature has clearly identified the variables used in this study which provide a solid foundation to proceed with empirical tests that can link culture to ACAP within SMEs (Flatten,
Engelen, Zahra, & Brettel, 2011a; Greve et al., 2009). Additionally, the vast literary resources on the topics of ACAP and culture, including several thorough mixed-method and meta-analytic analysis of these constructs (Flatten et al., 2011a; Taras, Kirkman, & Steel, 2010) provide a solid platform to conduct further empirical studies. The structured format of the research and the use of multiple hypotheses is not well suited to the flexible nature of qualitative methods (Stake, 2010). It can be argued that a significant overlap in quantitative and qualitative methods can occur within a study (Allwood, 2012), however, the type of data (purely numerical), the instrument used (survey), the potential for generalizability of the findings, and the conclusive nature of the research eliminate qualitative designs (Bansal & Corley, 2012; Creswell, 2014).

A correlational research design was selected for its ability to test the relational nature between the independent and dependent variables. The study does not seek to influence the test subjects, but rather simply to capture data pertaining to the test subjects and drawing conclusions from those data sets. Therefore, experimental methods and quasi-experimental methods are not appropriate since the purpose of this study is to identify relational trends and patterns among multiple variables as opposed to identifying a specific outcome between an independent and dependent variable (Creswell, 2014). Descriptive research designs merely aim to describe data and would not be an appropriate fit to identify any covariance between national culture and ACAP in SMEs (Leech, Barrett, & Morgan, 2005).
Research Question

The researcher examined if there is a statistically significant correlation between the five national cultural orientations defined by Hofstede (Taras et al., 2010) and individual ACAP levels of SMEs leaders. The foundational perspectives of an individual’s perceptions, values, beliefs and attitudes are established by national culture characteristics developed by societal behavioral norms and patterns (Hofstede & Hofstede, 2005). These attitudes, perceptions, values and beliefs are used to filter their environment as they process information which they act on; these actions form patterned behaviors which collectively form societal norms. Hofstede’s early work identified patterns in behaviors, attitudes, and perceptions among different people groups that could be defined and compared (Hofstede, 1980). Hofstede’s five cultural orientations of power distance (PDI), uncertainty avoidance (UAI), long-term orientation (LTO), masculinity vs. femininity (MAS), and individualism vs. collectivism (IND), have been widely used to help identify and predict preferences and behavioral tendencies of people groups (Yoo et al., 2011). Hofstede’s original work had been expanded to explore the manifestations of cultural values as a predictor of individual behavioral tendencies, attitudes, beliefs, and perceptions which can determine individual actions and reactions (Minkov & Hofstede, 2012).

Leaders and top management teams hold the most influence over the strategies a firm pursues, causing the firm to mimic the perspectives, attitudes, tendencies, and personalities of its leaders as their decision-making paradigm is engaged (Hambrick, 2007). ACAP is an organizational level construct that occurs as a collective process of
individuals learning, processing, and creatively applying knowledge using the social and communication pathways of the organization (Cohen & Levinthal, 1990). Organizational attributes such as structure, strategy, and culture shape the overall ACAP of the firm by establishing the foundation for the motivations and abilities of individual employees to engage their individual ACAP (Greve et al., 2009). The resource application and allocation decisions a leader makes determines the overall strategy, structure, and culture of the firm. Leaders will establish the bounds of a firm’s ACAP as they process information from their environment using their culturally pre-dispositioned filters to make strategic decisions which ultimately determine how supportive the organizational culture and structure are to learning. Organizations with strong learning orientation allow for the individual ACAP of its employees to be developed, harnessed, and expressed; this includes the individual ACAP of its leaders. Organizations whose cultures and strategic perspectives promote a strong learning orientation will have strong ACAP and can compete more effectively. Therefore, it is important to know if and how the cultural orientation of SME leaders influences the individual ACAP of SME leaders. Based on the literature, the following research questions was used to guide the study:

RQ 1: What is the relationship between the cultural orientation and individual absorptive capacity of leaders’ in Maryland SMEs?

**Hypotheses**

The proposed research question combines organizational learning, culture orientations, and resources based view theories to provide empirical data that can be used to determine the relationship between national cultural orientations and ACAP proposed
in the integrative framework designed by Greve et al. (2009). Studies currently support
the positive correlation between a firm’s performance and a firm’s ACAP (Daspit &
D'Souza, 2013; Eltamimi, 2013). ACAP is a dynamic capability allowing firms to adjust
to changes in their environment by building or reconfiguring organizational resources
that can provide competitive advantages for the firm. Studies also identify that a firm’s
ACAP is manifested within and through individual members as they engage with the
social and organizational mechanisms in place; indicating that individuals’ have their
own ACAP abilities which can influence the firm’s overall ACAP (Daspit & D'Souza,
2013; Lane, Koka, & Pathak, 2006; Zahra & George, 2006). Organizational mechanisms
are a result of the organization’s culture and structure. The culture and structure of a firm
are influenced by the organization’s institutional environment and the cognitive schema
of organizational leaders as the make strategic decisions that determine how resources are
allocated, utilized and developed by the firm. The strategic choices of organizational
leaders regarding internal resource allocations determines how the firm will continue
either perpetuate or adjust its culture and structure in response to changes in its
environment (Helfat & Peteraf, 2015). The cognitive schema of firm leaders is influenced
by culture which can be defined and measured using Hofstede’s cultural orientation
scales (Dorfman, Javidan, Hanges, Dastmalchian, & House, 2012; Greve et al., 2009;
Yoo et al., 2011). SMEs have inherent organizational characteristics (i.e. entrepreneurial
and innovative cultures, horizontal structures, leadership autonomy in strategy design,
limited resource stocks and accessibility) which make them uniquely susceptible to the
influence of the leader’s cognitive schema. These literary links lead to the following hypotheses and sub-hypothesis:

H₀: There is no relationship between the individual cultural orientations and individual absorptive capacity in SMEs leaders.

Hₐ: There is a relationship between the individual cultural orientations and individual absorptive capacity in SMEs leaders.

There are five sub-hypotheses that correspond with each of the independent variables. They are as follows:

H₀₁: There is no statistically significant relationship between Hofstede's power distance orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

Hₐ₁: There is a statistically significant relationship between Hofstede's power distance orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

H₀₂: There is no statistically significant relationship between Hofstede's uncertainty avoidance orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

Hₐ₂: There is a statistically significant relationship between Hofstede's uncertainty avoidance orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.
H₀³: There is no statistically significant relationship between Hofstede's collectivism vs. individualism orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

Hₐ³: There is a statistically significant relationship between Hofstede's collectivism vs. individualism orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

H₀⁴: There is no statistically significant relationship between Hofstede's masculinity vs. femininity orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

Hₐ⁴: There is a statistically significant relationship between Hofstede's masculinity vs. femininity orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

H₀⁵: There is no statistically significant relationship between Hofstede's long-term vs. short-term orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

Hₐ⁵: There is a statistically significant relationship between Hofstede's long-term vs. short-term orientation of an organizational leader and the leader's individual absorptive capacity within Maryland SMEs.

**Theoretical or Conceptual Framework**

The adaptive structure ascribed to SMEs are advantages in dynamic and global markets. Their limited access to, possession of, and the mismanagement of critical resources are hindrances to their survival and growth (Williams, 2014). This unique
combination of advantages and barriers to provides an interesting platform on which to explore strategic solutions for SMEs who are becoming increasingly engaged in global markets. The construct of ACAP has proven to be quite effective as a competitive tool and is a viable solution to enhancing SME competitive ability. ACAP is a dynamic capability firms can develop as they explore how their firm interacts with its external environment to gain vital knowledge necessary for the adaptation of a firm to shifts, trends, and regulations in markets (Greve et al., 2009). Dynamic capabilities are developed through the evolving process of using existing resources to identify and select new resources from available resource pools which are then integrated into the existing organizational structure (Wang & Ahmed, 2007). This process produces competitive outcomes for the organization such as new products, ideas, improved internal processes and systems, access to new resource pools, and new technology mechanisms to capture and utilize information. This process is referred to as the capabilities lifecycle and is comprised of the adoption stage and integration stage of resources within an organization (Helfat & Peteraf, 2003). The leaders of SMEs are highly influential in the development of organizational strategy which is made a reality by the selection, application, and integration of new resources with existing resources. This allows their personal perceptions to shape the culture and structure of the firm. The perceptions, values, and beliefs of individuals are fundamentally influenced by culture. The following is a theoretical framework that identifies the links supporting how the national cultural values of SME leaders influences ACAP and can be used to increase SME performance in global markets.
Culture

Organizational decisions are not only filtered through the available knowledge capacity of its leaders, but also through their decision-making paradigms as they assimilate information acquired from the organization’s environment. Culture forms the foundation of a person’s filters through which information of his or her environment passes through and, consequently, guides his or her actions and behaviors (Hofstede, 1990; Offermann & Hellmann, 1997). A leader’s effectiveness and decision-making capability is at least partially moderated by his or her cultural background. If an organization reflects its leaders’ values, beliefs, and perceptions, it can then be argued that organizations will assume comparable profiles as those of its leaders’ national culture.

Hofstede. Geert Hofstede’s (1980) seminal work on culture orientations provided a means for the categorization and measurement of the values, ideals, beliefs, and perceptions of people groups by observing patterned behaviors of societies that developed among clusters of people. Hofstede (1980). originally developed four orientations of culture which were evident in all societies and people groups; these included power distance (the level of acceptance and expectation of unequal power distribution among members), uncertainty avoidance (tolerance for ambiguity), masculinity vs. femininity (task vs. people oriented), and individualism vs. collectivism (“I” vs. “we” mentality). Hofstede adapted the work of Bond that identified the attitudes and approaches cultures have towards addressing change and dilemma by categorizing cultures as either long-term (pragmatic problem-solving and adaptive to changes) or
short-term (traditions used as blueprint for future change and problem-solving) oriented
(Yoo et al., 2011). Hofstede developed these cultural orientations to compare cultural
values among people groups among nations and cautioned their application of individual
member cross-cultural comparisons. However, researchers have applied these
orientations to individual level of analysis and across an array of contexts with mixed
results. Though his work has been both widely applied and criticized, it is still used to
help understand reactions, decisions, perceptions and motivations of societies and
individuals as they engage their external environments.

**Absorptive Capacity**

Absorptive capacity was first identified in theoretical terms by Cohen and
Levinthal (1990) in their seminal work which described ACAP as a firm’s “ability to
recognize new external information, assimilate it, and apply it to commercial ends”
(Flatten et. al., 2011a, p. 1). ACAP refers to a company’s ability to adapt internal
processes and systems to support ideas and changes fostered by the acquisition of new
and valuable information from the external environment to gain competitive advantages
in markets. Zahra and George (2002) reconceptualized ACAP as a process divided into
four distinctive dimensions which include; 1) acquisition (identifying and acquiring
knowledge from the external environment), 2), assimilation (organizational interpretation
and conversion of new knowledge), 3) transformation (development or adaptation of
current processes to support new information), and 4) exploitation (using new or newly
refined capabilities for profitable means). Zahra and George (2002) identified a firm’s
ability to acquire and assimilate knowledge from its external environment as its potential
absorptive capacity (PACAP) which occurs where the firm interacts with its external environment and is critical to developing its competitive market position. However, the value of a firm’s PACAP cannot be fully realized unless the firm can effectively leverage this information. The ability of a firm to successfully utilize, manage, and profit from its knowledge is its *realized* absorptive capacity (RACAP) which comprises the transformation and exploitation dimensions of absorptive capacity.

**Learning Orientation**

The systems and processes an organization uses for creating and applying knowledge to generate competitive advantages is referred to its learning orientation (Calantone, Cavusgil, & Zhao, 2002). Learning orientation is the collective reference to an organization’s commitment to learning, a shared vision regarding knowledge, open-mindedness towards self-evaluation, and its inter-organizational knowledge sharing pathways (Calantone et al., 2002). An organization’s learning orientation is considered a dynamic capability because it can be strategically designed to give companies competitive positions based on the acceptance and utilization of information. The learning orientation of SMEs has been directly linked to firm profitability primarily through a company’s enhanced ability to innovate (Frank, Kessler, Mitterer, & Weismeier-Sammer, 2012). If learning orientation is an organization’s cultural and systematic framework for supporting knowledge, then organizational learning refers to a company’s environmental adaptation process.

**Organizational Learning**
Organizational learning can be loosely defined as the process of creating knowledge through acquiring information about the external environment and developing or improving ways to effectively utilize this information (Frank et al., 2012). The process of organizational learning occurs across the four dimensions of 1) knowledge acquisition, 2) information distribution, 3) interpretation of information, and 4) organizational memory, and is utilized when ideal or pre-supposed outcomes are not achieved and explanations of the discrepancy must be explored (Song, 2015). Organizational learning is a self-evaluative process that requires the constant regeneration of organizational strategy to meet adjusted benchmarks defined by the firm’s current state and a desired future state.

**Dynamic Capabilities**

The theory of dynamic capability refers to an organization’s ability to continually realign its resources with changes in its external environment. Various perspectives of this theory indicate that dynamic capabilities can be an organizational learning process leading to systematic adjustments that constantly improve the organization’s effectiveness, resulting in the achievement of strategic goals which are altered based on information gathered from the external environment (Greve et al., 2009). Other perspectives identify dynamic capability as a firm’s distinctive capacity for acquiring, accessing, and creating new knowledge.

**Individual ACAP**

An organization’s absorptive capacity occurs as the individual members of the organization operate their own absorptive capacity abilities. When individual members of
the organization engage their own ACAP they; 1) deploy knowledge resources through exploitative learning that determines the knowledge application capability of the firm (i.e. exploitation dimensions), 2) internalize new external knowledge through transformative learning that determines assimilation capability of the firm (i.e. assimilation and transformation dimensions), and 3) assess the value of new external knowledge through exploratory learning that determines the value recognition capability of the firm (i.e. recognition and acquisition dimensions) (Breunig & Martinkenaite, 2015). A leader’s ability to define what knowledge is critical to the firm, prioritize what information should be enacted upon, to correctly align firm resources with an adjusted strategy, and then to monitor the strategy’s results is critical to the firm (Blageski & Rossetto, 2015; Wehner, Schwens, Kabst, 2015). These abilities refer to the leader’s individual ACAP and learning orientation, and are key determinants of the firm’s ability to develop and sustain knowledge dynamic capabilities (Breunig & Martinkenaite, 2015; Wehner et al., 2015). A leader’s individual ACAP is influenced by the leader’s intrinsic motivational behaviors, specifically in how the leader will prioritize and adjust to new information.

**Organizational Development**

It is important to understand how leader values and perceptions influence the development of organizations. This processes is theoretically illustrated via upper echelon and regulatory focus theories. These theories highlight how the decision-making process of leaders used when making resource allocations decisions to alignment with strategic objectives creates the phenomena of organizations reflecting the values, beliefs, attitudes, and perceptions of leaders and top management teams.
Upper Echelons Theory

The upper echelons theory (UE) of leadership proposes that an organization is reflective of the values, beliefs and ideals of its leader (Hambrick, 2007). The theory indicates that organizations will assume the same profile and pathologies of the dominant individual(s) who lead the organization and direct its responses to changes within its external environment (Oppong, 2014). The capacity of leaders to identify and react to opportunities and threats within the company’s environment is bounded by the inherent limitations of a person’s ability to absorb all knowledge. The decision-making paradox of firms is that no one person or group of people has all the information necessary to make perfect strategical decisions, yet this same person or group of people has control of the resources to make these decisions and must do so to the best of their ability (Yamak, et al., 2014). An organization can assume the same values, beliefs, perceptions, and thoughts of organizational leaders via the decision-making paradigm of the leader. The leader’s decision-making paradigm (i.e. personal values, beliefs, and perceptions) is the filter through which strategic decisions are made regarding the allocation of company resources (Oppong, 2014). Organizations develop and adapt within the boundaries of its resources, indicating that leaders will mold the organizations to fit their values, beliefs, and ideas using their dominant influence over organizational resource allocations (Awa, Eze, Urieto, & Inyang, 2011; Sanders et al., 2004).

Regulatory Focus Theory

Regulatory focus theory (RFT), as first introduced by Higgins (1991), is an explanation of the motivational behaviors of individuals as they engage in self-regulation.
Self-regulation is “the process of bringing oneself into alignment with one's standards and goals” (Brockner, Higgins, & Low, 2004, p. 2). According to regulatory focus theory, a person can follow either a promotion focused or prevention focused method to self-regulation. Those who follow promotion focused methods will make decisions that can bring them into alignment with their ideal selves denoted in their goals and aspirations; those who apply prevention focused methods will make decisions based on who they ought to be as denoted by their sense of duty and responsibilities (Johnson, Smith, Wallace, Hill, & Baron, 2015). Higgins (1991) explains the role of pleasure seeking (i.e. promotion-focused) or pain avoidance (prevention-focused) paradigms in shaping the actions and behaviors individuals pursue as they attempt to reach their goals (Brockner et al., 2004). It was determined that individuals will demonstrate tendencies towards the paradigm which aligns the most with their inherent value and belief structures.

Regulatory focus theory explains the thought processes used by leaders as they identify organizational goals and the strategies pursued to achieve those goals. This theory is particularly important for SMEs whose leader(s) have significant influence over the strategies and structure of a firm. This theory can be used to determine if SME leaders will likely follow strategies that pursue opportunities (i.e. promotion focused) or ones that will try to mitigate threats (prevention focused) (Brockner et al., 2004).

Summary of Theories

A company’s learning orientation is defined by the allocation of resources towards knowledge creation, development and management activities, meaning a company can only access and manage new knowledge using its existing tools and
knowledge resource pools. A company’s perspective regarding knowledge (i.e. learning orientation) establishes the boundary of its ability to learn from its environment (i.e. organizational learning).

It is necessary for an organization to develop its learning orientation to improve its ACAP. An organization’s learning orientation refers to how it views and incorporates knowledge. SMEs cannot afford to miscalculate investments in knowledge resources and must carefully consider how to improve learning processes which is dependent on the ability to learn, specifically the self-evaluative aspect of the learning process. The self-evaluative aspect of organizational learning is dependent on an organization’s ability to extract information from its environment and make internal adjustments to processes, procedures, and perspectives accordingly. These internal adjustments provide an organization with the means to adapt and innovate which improves the ability to compete.

The individual learning orientation of leaders (i.e. individual perspectives regarding knowledge) determines the overall perspective of the firm towards knowledge which manifests in the culture of an organization. The culture of an organization determines the structure, systems, process and social networks of the firm. The ACAP of an organization occurs as employees’ access, creatively apply, learn and share knowledge within the established systems, processes, protocols and social networks of the organization. Leaders determine what competitive outcomes (i.e. strategic goals) will be pursued by the firm. Leaders decide what knowledge is deemed valuable, methods of accessing and extracting valuable knowledge, tools and process used to integrate new knowledge, the communication, social and technological systems used to process,
transform and apply and capture new knowledge, and which existing internal structures will be modified to achieve the competitive outcomes of the firm. Each of these decisions indicates investment (or reinvestment) of resources. Leaders that place high value on knowledge will create organizational cultures that have a high regard for knowledge (i.e. strong learning orientation) and will invest to develop an organization’s ability to acquire, assimilate, transform, and apply knowledge (i.e. ACAP). Leaders who are 1) adept at accurately recognizing valuable knowledge, 2) improving methods of acquiring valuable information, 3) interpreting and analyzing knowledge and its relevance to overall organizational goals, 4) have a substantial understanding of current processes to better understand critical internal areas requiring realignment, and 5) supplying the firm with resources and an organizational structure to develop, support, and sustain new or recombined competitive outcomes, have characteristically strong individual ACAP (Breunig & Martinkenaite, 2015; Chien-Chiang, 2016). Leaders with a strong learning orientation will consider ACAP a vital competitive resource. Organizations with leaders who have strong ACAP and learning orientation will likely support the adoption of ACAP.

Integration of ACAP and Culture

ACAP has several distinguishing characteristics which can be complimented or countered by the cultural values ascribed to each cultural orientation. Greve et al. (2009) indicate that the adoption of a construct will likely occur if the characteristics of the construct are aligned with the characteristics of the cultural orientation. Conversely, if the characteristics of the construct does not align it will likely not be adopted. High power
distance orientations will likely not adopt ACAP due to the centralization and hierarchal structures which hinder the flow of information and knowledge between the leaders and gatekeepers (i.e. employees). Strong uncertainty avoidance cultures will be appreciative of the predictive or “early warning” advantages ACAP provides and will likely be favorable to adopting the construct. ACAP produces both tangible and intangible outcomes which can be used for competitive means. The tangible outcomes such as new products, services, or patents are more closely aligned with masculinity orientations while the intangible outcomes such as ideas, improved overall communication, new or deepened relationships are more aligned with femininity orientation values. Therefore, the adoption of ACAP will occur regardless of this orientation however the extent of adoption will be determined by how far an organization is skewed towards one end of the spectrum. The group-mentality of collectivist orientations is highly conducive to the ACAP process which requires collaboration and is dependent on the openness and sharing of ideas among all members. ACAP provides long-term advantages which require short-term investments. The benefits of ACAP are not necessarily realized immediately but emerge as the organization learns, evolves, and adapts to new knowledge. Long-term cultural orientation values are better aligned to support the necessary mentality of an organization to pursue long-term strategic outcomes which is a defining characteristic of ACAP.

The cultural predisposing of leaders used to process and engage their environment can impact how knowledge is perceived and which type of goals an individual will pursue. Leaders who place a high value on knowledge will consider the short-term
investments and long-term payoff of absorptive compacity well worth the costs. The value will determine the strength of the leaders learning orientation and ability to self-regulate and realign (i.e. learn) as they engage with the external environment and make strategic decisions accordingly. These strategic decisions will ultimately establish the culture and development pathways of the organization. Employees will engage their individual ACAP using the social, technological, communication, and learning systems in place which are based on the strategic tone and culture of an organization. These systems motivate and facilitate employees to deploy existing knowledge resources, internalize external knowledge, and assess the value of external knowledge (i.e. act as gatekeepers). The degree to which employees complete this process consistently determines the ACAP of the organization. The following diagram illustrates the theoretical framework for the study:
Summary

SMEs are continuing to play a vital role in global markets. The leaders of SMEs are vital to developing and sustaining the firm’s competitive abilities. Using ACAP as a tool for SMEs to remain competitive against MNCs and among each other is a rapidly developing field of academic research. ACAP is considered a dynamic capability that synergizes the external environment analysis and internal organizational realignment abilities of a firm, allowing it to adjust its organizational culture, structure, and process to gain maximum profit from knowledge. Firms who have high levels of ACAP demonstrate more robust innovation and adaptive abilities and can compete more effectively.

An organization’s learning orientation is restricted or expanded based on the systems, processes, policies, values, and perceptions in place that support knowledge capacities; the development and sustainability of these attributes depends on how resources are invested and combined which is determined by the overall strategy of the firm. Leaders of firms will likely pursue strategies that are in line with their personal goals and perspectives as they extrapolate information from their environment. As they make decisions regarding resource allocations to achieve the goals of a selected strategy, the organization will adjust to support these decisions. This process illustrates how an organization can mirror the behaviors, attributes, characteristics, and perspectives of its leaders. It is through this process that the national cultural orientations of firm leaders can
influence the organization. Culture forms the basis of an individual’s decision making paradigm which will influence not only how and what information a leader will deem valuable but also how to best utilize the information. The ability of SME leaders to scan the firm’s external environment for valuable information, extract this information, and translate the information for the organization such that organizational goals can be achieved, is the process through which an organization’s ACAP will reflect the ACAP ability of its leader. The ability of a firm to constantly acquire and adjust to new information is a dynamic capability which is crucial for the profitability of SMEs who are heavily dependent on innovation and adaptability to compete, especially in global markets. ACAP is a knowledge dynamic capability that helps with the selection of potential resources and re-configuration of existing resource stocks to develop new competitive outcomes for the firm.

Definition of Terms

*Potential Absorptive Capacity:* the acquisition and assimilation dimensions of Zahra and George’s four dimensions of absorptive capacity which refer to the firm’s capabilities of identifying and gathering potentially valuable and relevant knowledge from its external environment (Flatten, Adams, & Brettel, 2015).

*Realized Absorptive Capacity:* the transformation and exploitation dimensions of Zahra and George’s four dimensions of absorptive capacity and encompass a firm’s ability to exploit relevant knowledge for commercial gains via employing and leveraging knowledge absorbed into the firm’s current internal knowledge databases, systems, processes, and overall structure (Flatten et al., 2015).
SMEs: Small and Medium Sized Enterprises defined by the Small Business Association (SBA) as less than 500 employees (Ndiege et al., 2012).

Assumptions, Limitations, and Delimitations

Assumptions

There are several assumptions of the study. The study assumes that the leader is influenced by his or her national culture values and that these cultural values are reflective of one culture. The study also assumes that the SMEs selected have adopted an American culture orientation. This assumption is partially addressed by the institutional environment of the firm. If the SME leader has a different cultural orientation than the U.S., they are still forced to adapt business principles and practices to an American business environment. The study assumes that the organizational leader has the most influence over the organizational strategies of the firm and leading to control over the development of the firm’s internal systems and processes. To address this assumption may not hold true, participants were asked if they are the primary decision-makers of their organization. The results of those whose response is “no” were not considered in the results of the study. Incorporating data from non-primary decision-makers would weaken the results of the study, calling into question the hypothesis that the firm’s “leader’s” national cultural values influence a firm’s ACAP. An additional assumption is that participants own and operate a business in the state of Maryland. To address this assumption, only small business owners of businesses listed in Maryland counties under the SBA DSBS were contacted.
Limitations

There are several limitations to the study that should be considered. These limitations include those associated with the research design and methodology, using culture as an independent variable, and only considering a unidimensional perspective of organizational ACAP. The following explains the limitations of the study in more detail.

Research Design and Methodology

The use of electronic surveys, convenience sampling, and response rate are limiting factors of the study. This study is limited by its convenience sampling method which inhibits the generalizability of the findings to business outside the state of Maryland. Additionally, the smaller response rate and shrinkage between $R$ and $R^2$ indicates that the results of the study further reduce the generalizability of the findings. Self-reporting bias was introduced into the study from the electronic survey method used. Electronic surveys are popular for their economic and administration benefits, however, there are some indications that the results of the surveys are biased because they are not completed in a controlled environment. The situational context where the survey is filled out could influence how participants respond to survey questions including how much thought is put towards each question, how much time is taken to fill out the survey (or is no time taken at all), and electronic malfunctions that could cause incomplete or duplicated responses.

Culture as an independent variable. There are several inherent biases associated with cultural as an independent variable. Capturing the individual cultural values of participants at a single point in time might not adequately reflect their true
cultural values. The CVSCALE tested for construct validity and reliability helped eliminate the inherent weakness associates with extrapolating Hofstede’s national culture to an individual level, however, there remains the issue of using a dichotomous categorization scale to identify values, beliefs, and perceptions (Taras et al., 2010). Additionally, it is difficult to isolate contextual influences when measuring cultural values at an individual level. For example, it is difficult to know if the cultural value orientations of business leaders differ when at work vs. their personal life or if the individual values are curbed by the greater society norms (i.e. institutional theory).

**Unidimensionality of dependent variable.** The study also only considers the perspective of leadership in SMEs which can present a myopic view of the firm’s ACAP. The organizational ACAP would possibly be more accurately captured by extending eligible participants across all hierarchal levels of the organization. However, the intent of the study was to test the individual ACAP of SME leaders as a means for predicting the likelihood of ACAP adoption within a firm. Future studies could apply a longitudinal design to see if the ACAP of leaders influences the ACAP of other employees.

**Delimitations**

The study is purposefully conducted within the context of SMEs; however, the categorization of SMEs is debatable among scholars and should be taken into consideration. The quantity of SMEs in global markets provides them a unique position as influencers of market outcomes, economic generation, and employment capabilities. The study only considers SMEs from a specific region from one country. Maryland was chosen because it has a significant number of SMEs that are diverse in socio-cultural
backgrounds, industry, and size. The survey instruments were chosen for their valid and reliable measurements of national cultural values and ACAP capabilities at an individual level, consideration of organizational size, and consideration of upper management’s perspective when being designed.

**Significance of the Study**

**Reduction of Gaps**

The introduction of national culture as an antecedent of firm ACAP is a relatively new phenomenon calling for empirical support to identify relationships between the two constructs and the influence of these relationships on each other and within the broader context of an organization. There are currently few theoretical frameworks linking these two constructs and even fewer empirically relevant data sets that identify these latent relationships. This study further addresses the gap in ACAP research calling for empirical testing of the construct as it is currently defined and its antecedents. Additional gaps that are addressed include identifying the influences ACAP and national culture have on each other within the context of SMEs which is a concept that has only been hinted at in previous research.

This study will help leaders and managers of SMEs better identify areas of weakness in their resource management strategies. The study will potentially help these leaders recognize the importance of knowledge to their firm and provide motivation to develop, adjust, and improve organizational systems and technologies to take better advantage of information from their external environment. This would be particularly true of SMEs who are engaged (or plan to engage) in cross-cultural business ventures that
require additional competencies and skills relevant to international markets and the
dynamics of cross-cultural relationships. Leaders of SMEs who are looking to expand
into new international markets can identify potential entry or operational barriers within a
chosen market created by the leaders culturally influenced decision making paradigm and
the ensuing managerial and strategic tendencies.

**Implications for Biblical Integration**

There are several prominent biblical principles that can be directly and indirectly
observed within the themes of this study. The underlying biblical principles of this
proposal include diversity, leadership, and knowledge with more specific biblical referees
to wisdom, understanding, stewardship, revelation, adaptability, and prosperity. There are
several broad topics which can be found to have biblical roots that identify the value of
biblical integration with business practices that deal with both internal and external
organizational environmental factors. The topics of cultural diversity, leadership, ACAP,
organizational learning, and innovation are the primary points of consideration.

**National Culture.** The concept of diversity is prevalent in national culture and
business literature. There are several scriptural references and concepts that lend support
to this subject. Specific references include Proverbs 11:14 and Proverbs 15:22 which
indicate the need for multiple councilors to devise successful plans. Diversity is
important to God and should be valued by businesses as a means for gaining information
that could lead to a broader and ultimately more accurate view of circumstances and
situations affecting a firm. God’s love for diversity is made evident by the personalized
combination of talents, weaknesses, and characteristics unique to every individual. The
bible also has many instances of communication, collaboration, and unification among culturally diverse people groups (Revelation 7:9; 1 Corinthians 12:15-9; Acts 2:7-11; Ezekiel 27:12-25). It is important to recognize that multiple perspectives are needed to see a broader picture of realities that are affecting a business. This requires humility, mutual acceptance of talents and flaws, open communication, and unity in overall goals which can be fostered by the leadership within a firm.

**Leadership.** A firm’s leader is the focal point of the organization and has tremendous direct and indirect influences on the firm. Leaders are stewards of the organization, and therefore assume greater responsibility for the firm’s profitability and actions. The Old Testament provides several examples of wise (Eccl 1:16; Proverbs 29:2) and foolish (1 Kings 12:1-19; Eccl 10:16-17) rulers who, much like leaders in today’s business environments, are looked to for direction based on the assumption that leaders have access to skills, resources, and perspectives other members of the organization do not and have the authority to utilize these as they see fit. Discernment is a defining characteristic of wise rulers and is referenced numerous times throughout the old and new testaments as the residual effect of knowledge and wisdom (Proverbs 15:21; Philippians 1:9-10; Hosea 14:9; 1 Kings 3:9). Discernment is quite an appropriate definition of individual ACAP which is an individual’s ability to acquire, assimilate, transform, and exploit knowledge which is primarily achieved through the internal and external social networks of employees within an organization (Breunig & Martinkenaite, 2015). A leader’s individual ACAP (i.e. discernment) is therefore a critical component in the continued development of the firm’s ACAP and prosperity.
**Absorptive Capacity.** ACAP, though still relatively new as an academic construct, deals heavily with the accumulation and translation of knowledge about external environments and how acquired information is absorbed, altered, and dismissed via the filters of the individual and corporate entities it passes through. In this regard, correlations can be made among the vast direct and indirect references of wisdom, knowledge, and understanding in the bible (Proverbs 9:10; Job 28:28; Eccl 7:12) to the topic of ACAP. The construct of ACAP and its application as a means for acquiring positive outcomes when incorporated into strategic initiatives, is supported repeatedly by biblical references.

**Organizational learning (Adaptability).** The concept of organizational learning is also heavily applied within the topic of ACAP which implies the internal adaptation of policies, processes, procedures, and people to newly acquired information. The literature linking a firm’s ACAP and firm performance strongly supports the notion that the degree of firm adaptability to its external environment largely depends on the individual absorptive capabilities of the firm’s employees. This indicates a need for firms to place emphasis on developing and strengthening employee learning orientation across all levels of the firm. These concepts are biblically illustrated (Luke 11:1; Matthew 28:16-20; Matthew, 24: 3-5; Luke 15:11-32; Mark 3:24-26; John 4:7-34; John 6:1-14) in the way Jesus passed on knowledge to (i.e. taught) his disciples individually and to the masses and in the type (tacit) of information he provided (i.e. in parables and in action). Jesus sought to develop the mental capabilities of people on an individual level and corporately as he provided critical information about their spiritual and natural environments.
Relationship to Field of Study

The proposed research question and ensuing hypotheses was rooted in the theories relating to national cultural values, organizational learning and knowledge management (i.e. ACAP), and, to a lesser degree, leadership. The study’s primary relation to international business is identifying the impact of individual national cultural values on the adoption of ACAP in SMEs. The potential to increase the competitive ability of SMEs nationally and internationally can help build or establish strong economies. The data presented in this study is valuable to both academicians and professionals who participate in expanding relevant knowledge to improving international and global business strategies for SMEs.

A Review of the Professional and Academic Literature

The following literary analysis outlines the theoretical framework integrating national cultural values and ACAP within U.S. SMEs. The first section defines the constructs of ACAP and national culture through their theoretical links and discusses the attributes of SMEs. The second section is divided into two segments that illustrate the theoretical integration of national culture and ACAP (i.e. original framework), and national culture, ACAP and SMEs (extended framework). The concluding sections will provide a summary of how culture impacts the development and utilization of a firm’s ACAP in US SMEs. A summary of the literature supporting the problem statement, relevance of the research questions, support for the hypothesis, and how validation of chosen variables will transition the literature review onto the research methodology.
Framework Overview

ACAP presents organizations with a means to identify and measure its competitive abilities regarding knowledge (Cohen & Leventhal, 1990; Volberda et al., 2010). The construct of ACAP has gained prominent exposure in academic literature as the effects of globalization are forcing companies to consider alternative means for expanding the bounds of the firm to access additional resources (Ndiege et al., 2012). Greve et al. (2009) analyze the influence national culture has on ACAP by synthesizing the resource based view theories of strategy development, the social infrastructure used to condition acceptable or non-acceptable organizational behaviors illustrated by institutional theory, and the preconditioning of individual perceptions and behaviors defined by Hofstede’s theory of national culture dimensions. Their framework distinguishes between the adoption and implementation of ACAP within an organization using Helfat and Peteraf’s (2003) theory of capability lifecycles. Capability lifecycles refers to the evolving process of resource selection, adoption and integration leading to the regeneration of capabilities and additional resources for a firm. ACAP is considered a dynamic capability that triggers organizational change through the process of identifying and generating new knowledge, adjusting internal processes to accommodate the new knowledge so that it can provide competitive resources (i.e. ideas, new products, improved processes, etc.) for the firm. The framework reviews how ACAP is adopted and integrated into an organization based on cultural contexts influencing the organization’s institutional framework and the cognitive schema of organizational leaders as they identify, process, and decide organizational strategies.
National cultural environments create “social reinforcement contingencies that foster the pursuit of behavior in organizations” which determines the establishment of constructs within an organization (Greve et al., 2009, p. 3). If the characteristics of the ACAP construct are congruent with a national culture’s characteristics, then it is likely that ACAP was adopted by an organization. Conversely, if there is incongruence between the characteristics of ACAP and a national culture’s characteristics, then it likely ACAP will be restricted or restrained within an organization. Therefore, it can be stated that a difference in ACAP capabilities exists between organizations based on the national cultural environment an organization operates within.

Critical to the construct of ACAP is the role of individual organizational members. Organizational members are conduits of knowledge within an organization and between an organization and its external environment (Breunig & Martinkenaite, 2015). National cultural values precondition the values, beliefs, and perceptions of individuals, forming the filter through which they assess and act on information gathered as they engage with their environment (i.e. cognitive map) (Maznevski, DiStefano, Gomez, Noorderhaven, & Wu, 2002). Cognitive maps shape the decision framework of individuals leading to behavioral outcomes. This process is transferred into organizations as individuals apply their absorptive capacities (i.e. the recognition, accumulation, assessment, translation, and transference knowledge) using the social, communication, and technological systems within an organization (Wehner et al., 2015). Organizational ACAP is not an aggregate of its members’ individual ACAP but rather an evolving
process linking individual members’ assessment of knowledge to the organizational strategy, structure, and culture (Breunig & Martinkenaite, 2015).

Small and medium sized firms have unique organizational attributes, namely a more horizontal organizational structure, have informal communication pathways, limited resources, are entrepreneurially oriented, and strategic autonomy rests with the leader(s) (Ndiege et al., 2012). SMEs will adapt very similar values, beliefs, and characteristics of its leader as the primary strategic decision maker (Ndiege et al., 2012). Therefore, the cultural values of leaders in SMEs are especially prevalent in the design of organizational mechanisms.

The following literary analysis develops Greve at al., (2009)’s framework integrating national culture and ACAP and applies it within the context of SMEs. The literary review supports the research question by illustrating how national cultural values determine the adoption or resistance of ACAP as a construct and how the operational processes of the construct are either fostered or hindered within US SMEs. Managing knowledge is becoming a prevalent focus of organizational strategy development as global markets become highly integrated and resources become simultaneously more available and scarce to firms (Zonooz et al., 2011). It is a unique problem for SMES whose limited ability to access scarce resources but adaptable and innovative organizational cultures make the management of knowledge critical for survival in global markets (Garg & De, 2014; Zonooz et al., 2011). The cultural foundations of SMEs leaders influence the strategy development process and, consequently, its ACAP by determining how or to what degree a firm invests in its ability to manage knowledge.
Each of Hofstede’s cultural dimensions has a set of ascribed characteristics that reflect trends in values and behaviors of a society; societies are a composite of the values, beliefs, and perceptions of its individual members (Hofstede & Hofstede, 2005). Each dimension of ACAP has a set of characteristics that reflect its function and process within an organization and individuals. The framework proposed by Greve et al., (2009) posits that culture impacts the decision-making processes of leaders as they determine the selection, adaption, and implementation of organizational resources which in turn establishes the organizational framework that either supports or hinders ACAP. An organization’s adoption of ACAP will either be accepted or hindered based on the alignment of the characteristics of those dimensions and the cultural values of Hofstede’s cultural dimensions.

SMEs are almost autonomously governed by their leader (Ndiege et al., 2012). Per upper echelons theory, an organization will assume the same characteristics, values, and beliefs of leaders and top team members (Sanders et al., 2004). This is supported by managerial cognition theories which indicate that leaders make decisions about resources via their cognitive maps; cognitive maps include the values, beliefs, and perceptions individuals use to process information from their environment (Degravel, 2015; Helfat & Peteraf, 2015). Therefore, cultural values will cause SME leaders to be more naturally accepting or resistant to certain characteristics in the acquisition, assimilation, transformation, and exploitation dimensions of ACAP. ACAP is trigger for organizational change. It develops cumulatively using the collective prior knowledge and capabilities of the firm as the foundation for the development of new capabilities. The
enhancement and recombination of existing resources and capabilities to produce new
capabilities and resources is the defining characteristic of dynamic capabilities (Skokic,
Coh, & Torkkeli, 2015). Therefore, ACAP is a knowledge-based dynamic capability that
affects all aspects of the organization (Zahra & George, 2002). As a knowledge-based
dynamic capability, ACAP is particularly susceptible to the cultural filters used by
individual to process, sort, and act on knowledge and information (Degravel, 2015). The
following expands on the central theories and characteristics used support the hypothesis
and theoretical framework of the study.

**Culture**

The development of culture as a construct has an extensive academic history.
Academic exploitation into culture viewed the construct as more of an anthropological
antecedent whose definition was best captured by Taylor as “that complex whole which
includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits
acquired by man as a member of society” (Gjuraj, 2013, p. 4). Culture then began to be
viewed as an influential component of human nature that extended beyond a description
of man’s interaction with the environment into how the entire scope of human
psychological, physical, mental, emotional and even spiritual cognizance is filtered.
Kluckhohn and Strodtebeck (1961) defined culture as “patterned ways of thinking, feeling
and reacting, acquired and transmitted mainly by symbols, constituting the distinctive
achievements of human groups…the essential core of culture consists of traditional (i.e.
historically derived and selected) ideas and especially their attached values” (Greve et al.,
2009, p. 5). Their work helped to capture the complexity of culture through the
introduction of an orientation-based framework that could be used to identify the values of an individual culture (Maznevski et al., 2002). Culture began to be viewed from a more psychological perspective as patterns of cultural values began to emerge. This evolution is evident in Hofstede’s (1980) definition of culture as “the collective programming of the mind which distinguishes the members of one human group from another” (Taras et al., 2010, p. 1). A more recent definition provided by Geertz (1993) highlights culture as a filter that is used by individuals to process knowledge from their environment which triggers reactions based on pre-conceived (i.e. inherited and transmitted) socially acceptable responses (Ritchie & Brindley, 2005). Geertz defined culture as a “historically transmitted pattern of meanings embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life” (Ritchie & Brindley, 2005, p. 7). Culture has since begun to develop its own set of characteristics which include: 1) its structure as a group-oriented construct dependent on individual member’s perceptions, 2) it consists of norms and values (i.e. invisible attributes) shared among groups which influence individual behaviors and actions (i.e. visible attributes), 3) that it is predominantly transferred via social structures rather than inherited, and 4) it is used as a frame of reference to understand an individual’s environment (Greve et al., 2009; Kreiser et al., 2010). It is understandable to see how Geert Hofstede concluded that culture was not mutually exclusive of business.

Hofstede
Hofstede’s ground breaking work on cross-cultural value comparisons has been used exhaustively as the foundational component to understand variances in behaviors and performance outcomes in work environments. The fundamental components of identifying patterns of values based on socio, economic, and geographic environments have proven to be a remarkable phenomenon and has been widely accepted by academicians and practitioners alike (Maznevski et al., 2002; Minkov & Hofstede, 2012). However, there remains a considerable amount of debate regarding the generalizability of Hofstede’s cultural dimensions, and the ability to accurately quantify such a dynamic and evolving construct as culture with any unilaterality.

The debate regarding Hofstede’s cultural dimensions generally occurs along the areas of: the application of a unidimensional perspective to observe multidimensional phenomenon (i.e. the dichotomous nature of Hofstede’s dimensions limit their ability to adequately reflect the multiple and simultaneous characteristic cultural behaviors) (Bearden, Money, & Nevins, 2006); applying the dimensions which were originally designed to measure culture on a national level to assess individual level of behaviors (i.e. the ecological fallacy) (Brewer & Venaik, 2014); the psychological vs. sociological nature of measurement tools (i.e. surveys); and the outdatedness of the dimensions as culture has evolved (Dorfman et al., 2012).

Proponents of Hofstede’s theory suggest that the presence of an ecological fallacy does not necessarily negate the influence group-oriented perceptions have on a group’s individual members (Bearden et al., 2006). Some theoretical evidence supporting the relationship between national and individual cultural values argues that, conceptually,
national cultural values are reflective of the values of its people, indicating that the statistical inaccuracies are not enough to prevent presuppositions of individual characteristics associated with a national culture value schema (Bearden et al., 2006; Hofstede & Hofstede, 2005). In a recent article published by Minkov and Hofstede (2012), the authors address several critiques regarding the use of nations as measures of cross-cultural analysis including the presence of sub-cultures, the instability factor of nations, and the meaningfulness of a unified national culture. The authors argue that the within-culture variations among individuals belonging to a culture should not automatically negate the validity of studying cultures at a national level. The authors recognize the need for further research to be conducted on the dynamics of sub-cultures and transnationally shared cultures, but their development does not automatically negate the existence of a mainstream culture. The article focusses on addressing these critiques by determining if in-country regional clusters could sufficiently be distinguished as national cultures. Their findings lend empirical support to the argument that national culture remains a viable construct and variable when conducting cross-cultural analysis.

The debate regarding the validity of national culture as an indicator of individual perceptions, values, beliefs, and ideals have led researchers to explore means for overcoming the ecological fallacy associated with Hofstede’s dimensions. It is not surprising that this area of critique has received much attention given the potential to introduce elements of predictability regarding human behaviors. The work of Yoo et al., (2011) has provided a theoretical and empirically sound measurement tool that translates Hofstede’s aggregate cultural values to an individual level. Their introduction of the
Cultural Values Scale (CVSCALE) has opened areas for new research to explore the influence of individual cultural values across a wide array of contexts and on a global scale.

**Cultural Dimensions**

Hofstede’s original study produced four dimensions of culture that could be considered generalizable and were therefore applied to a wide array of businesses, sociological and psychological concepts, entities, and strategies on an international scope (Stankov & Lee, 2009). The first four dimensions included power distance, uncertainty avoidance, masculinity, and individualism. The fifth dimension of long-term orientation was added to capture the differences in perspectives regarding placing value on the future or past (Taras et al., 2010). The following outlines the five cultural dimensions established by Hofstede.

**Power distance.** Power distance reflects the extent to which a society accepts inequality of power among individuals (Taras et al., 2010). It manifests heavily in the subordinate-supervisor relationship within a business context. Power distance indicates perspective views regarding the expectations of a subordinate’s expression or suppression of disagreement or alternative views from authority figures (Maznevski et al., 2002).

**Uncertainty avoidance.** Uncertainty avoidance identifies the extent to which a society rejects or embraces uncertainty. Societies with higher uncertainty avoidance will implement structural elements such as processes, rules, and regulations to eliminate ambiguity and are less likely to tolerate deviations from norms (Taras et al., 2010). It is important to distinguish between uncertainty and risk-avoidance; the desire to avoid
uncertainty does not refer to the desire to avoid taking risks, but rather to introduce clarity and definitiveness into situations (Maznevski et al., 2002).

**Masculinity vs. femininity.** This dimension indicates the degree to which a society values traits ascribed to the male or female gender. Per Hofstede, traits associated with masculinity would include assertiveness and the acquisition of things (i.e. driven by performance and competitiveness); traits associated with femininity would include cooperation, maintaining personal relationships, care for the weak, and solidarity (Bearden et al., 2006).

**Long-term orientation.** Also, referred to as Confucian dynamism, this dimension identifies the emphasis a society places on future-oriented values such as persistence and thrift (i.e. saving money), or past-oriented values that include the respect and appreciation for tradition and the fulfillment of social obligations (Bearden et al., 2006).

**Individualism vs. collectivism.** This dimension identifies “the degree to which people in a country prefer to act as individuals rather than as members of groups” and indicates the mentality individual members have towards obligations for group care over individual care (Taras et al., 2010, p. 2). Cultures that have strong collectivists’ tendencies will look out for members outside of their immediate support networks with the expectation that those networks will look out for them (Hofstede, 1990). This process forms strong loyalty bonds between members. Conversely, cultures with individualistic tendencies feel an obligation to care for themselves and those in their immediate family (Taras at al., 2010).
As noted previously, the attributes of these dimensions were designed, validated, and considered reliable when comparing one or more cultural groups. Used outside this original intent has proven problematic when presupposition regarding individual behaviors are deduced using the above cultural descriptions (Bearden et al., 2006). However, several researchers have had a notable impact on developing methods, tools, and processes whereby national cultural values can adequately be transferred to individual members of a cultural group (Yoo et al., 2011).

**Individual Cultural Analysis**

Anthropologists Kluckhohn and Strodtbeck (1961) brought pioneering insights into the assessment of cultural values at an individual level with the development of a framework defining cultural orientations (Maznevski et al., 2002). Their cultural orientations considered the fundamental questions every culture should be able to answer such as “How do I think about people? How do I see the world? How do I relate to people? How do I use time?” (Maznevski et al., 2002, p. 2). Using these questions, they developed six main dimensions and orientations: 1) nature of humans (i.e. good/evil and changeable/unchangeable), 2) relationships among people (individual, collective, and hierarchal), 3) relations to broad environment (mastery, subjugation, and harmony), 4) activity (doing, thinking, and being), 5) time (past, present, and future), and 6) space (public and private) (Maznevski et al., 2002). Unique to their framework were several fundamental underlying assumptions which have been used by current researchers and provide some insight regarding the link between national and individual cultural values. These assumptions include 1) cultural patterns being identified by the patterns of the
preferences of individuals regarding different aspects of the orientations, 2) the ranking of values in each orientation on a national (aggregate) level, and 3) the mutual exclusivity of each dimension allowing for cultural differences to form. The framework outlined by Kluckhohn and Strodtbeck (1961) and additional theoretical explorations into the development and manifestation of individual cultural values (Hofstede 1980; Maznevski et al., 2002) supports the conclusion that national culture is a viable construct (i.e. forms naturally among and within clusters of people groups) and can be used as a predictor variable with a measure of reliability (i.e. is a reliable indicator of behavioral patterns).

Research has since been concluded that supports culture as an influence on individual cognitive processes (Dorfman et al., 2012). An example of this advancement is the article presented by Gupta (2012) that provides insight into the manifestation of culture within the decision-making process of individuals. The article identifies an explicit step-by-step process for identifying the contextual development of cultural values on decision-making behaviors which can be applied within a desired context. The work of Furrer, Tjemkes, & Henseler (2012) proved that national cultural characteristics influence decision-making behaviors among strategic alliance partners in adverse situations. The article by Greve et al., (2009) represents one of the seminal works that identifies the latent relationship between the Hofstede’s dimensions of culture and ACAP. The authors present an integrative model between the two constructs. The crux of the model is that individuals are preconditioned by their national culture which influences their behaviors, attitudes, and perceptions which are then transferred into the individuals’ workplace, effectively influencing an organization. These preconditioned behaviors
intertwine to influence and form the social networks of the firm which, if employees are primarily of the same cultural background, will reflect the cultural values of the employees.

**Absorptive Capacity**

The definition and applications of ACAP have undergone several modifications based on the theoretical frame of reference used by researchers. There are several prominent theoretical frameworks surrounding ACAP that have been able to identify and capture the fluid construct. Cohen and Leventhal’s (1990) original introduction of ACAP allowed knowledge to be viewed as a facilitator of the organization’s cognitive functions that captured, interpreted, and evolved the organization’s learning capabilities by exploiting available information in its environment (Camisón & Forés, 2010). Emerging from Cohen and Levinthal’s (1990) seminal work, researchers have sought to identify exactly what constitutes ACAP and its manifestation within a firm’s internal and external environments. Zahra and George (2002) extended the theoretical framework by identifying it as a dynamic and combinative capability that is path-dependent and strategic in nature whose existence “influences the firm’s ability to create and deploy the knowledge necessary to build other organizational capabilities” (Zahra & George, 2002, p. 4). Pulling from the theory of competitive advantages and dynamic capabilities, Zahra and George (2002) proposed that ACAP can be used to gain distinctive and sustainable advantages in competitive markets provided by the adaptive nature of the ACAP process.

ACAP is characterized as: 1) the knowledge of the organization, 2) a multilevel and multidimensional construct, 3) producing new knowledge and commercial
advantages, 4) a change agent and adaptive mechanism for the firm, and 5) a cumulative learning process that provides long-term strategic advantages (Aribi & Dupouet, 2016; Greve et al., 2009). ACAP is widely accepted to consist of four dimensions and two subgroups. There is some debate regarding the linearity of the ACAP process. Researchers are exploring the presence of feedback loops among the four dimensions which insinuate a constant integration of knowledge flow processes between the dimensions (Aribi & Dupouet, 2016; Lane et al., 2006).

**ACAP Dimensions**

Zahra and George (2002) identified four dimensions of ACAP that form a cyclical yet evolving process underlying the ways new tacit and explicit knowledge are recognized and utilized by a to create value-added and commercial outcomes for the firm. The four dimensions of ACAP include 1) acquisition, 2) assimilation, 3) transformation, and 4) exploitation. Each dimension of ACAP captures how knowledge interacts with the firm at the individual level and the organizational level. The dimensions were originally considered path-dependent beginning with a firm's ability to extract information from its environment and use it for profitable ends (Cohen & Leventhal, 1990). The progression of research on the construct revealed that the dimensions undergo a form of co-evolution process whereby increased capabilities in one dimension have a residual positive impact on the capabilities in other dimensions (Zahra & George, 2002). The reverse is also true indicating that diminished abilities in one dimension can inhibit the effectiveness of the capabilities in the other dimensions. For a firm to increase its overall ACAP, it should consider developing its capabilities across each dimension.
simultaneously (Zahra & George, 2002). Each dimension consists of its unique purpose, roles, and components, any of which a firm can excel at to varying degrees, thus allowing for the development of multiple simultaneous competitive advantages (Camisón & Forés, 2010). Enhancing each process simultaneously will lead to greater firm performance than focusing on singularly enhancing the firm’s capability at any one stage (Flatten et al., 2011b).

**Acquisition.** The acquisition dimension refers to the relational networks, technologies, and prior knowledge organizations use to identify and capture information from their external environment (Daspit & D’Souza, 2013). It is not enough that firms have acquisition capabilities but also the right combination of resources and information needed to identify and collect valuable information. Valuable information is firm-specific as are the methods used to collect it. The acquisition dimension encompasses the firm’s ability to use its current knowledge foundation to discern information necessary to the firm (i.e. recognition capabilities) within its external environment (Aribi & Dupouet, 2016). For this reason, several frameworks have proposed that recognition is as the first step of the ACAP process and should be treated as a separate dimension (Aribi & Dupouet, 2016; Todorova & Durisin, 2007). The quality of a firm’s acquisition capabilities is expressed in the speed, intensity and value of the knowledge acquired (Brettel et al., 2011).

**Assimilation.** The assimilation dimension refers to the understanding capabilities of a firm. The ability of a firm to understand new knowledge is dependent on the systems, processes, and routines in place to translate, interpret, and assess information (Brettel et
al., 2011). It is, in effect, the comprehension boundary of the firm. Information falling outside the scope of a firm’s assimilation abilities is discounted or overlooked (Zahra & George, 2002).

**Transformation.** The transformation dimension refers to the internalization and conversion process that occurs within a firm once new information has been interpreted (Noblet, Simon, & Parent, 2011). A firm assesses and adapts its internal systems, processes, and procedures to the newly assimilated information. This process is complex and requires the firm to recognize a divergence in current and optimal modus operandi which will force the firm to reshape or destroy an existing competency (Todorova & Durisin, 2007). During this process a firm’s innovative abilities are enacted which “shapes the entrepreneurial mindset and fosters entrepreneurial action” of the firm specifically in the generation of new insights, recognition of opportunities, and the firm’s frame of reference to itself and its competitive environment (Zahra & George, 2002, p. 2). The transformation dimension also considers the strategic orientations of the firm which include the ability to reconsider, develop, or implement strategic plans based on newly acquired and assimilated information. This stage is critical because it determines how and where a firm will choose to develop its competencies by the allocation of internal resources. Where a firm will choose to internally invest its resources will effectively establish its exploitation capability boundary (Todorova & Durisin, 2007).

**Exploitation.** Exploitation refers to a firm’s ability to use its existing competencies or develop new ones that will allow it to consistently extract and utilize knowledge (Zahra & George, 2002). The exploitation dimension encompasses the
process by which new internal routines, processes, and systems are developed that provide the firm with some sort of competitive element (i.e. new products, new competencies, new ideas, etc.) based on the newly acquired and assimilated information.

**ACAP Sub-Groups**

Zahra and Georges’ (2002) reconceptualization of the ACAP construct divided the dimensions into the two sub-groups of potential absorptive capacity (PACAP) and realized absorptive capacity (RACAP) that could be used to draw conclusions about how firm’s manage knowledge flows. There remains some dispute regarding the validity of such subgroups. One perspective is that ACAP should be approached using a four-factor model that identifies distinct abilities represented in the four dimensions which provide a more accurate reflection of ACAP (Daspit & D’Souza, 2013). Another perspective recognizes such distinctions but argue that there remains a need for the two sub groups to help define cause and effect relationships between the dimensions of ACAP and how value is created for the firm (Jansen, Van den Bosch, & Volberda, 2005; Todorova & Durisin, 2007; Zahra & George, 2002). Proponents of this view indicate that the distinction between the two subgroups can help explain deficiencies in ACAP among firms. They form a base to help explore the fluidity among the dimensions, and identify differences in managerial actions and competencies needed to develop and sustain the subgroups (Fosfuri & Tribó, 2008; Zahra & George, 2002). These distinctions can be used to understand the contexts of knowledge transfers within and among organizations (Yeoh, 2009).
PACAP consists of a firm’s acquisitions and assimilation capabilities. A firm’s RACAP refers to its ability to transform and exploit new knowledge. Zahra and George (2002) propose that the two subgroups have distinct but complementary roles in how a firm can profit from knowledge. For example, a firm will not fully benefit from its potential absorptive capacity if its ability to transform and exploit this information remains limited. PACAP reflects a firm’s potential for profits, and RACAP reflects a firm’s ability to realize profits (Zahra & George, 2002). This distinction has led researchers to explore the various antecedents and contexts of PACAP and RACAP and how they can be manipulated to improve a firm’s competitive advantage (Fosfuri & Tribó, 2008; Yeoh, 2009).

Potential Absorptive Capacity. Potential absorptive capacity is considered cumulative with strong path-dependent tendencies (Yeoh, 2009). Knowledge recognition and knowledge sourcing capabilities are built on previous experiences that form knowledge stocks used to identify relevant future information and how this information can be obtained. External linkages, experiential learning, and organizational mechanisms that coordinate capabilities are critical antecedents that develop PACAP (Jansen et al., 2005; Yeoh, 2009). The recognition of valuable information is argued as a critical first step in the acquisition process and occurs as the external environment is scanned for new information that could potentially impact the firm via presenting new opportunities or potential threats (Aribi & Dupouet, 2016; Blageski & Rossetto, 2015; Todorova & Durisin, 2007). Knowledge is deemed “valuable” based on the cognitive filters of those presented with new information and a misdiagnosis (i.e. screening out) of critical
knowledge to the firm can be detrimental to the strategic outcomes of the firm (Todorova & Durisin, 2007). It is in this context that the prior knowledge base, degree of industry and firm exposure, and international business exposure of firm leaders is critical to the PACAP of a firm. Leaders with more exposure to the needs of the firm, the capabilities of the firm, and the dynamics of the firm’s industry, all of which are gained by a longer duration with the firm can lead to a broader filter used to recognize valuable knowledge and information critical to the firm. Additionally, leaders with more exposure to the firm’s industry, specifically the global aspects of the industry, tend to have more extensive networks and connections which broaden the scope of information and knowledge channels thereby increasing the potential to capture critical knowledge.

Potential absorptive capacity is directly linked to innovative capability or the degree to which a firm can apply new knowledge for commercial means (Fosfuri & Tribó, 2008). The PACAP-innovation relationship identifies a firm’s ability to extract knowledge or identify new knowledge from its existing external knowledge stocks that will provide the firm with profitable commercial outcomes (Adriansyah & Afiff, 2015; Fosfuri & Tribó, 2008).

**Realized Absorptive Capacity.** Realized absorptive capacity reflects a firm’s ability to effectively leverage acquired knowledge and is responsible for directing the strategic performance of firms to sustain the overall ACAP (Brettel et al., 2011; Yeoh, 2009; Zahra & George, 2002). RACAP refers to the internal systems, process, and capabilities needed to profit from knowledge and relies heavily on the organization’s ability and receptiveness to learning (Yeoh, 2009). A firm’s RACAP is the enabling
mechanism that allows firms to transform innovative concepts into innovative outcomes and is how value from new knowledge is actualized for the firm (Fosfuri & Tribó, 2008). The transformation dimension extends the firm’s knowledge base which allows for the derivation of new insights as it adjusts current perspectives and understandings to new information (Brettel et al., 2011). Through this process firms can recognize future opportunities and make more informed strategic decisions (Brettel et al., 2011). The exploitation dimension uses current organizational competencies to create new ones that can be used to develop new or adapted products, services, and processes (Brettel et al., 2011).

The review of culture established that people’s perceptions are reflective of their environment. The review of ACAP provided insight regarding the process by which organizations collect and utilize information. This process is dependent on the individual members of the organization who are the information pathways between an organization’s external and internal environment. The following sections illustrate how culture and ACAP converge within an organization via its individual organizational members.

**Individual ACAP**

Similar to the construct of culture, aggregate measures of ACAP are derived from the cumulative and combinative abilities of individuals (Cohen & Leventhal, 1990). Originally presented as an organizational level construct, very little information exists regarding the “composition and the links of the different dimensions” resulting in a limited understanding of the ACAP process at the individual level (Chauvet, 2014, p. 2).
Researchers recognize the necessity of individuals and the importance of individual cognition in facilitating ACAP at the organizational level (Lane et al., 2006; Zahra & George, 2002). Breunig and Martinkenaite (2015) propose that a firm’s ACAC reflects “a set of unique interactions of individual abilities, job-related skills, their motivation to absorb knowledge and organizational level attributes” and is less a summation of individual ACAP (p. 1). They argue that the collective knowledge of individuals is not consciously recognized nor easily discerned because organizational knowledge is both tacit and explicit in nature and is transformed by the tangible (policies, procedures, technologies, etc.) and intangible (social networks, shared firm values and norms, routines etc.) attributes unique to each company. This knowledge is also constantly evolving as individuals expand their knowledge base, indicating that ACAP emerges through the continuous interactions of organizational members (Chien-Chiang, 2016). Wehner et al. (2015) explore the relationship between individual employee ACAP and organizational ACAP within the context of managerial prior experience. The authors address the gap in ACAP research that links how individual experiences and capabilities of employees influences the firm’s ACAP with a focus on upper managers/firm leaders whose ability to guide and influence the culture, structure, and development of the firm is most influential. Of note is that the prior learning experience of managerial leaders sets in motion (i.e. is the cornerstone) the ACAP for companies, specifically smaller companies and companies that are venturing into new international markets. Additionally, the authors focus on how the depth, diversity, and length of the management’s prior exposure
to foreign markets directly influences every stage of the firm’s ACAP process (acquisition, assimilation, transformation, exploitation).

**SMEs**

Small to medium sized enterprises (SMEs) comprise approximately 95% of the world’s economy effectively making these businesses essential to the growth and development of national economies. SMEs are generally defined using a combination of a firm’s total employee count and annual revenue (SBA, 2014). The variations in organizational composition, function, location, managerial characteristics, size, and financial performance have prevented researchers and practitioners from agreeing on a universally accepted definition of SMEs (Ndiege et al., 2012). Several organizations have established definitive attributes of a company that qualify them for SME status; however, these definitions are reflective of the political and economic structure of nations and regions and are therefore not completely objective (Ndiege et al., 2012).

On a macro level SMEs have several unique attributes that differentiate them from multinational corporations (MNCs). SMEs are known for their limited resources, forcing them to constantly overcome financial, time, and information barriers. SMEs are also heavily reliant on and controlled by their owners or managers. Their position as drivers of economic activity and inherent vulnerability to environmental pressures have caused a renewed interested in finding means of sustainable advantages in competitive markets. On a micro level SMEs have become recognized as entrepreneurial. Entrepreneurial firms have been classified as such through a diverse but fairly unanimous list of categorical characteristics that include: 1) the personal characteristics of the owner
(i.e. psychological, managerial, personality traits, risk-tolerance, entrepreneurial cognition, pro-activeness), 2) the context of the business environment (i.e. new venture, highly-innovative markets), 3) resource base (i.e. usually scarce with limited supporting social, economic, and financial networks), 4) organizational structure (i.e. horizontal with a high locus of control, adaptive, innovative), and 5) localized base of operations (Kreiser et al., 2010; Ritchie & Brindley, 2005). Culture can be indirectly and directly linked to each of these entrepreneurial characteristic categories. Studies regarding culture and entrepreneurship indicates the individual characteristics of the owner and the networks that support the firm, specifically social networks rooted in the institutional framework of the firm, are directly influenced by national cultural values (Liao & Yu, 2013; Ritchie & Brindley, 2005).

**Integration of Theories**

The following integrates the central themes and characteristics of ACAP, national culture, and SMEs. ACAP is trigger for organizational change. It develops cumulatively using the collective prior knowledge and capabilities of the firm as the foundation for the development of new capabilities. The enhancement and recombination of existing resources and capabilities to produce new competitive resources is the defining characteristic of dynamic capabilities. As a knowledge-based dynamic capability, ACAP is particularly susceptible to the cultural filters used by individual to process, sort, and act on knowledge (Greve et al., 2009).

**ACAP and Culture**
Culture impacts the internal and external environments where ACAP is manifested. Individuals are more likely to embrace the characteristics and processes of ACAP if they correspond to the national cultural value characteristics embedded in the individuals’ frame of reference as they process knowledge and information from their environment. This process occurs fundamentally at an individual level and is then expanded to encompass organizations as leaders make strategic decisions about how firms will grow and be shaped via allocation of resources. Social reinforcement contingencies are the patterned behaviors of a collective group that produce accepted behaviors organizations and individuals must consider in order to survive within an environment (Greve et al., 2009). Therefore, where the characteristics of ACAP are not congruent with a national culture’s characteristics, organizations and individuals are less likely to adopt ACAP.

**Resource based view.** The resource-based view (RBV) of strategy development is a central component of ACAP. A competitive advantage is a unique position a company has compared to its competitors gained through the possession or combination of unique, often non-replicable, resources to allow for defensible differentiation from competitors (Adriansyah & Afiff, 2015). The RBV is used to help explain the strategic choices behind a firm’s preference in resource selection and internal application. The idea behind the RBV is simplistic in its explanation but rather flawed in its practical application as an economic theory used to explain resource scarcity, selection criteria, and acquisition complexities in competitive markets (Kraaijenbrink, Spender & Groen, 2010). The basic premise of the RBV is that a competitive advantage can be achieved by
a firm via acquiring and controlling valuable (i.e. leads to reduce costs or ability to respond to environmental opportunities and threats), rare (i.e. non-common resource-capability combinations), nonsubstitutable (i.e. cannot be easily replaced), and inimitable (i.e. problematic for competitors to replicate) resources and capabilities (Kraaijenbrink et al., 2010; Lockett, Thompson, & Morgenstern, 2009; Newbert, 2008).

A unique element of the RBV is the role that managers play as deciding factors in the functionality, recombination, and creation of resources within a firm (Lockett et al., 2009). Resources are considered “stocks of available factors owned or controlled by the firm” and the deployment or application of resources constitutes a firm’s capability (Newbert, 2008, p. 1). Therefore, the ability for a firm to sustain competitive advantages from a resource or capability depends on the ability of that resource or capability to: 1) help the firm recognize opportunities and threats in its environment (i.e. provide value), 2) support and perpetuate the combination or re-combination of current resources and capabilities leading to unique resource-capability bundles that are difficult for competitors to reproduce effectively (i.e. establish rareness) (Newbert, 2008). An organization’s knowledge stocks, processes, culture and routines can be considered intangible resources. The capacity to learn can be considered a dynamic capability because it generates new opportunities for the firm (Lockett et al., 2009). Therefore, the unique resource-capability bundle of a firm’s knowledge stored in its systems, routines, processes which are supported and perpetuated by its culture, in combination with its capacity to learn, can prove to be a formidable competitive advantage as the firm can recognize opportunities and mitigate threats better than their competitors.
**Dynamic capabilities.** The theory of dynamic capabilities is founded in the RBV of strategic development. A resource-based approach to strategy development includes using the core competencies and existing resources of a firm to take advantage of idiosyncrasies in available resources (Skokic et al., 2015). Core competencies are a unique or not easily replicable ability or advantage a firm has over its competitors. How a firm uses their existing resources and core competencies to seek, identify, extract, and utilize new resources is considered a dynamic capability.

Dynamic capabilities are the tangible and intangible bundle of organizational capacities that unify resources and processes to create new, valuable, and not easily imitable organizational outcomes (i.e. products, services, systems, information, processes, knowledge generation, organizational attributes, etc.) which provide a competitive advantage (Brettel et al., 2011). These organizational capabilities are a result of the internal routines, processes, and systems that unify a firm’s skills and resources and are therefore unique to each firm (Todorova & Durisin, 2007). Swoboda and Olejnik (2016) distinguish between resources and processes indicating that processes are how resources become competitive advantages. These processes can be sustained by making them “dynamic” or integrated, reconfigured, and transformed to changes in markets; particularly foreign markets. Knowledge is considered one of the most valuable resource in today’s markets. The generation and effective utilization of knowledge is facilitated in organizations by learning processes. Zahra and George (2002) recognize that knowledge is a resource and its management can be used as an advantage within a firm. Zahra and George define ACAP as a dynamic capability that “influences the firm’s ability to create
and deploy the knowledge necessary to build other organizational capabilities” which helps determine the strategic direction of the firm as it evolves (Zahra & George, 2002, p. 3). These capabilities could then be combined to provide a unique set of evolving capabilities specific to that firm, allowing them to develop distinct advantages along which to compete. Improved firm performance can be linked to the ability of a firm to leverage its dynamic capabilities to meet changes in the environment such that it can compete (Skokic et al., 2015).

While the process is systematic in nature, it is possible that the development of each ACAP dimension within a firm is not linear. This perspective indicates that loops in the ACAP process exist among the different dimensions, allowing firms to possess a variety of ACAP capability combinations that are not easily replicable (Aribi & Dupouet, 2016). One perspective of combinative capabilities includes the synthetization of existing knowledge resources for the realization of new uses for resources (Zonooz et al., 2011). The synthetization of knowledge resources includes organizing the processes, systems, tools, and techniques unique to each ACAP dimension such that a positive symbiotic development process can occur which will improve the overall ACAP of the firm and ultimately firm performance as the dynamic capabilities of the firm expand.

**Capabilities lifecycle.** The capabilities life cycle (CLC) theory illustrates the process by which the resource-based view of strategy is realized within and among firms. The CLC theory proposed by Helfat and Peteraf (2003) was a first look at how organizational capabilities evolve over time and helps to more fully understand how resources and capabilities are used to create advantages in dynamic markets. CLC
illustrates a practical process for resource acquisition and deployment within firms that leads to firm heterogeneity, and therefore, competitive advantages. A firm’s resources and capabilities can be combined to form a dynamic capability which is a distinctive, scarce, non-replicable ability one firm possesses over others that give it competitive advantages.

**National Culture and ACAP Adoption**

The following illustrates the theoretical relationship between the characteristics of ACAP and the characteristics of national cultural values ascribed to each of Hofstede’s dimensions. The cultures whose characteristics are deemed to have some congruency with the characteristics of ACAP will have a positive relationship with the respective dimension and will likely adopt ACAP. Conversely, cultures whose characteristics are incongruent with ACAP will have a negative relationship with the respective dimension and will likely resist or reject adopting ACAP. Using the RBV, institutional, and lifecycle and cultural theories, Greve et al. (2009) make the following propositions about how Hofstede’s cultural dimensions relate to adopting ACAP. Table A1 in Appendix A provides an integrative view of how cultural orientation can influence a firm’s likelihood of adopting ACAP.

**Individualism dimension.** ACAP is a multilevel and multidimensional construct that functions well in environments where open communication occurs. Strong social integration mechanisms that foster sharing of ideas, tacit, and implicit experiential knowledge constrained in the individual cognitions of organizational members. The assimilation and translational aspects of ACAP are particularly reliant on open
communications between organizational members. Countries that have low scores on individualism (i.e. have more collectivists values) are characterized as having strong social group affiliations and conformities with informal communication and interaction and are more likely to adopt ACAP.

**Power distance dimension.** The flow of information vertically and horizontally throughout an organization is critical to the development of ACAP in organizations. This fosters idea generation and recombination of capabilities as those in lower organizational levels sense shifts, trends, opportunities, and threats differently than those at the top. The flow of information across all organizational silos helps leverage the knowledge from gatekeepers who straddle the internal and external boundary of the firm so that problems can be identified and solved and valuable opportunities are not missed. High power distance cultures tend to have more rigid and formalized structures with a strong locus of control which is not conducive to ACAP. Conversely, cultures with low power distance are more informal with free-flowing communication across all hierarchal levels and will likely adopt ACAP more readily.

**Uncertainty avoidance dimension.** A major characteristic of ACAP is the ability to recognize threats and opportunities which are evident in the value recognition and acquisition phases were knowledge is captured in the external environment. Increasing the sensitivity and recognition capability of threats and changes impacting a firm helps to reduce risks, reduce wasted resources, and enhance predictive ability of opportunities. Cultures with higher uncertainty avoidance will likely gladly adopt ACAP for its potential to enhance predictability. The adoption of ACAP by organizations in high
uncertainty avoidance cultures will likely occur, particularly if these organizations face dynamic and fast-paced environments such as technology industries.

**Masculinity dimension.** The process of ACAP produces organizational outputs that can be used strategically to grow the firm. Categorically speaking, outputs can be classified as commercial or knowledge and are influenced by culture differently. Commercial outputs are considered tangible, monetarily oriented, and tend to align with more masculine cultures. Knowledge outputs can increase the overall quality of life for the firm indicating a congruence with more feminine cultures. This indicates ACAP would be adopted by both masculine and feminine cultures but would be manifested differently.

**Long-term orientation dimension.** ACAP is a continuously evolving process that produces and strengthens competitive advantages over time. ACAP is a renewing and adaptive capability which is highly dependent on the organizational strategic perspective of resource re-investment and organizational cultures that support the continuous, incremental, and steady growth of learning processes. These characteristics are naturally aligned with cultures who are long-term oriented. Long-term oriented cultures are more likely to devote the initial investment in the adoption of ACAP, understanding it will require persistence to see returns on that investment. Therefore, the more long-term oriented a firm is, the more likely they are to adopt ACAP.

Table A2 in Appendix A illustrates the theoretical relationship between the adoption of ACAP into organizations who reflect the respective cultural characteristics of each cultural dimension. The following integrative framework explores the theoretical
links relating ACAP and culture and how these links are altered when applied within the
countext of small and medium sized firms.

**ACAP, Culture and SMEs**

The usefulness of knowledge extracted from external resources is limited by the
internal organizational systems and processes in place that can adequately translate,
assess, and utilize the information. These processes occur within the context of the
individuals as carriers of knowledge and within the context of organizational attributes
that determine available outlets to facilitate the transference of knowledge. Organizations
learn as the residual effect of the experiential, targeted (i.e. intentionally acquired), and
reconstructed knowledge bases of organizational members as they interact with each
other and with their environment. The development of ACAP is largely dependent on the
external and managerial factors that shape the internal resource configurations and
processes used to manage knowledge.

**Regulatory Focus Theory**

Regulatory focus theory (RFT) was first proposed by Higgins (1997) as a means
for identifying “how people engage in self-regulation, the processes of bringing one’s self
into alignment with one’s standards and goals” (Brockner, Higgins, Lowe, 2004, p. 2).
RFT provides a link to explain the motivational behaviors of individuals as they pursue
goals. The two regulatory systems used are prevention-focused and promotion-focused.
These two categories differ in the 1) underlying motivations of individuals, 2) the nature
of the goals or standards being attained, and 3) the type of outcome an individual deems
as desirable (Brockner et al., 2004). Promotion-focused orientations can be explained as
the growth and advancement needs motivating individuals as they create, pursue, or are confronted with opportunities (Brockner et al., 2004). Individuals who adopt this frame of reference attempt to align themselves with their ideal selves (i.e. who they *dream* and *aspire* to be), leading to feelings of positivity as they achieve this alignment. These individuals do not consider potential losses when pursuing goals. They strategically focus on ways to maximize the chances of achieving their desired end states indicating their willingness to experiment with multiple behaviors to achieve their goals (Johnson et al., 2015). Prevention-focused orientations are associated with the sense of duty, responsibility, and obligation individuals feel as they bring themselves into alignment with who they *ought* to be which motivates them when considering opportunities (Brockner et al., 2004). When individuals engage in a prevention-focused mentally, they are attempting to hedge against potential losses or negative outcomes by emphasizing the prevention of mistakes (Johnson et al., 2015). These individuals guard against committing errors when pursuing goals (Johnson et al., 2015).

RFT has a psychological component that is used to explain the internal behaviors and self-regulating mechanisms of individuals as they attempt to meet their goals and objectives. RFT occurs along three levels: system, strategic, and tactical (Johnson et al., 2015). The systems level applies an orientation aspect to RFT whereby a generality of preference to either prevention-focused or promotion-focused is enacted and “serves as a reference point by which people view their world” (Johnson et al., 2015, p. 3). The strategic level refers to the general means for goal achievement that is applied. The choice of a strategy is largely, though not exclusively, dependent on the reference point
of the individual who will either follow a promotion-focused “eagerness strategy” (i.e. approaching gains vs. avoiding nongains) or a prevention-focused “vigilant strategy” (i.e. approaching nonlosses vs. avoiding losses) when pursuing goals (Johnson et al., 2015).

The third level deals with the tactical methods used to achieve a chosen strategy within a specific situation (Brockner et al., 2004). At this level individuals will engage either a risky bias or conservative bias which determines the tolerance level of risk an individual has when deciding how to achieve a goal. When an individual aligns their strategic and tactical regulatory approaches with their preferred systems perspective, regulatory fit occurs (Brockner et al., 2004). Regulatory fit theory implies that individuals experience greater motivation and put forth more effort to achieve their goal when their tactics and strategies align with their regulatory disposition (Johnson et al., 2015).

These orientations and the tendencies of individuals to engage in one over the other play a critical role in decision-making processes and, therefore, are highly relevant to business strategy development. For example, regulatory fit has strong implications for how individuals process information. Individuals will “seek information that is consistent with their regulatory focus orientation” effectively biasing the decision-making process (Johnson et al., 2015, p. 11). This is particularly relevant for entrepreneurial business endeavors. Brockner et al. (2004) indicated that both orientations are valuable to the entrepreneurial process. In their article outlining a framework relating RFT to entrepreneurship, the authors note that promotion-focused mentalities are helpful during the brainstorming process while prevention-focused mentalities serve entrepreneurs well during the screening of ideas and filtering of facts. In their literature review of RFT,
Johnson et al. (2015) support those views. They note that the entrepreneurial process is initiated by the recognition of opportunities. They propose that those with promotion focused orientations will be more effective at identifying entrepreneurial opportunities including an added awareness of information networks, while those who follow prevention-focused orientations will likely be more effective at evaluating opportunities given their propensity for avoiding losses. The work of Tumasjan and Braun (2012) indicates that the degree of promotion-focused orientation an individual applies was positively related to the number and quality of identified opportunities.

Lewin, Massini, and Peeters (2011) advocate the need for firms to pay special attention on learning from and with partners, suppliers, customers, competitors, and consultants as ways to get and acquire external knowledge. Based on their conceptual framework, they propose a routine based model of ACAP which indicates a strategic and continuously updated review of policies and procedures associated with the acquisition of information. It can be concluded that RFT has an influence on entrepreneurship at an individual level. RFT is particularly related to the identification of opportunities, development of strategies, decision-making paradigms, and the processing of information; all of which are essential components to developing and maintaining ACAP.

**Upper Echelons Theory**

Upper Echelons Theory (UE) explores the causality of upper managements’ decision-making paradigms. Central to the theory is the concept that strategic choice is influenced by cognitions, values, and perceptions (Sanders et al., 2004). The theory diagrams how the unobservable psychological constructs of executives are manifested in
managerial characteristics (Sanders et al., 2004). Executives will conduct situational analysis through the filter of their previous experiences, personal values, and personalities (Hambrick, 2007). Additionally, demographic characteristics can be used as “proxies of executives’ cognitive frames” to provide valid predictions of their strategic choices and actions (Hambrick, 2007, p. 4).

UE has been reviewed within both individual (i.e. top executive) and collective (i.e. top management teams) contexts. Hambrick (2007) indicates that the theoretical components of UE remain applicable within both contexts; however, applying a collective approach to UE generally provides a more accurate predictor of organizational outcomes. Top management teams (TMT) are the organizational members who act as the primary interface between the organization and its external environment and have a substantial amount of influence over the strategic position of the firm (Sanders et al., 2004). This definition is based on the traditional hierarchical format found in most organizations where upper management can be identified by title or position. A parallel view is that purpose of group members and situational contexts should be considered as an indicator of individual influence over situational outcomes (Sanders et al., 2004).

**UE and culture.** Upper echelons theory research has primarily been explored within a team and firm context (Yamak et al., 2014). The effects of culture on UE has been explored as an environmental contextual component of the theory. Culture has been identified as a moderating influence between managerial characteristics and types of innovation. It has also been established as an indicator of managerial commitment to the status quo in stable vs. unstable environments (Sanders et al., 2004). Culture has also
been shown to impact the upper management grooming processes, institutional constraints, and managerial discretion within firms (Hambrick, 2007). Hofstede’s uncertainty avoidance and collective vs. independent cultural dimensions highlight the primary areas that will influence managerial decision-making processes (Hambrick, 2007).

Upper echelons theory clearly indicates a decision-making paradigm exists between executives and the strategic decisions used to guide a firm. The theory further supports the role executives have in determining the strategic orientation of the firm. The filter through which strategic decisions are made by top management teams and executives is a composite of their individual members’ perceptions, values, and beliefs that form the cognitive bases used to assess situations (Hambrick, 2007). Factors such as industry, organizational culture, managerial tenure, and prior managerial experiences set the constraints of the firm’s internal and external bounds in which managerial cognitive bases operate (Hambrick, 2007). The influence of culture in the development of the perceptions, values, and beliefs of individuals has also been established indicating that culture impacts upper managements’ decision-making processes across two levels: it helps form managerial cognitive processes and establishes an external boundary for those cognitive processes.

Absorptive capacity is developed within an organization using the sharing or “flow” (i.e. information sharing pathways) of knowledge between the firm and its external environment and within the firm via interactions among employees. Interorganizational knowledge sharing is the collective accumulated knowledge of
individual members and the systems in place for the transference and reexamination of the accumulated knowledge (Calantone et al., 2002). Top managers or owners shape both internal and external knowledge flows the firm uses to acquire, assimilate, transform and exploit knowledge. They can do this by increasing the accessibility a firm has to new knowledge (i.e. strategic alliances or outsourcing R & D) and/or by increasing the quality of the internal systems currently in place to assimilate, transform, and exploit new knowledge. The value a manager places on knowledge and information plays a large part in how they expand, deepen, and exploit knowledge resources available to them. Top managers and owners who value knowledge will be more willing to invest resources to develop or improve the firm’s internal and external knowledge flows.

**Learning Orientation**

Learning orientation (LO) is an organizational characteristic reflecting the value a firm places on knowledge. It is manifested in the synchronicity of organizational processes that allow it to respond and interact with changes in its external environment to provide competitive advantages for the firm (Calantone et al., 2002; Gnizy, Baker, Grinstein, 2014). Learning orientation is predicated on the belief that continual adaptation and an ability to learn are sustainable competitive advantages because of their ability to generate innovation within a firm (Frank et al., 2012; Real, Roldan, & Leal, 2014).

The four components of LO define a firm’s ability to accept and handle new knowledge and determines the assimilation, transformation, and exploitation dimensions of ACAP. The four components of learning orientation include 1) commitment to learning, 2) shared vision, 3) open-mindedness, and 4) intraorganizational knowledge
sharing (Calantone et al., 2002). The open-mindedness of an organization represents the firm’s ability and willingness to accept new ideas, reexamine current processes and perspectives, and make necessary changes needed to adapt to environments (Calantone et al., 2002; Real et al., 2014). This is critical to the firm’s ability to assimilate and transform knowledge indicating that this aspect of learning orientation is vital to a firm’s ACAP (Calantone et al., 2002). A firm’s commitment to learning reflects the value and importance an organization shows towards learning and begins with the value upper-management places on learning via the allocation of resources to encourage and support knowledge development among employees (Calantone et al., 2002). The short-term commitment of organizational resources in promoting learning among employees leading to the continual generation of new or recombined knowledge can be considered a dynamic capability as firms change their resource investment based on changes in the market (Calantone et al., 2002; Gnizy et al., 2014). The ability of a firm to focus the when, how, why, and where learning occurs within the organization is also part of its LO. Having a shared vision of learning allows for the unification of perspectives within the firm regarding what to do with knowledge such that it can be effective in producing competitive abilities (Calantone et al., 2002; Real et al., 2014). Intraorganizational knowledge sharing is the collective accumulated knowledge of individual members and the systems in place for the transference and reexamination of the accumulated knowledge (Calantone et al., 2002).

Learning orientation has been reviewed within individual, group and organizational contexts. One view of ACAP literature indicates that individual
antecedents influence organizational outcomes. Another view is that an organization has its own outcomes and goals and is therefore equipped with its own learning capability and not just an accumulation of their individual members (Frank et al., 2012). From an organizational perspective, learning orientation is the overall attitude adopted towards learning that determines the degree of organizational learning mechanisms present in a firm (Frank et al., 2012). However, organizational learning cannot occur apart from the social systems used to facilitate knowledge sharing and interaction individuals use to learn within an organization. Individuals have unique learning abilities and knowledge sources. Organizational learning is the extraction and utilization of these independent knowledge sources. A firm’s learning orientation is bounded by the ability to accept and adjust its perspectives that enable it to realign its goals with the reality of its external and internal environment. This realignment process forms the basis of organizational learning theory.

**Organizational Learning**

Organizational learning refers to a firm’s ability to acquire information and improve how the firm can operate with this information (Frank et al., 2012). Organizational learning is generally viewed from a cognitive, cultural, action, or strategic learning perspective (Yeoh, 2009). The cognitive perspective describes organizational learning as a conscious and accumulative process that filters knowledge through the collective cognitive bias of the organization. The cultural perspective considers the values an organization has regarding knowledge; the organizational culture that places high value on knowledge is one of openness, collaboration, and group orientation. The active
organizational learning perspective focuses on utilizing tacit knowledge gained by experiential learning. Organizational learning can occur incrementally as part of an adaptation process or proactively as purposeful readjustments to perceptions are made. Adaptive approaches to organizational learning are referred to as single-loop learning where incremental changes to organizational process are made as needed. Generative approaches to learning proactively seek to improve organizational internal systems, processes, and protocols by constantly questioning the overall perspective of the organization. This is referred to as double-loop learning and is important to foster because it helps support the regenerative and re-combinative nature of the capabilities life-cycle used by firms to sustain their competitive advantages (Frank et al., 2012; Helfat & Peteraf, 2003).

Organizational learning is comprised of four dimensions that include 1) knowledge acquisition, 2) information distributions, 3) information interpretation, and 4) organizational memory (Frank et al., 2012). The process of organizational learning can be motivated by exploitation or exploration of knowledge resources available within the firm’s internal and external environments. Firms that follow exploitation approaches to knowledge accumulation focus on readily available and already existing knowledge sources found within the organization. Exploration approaches to knowledge accumulation focus on generating new knowledge that can lead to competitive advantages primarily through innovative means (Frank et al., 2012).

**Knowledge Management**
Knowledge management refers to creating strategic approaches to the management of knowledge-related activities. It is usually viewed as a process involving identifying, creating, acquiring, utilizing, codifying or adapting, disseminating, storing, and applying knowledge that enables firms to create value in its products and processes that sustain or create competitive abilities (King, Chung, & Haney, 2008; Supyuenyong & Swierczek, 2011). Knowledge management can be informal by occurring organically as the knowledge needs of the firm occur or formally through defined communication, technological, and social systems and protocols. The degree to which a firm excels at knowledge management is largely dependent on the culture, structure, and perspective an organization has in place that is committed to knowledge development (i.e. organizational learning capacities) (King et al., 2008).

The process of knowledge management has undergone several conceptualizations and is usually expressed as a cyclical model. Though models differ slightly in their conceptualization, they each possess a variation on the following components; knowledge generation (Davenport & Prusak, 1998), refinement or codification (King et al., 2008), transference, and utilization. Knowledge creation refers to the internal processes used to develop new or replace existing knowledge. This can occur through the socialization (i.e. shared experiences creating new tacit knowledge through social interactions), combination (i.e. new explicit knowledge), externalization, and internalization.

Knowledge acquisition refers to the searching, recognition, and assimilation of valuable firm-specific knowledge using external sources (King et al., 2008). The refinement and codification of knowledge refers to the processes used to filter, select,
organize, translate and store tacit and explicit knowledge (Supyuenyong & Swierczek, 2011). The dissemination process involves sharing and transferring knowledge within the organization using both informal and formal communication methods. This stage is strongly influenced by the culture and structure of the organization in terms of the availability and quality of transference mechanism (i.e. social networks, database accessibility, communication systems, incentives, etc.) (Doval, 2015; Supyuenyong & Swierczek, 2011). Knowledge utilization refers to the application of knowledge to create value and knowledge dynamic capabilities by developing different interpretations and perspectives, identifying underlying problems, and developing multiple understandings among organizational members (King et al., 2008; Supyuenyong & Swierczek, 2011). These knowledge-based dynamic capabilities support innovation, collaborative problem solving, and individual and collective learning within an organization that can be leveraged to add value to organizational outcomes (i.e. processes, products, services, etc.) (King et al., 2008). Escribano, Fosfuri, and Tribó (2009) explore the relationship between ACAP and knowledge management. They indicate that ACAP is a source for competitive advantage via more effectively manage external knowledge flows and generate internal innovation which is particularly relevant for firms operating in turbulent knowledge-intensive industries.

**Knowledge management in SMEs.** Literature has traditionally been focused on the role of knowledge management in large firms whose vast resource and networks can support formal knowledge management strategies. A growing avenue of research explores how knowledge management occurs within SMEs (Durst & Edvardsson, 2012).
Knowledge management within SMEs is generally considered to be poor and informal due to resource constraints, occurs primarily at the operational level (i.e. daily activities), and within the context of the leader (Durst & Edvardsson, 2012). While limited resources inhibit knowledge generation, codification, and refinement capabilities of SMEs, their propensity for informal communications allows them to more easily capture tacit knowledge (Supyuenyong & Swierczek, 2011). A recent study by Purcarea, del Mar Benavides Espinosa, and Apetrei (2013) explore the innovation and knowledge creation relationship within SMEs as a function of innovation capabilities. They identified that SMEs suffer from limited access to financial resources, limited innovation and intellectual property management skills, and weak external resource cultivation (i.e. networking and cooperation) abilities. SMEs who consider formalizing knowledge management processes will likely improve overall organizational performance by enabling firms to overcome the inherent barriers to knowledge resources. Developing a knowledge management strategy that considers formalizing knowledge organization and retention, dissemination, and utilization that can be integrated into a culture where knowledge sharing and development is encouraged will improve the overall performance of the SME firm (Supyuenyong & Swierczek, 2011).

**Knowledge management and culture.** Research has begun to explore national culture as an antecedent of knowledge management. The work of Magnier-Watanabe & Senoo (2010) tested the relationships between the power distance cultural dimension and knowledge acquisition, the individualism/collectivism cultural dimension and knowledge translation/storage, the masculinity/femininity cultural dimension and knowledge
diffusion, and the uncertainty avoidance and knowledge applications. Their study provided empirical support that national culture is an influencer of knowledge management processes within firms. The dissertation conducted by Al-Fehaid (2014) lends empirical and theoretical support that knowledge management is significantly influenced by culture.

**Summary**

A firm’s organizational culture is the values, beliefs, and perceptions shared by organizational members that are manifested throughout the entire tangible and intangible support systems within an organization (Dasgupta & Gupta, 2009). Organizational culture moderates a firm’s innovativeness by 1) managing and developing its intellectual capital, 2) developing a learning and participative climate, 3) fostering collaboration, trust, and unified mind-sets that bring cohesiveness to organizational relationships, 4) fostering effective internal and external communications and cooperation, and 5) improve organizational memory (i.e. knowledge resource stocks) (Dasgupta & Gupta, 2009). Knowledge management is the systematic approach used by firms to develop and sustain an organizational culture (i.e. internal environment) that promotes innovation. The unique structural and cultural attributes of SMEs cause organizational learning and orientation processes to manifest differently than in larger organizations (Xiong, 2014).

**Learning Orientation and Organizational Learning in SMEs**

Learning orientation and organizational learning theories are based on the concepts that learning occurs within and among social networks, cannot be easily separated from individual conative processes, and are bound contextually by internal and
external factors (i.e. perceptions, market forces, organizational culture, etc.) (Frank et al., 2012; Zhang, Macpherson, & Jones, 2006). The unique structural and cultural attributes of SMEs cause organizational learning and orientation processes to manifest differently than in larger organizations (Xiong, 2014). Gnizy et al. (2014) indicate that internationally expanding SMEs marketing program adaptation and local integration of operations are critical for SME success in foreign markets. The full integration of MO, EO, and LO allows SMEs to create a culture of sustained adaptability leading to reductions in wasted resources through the continual realignment of firm resources and capabilities based on market demands and opportunities.

**Transition**

The literary analysis substantiates the theory that ACAP in SMEs is influenced by the national culture of the firm’s strategic decision makers as well as the cultural influences on the organization’s institutional environment. Culture has an influence on the firm’s strategies, and capabilities at the organizational (i.e. firm) and individual level (i.e. firm leader) of analysis. The next section provides a detailed description of the research methodology used to determine if and where there is a statistically significant relationship among the independent, dependent and mitigating variables, lending empirical support to the body of research linking ACAP and culture in SMEs. The section defines the purpose, participants, research methodology and design, variable definition and explanation, sampling method, data collection and analysis techniques, and the reliability and validity of the study.
SECTION 2: THE PROJECT

The following section outlines the design of the study. A review of the purpose statement is provided followed by an explanation of the researcher’s role in the study to illustrate the foundational concepts behind the study. A description of the participants for the study follows which lists the participant qualifications and recruitment processes. The following section will outline the chosen research methodology and design. This section includes justifications for support of the chosen methodology and design, descriptions and explanations for chosen variables, and how the variables were measured to provide support for the hypothesis. Methods for sampling the chosen population are then explained. Included in this section are descriptions of the population and sample population, the sampling methodology used, participant eligibility, and support for eligibility criteria. The data collection section is then discussed which includes identifying the instruments used for the study and explicit overviews of their design. The data organization and data analysis sections follow and illustrate how the data was tracked, secured, analyzed, and presented. The final section reviews the reliability and validity of the study.

Purpose Statement

The purpose of this quantitative study is to test Greve et al. (2009) theoretical framework integrating national culture and ACAP to fill the gap in current literary research that examines the relationship between an SME’s ability to adopt ACAP and national cultural values represented in the organization’s leader. The empirical findings of this study help substantiate the integrative framework proposed by Greve et al. (2009)
that have theorized the positive or negative relationship between Hofstede’s cultural value orientations and the adoption of ACAP. This data can potentially be used by SME leaders to adjust the design and development pathways for the organization to improve ACAP capabilities and, therefore, increase competitive ability (Greve et al., 2009; Yamak et al., 2014).

**Role of the Researcher**

The researcher must identify the logistics of the research study. The researcher’s role is then to identify and facilitate the data collection process which includes identifying participants, establishing a connection with participants, and enlisting participation from chosen sample members to complete the instrument tools chosen for the study. The researcher’s role becomes more active as he or she engages the participants of the study to collect data. Analyzing and summarizing the trends, behaviors, and patterns in the data is a critical role of the researcher. The subject knowledge along with the new information collected from the data samples will allow the researcher to draw conclusions and present solutions to the research question which is necessary to validate the study.

**Participants**

The following were qualifications for the participants to be included in the study: 1) the study will target the owner top management teams of Small to Medium Sized companies in Maryland. Small and Medium sized businesses was identified using the employee standards of the Small Business Association (SBA, 2015). The SBA’s standards for small firms are those with 199 employees or less; medium sized firms
consist of 200-500 employees. There were no demographic disqualifying factors for selected participants. Participants were asked if they are the primary decision-maker in their organization. Primary decision makers were executives and/or leaders of firms who exert the most control over the development of the organization’s strategy.

Several methods were used to recruit participants. These methods will focus on collecting lists of businesses and the emails of their top executive leaders. Several techniques were applied to establish a working relationship with suppliers of participant lists. Chamber of Commerce members and SBA Chapters were contacted to request a list of eligible participants. Representatives of the regional SBA chapters were contacted via email. Participants will receive an email introducing the researcher and the study. Follow up emails was sent to participants following the initial email. All data collected from the study was anonymous and/or secured via encryption and passwords.

**Research Method and Design**

**Method**

The purpose for selecting a quantitative study is because the statistical analysis methods are best suited to answer the research question and there is extensive theoretical and empirical literature that has clearly identified the variables used in this study (Flatten et al., 2011a; Hofstede, Neuijen, Ohayv, & Sanders, 1990; Zahra & George, 2002). The structured format of the research and the use of multiple hypotheses are not well suited to the flexible nature of qualitative methods (Stake, 2010). The type of data (purely numerical), the instruments used (survey), the potential for generalizability of the findings, and the conclusive nature of the research eliminate qualitative designs (Bansal
Mixed-method research designs would not be suited to this study for several reasons. The instruments used in the study are already predetermined and close-ended, leaving little room for interpretation. There is no interpretative text from observational data in the study leaving the method of data analysis is strictly statistical, effectively ruling out a mixed-methods design (Creswell, 2014).

**Research Design**

The study has a fixed design which is suitable to studies that are heavily quantitative based. The exploratory and descriptive nature of the study support a correlational analysis between the independent and dependent variables. The ample theoretical and empirical analysis available on the topics has provided clearly identifiable variables, the availability of two reliable and valid measurement tools to test both the independent and dependent variables, and the data analysis methods used (test for significance) indicate a fixed design is ideally suited for this study.

A correlational research design was selected for its ability to test the relational nature of independent and dependent variables and identify any trends within the data sets. The study does not seek to influence the test subjects, but rather simply to capture data pertaining to the test subjects and drawing conclusions from those data sets. Therefore, experimental methods and quasi-experimental methods are not appropriate since the purpose of this study is to identify relational trends and patterns among multiple variables as opposed to identifying a specific outcome between an independent and dependent variable (Creswell, 2014). Descriptive research designs merely aim to describe
data and would not be an appropriate fit to identify any covariance between national culture and ACAP in SMEs (Leech et al., 2005). The design of the measurement tools was also a factor in determining the research design. The need for further empirical validation of the tools used to measure the dependent and independent variables was also a determining factor in choosing a quantitative design. Using this tool to measure ACAP in Maryland SMEs will lend further validation in several ways. It was applied across a wide array of SME sectors and industries which expands the original scope of the measurement tool and the results can further validate the research and measurement points behind them. In the article outlining the development process of the CVSCALE, the authors call for further validation of the scale at individual level of analysis, using demographically diverse samples, and within different contexts (Yoo et al., 2011). Applying the CVSCALE to this study allows for the tool to be tested within the context of SMEs and at the individual level of analysis by correlating leadership cultural values with organizational ACAP abilities. This is an ideal fit to answer the hypothesis that asks for evidence of statistical validation among the different dimensions of the dependent and independent variables to identify if culture does impact individual ACAP in U.S. SMEs leaders (Leech et al, 2005).

**Population and Sampling**

A convenience sampling of SMEs was drawn from the state of Maryland. The target population of the study was limited to small and medium sized businesses within the state of Maryland. The population consists of 72 SMEs who have business operations in the state of Maryland identified by the SBA’s DSBS database.
**Sampling Method**

A single-stage sampling design was applied to collect the population data for the study (Creswell, 2014). Lists of participants was collected from the SBA DSBS and Chamber of Commerce’s databases who have listed their email address as a form of contact information. The search for participants was narrowed to SMEs operating in Maryland per the SBA DSBS. Small businesses include all businesses (employee and non-employee) with 199 employees or less. Medium sized business includes all business (employee and non-employee) with 200-499 employees. The total target population includes 546,917 small businesses in the state of Maryland per the SBA (SBA, 2015). The sample population will consist of 72 SMEs. The SBA is a nationally recognized organization for supporting the growth and development of small and medium sized companies. The DSBS is a list of SME profiles pulled from the Systems for Award Management (SAM) database that federal agencies use for contracting purposes (SBA, 2015). The parameters identifying businesses in each county with 499 employees or less and are considered “active” or “partially active” in the SAM database. Small businesses include all businesses (employee and non-employee) with 199 employees or less.

**Frame.** The population frame consisted of all participants that 1) have a listed email contact, 2) own a small or medium sized company in the state of Maryland, 3) are members of the SBA, or 4) provide personal consent to the researcher.

**Variables**

The five dimensions of culture defined by Hofstede will represent each of the five independent variables (IV). The five IVs include Hofstede’s cultural dimensions of power
distance (PDI), uncertainty avoidance (UAI), collectivism vs. individualism (IDV), masculinity vs. femininity (MAS), and long-term orientation (LTO). Organizational (ACAP) was the dependent variable. Hofstede’s cultural orientation dimensions were chosen as the independent variables because of their influence on the development of individual processing and decision-making paradigms.

ACAP was chosen as the dependent variable because its adoption into SMEs is based on the compatibility of its dimensions with the five cultural orientations. The dependent variable has been identified as a dynamic capability that can increase firm profitability and is manifested throughout the social structures, processes, and procedures of an organization that are developed and sustained by firm leaders. Identifying the latent relationships between the dimensions of ACAP and culture will help determine if SME leaders’ can use cultural predispositions to their advantage as they engage with the firm’s external environment and lead organizations. This would help solve the problem that some aspects of ACAP are more prevalent than others in U.S. SMEs which can inhibit the growth of the organization’s overall ACAP. The dependent variable is measured as a unified construct listed in the hypothesis and RQ1. The following sections further define and explain the reasoning of the study’s variables.

**Independent.** The independent variable is culture and is represented by the five primary dimensions of culture identified by Hofstede. Culture influences the dependent variable in two ways; 1) at an individual level of analysis and 2) at an institutional or corporate level of analysis. Culture forms the basis of an individual’s decision-making paradigm (i.e. the values, beliefs, and ideals through which information about the
individual’s environment is processed) (Chauvet, 2014; Hofstede, 1980). Hofstede’s cultural dimensions have a long history of being used as independent variables in studies identifying how culture impacts business (Chauvet 2014; Dorfman et al. 2012; Yoo et al., 2011). The independent variables were measured using a 5-point Likert Scale which identifies the leader’s individual cultural values across Hofstede’s five dimensions.

**Dependent.** The dependent variable is the individual ACAP of organizational leaders and is represented by the four dimensions of ACAP identified by Zahra and George (2002): acquisition, assimilation, transformation, and exploitation. The dependent variables were measured using a 7-point Likert Scale. The data uses a multi-level (i.e. will capture the leader’s ACAP and the composite ACAP of the firm) approach that considers ACAP at organizational and individual levels. The data collected from the CVSCALE and from the ACAP measurement tool supported both the independent and dependent aspects of each hypothesis. This data can then be used to identify correlations between the leaders’ cultural values and organizational ACAP.

**Eligibility Criteria**

SMEs that were included in the study was defined by the employee count standards established by Small Business Association. This includes small businesses as having 199 or fewer employees and medium business as having 200-499 employees. This includes both full-time and part-time employees. Participants who were younger than 18 will also be excluded from the survey for legal purposes.

**Relevance of Characteristics**
It is necessary to distinguish between organizational sizes for this study. Organizational development theory indicates that size is a determinant of organizational culture and structure which have unique attributes causing distinctive behavioral patterns to form within the social and operational networks and systems of the organization. The variables in this study are highly dependent on the presence and pattern structure of those networks and systems. Therefore, distinguishing between firm sizes is a relevant characteristic for this study. The revenue parameters of SMEs as defined by the SBA and other internationally recognized organizations was waived for several reasons. The complexity of the revenue parameters for SMEs set by the SBA are quite extensive, fluid, and heavily segmented based on industry and sub-industry. Secondly, the study is not designed to test the influence of culture on ACAP across industries, but rather business entities. This indicates the need to identify organizational parameters which are best represented by employee size. Third, the SBA’s employee criteria are more in line with internationally accepted employee parameters to define SMEs while their revenue parameters differ, sometime quite dramatically, from other leading business development organizations. The < 500 employee cap that distinguishes a medium from large corporation is the most accepted identifier across multiple economic and business organizations, including the U.S. Government

**Data Collection**

The following describes the instrument and data collection methods that was used in the study. Participants were given a brief, anonymous survey via email. The raw data was collected in the survey software and then exported to SPSS for analysis. Protective
measures were put in place to ensure the confidentiality of the data collected and are listed in the following security and confidentiality measures section.

**Instruments**

Chauvet's (2014) measurement tool was used to measure the dependent variable. The scale measures each individual dimension of ACAP (i.e. acquisition, absorption, transformation, exploitation) at the individual level, the two categorical divisions of ACAP (i.e. potential and realized), and a final composite score for the firm’s total ACAP. The instruments of the study include the 18-item survey developed by Chauvet (2014) to identify the ACAP and the 26-item survey developed by Yoo et al., (2011) to measure national cultural values at the individual level. Between the two surveys, three variations of a Likert scale were applied to the study. Two variations of a 5-point Likert Scale were applied to the CVSCALE; 1 = “very unimportant” and 5 = “very important” for the long-term orientation and 1 = “strongly disagree” and 5 = “strongly agree” for the remaining four cultural dimensions (i.e. masculinity, power distance, uncertainty avoidance, individualism). The CVSCALE measures Hofstede’s primary dimensions of power distance (5 items), uncertainty avoidance (5 items), masculinity (4 items), individualism (6 items), and long-term orientation (6 items). The ACAP measurement tool applies a 7-point Likert Scale with 1 = “strongly disagree” to 7 = “totally agree”. Approval to use the ACAP and CVSCALE measurement tools was provided by the original authors and is available in Appendix B and Appendix C respectively.

**Score calculation and meaning.** The instruments were specifically chosen for their extrapolation of the main constructs to an individual level of analysis. The items on
the CVSCALE were tested for their validity and reliability as strong representatives of their respective Hofstede dimensions. Hofstede based his scale from 0-100 with 50 being the midpoint. The CVSCALE is based on a 1-5 rank with 3 being the midpoint. The power distance, uncertainty avoidance, collectivist vs. individualistic, and masculine vs. feminine orientations were given scale values of 1 = strongly disagree and 5 = strongly agree and 3 being neutral. The long-term orientation scale values were 1 = very unimportant and 5 = very important. For the power distance orientation, a CVSCALE 5 (high) = PDI 100 (high); the uncertainty avoidance CVSCALE 5 (high) = UAI 100 (high); the collectivist orientation CVSCALE 5 = COL 0 (collectivist); the long-term orientation CVSCALE 5 = LTO 100 (long-term); and for the masculinity orientation a CVSCALE 5 = MAS 100 (masculine). An interpretation of the CVSCALE can be found in Appendix D.

The survey used to measure ACAP has several interesting attributes. Of the 18 total items, 6 items represent the acquisition dimension, 5 items represent the assimilation dimension, 4 items represent the transformation dimension, and 3 items represent the exploitation dimension. The combined 11 items from the acquisition and assimilation dimension comprise the potential ACAP; the remaining 7 items in the transformation and exploitation dimension comprise the total realized ACAP. The composite score of the PACP and RACAP items (i.e. all 18 items) equal a total ACAP score for an individual. Participants with an ACAP composite score at or close to 1 have very little ACAP while those who are at or close to 7 have significant ACAP.
**Process for assessment of reliability and validity.** Both surveys have been tested to meet the standard instrument reliability and validity test. The thoroughness of the reliability and validity tests, the consideration of an individual level of analysis of both major constructs, the relevancy of the topics measured by these surveys, and the addressing of major shortcomings in other measurement tools support the credibility of using these measurement instruments in the study.

Chauvet (2014) assessed construct convergent and discriminant validity using exploratory and conformity factor analysis for his ACAP measurement tool. Theoretical and practical issues were taken into consideration when deriving the items and structure of the original questionnaire to help ensure the validity of the measurement tool. SPSS was applied to determine the reliability of the survey by conduct an exploratory factor analysis of the initial 21 survey items. The discriminant validity of the ACAP questionnaire was analyzed by 1) assessing the cross-loading of values, 2) assessing the model of fit, 3) comparing the average variance within factors to the square bivariate correlations between factors, and 4) using AMOS to conduct a three-dimensional confirmatory factor analysis. To assess the multilevel nature of ACAP, a compilation aggregation principle was followed with some moderation to account for the unique bottom-up approach applied, which fits the ACAP construct whereby individual ACAP evolves the overall ACAP of the firm. This allowed for the individual level of analysis to be included and validated as a factor in the aggregate ACAP.

The original items generated for the CVSCALE were pulled from 1) the HERMES value questions original used by Hofstede, 2) the Chinese Culture Connection
(i.e. a baseline to measure long-term orientation), and 3) moderated items from Bochner and Hesketh’s study. The items collected were reviewed and moderated to fit the current manifestation of the dimensions which resulted in a selection of 125 items which were formatted into a questionnaire. After undergoing several additional revisions and achieving satisfactory reliability a finalized version of the scale containing a total of 39 items was developed for additional testing. New samples consisting of American, Korean-American, and South Korean undergraduate students were used to test the 39-item CVSCALE for cross-culture generalizability. The data collected from these three pools was analyzed using an individual level multicultural factor analysis which is a two-step process that eliminates the cultural positioning effect and the patterning effect of culture (Yoo et al., 2011). The eliminated the major issue of ecological fallacy associated with most individual level cultural value assessment tools.

Psychometric Properties of Scale

The appeal of the CVSCALE is its use and translation of all five of Hofstede’s cultural dimensions, which are the most widely accepted, academically and professionally, to identify individual cultural values. Previous measurement tools used to analyze cultural dimensions 1) have either not considered all five of Hofstede’s cultural dimensions, 2) have poor reliability, or 3) do not adequately measure individual cultural values. The CVSCALE overcomes these barriers.

The measurement tool developed by Chauvet (2014) has several unique attributes that make it the ideal instrument to measure ACAP in this study. This tool approaches ACAP as a multidimensional and multilevel construct with the additional consideration
of 1) how ACAP is uniquely operationalized in SMEs and, 2) how ACAP abilities of individuals within an organization affect the overall ACAP of the firm. Both considerations have been absent in previous ACAP measurement tools.

The ACAP measurement tool and the CVSCALE were developed within the last five years and overcame many of the major limitations associated with previous measurement tools in their respective areas (Chauvet, 2014; Flatten; Volbera; Yoo). Both instruments have taken macro constructs (i.e. culture and ACAP) and applied them to an individual level. Utilizing both instruments can help identify how an individual’s culture influences their absorptive ACAP.

**Validity and Reliability Strategy**

**ACAP measurement tool.** Chauvet (2014) used exploratory and confirmatory factor analysis to test his scale for construct convergent validity and discriminant validity. Content reliability was tested using doctoral workshops and roundtables with SME managers to take both theoretical and managerial issues into consideration for item development. Discriminant validity was analyzed using cross-loadings values. Convergent validity was assessed using a t-test (t > 1.96 and p < 0.05) for each item level and a path loading greater than twice the standard error. Chauvet (2014) used SPSS to test for reliability and conduct his exploratory factor analysis. Cronbach’s alpha was used to test the internal consistency of Chauvet’s (2014) scale. A confirmatory factor analysis was then conducted using AMOS software.

**CVSCALE measurement tool.** Yoo et al., 2011 used individual level multicultural factor analysis that is a two-step process to remove both the cultural
positioning effect and the cultural patterning effect. A factor analysis was conducted using orthogonal rotation of the initial survey items. A factor analysis was also conducted using oblique rotation to confirm discriminant and convergent validity. A confirmatory factory analysis was conducted to confirm and clear the multidimensionality of the instrument. Reliability was tested and validated using data sets from two separate and independent studies. An invariance test was conducted to test the factorial measurement across multiple samples which validated the instrument for cross-cultural generalizability. The measurement instruments were chosen because they were ideally suited to provide the data necessary to answer the research question

**Data Collection Technique**

The data was processed through several stages. The data for the study falls into the following categories: 1) initial collection, 2) participant responses, and 3) final analysis. The initial collection category consisted of the digital communications needed to create participant lists. Participants were sent an email that includes an introductory template along with the link to the online survey. The survey provided a series of preliminary questions which included consenting to take the survey and indicating if they would like to receive a copy of the summarized results of the study. The raw data was collected within the survey software (Kwik Survey) and exported into the software package SPSS for analysis. The raw data was grouped to provide a more accurate representation of the information needed to address the research questions.
The final analysis is presented in the results, conclusions, and appendices of the study. The raw data was extracted from the survey and SPSS software packages and placed in the thumb drive. The summary of results is presented for reference to readers.

**Data Organization Techniques**

The primary method of communication was emails (i.e. the initial email containing the survey and follow up emails). Participants received an email that provided a brief overview of the study and why they have been selected to participate and included. a direct link to the survey. The survey software immediately collected and stored the data received from participants. Follow up emails were sent out reminding participants to complete the survey.

The first page of the survey included a section for consent agreement and the option to receive a summary of the study’s results once the dissertation is published. The second page of the survey comprised the demographic variable information. This specifically includes decision-maker status, age, and employee count. The third page consisted of the 18 ACAP survey items pulled from the ACAP measurement tool. The fourth page consisted of the 26 survey items from the CVSCALE. The final page of the survey is a “thank you” page. The complete survey is available in Appendix E.

**Security and Confidentiality Measures**

Several steps were taken to ensure the privacy of the participants. The contact information of participants who wished to receive a summary of results was kept in the researcher’s email which is password protected. The participants had the option to complete the survey at any time and in any location they desired. This does not
necessarily ensure but rather provides an opportunity for participants to have privacy when completing the survey. The researcher is the only one who had access to the initial data apart from the individuals who operate the Kwik Survey programs. The survey had its own password within the survey program, further limiting the access of back-end users to the information gathered from the survey. SSL encryption was used on the survey ensuring that all data transferred between the web server and web browser remains private. A summary of results of the study are available as part of the dissertation; however, the results from individual participants remain anonymous. The raw survey data was destroyed via canceling the Kwik Survey account. Any data saved onto the computer’s hard drive that is being used to complete the study was permanently deleted. The recorded digital files and data that was saved to uphold the three-year requirement set by Liberty University was placed on a thumb drive that remains in a secured location.

Data Analysis Technique

The use of five independent variables (i.e. Hofstede’s power distance, uncertainty avoidance, collectivism, masculinity, long-term orientation dimensions) and one dependent variable (i.e. individual ACAP) indicate a multiple regression analysis is appropriate to test the relationship between the variables (Leech et al., 2005). Frequency test were conducted to provide an overview of the demographic makeup of the sample population. Frequency and descriptive statistics were used on the raw data to determine the distribution of the data. IBM SPSS version 24 was used to run the multiple regression analysis to determine what the relationship is between individual ACAP and each dimension of Hofstede’s cultural values.
Reliability and Validity

The reliability and validity of the measurement tools was thoroughly tested during their construction and in the ensuing application of the instruments across multiple fields of study and with a variety of population samples. The CVSCALE has been used in several markets and industries to identify individual cultural analysis. These empirical tests have enhanced the cross-cultural reliability and validity of the instrument. The measurement tool used to assess ACAP was designed with a multi-level approach to measuring the construct at the individual level which is a new development in the quantitative aspects of this research area. Yoo et al., (2011) follow the recommendation of Gerbing, Anderson, and Burton et al., (1998) who advocate using a confirmatory factor analysis to test the reliability of the multi-dimensionality measurement tool. The reliability of the scale was determined using Cronbach’s alpha, exploratory factor analysis, and a confirmatory factor analysis using AMOS software.

Validity

There are minimal external or internal threats to the validity of the study. The primary treat to external validity is the lack of control over the test subjects caused by the anonymous nature and method of delivery of the instrument. It is also recommended that the study be replicated across multiple states or regions of the United States to receive greater validation of the study’s results. This was discussed further in the summary and conclusion sections.
Transition and Summary

The purpose of the study was to determine if there was a statistically significant relationship between the national cultural orientations and the individual ACAP of SME leaders (i.e. strategic decision makers). Using the survey instruments developed by Yoo et al., (2011) and Chauvet (2014), data was collected along the five dimensions of culture and the four dimensions of ACAP from SME leaders and members of top management teams in the state of Maryland. The following sections present the findings, provide a practical analysis and recommendation for businesses, recommendations for future research, a summary and conclusion.
SECTION 3: APPLICATION TO PROFESSIONAL PRACTICE AND
IMPLICATIONS FOR CHANGE

National cultural value orientations and ACAP have been academically and
professionally explored. What remains to be understood is how these two fluid constructs
interact together within individuals. Both constructs have been firmly rooted as an
aggregate measure cultural/societal values and learning/knowledge processing
capabilities; understanding how these two interact within and among individual
organizational members is pertinent as organizations are engaging more and more with
new, dynamic, and culturally diverse markets. This study attempts to fill that gap in
academically and practically by first indicating there is a statically significant relationship
between national cultural orientations and ACAP capabilities within an individual, and
secondly by summarizing what those relationships could mean to the strategic profile of
SME leaders in Maryland. SMEs are facing constant challenges to entering, expanding,
and operating into new markets. They inherently have or have access to fewer initial
resource stocks which must be strategically developed and applied to remain competitive.
The strategic utilization of resources in SMEs is predominantly decided by their leaders.
It is this link that makes for an interesting area to explore how cultural orientations,
which shape decision-making paradigms, can potentially influence the likelihood that an
SME will resist or accept ACAP. ACAP is clearly deemed a dynamic capability allowing the recombination and development of new application of firm resources that lead to strategic advantages. If the leaders of SMEs recognized how their decisions could be influenced by culture and how that was either helping or hindering them from developing their individual ACAP and the ACAP of their organization, they could make better strategic decisions. The study was conducted to understand the aggregate and individual relationships between cultural orientation and ACAP in U.S. SMEs.

**Overview of Study**

The purpose of this quantitative study was to expand the theoretical framework proposed by Greve et al. (2009) integrating national culture and ACAP to fill the gap in current literary research that examines the relationship between SMEs’ ability to adopt ACAP and national cultural values represented in the organization’s leader. The empirical findings of this study help substantiate the integrative framework proposed by Greve et al. (2009) that have theorized the positive or negative relationship cultural dimensions have a with the adoption of ACAP.

The cross-sectional quantitative survey design was used to test the significance and type of relationship between Hofstede’s five cultural orientations and the individual ACAP of SME leaders in Maryland. Two validated survey instruments were used to assess Hofstede’s five cultural orientations (power distance, uncertainty avoidance, collectivism, masculinity, and long-term) at the individual level (Yoo et al., 2011), and the individual ACAP of SME leader’s (Chauvet, 2014). Eligible participants were primary decision makers of Maryland SMEs who were over 18 years old; using a
convenience sampling method approximately 14,000 SMEs were contacted with 119 responses of which 72 were usable. The study is significant because: 1) it is the first step towards empirical evidence linking Hofstede’s national cultural orientations and ACAP at an individual level of analysis, 2) it considers these two major constructs within the context of SMEs, and 3) it provides a substantial theoretical integration framework regarding national culture, entrepreneurial orientation, and ACAP.

**Presentation of the Findings**

A multiple linear regression was calculated to predict individual ACAP using Hofstede’s cultural dimensions. A multiple linear regression analysis test is appropriate when attempting to determine the predictive power of multiple predictive (independent) variables on one dependent variable (Leech et al., 2005). Pearson correlation tests were considered however a multiple regression analysis identifies what the relationship is between the intendent and depended variables (Leech et al., 2005). The independent variables were each of Hofstede’s five dimensions of culture: power distance, uncertainty avoidance, collectivism vs. individualism, long-term vs. short-term orientation, and masculinity vs. femininity; the independent variable was individual ACAP of SME leaders.

**Assumptions**

Test of normality, homeostasdicity and multicollinearity were assessed to determine the reliability of the model. This was a relatively small sample size of 72 (due to low response rates to the survey) with five predictor variables. Tabachnick and Fidell’s (2007) rule of thumb $N > 50 + 8m$ where $N =$ number of participants and $m =$ the number
of independent variables as a minimal acceptable sample size for multiple regression was used. Using five predictor variables, the sample size of 72 met the minimal requirement of 25. The histogram indicates the data is only slightly positively skewed. There is little deviation between the dashed line and the straight line on the P-P plot indicating the slight skewness of the data is acceptable.

*Figure 2. Normal P-P scatterplot to assess normality of cultural orientation on individual absorptive capacity levels.*
Figure 3. Histogram showing distribution of individual absorptive capacity levels.

The Durbin–Watson statistic (2.07) falls between Fields recommend boundaries of 1-3, indicating that errors are reasonably independent. Additionally, the ZPRED vs. ZRESID scatterplot of does not form a pattern, indicating homoscedasticity of errors, thus no violations of these assumptions. For all variables in the model, VIF values are below 10 and tolerance values are above 0.2 indicating no multicollinearity in the data.

The Results

Overall, the model accounted for 43.8% of the variance in ACAP and is a significant fit of the data \( (F(5,66) = 10.27, p < .001) \). The adjusted \( R^2 \) (.395) shows some shrinkage from the unadjusted value (.438) indicating that the model may not generalize well. The variables measured were total_powerdistance (high score = higher ranking of Hofstede’s PDI), total_uncertaintyavoidance (high score = higher ranking of Hofstede’s
UAI), total_collectivism (high score = high collectivist orientation), total_masculinity (high score = high masculine orientation), and total_lt_orientation (high score = higher long-term/pragmatic orientation). Previous research debates using Hofstede’s natural cultural orientations as predictors for individual behaviors, however, the CVSCALE used for the study has theoretically and empirically proved to be a valid extrapolation of Hofstede’s five primary cultural orientations applied to individual cultural orientations (Yoo et al., 2011).

Table 1: Descriptive statistics for the model using Hofstede’s five dimensions of culture to predict individual absorptive capacity.

<table>
<thead>
<tr>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>.662 a</td>
<td>.438</td>
<td>.395</td>
<td>.800</td>
<td>.438</td>
<td>10.274</td>
<td>5</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Total Long-Term Orientation, Total Power Distance Index, Total Uncertainty Avoidance Index, Total Collectivism vs. Individualism, Total Masculinity vs. Femininity

b. Dependent Variable: Total Organizational Absorptive Capacity

The results prove that there is a relationship between the national cultural orientation of an organizational leader and the leader’s ACAP in small and medium sized firms that participated and that power distance, collectivism, and masculinity cultural orientations are statistically significant predictors of individual absorptive. Power Distance (b = 1.042, β = .606, t = 6.470, p < .001) is the strongest predictor of individual ACAP with p = .000. Therefore, the null hypothesis (H10) was rejected. The positive beta value indicates that as individuals assume more characteristics of high power distance
orientations, the more individual ACAP capability increases. The Collective vs. Individualistic orientation is also a significant predictor of individual ACAP \((b = .368, \beta = .210, t = 2.086, p < .05)\). Therefore, the null hypothesis for \((H3_0)\) was rejected. A positive beta indicates that the more collectivist characteristics assumed, individual ACAP strengthens. The Masculinity vs. Femininity orientation \((b = .435, \beta = -.244, t = 2.333, p < .05)\) also significantly predicted individual ACAP. Therefore, the null hypothesis \((H4_0)\) was rejected. The negative beta value indicates that the more feminine characteristics assumed, individual ACAP strengthens. Both Uncertainty Avoidance \((b = -.201, \beta = -.080, t = -.844, p > .05)\) and Long-Term Orientation \((b = .163, \beta = .073, p > .05)\) did not significantly predict individual ACAP. Therefore, the null hypotheses \((H2_0)\) and \((H5_0)\) failed to be rejected. The standardized beta values support that the strongest predictor of individual ACAP was power distance followed by masculinity and collectivism.

Table 2: Multiple regression model of the five independent variables (Hofstede’s cultural dimensions) prediction of the independent variable (absorptive capacity).

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Zero-order</td>
<td>Partial</td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.407</td>
<td>1.181</td>
<td>1.192</td>
<td>.238</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Power Distance Index</td>
<td>1.042</td>
<td>.161</td>
<td>.606</td>
<td>6.470</td>
<td>.000</td>
<td>.623</td>
</tr>
<tr>
<td>Total Uncertainty Avoidance</td>
<td>-.201</td>
<td>.238</td>
<td>-.080</td>
<td>-.844</td>
<td>.402</td>
<td>-.120</td>
</tr>
<tr>
<td>Avoidance Index</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>-.103</td>
<td>-.078</td>
</tr>
<tr>
<td>Total Collectivism vs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.940</td>
<td></td>
</tr>
<tr>
<td>Individualism</td>
<td>.368</td>
<td>.176</td>
<td>.210</td>
<td>2.086</td>
<td>.041</td>
<td>.156</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.249</td>
<td>.193</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.845</td>
<td></td>
</tr>
</tbody>
</table>
The frequency table indicates that the participants were 31% female and 69% male. 43% of the participants were between the ages of 19-55 and 57% of the participants were over the age of 56. The results of participants under the age of 18 were thrown out.

Table 3: Frequency table showing gender and age range of participants.

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>22</td>
</tr>
<tr>
<td>Male</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age Range</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-55</td>
<td>31</td>
<td>43.1</td>
</tr>
<tr>
<td>56 or older</td>
<td>41</td>
<td>56.9</td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Applications to Professional Practice

This study presents several interesting findings about the relationship between ACAP and Hofstede’s cultural dimensions how those relationships play out within SMEs. We will first explore the relationship between each of the major constructs followed by an answering of the research question and hypothesis. The results are interpreted and summarized for practical application.
Professional Application

U.S. SME leaders demonstrated a high degree of individual ACAP. They tend to have higher power distance, collectivist and femininity orientations. Per the theoretical framework proposed by Greve et al. (2009), cultural orientations that are higher power distance are not conducive to the adoption of ACAP. The framework also indicates that collective and feminine orientations are conducive to the adoption of ACAP. However, they do mention that extremes along the masculinity v. femininity scale is the important indicator of ACAP adoption rather that one orientation over another. The results of the study illustrate some interesting divergences from the theoretical framework. The results of the study indicate that there is a positive relationship between high power distance orientation values and individual ACAP; this is counter intuitive to the framework which proposes that the rigidity and divisional nature of high power distance orientations are not conducive to the free-flowing and non-restrictive communication characteristics of ACAP and therefore, are negatively related. However, it is not surprising that SMEs demonstrated a higher power distance orientation because of their centralized decision making paradigm, the employee expectation of directives, and the reliance on employees by upper management/leadership. A conclusion might be that the nature of SMEs in general is not conducive to the adoption of ACAP per Hofstede’s power distance orientation. Conversely, the stronger the adoption of higher power distance cultural values an individual possesses, their individual ACAP will improve. This could be attributed to the increased reliance on the SME leader's ability to perceive external opportunities and threats and act on them with limited formalized decision-making, thus
allowing for the more rapid adjustment to environmental factors. This might explain the positive relationship between power distance and individual ACAP in SME leaders. Therefore, high power distance orientations are supportive of SMEs overall and the improvement of individual ACAP of leaders but not necessarily with the adoption of ACAP within a firm.

The results of the study indicate a positive relationship between collective cultural orientation values and individual ACAP in SME leaders. This supports the proposition by Greve et al. (2009) which state that ACAP will probably be adopted (i.e. positively related) to collective cultural orientation values. The collective orientation is also well suited to SMEs who are more relationally oriented with personal ties and connection developing among individuals and the desire to maintain harmony or the status quo and not buck against the highly-centralized authority of the leader. The relational nature of collectivist cultures is very conducive to the social aspects of ACAP. The social and communication structures of firms are the conduit for employee ACAP to be applied, developed, and utilized; having environments that are naturally accepting of socialization and employee networking improves the knowledge sharing, transference, and translative ability of a firm. Therefore, collective orientations are supportive of SMEs overall, the adoption of ACAP within SMEs, and the improvement of individual ACAP among leaders.

The results of the study indicate that a negative relationship exists between masculinity orientations and individual ACAP. This is interesting because it provides additional information that might clarify some ambiguity in the theoretical framework by
Greve et al. (2009). The framework indicated that the adoption of ACAP was both positively and negatively related to the masculinity and femininity cultural orientation values and that the more important consideration was the need to be strongly skewed towards one orientation. They indicated that masculine cultures align with the monetary commercial outputs of ACAP while feminine orientations align with ACAP's ability to improve the overall well-being of the organization and its members by the production of knowledge outputs. The results counter that slightly by indicating a definitive negative relationship between masculinity orientations and individual ACAP and a definitive positive relationship between femininity and individual ACAP. This means that as SME leaders demonstrate more feminine orientation values their individual absorptive ACAP will increase. Overall the SMEs demonstrated a more feminine orientation which is not surprising because ACAP aligns very well with the use of intuition and consensus by leaders when managing the firm, the relational vs. task oriented tendencies, negotiation as a primary method for conflict resolution, focus on quality of life, and the overall preference of this orientation for smaller firms. However, SME leaders are also forced to decisive with the general view that to survive, one must be competitively superior. This might explain why SMEs were only slightly more feminine oriented. Appendix F illustrates the summarized results of the study and how they extend the theoretical framework proposed by Greve et al. (2009).

**Biblical Application**

There are several prevailing themes this study highlights that have strong biblical foundations. National cultural orientations, stewardship as leadership, and the value of
knowledge are the primary ones discussed. A unique attribute of this paper is the consideration of worldly, practical, and overlooked business concepts that have strong biblical references. Understanding the biblical foundations of business concepts is far from a trivial endeavor considering that many “good” business practices mimic biblical teachings. The following section highlights how the business concepts of cultural diversity, leadership, and knowledge are fundamentally biblical which can be integrated into business strategy for potentially improved strategic outcomes.

Cultural differences. It is important to understand that there are fundamental differences in values, beliefs, behaviors, and perspectives among individuals which influence their decisions. This means a certain degree of leniency should be given when it comes to cross-cultural negations, targeting customers, and motivating employees. Having an awareness of the influence cults has on the knowledge capabilities of individuals can help both employees and managers better understand the human resources aspect of ACAP. From a biblical perspective, understanding these relationships helps leaders peel back their myopic perspectives regarding their role as the firm’s resource controller and becoming a better steward of the resources they have been given. Several scriptural references speak to the restraining of judgment on others because of cultural differences (Romans 14:10) and that cultural differences were intentionally created by God (Acts 17:26-28; 1 Cor 12:12-30). The intentionality of God to create cultural differences indicates that there is value in each distinction; Hofstede had insight as to how those distinctions could be quantified and applied. It bears considering if there is an unintentional negative result that comes from being able to divide and group and
manipulate individuals when each person was specifically created as an unimitatable resource?

**Leader as steward.** One of the more interesting revelations this study produced from a biblical perspective was the examination of a leader’s personal characteristics, abilities, and actions on organizational outcomes. Upper echelon’s theory explains this phenomenon from an academic perspective but the concept has biblical roots. Organization assume similar characteristics of their leaders who are stewards over the firm’s resources; this includes the tangible (i.e. financial) and intangible resources (i.e. knowledge). How a leader/manager behaves will determine how a company operates with the larger scope of its competitive environment and how employees can grow their own capabilities. There are several biblical references that support this concept. Luke 6:42 mentions removing a plank of wood *first* from your own eye which will allow you to see better when attempting to remove wood from another’s eye. The individual ACAP of leaders is directly responsible for how and if the ACAP of individual employees will occur. If leaders want their organization to prosper, they must look to improve themselves first. Then the question remains to be asked, to what extent do managers/leaders have an obligation to improve their organizations and therefore, themselves?

**Value of knowledge.** ACAP is the natural representation of the many verses in the bible that reference the importance and power of knowledge. A classic example of ACAP occurring in the bible is when King Solomon asked God to give him wisdom and knowledge to rule God’s people (2 Chronicles 1:11). It is a good indicator of its true
value that Solomon could have asked the Lord for any resource in existence, and he chose knowledge. Hosea 4:6 and Isaiah 5:13 give further insight regarding knowledge and identify it as a preserver and protector of those who obtain it. In a world where there seems to be no end to knowledge and information, the pertinent question becomes what responsibility is there to protect the integrity of knowledge and wisdom? The major research themes and their biblical applications are listed in Appendix K.

**Recommendations for Action**

The leaders of U.S. SMEs will find the results of this study, though not generalizable, interesting and should regard it as a possible call to change organizational cultural norms, traditions, and structure to enhance the ACAP of their firm. They will also find value in recognizing how their individual level of ACAP can be used as an asset or is being neglected and should be developed. It is also important for SME leaders to recognize how their institutional environment is influencing their strategy and the directing the external environment of the firm. Leaders should first recognize that there is such a thing as ACAP and it has a very real impact on firm performance, especially within SMEs. Secondly, leaders should assess how the current structure and culture of the firm might be hindering (i.e. limited investment in R&D, no codification of tacit or experimental knowledge or process) or facilitating (open communication across all hierarchal levels, collaboration with suppliers) their current ACAP. Once evaluated, begin to implement changes that will develop strong pathways for ACAP processes to be complete. This requires a reassessment of organizational strategy and resource allocation which is not easy since the time, change, and reinvestment of resources is not conducive
to the every-day work schedules of leaders. However, if this step is completed, introducing the new changes (if radical) to all employees is critical.

To gain a practical understanding of the study’s results and what they mean for U.S. SMEs, it is beneficial to compare the characteristics of the major theoretical components, ACAP, cultural orientations, and SMEs. The integrative framework proposed by Greve et al. (2009) is based on the supposition that firms will adopt ACAP if the characteristics of ACAP align with the values of a cultural orientation. Appendix G illustrates the characteristics of SMEs and Appendix H summarizes the U.S. SME cultural orientation characteristics of power distance, collectivism, and femininity per the survey results. Appendix I illustrates the individual and organizational characteristics of ACAP dimensions.

**Improve Culture and ACAP Characteristic Alignment**

The collectivism and femininity orientation characteristics are conducive to the open communication, relational, collaborative and unification characteristics of ACAP that will help organizations adapt and adjust to the changes brought on by ACAP which will help improve or hinder the firm’s RACAP. The cultural orientation characteristics of high power distance could prove to be beneficial to the acquisition and assimilation processes in SMEs as quick reaction and decisions are needed to respond to changes in the environment, the reliance on rules and subordinates can improve the analyzing, coding and translating aspects of the assimilation process.

The cultural values associated with Hofstede’s collectivist orientation seem naturally aligned to facilitate the ACAP processes within firms. To help improve this
alignment within their firms, U.S. SME leaders can choose any number of initiatives. Cross-functional teams can be used to solve problems which utilizes the collaborative nature of collectivist values. Cross-functional teams supplement the problem recognition and solving processes in small firms by incorporating multiple perspectives which help counter the inherent myopic views used by the owner when making strategic decisions. Firms can also implement or expand social mechanisms across all organizational silos which will help to build the learning orientation and ACAP of individual employees. Strengthening social mechanisms breaks down the barriers to knowledge flows among employees and encourages the sharing and synthesizing of information. Strengthening social mechanisms improve the assimilation and transformation abilities of a firm which both require knowledge to be shared freely among individual employees across all levels of the organization. Increasing and improving outlets for individual knowledge to be expressed should also be considered. This is especially critical to SMEs which are limited in their ability to develop and acquire new external sources of knowledge. Creating a culture, situations, organizational routines, and organizational systems that encourage the sharing of ideas, concerns, and intuitive thought processes among employees helps to leverage the tacit and explicit knowledge unique to each employee. It is allowing the individual ACAP of employees to develop and as such, the entire ACAP of the firm.

The significant leverage the owner and top management teams have over the strategic decisions of SMEs can be a hindrance to the adoption and development of ACAP within the firm. This characteristic of SMEs corresponds to the cultural values in Hofstede’s high power distance orientation which is also not conducive to the adoption of
ACAP within an organization. Improving the environmental scanning abilities of SME leaders or top management teams is a critical step towards increasing the likelihood of ACAP adoption within SMEs. Improving the environmental scanning ability of SME leaders also corresponds with the acquisition dimension of ACAP, specifically the recognition aspect. SME leaders are the primary knowledge “gatekeepers” of the firm. Their ability to recognize, filter and acquire valuable knowledge directly impacts the knowledge resource base of the firm. The development of ACAP is cumulative, relying on existing knowledge sources to create new capabilities. The environmental scanning ability (i.e. the individual PACAP of SME leaders) determines the substantiality and quality of the firm’s knowledge resource stocks. It is also important for SMEs to increase horizontal and vertical communication which does not necessarily come naturally to high power distance oriented leaders. SME leaders are the locus of control which inherently imposes a myopic hierarchical structure into the firm. To counter this, SME leaders should consider implementing organizational routines and systems that support open communication and decision-making collaboration across and within all levels of the organization. SME leaders should also empower individuals to make decisions regarding filtering, applying, and sharing crucial knowledge. When employees are empowered to make decisions, and speak out regarding issues and ideas, and express their knowledge, they are developing their individual ACAP. These guidelines will leverage the natural collaborative tendencies of collectivist orientations to counter the hierarchical and myopic tendencies of SMEs and high power distance orientation cultures.
Greve et al., (2009) indicated that both masculine and feminine cultural orientations would support ACAP. To leverage the more feminine cultural orientation values, SMEs would want to improve employee educational, training, hiring, and learning processes to support a learning-centric organizational culture to increase knowledge outputs. This would improve the overall well-being of the firm by helping to sustain the necessary internal structure that is supportive of ACAP. Conversely, if SMEs wanted to develop a more masculine-oriented approach to adopting ACAP, they would need to increase focus on production processes and sourcing innovation internally or externally to increase commercial outputs. Focusing on either option would help firms adopt ACAP and the degree to which a firm will lean towards one approach over the other is largely dependent on the preference of the strategic preferences of the leader. A summary of practical application practices and suggestions is available in Appendix J.

**Recommendations for Further Study**

This study represents a small step in identifying the impact national culture has on that adaption of ACAP into organizations. There are several ways the study can be used to extend current understanding of how national cultural orientations influence organizational outcomes in relation to knowledge. The study opens many doors for further theoretical and empirical exploration. Applying the survey instruments together in different contexts, looking at individual and organizational antecedents, looking at the role entrepreneurship plays, applying in different cultural context, applying in different institutional contexts, understanding how the two subgroups and four dimensions might
be impacted, the role of innovation are several of the areas future research can extend this study.

Identifying the impact of different contexts on each separate construct (i.e. national cultural orientation at an individual level) and ACAP (i.e. at individual and organizational levels) should be explored. This might lead researchers to explore questions such as is the relationship between individual national cultural orientation and individual ACAP moderated by industry type (service vs. manufacturing) or firm size (SME vs. MNC) or firm type (non-profit vs. for profit)? It would also be interesting to use the two individual scale measurements within a single target population across a wide array of culturally different sample groups. The results of this study should also be considered in terms of profitability or some measure of organizational performance. Not only would this develop a more substantial understanding of how individual national cultural orientations can impact individual ACAP across cultures, but it would also indicate if there is any similarity between cultures (i.e. do individuals from Western-oriented cultures have higher ACAP and Eastern-oriented cultures?). Future studies should also consider expanding on the interrelationship between the constructs at an individual level. This might include looking at how participant gender or age influence the relationships between individual national cultural orientations and individual ACAP. Hofstede indicates that gender is a substantial mitigating factor of cultural orientations. Differences in gender perceptions about the ACAP processes and the mitigating influence culture would be a very interesting area of research.
Further understanding is needed to identify how the institutional environment comes into play as representative of the external environment. For example, do institutional environments support the adoption of ACAP in some firms but not others and to what degree does this vary across cultural groups? Studies should also consider how individual cultural orientations impact individual capabilities across each dimension of ACAP (i.e. assimilation, acquisition, transformation, exploitation) and within the two sub-groups of ACAP (i.e. PACAP and RACAP). The original framework by Greve et al. (2009) hints that once adopted, integrating ACAP can also be influenced by national cultural values. This should be explored both theoretically and empirically. From a fundamental perspective, future studies need to determine variations in the contexts of this study; for example, would the similar results occur of applied to companies in Maryland with 500 employees or more or would the results vary within industry contexts?

Aside from exploring the contextual factors of the study, there are several broad subject matters that would greatly benefit from expanding on the research presented in this study. Organizational learning, international entrepreneurship (i.e. the born-global firms), innovation, and cognition theories are some of the academic avenues that can be explored. Mitchell, Smith, Morse, Seawright, Peredo, & McKenzie (2002) identify that entrepreneurs have distinctive cognitive abilities, that entrepreneurial cognitions are a universal archetype of cognitive process existing across all contexts, and that to some extent, entrepreneurial cognitions are influenced by national culture. They propose that though not necessarily homogeneous, entrepreneurs are distinctly differentiated from
non-entrepreneurs in their wiliness to support commitment and receptivity to new-venture creation and possess unique knowledge structures necessary to engage in new-venture creation. They identify culture as a collection of mental knowledge shared by individuals that is reflective of the way a society organizes and values knowledge which form unique cognitive orientations that reflect the patterns of preferences which form cultural behavioral tendencies (Hofstede, 1980; Mitchell et al., 2002). Their study lends empirical and theoretical support indicating that entrepreneurial cognitions have some universally present homogeneous traits and that the patterns of cognitive process formed within cultures impact various elements of entrepreneurial characteristics in individuals.

Innovation literature is also an area that would greatly benefit from extending the research of this study. Innovation is a critical success factor for firm performance and survival. Innovation is particularly critical for SMEs whose limited resources force them to engage innovative and adaptive strategies to remain competitive (Rhee, Park, & Lee, 2010). Innovation is considered both a process and an outcome whereby new and value-producing knowledge is successfully introduced within an organization (Adriansyah & Afiff, 2015; Dasgupta & Gupta, 2009; Rhee et al., 2010). Dasgupta and Gupta (2009) consider the organizational learning and knowledge management components of innovation in their conceptual framework outlining the knowledge flows within an organization that defined the innovation process. They describe innovation as a learning process through which ideas are transferred into value via individual and social learning mechanism, knowledge creation, and innovation capabilities that exists within a firm. Knowledge management within SMEs is generally considered to be poor and informal
due to resource constraints, occurs primarily at the operational level (i.e. daily activities), and within the context of the leader (Durst & Edvardsson, 2012). While limited resources inhibit knowledge generation, codification, and refinement capabilities of SMEs, their propensity for informal communications allows them to more easily capture tacit knowledge (Supyuenyong & Swierczek, 2011).

SMEs are characteristically entrepreneurial with strategic decisions almost autonomously appointed to the founder/leader. One possible mitigating factor between the acceptance or resistance of ACAP in SMEs is entrepreneurial orientation. Entrepreneurial orientation is a strategic position that SMEs can adapt which will help off-set the negative impact of ACAP maintenance (Wales, Parica, & Patel, 2013). Entrepreneurial orientation is culturally-sensitive since it is a values and behavioral-driven process which occurs as individuals use their entrepreneurial cognitive process to recognize, create, and pursue new opportunities and ventures. However, there is very little understanding about the relationship between individual ACAP, organizational ACAP and national cultural orientations from an entrepreneurial orientation perspective (Greve et al., 2009).

Entrepreneurial orientations and entrepreneurial cognitive processes are values-based and very susceptible to cultural influences (Lee, Lim, & Pathak, 2011; Mitchell et al., 2002). Entrepreneurial orientation is a possible solution to mitigate the diminishing returns of ACAP in SMEs who greatly benefit from ACAP but can’t afford resource waste. ACAP and entrepreneurial orientation both increase firm performance in SMEs with ACAP providing sustainable competitive advantages critical to competing in
dynamic global environments. Some cultural orientations naturally support entrepreneurial processes and entrepreneurial cognitions while some have an inherent barrier. Therefore, when making strategic decisions about resources, SME leaders are influenced by their cultural orientation predisposition as it relates to their entrepreneurial cognitive schema. Therefore, if the cultural orientation of SME leaders supports risk taking, provocativeness, and innovativeness and the characteristics of ACAP, SME leaders will likely have higher individual ACAP and adopt it into their firm. Conversely, if the cultural orientation of SME leaders does not support risk taking behaviors, proactivness, and innovation nor the characteristics of ACAP, then SME leaders will likely have lower individual ACAP and will likely not adopt it into their firm.

Entrepreneurial cognitions are distinctly different from non-entrepreneurial cognitions and are subject to socio-cultural predispositions towards taking risks, innovativeness, and proactivness. Entrepreneurial orientation is impacted by culture primarily through: the cultural values of a society, the institutional environment indicative of societal values, and within individual behaviors (Kreiser et al., 2010). Come cultures have inherent values that naturally promote entrepreneurial cognitive processes and consequently entrepreneurial orientations in organizations (Goktan & Gunay, 2011; Kreiser et al., 2010). The distinction between these cultures and less-obliging cultures is critical because entrepreneurial orientation is an advantageous strategic position that not only facilitates but offsets potential losses from ACAP. Therefore, the managers and leaders of SMEs whose entrepreneurial cognitive process are discouraged by the society, institution environment, and their own cultural predispositions will likely find it difficult to adopt
ACAP at the individual level. This will transfer across the organization as the structure conforms to the leader’s decision-making paradigm. Therefore, cultures that are naturally supportive of entrepreneurial orientation will likely have SMEs who will adopt ACAP and was more likely to gain sustained competitive advantages in global markets.

**Reflections**

The design and process involved in this study were well aligned and can be used as a template for further studies looking to identify empirically sound relationships ACAP and cultural orientations. Indeed, it is even encouraged that such studies be conducted. Significant effort and reflection was put towards developing the theoretical framework and design of the study which would have been better supported by better communications with participants and survey developers. There were some interesting responses from participants which reflected an overall sense of confusion regarding the purpose for their participation in the study. This was at least partially due to the ambiguity of the email sent to participants which did not adequately articulate the purpose and value of the study to participants as individual business owners. Future researchers would want to highlight how the study can improve business results for SMEs. Another option would be to make a more concerted effort to develop a target population were more personal and direct forms of communication can occur (i.e. emails, phone calls, interviews, etc.) that will help participants understand the context of the study. This would also help eliminate biased results from participants who choose not to engage based on academic institutional affiliation of the researcher, limited and “outdated” cultural orientation categories, or confusion about relevance of study to
micro-businesses (i.e. businesses with less than 10 employees). The initial survey included questions regarding the cultural heritage of participants which was based on the categorical cultural orientations developed by the GLOBE study. Ultimately these data sets were not integrated into the study because they were not deemed necessary to answer the research question and would be better suited to a new study that would explore cultural heritage to individual ACAP. However, based on some personal communications with a few participants, these categories could be “out of date” or should be made less ambiguous when being applied to an online survey. Conversely, there were some surprising responses of support and eagerness to participate in the study by participants who wanted a summary of the results.

There were some initial theoretical assumptions about the results of the data analysis. Per upper echelon’s theory, resource based views, and the extrapolation of cultural orientations to an individual level, the cultural orientations of SME leaders should reflect similar levels of the United States. However, the results of the data analysis indicated that SME leaders are more long-term oriented, have a higher power distance, are more collectivist, and more feminine than the general orientation of the United States. This should be explored more in future studies to help better understand if SMEs and their leaders have a separate culture apart from the national and institutional influences of businesses in markets. The study was insightful and academically rewarding. It is the first attempt to provide empirical evidence that cultural orientations might impact if and how SME leaders adopt ACAP.
Summary and Study Conclusions

SMEs suffer from limited access to financial resources, limited innovation and IP management skills, and weak external resource cultivation (i.e. networking and cooperation) abilities, and limited ability to withstand extreme pressures from institutional environment (Purcarea et al., 2013). To counter this, new avenues of identifying and utilizing resource are necessary. Knowledge is considered a valuable resource, one that allows a firm to successfully adjust to changes in dynamic markets. The usefulness of knowledge extracted from external resources is limited by the internal organizational systems and processes in place or developed that can adequately translate, assess, and utilize the information. This process occurs within the context of the individuals as carriers of knowledge and within the context of organizational attributes that determine available outlets to facilitate the transference of knowledge. Organizations learn as the residual effect of the experiential, targeted (i.e. intentionally acquired), and reconstructed knowledge bases of organizational members as they interact with each other and with their environment. Knowledge management can be informal by occurring organically as the knowledge needs of the firm occur or formal through defined communication, technological, and social systems and protocols. The degree to which a firm excels at knowledge management is largely dependent on the culture, structure, and perspective an organization has in place that is committed to knowledge development (i.e. organizational learning capacities) (King et al., 2008). SMEs who consider formalizing knowledge management processes will likely improve overall organizational performance by enabling firms to overcome the inherent barriers to knowledge resources.
National culture is an influencer of knowledge management processes within firms. ACAP allows SMEs to gain competitive advantage is volatile, unpredictable, and increasingly global markets by managing the resources dedicated to maintaining an organization that supports access to, distribution of, and application of knowledge. These resources are determined by the leader of the firm whose decisions are predisposed to the institutional conformity schema and their own cognitive filter. Culture orientation preconditions both aspects. Theory states a firm will assume similar traits and attributes of its leader indicating that the cultural preconditioning of leaders has at least a partial influence on the development of the firm. This indicates a firm was likely to adopt ACAP as a construct depending on the cultural predisposition of its leader. To test several theoretical frameworks the study examined the relationship between the individual cultural orientations of SME leaders and their individual ACAP level. The findings presented some very interesting results. This study is the first one to draw conclusions about national cultural orientations and ACAP at the individual level of analysis. There is ample room for expansion of this study both theoretically as the constructs of culture and knowledge utilization converge in an increasingly global market, and empirically as the survey instruments are used simultaneously across multiple cultures and within multiple contexts.
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conceptual-level empirical investigation of the resource-based view of the firm. 


Appendix A

Table A1: *Greve et al. (2009)* adoption of ACAP propositions per Hofstede’s five dimensions of culture

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proposition 1:</td>
<td>The lower the level of individualism, the more likely is the organization to adopt a high level of absorptive capacity.</td>
</tr>
<tr>
<td>Proposition 2:</td>
<td>The lower the level of power distance, the more likely is the organization to adopt a high level of absorptive capacity.</td>
</tr>
<tr>
<td>Proposition 3:</td>
<td>The higher the level of uncertainty avoidance, the more likely is the organization to adopt a high level of absorptive capacity.</td>
</tr>
<tr>
<td>Proposition 4:</td>
<td>In case of both high levels of masculinity and femininity, the more likely is the organization to adopt a high level of absorptive capacity.</td>
</tr>
<tr>
<td>Proposition 5:</td>
<td>The higher the level of long-term orientation, the more likely is the organization to adopt a high level of absorptive capacity.</td>
</tr>
</tbody>
</table>

Table A2: Relationship between the characteristics of Hofstede’s cultural dimensions and the characteristics of ACAP (Greve et al., 2009)

<table>
<thead>
<tr>
<th>Cultural Dimension</th>
<th>Adoption of ACAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism</td>
<td>-</td>
</tr>
<tr>
<td>Power Distance</td>
<td>-</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>+</td>
</tr>
<tr>
<td>Masculinity</td>
<td>+/-</td>
</tr>
<tr>
<td>Long-term Orientation</td>
<td>+</td>
</tr>
</tbody>
</table>

+ Indicates a potentially positive relationship between cultural dimensions and likelihood of ACAP adoption
- Indicated a potentially negative relationship between cultural dimension and likelihood of ACAP adoption
Appendix B

ACAP Measurement Tool Approval

From: Vincent Chauvet <vincent_chauvet@yahoo.com>

Sent: Wednesday, May 4, 2016 2:59:44 AM

To: Miller, Megan Young (School of Business)

Subject: Re: Permission to use ACAP measurement tool

Dear Megan,

I am so busy these days... Anyway, you can use my measurement scale in your dissertation. You can use it as it is, or you can also make some improvement. For instance, you can adapt some items depending on the firms/employees that will answer your questionnaire. Just pay attention to each ACAP dimension because I took some specific decisions concerning the building of this scale and of the four dimensions. Do not hesitate to contact me if you have any question.

Best regards,

----------------------------------------------------

Vincent CHAUVET

Full Professor

Dean of the Business School IAE Toulon

Campus Porte d’Italie

70, Avenue Roger Devoucoux - 83000 Toulon

Le Mardi 3 mai 2016 22h50, "Miller, Megan Young (School of Business)"

<mymiller@liberty.edu> a écrit
Appendix C
CVSCALE Measurement Tool Approval

Boonghee Yoo <Boonghee.Yoo@Hofstra.edu>

Wed 4/27/2016, 10:35 AM Miller, Megan Young (School of Business)
<mymiller@liberty.edu>

Inbox

Ms. Miller,

I permit you to use CVSCALE.

Best regards,

Dr. Yoo
### Appendix D

**CVSCALE Interpretation**

<table>
<thead>
<tr>
<th>Hofstede Dimension</th>
<th>Hofstede Scale Rank (50 is midpoint)</th>
<th>CVSCALE Rank</th>
<th>CVSCALE Survey Values</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Power Distance (PDI)</strong></td>
<td>High = 100</td>
<td>5</td>
<td>5 = strongly agree</td>
</tr>
<tr>
<td></td>
<td>Low = 0</td>
<td>1</td>
<td>1 = strongly disagree</td>
</tr>
<tr>
<td><strong>Uncertainty Avoidance (UAI)</strong></td>
<td>Strong = 100</td>
<td>5</td>
<td>5 = strongly agree</td>
</tr>
<tr>
<td></td>
<td>Weak = 0</td>
<td>1</td>
<td>1 = strongly disagree</td>
</tr>
<tr>
<td><strong>Collectivist vs. Individualistic (COL)</strong></td>
<td>Individualistic = 100</td>
<td>1</td>
<td>1 = strongly disagree</td>
</tr>
<tr>
<td></td>
<td>Collectivist = 0</td>
<td>5</td>
<td>5 = strongly agree</td>
</tr>
<tr>
<td><strong>Long-Term vs. Short Term (LTO)</strong></td>
<td>Long-Term = 100</td>
<td>5</td>
<td>5 = very important</td>
</tr>
<tr>
<td></td>
<td>Short-Term = 0</td>
<td>1</td>
<td>1 = very unimportant</td>
</tr>
<tr>
<td><strong>Masculine vs. Feminine (MAS)</strong></td>
<td>Masculine = 100</td>
<td>5</td>
<td>5 = strongly agree</td>
</tr>
<tr>
<td></td>
<td>Feminine = 0</td>
<td>1</td>
<td>1 = strongly disagree</td>
</tr>
</tbody>
</table>
Appendix E

Survey Instrument

**Participant Demographics**

1) Please select one of the following:

- Female
- Male

2) Are you a primary decision maker in your company?

- Yes
- No

3) What is your current age?

- 17 or younger
- 18-55
- 56 or older

4) How many employees (full and part time) do you currently have in your company?

- 199 or fewer
- 200-499
- 500 or more

**Absorptive Capacity**

5) Please answer the following that best describes the scenario.

(1=Strongly Disagree) (2=Disagree) (3=Somewhat Disagree) (4=Neutral) (5=Agree)
(6=Somewhat Agree) (7=Strongly Agree)

- I am informed about changes in products and services.
- I am informed about new strategic orientations.
- I am informed about technological transformations and innovations.
- I am informed about changes of partners.
- I am informed about changes of suppliers or distributors.
- I am informed about staff changes.
- When meeting external actors, I learn new management methods and processes.
- When meeting external actors, I discover new suppliers and distributors.
- When meeting external actors, I acquire knowledge about external technical processes and technological innovations.
- When meeting external actors, I discover new products and services.
- When meeting external actors, I have new ideas.
- I improve current methods and practices by proposing new solutions.
- I improve current methods and practices by finding ways to go faster.
- I improve current methods and practices by changing old processes.
I improve current methods and practices by using new tools.
We have a strong reputation for technological excellence.
Knowledge intensity is characteristic of our business.
There is a strong knowledge component in our products and services.

**Cultural Assessment**

6) Please answer the following:
   (1=Strongly Disagree) (2=Disagree) (3=Neutral) (4=Agree) (5=Strongly Agree)

| People in higher positions should make most decisions without consulting people in lower positions. |
| People in higher positions should not ask the opinions of people in lower positions too frequently. |
| People in higher positions should avoid social interaction with people in lower positions. |
| People in lower positions should not disagree with decisions by people in higher positions. |
| People in higher positions should not delegate important tasks to people in lower positions. |
| It is important to have instructions spelled out in detail so that I always know what I'm expected to do. |
| It is important to closely follow instructions and procedures. |
| Rules and regulations are important because they inform me of what is expected of me. |
| Standardized work procedures are helpful. |
| Instructions for operations are important. |
| Individuals should sacrifice self-interest for the group. |
| Individuals should stick with the group even through difficulties. |
| Group welfare is more important than individual rewards. |
| Group success is more important than individual success. |
| Individuals should only pursue their goals after considering the welfare of the group. |
| Group loyalty should be encouraged even if individual goals suffer. |
| It is more important for men to have a professional career than it is for women. |
| Men usually solve problems with logical analysis; women usually solve problems with intuition. |
| Solving difficult problems usually requires an active, forcible approach, which is typical of men. |
| There are some jobs that a man can always do better than a woman. |

Please answer the following:
   (1=Very Unimportant) (2=Unimportant) (3=Neutral) (4=Important) (5=Very Important)

<p>| Careful management of money (Thrift) |
| Going on resolutely in spite of opposition (Persistence) |
| Personal steadiness and stability |</p>
<table>
<thead>
<tr>
<th>Long-term planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Giving up today's fun for success in the future</td>
</tr>
<tr>
<td>Working hard for success in the future</td>
</tr>
</tbody>
</table>
Appendix F

Summarized Interpretation of Survey Results

<table>
<thead>
<tr>
<th>Cultural Dimension</th>
<th>Interpretation of Results</th>
<th>Leader Results</th>
<th>Adoption of ACAP</th>
</tr>
</thead>
<tbody>
<tr>
<td>PDI +</td>
<td>Higher power distance orientation values positively impact individual ACAP</td>
<td>High</td>
<td>No</td>
</tr>
<tr>
<td>COL +</td>
<td>Higher collective orientation values positively impact individual ACAP</td>
<td>Collective</td>
<td>Yes</td>
</tr>
<tr>
<td>MAS -</td>
<td>Higher feminine orientation values positively impact individual ACAP</td>
<td>Feminine</td>
<td>Yes</td>
</tr>
<tr>
<td>Overall</td>
<td>U.S. SME sample leaders had a higher level of individual ACAP indicating that ACAP is in alignment with their values, beliefs, and attitudes and will likely be adopted as a construct within the firm.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Appendix G

Characteristics of SMEs

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Simple organizational structures allow for adaptability and agility to changes</td>
<td>Centralized decision-making processes revolving around the leader</td>
</tr>
<tr>
<td>2. Easier adaption, dissemination and crystalizing of information's</td>
<td>Lack of Long-range focus</td>
</tr>
<tr>
<td>3. Minimized formal decision making procedures</td>
<td>Lack of systematic decision making processes (ad-hoc decision making)</td>
</tr>
<tr>
<td>4. Shorter operational trajectories</td>
<td>Lack of strategic orientation</td>
</tr>
<tr>
<td>5. Streamlined operational processes</td>
<td>Limited access to resources stocks</td>
</tr>
<tr>
<td>6. Innovative and creative</td>
<td>Highly susceptible to environmental constraints</td>
</tr>
</tbody>
</table>
Appendix H

Cultural Value Characteristics of Sample U.S. SMEs

<table>
<thead>
<tr>
<th>High Power Distance</th>
<th>Collectivism</th>
<th>Femininity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack informal</td>
<td>Strong ties between</td>
<td>Increase overall organizational</td>
</tr>
<tr>
<td>communication</td>
<td>individuals</td>
<td>abilities and quality</td>
</tr>
<tr>
<td>between people at</td>
<td></td>
<td></td>
</tr>
<tr>
<td>different</td>
<td></td>
<td></td>
</tr>
<tr>
<td>hierarchical levels</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinate does</td>
<td>Adherence to social</td>
<td>Managers use intuition and</td>
</tr>
<tr>
<td>not question</td>
<td>groups</td>
<td>consensus</td>
</tr>
<tr>
<td>authority</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted, limited</td>
<td>Informal communication</td>
<td>Compromise and negotiation</td>
</tr>
<tr>
<td>or rarely</td>
<td></td>
<td>for conflict resolution</td>
</tr>
<tr>
<td>encouraged upward</td>
<td></td>
<td></td>
</tr>
<tr>
<td>communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Centralization of</td>
<td>Strong cooperation</td>
<td>Preference for smaller</td>
</tr>
<tr>
<td>authority</td>
<td></td>
<td>organizations</td>
</tr>
<tr>
<td>Mangers rely on</td>
<td>Relationship prevails</td>
<td>Focus on quality of life</td>
</tr>
<tr>
<td>formal rules</td>
<td>over task</td>
<td></td>
</tr>
<tr>
<td>and subordinates</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subordinates expect</td>
<td>Management of groups</td>
<td>Relationship oriented rather than</td>
</tr>
<tr>
<td>direction</td>
<td></td>
<td>task oriented</td>
</tr>
<tr>
<td>Subordinate-supervisor relations are emotional</td>
<td>Employer-employee relationships are highly personal</td>
<td>Leisure time is preferred as reward</td>
</tr>
<tr>
<td>Privileges and status symbols are popular</td>
<td>Employees will pursue their in-groups’ interest</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix I

### Characteristics Absorptive Capacity Dimensions

<table>
<thead>
<tr>
<th>ACAP Dimension</th>
<th>ACAP Dimension Characteristics at Organizational Level</th>
<th>ACAP Dimension Characteristics at Individual Level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Acquisition</strong></td>
<td>Detect knowledge</td>
<td>Acquisition: recognition of valuable knowledge as gatekeepers of the organization</td>
</tr>
<tr>
<td></td>
<td>Acquire knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Generate new knowledge</td>
<td></td>
</tr>
<tr>
<td><strong>Assimilation</strong></td>
<td>Analyze knowledge</td>
<td>Assimilation and Transformation: internalize information by coding, translating, analyzing, and adjusting new information within the existing scope of the firm</td>
</tr>
<tr>
<td></td>
<td>Process knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Communicate knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Interpret knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Understand knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Improve &quot;search zone&quot;</td>
<td></td>
</tr>
<tr>
<td><strong>Transformation</strong></td>
<td>Understand incompatible ideas</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adapt cognitive schema to new information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Recombine existing knowledge with new knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Deleting old knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adding new knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reframing existing structures to redefine &quot;search zone&quot;</td>
<td></td>
</tr>
<tr>
<td><strong>Exploitation</strong></td>
<td>Create new routines</td>
<td>Exploitation: creatively apply newly transformed knowledge so that new or improved competitive outcomes can be realized to expand the scope of the firm</td>
</tr>
<tr>
<td></td>
<td>Create commercial outputs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Create knowledge outputs</td>
<td></td>
</tr>
</tbody>
</table>

*Breunig & Martinkenaite, 2015; Greve et al., 2009; Zahra & George, 2002*
Appendix J

Practical Application of Findings and Suggestions for SMEs

<table>
<thead>
<tr>
<th>Practical Application</th>
<th>Suggestions to Align ACAP, Cultural Orientation, and SME Characteristics</th>
<th>Suggestions to Improve ACAP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Collectivists</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Use cross-functional teams for problem solving and internal idea development</td>
<td>1 Create a shared vision about importance of information</td>
</tr>
<tr>
<td>2</td>
<td>Implement or expand social mechanisms across all organizational silos</td>
<td>2 Create culture that accepts self-evaluation and correction</td>
</tr>
<tr>
<td>3</td>
<td>Increase and improve outlets for individual knowledge to be expressed</td>
<td>3 Develop inter-organizational knowledge sharing pathways by implementing social sharing mechanisms</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4 Create a culture that is committed to learning</td>
</tr>
<tr>
<td><strong>High Power Distance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Improve environmental scanning abilities of SME leader or Top Management Teams</td>
<td>1 Knowledge acquisition: find new sources of external knowledge (i.e. strategic alliances, supply chain integration, or outsource R&amp;D) or improve internal innovation ability</td>
</tr>
<tr>
<td>2</td>
<td>Improve communication horizontally and vertically for cross-fertilization of ideas</td>
<td>2 Information distribution: improve and implement collaborative technological and social mechanisms</td>
</tr>
<tr>
<td>3</td>
<td>Empower individuals to make decisions regarding filtering, applying, and sharing crucial knowledge</td>
<td>3 Interpretation of information: continually develop individual employee ACAP to interpret and apply new or existing individual and organizational knowledge</td>
</tr>
<tr>
<td>4</td>
<td>Empower individuals to speak; empower gatekeepers and promote initiative among subordinates</td>
<td>4 Organizational memory: improve coding, storing, and tracking mechanisms to increase accessibility and application of tacit and explicit knowledge</td>
</tr>
<tr>
<td><strong>Femininity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Increase focus on production processes and sourcing innovation internally or externally to increase commercial outputs</td>
<td>1 Identify and define existing dynamic capabilities (i.e. scarce, distinctive, or non-replicable abilities or resources)</td>
</tr>
<tr>
<td>2</td>
<td>Improve employee educational, training, hiring, and learning processes to support a learning-centric organizational culture to increase knowledge outputs</td>
<td>2 Re-invest in the development and sustainability of dynamic capabilities</td>
</tr>
<tr>
<td><strong>Leaders should develop awareness of personal strategic processes and tendencies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Recognize tendencies for pain-avoidance (mitigate threats) or pleasure seeking (pursuing opportunities)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Develop individual ACAP, specifically recognition, acquisition, and assimilation capabilities</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Understand and improve individual learning orientation</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix K

### Biblical Application of Major Research Themes

<table>
<thead>
<tr>
<th>Major Theme</th>
<th>Biblical Application and References</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Culture Values</td>
<td>Fundamental differences in attitudes, values, perceptions, beliefs and behaviors that were intentionally formed and cultivated by God (Acts 17:26-28). Diversity is necessary and good for developing new ideas and removing myopic perspectives (Romans 14:10)</td>
</tr>
<tr>
<td>Individual Absorptive Capacity</td>
<td>Upper echelon’s theory explains how a leader’s values, beliefs and attitudes manifest in an organization. Managers must first look to improve themselves, then the organization (Luke 6:42)</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Knowledge is a priceless resource as illustrated by King Solomon’s petition to God (2 Chronicles 1:11)</td>
</tr>
</tbody>
</table>