



International Experience in Upper Echelon Theory: Literature Review

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Abstract

Background: The international experience of top managers is an evolving research within the upper echelon theory; therefore this literature review summarizes everything made so far. **Objectives:** The purpose of this paper is to provide a literature review of international experience within the theory of the upper echelons. **Methods/Approach:** We reviewed the literature from the beginning of the theory formation and tried to understand the direction in which it develops, particularly in the context of international experience. We conducted a bibliometric analysis in order to understand the research area better. **Results:** We have found that 38 papers were published in 25 different journals by 72 authors. We have concluded that the area of research is very narrow and that most of the research is concentrated on finding out the impact of demographic characteristics and international experience of top managers on internationalization strategy mostly with MNC-s. **Conclusions:** After two decades of international experience in the upper echelon theory there is a significant possibility of uniformity of the theory but only if researchers are able to prove equal results among different countries.

Keywords: upper echelon theory; international experience; demographic characteristics; content analysis; top management team

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Introduction

The international experience of top managers and their influence within the upper echelon theory increasingly emerged in the last twenty years. Upper echelon theory researchers investigated the impact of international experience on several aspects of the company's functioning, with the different focus: impact to the level of internationalization, to the form of internationalization, to the internationalization strategy and others. The purpose of this paper is to summarize the research in this area in order to find out the main groups of the research and detect the future research directions.

The contribution of this literature review is reflected in the discussion of the research from the field of international experience within the theory of upper echelon, in the period from 1984 (when upper echelon theory was established) until 2016. The contribution of this literature review is also reflected in the recognition of the research gap that has to be overcome in the future.

This literature review is divided into several parts. In the first part, the review of researches of international experience within the theory of upper echelons is presented. The second part presents data collection and the method of literature classification. The third part is devoted to the interpretation of the research results. Finally, there are sections devoted to the discussion of the research results and the conclusion.

International experience in upper echelon theory

The theory of upper echelons postulates how the characteristics of top managers are of crucial importance to the management of the company (Hambrick and Mason, 1984). The theory attempts to explain the role of managerial characteristics in company management, through limited rationality, conflict of multiple goals, different levels of aspiration. It was founded on the behavioural theory of business (Cyert and March, 1955, Hambrick and Mason, 1984).

In the same period, over the last few decades, expansive internationalization all over the globe has emerged. Johanson and Wiedersheim-Paul (1975) defined internationalization as: "*The attitude of the company towards foreign activities or a company that undertakes activities abroad*", which has nowadays serious impact on organizations. Consequently, internationalization is considered increasingly important for many companies (Rajagopalan and Spreitzer, 1997). Literature about internationalization highlights a number of advantages for the companies: the possibility of economies of scale (Kogut, 1985), dispersion of market risk, the capacity to achieve cheaper components for production and others (Gomes and Ramaswamy, 1999). Therefore, it has become of great importance for companies which allows them to operate steadily in the long run (Bartlett and Ghoshal, 1998).

International experience of managers is often related to reducing the risk of international affairs (Sambharya, 1996) and it helps managers to run business in other countries. It also has implications for foreign market entry, making it less difficult and less risky. Due to the variety of target foreign markets, a company is faced with different characteristics of demand and a greater spectrum of international actors (Barkema and Vermeulen, 1998). Additionally, moving the barrier of "foreign" and integrating what the manager has learned about a foreign market at his own, has profound impact on his psychological characteristics. Top managers with vast knowledge of foreign cultures possess a unique set of skills that give them greater confidence in managing foreign markets (Hermann and Datta, 2005). CEOs coming from other countries and taking over the position of an existing CEO will naturally be inclined for internationalization of the company (Lin and Liu, 2012). Also, CEOs of SMEs with international experience positively influence the international involvement of their companies (Hsu et al., 2013). There is a research linking the demographic characteristics of the CEO and the strategy of entering the foreign markets with SME's (Laufs et al., 2016).

Teams of top managers who are diverse will more easily recognize the opportunities for overseas expansion through scanning of the foreign environment. Those kinds of managers will use all of their knowledge and business contacts before

entering the new markets. Information of that importance is valuable resources for decision making in the process of internationalization (Nielsen, 2010).

Methodology

In order to select relevant research in the field of internationalization and upper echelon, we searched the Web of Knowledge. As a database search criteria, we used "upper echelon" and "international experience" phrases to get a list of papers that match the criteria. These terms were searched both in the title and in the topic of the paper. We used the lexeme '*' to get other possible combination of upper echelon words like "upper echelons". Following this approach we received an initial list of 45 papers, after which we retained only those papers that are related to "business", "management" or "economic" topics excluding sociology, psychology and other categories. Also, we excluded all types of document types except for research papers published in journals and as book chapters. At the end of the filtration process we got a list of 38 papers that match our search in the period from 1984 (when upper echelon theory was established) to 2016 (listed in Appendix).

Results

The upper echelon theory has been presented in 1984 by Hambrick and Mason (1984) and since then it has been the subject of many research papers. One of the foundations of this theory is demographic characteristics of managers. Sometimes are managers individually like CEOs, and sometimes is the entire team of top managers in the focus of research. However, irrespective of the reporting unit, the demographic characteristics such as ethnicity, gender, age, functional experience and other, were mostly the subject of research. It is important to emphasize that international experience as a demographic variable is dynamic, i.e. it is not present in every manager and it is developing over time.

As a time constraint we took a period from 1984 when the theory was created until 2016, including December. As shown in Figure 1 from 2009 there is a noticeable increase in the number of published papers. Also, since 2010 there is also noticeable jump in the number of citations of these papers within one year (Figure 2). In order to put the area of international experience in the theory of upper echelons into a wider context, Figure 3 shows the number of published papers and Figure 4 the number of citations in the field of upper echelon theory.

It is clear that there has been a significant increase in the number of papers and citations since 2009 in the field of upper echelon theory as well as international experience. During ten years there have been 1 to 2 papers in the field of international experience within the theory of upper echelons while in 2010 that number was 6 and has been steadily maintained all the way till 2016.

Potential reasons for growing interest in this area of research can be found above all in globalization. Encouraged by the crisis in 2008 and the fall of the real economy in almost all parts of the United States, the European Union and the rest of the world, companies had to find stable income and divergence of foreign business risk. As top management team needs to be exceptional to run the business so have internationalization and international experience become the focus of researchers around the world. All this led to intensifying the research of managers' influence on organizational processes, primarily their demographic characteristics such as ethnicity, age, gender, experience, and subsequently international experience.

Figure 1 Published papers per year in the area of internationalization and upper echelon theory

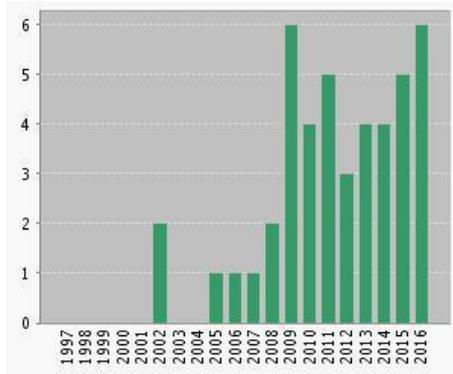
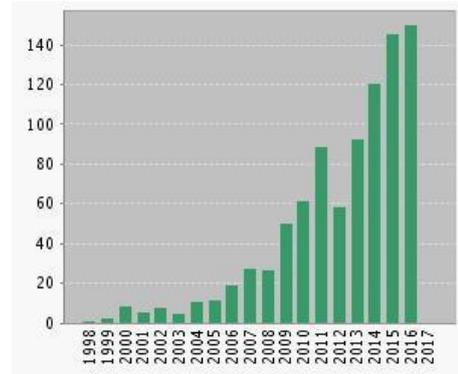


Figure 2 Number of citations per year of papers presented in Figure 1



Source: Web of Science (consulted on 12 December 2016)

Figure 3 Published papers per year

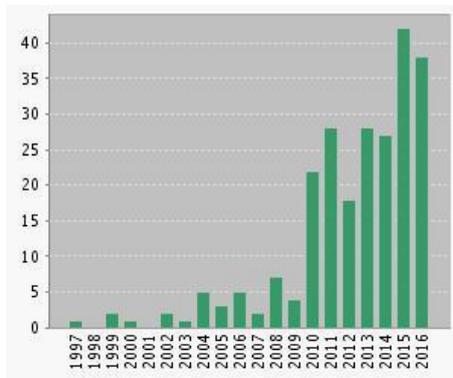
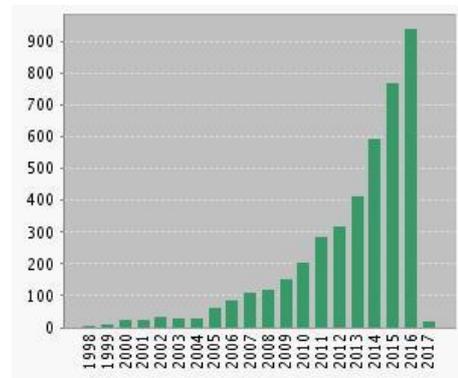


Figure 4 Number of citations per year



Source: Web of Science (consulted on 12 December 2016)

In Table 1 we can see a breakdown by authors' countries. As it is shown, approximately 50% of papers are written in non-English speaking countries such as Germany, Switzerland, Taiwan, Denmark, South Korea, China, India and others while the other 50% of papers are written by authors from English-speaking areas such as USA, England and Australia.

Table 1
Breakdown of Papers by Author's Country (top 5)

Countries/Territories	Records	% of 38
GERMANY	12	31.58
USA	11	38.95
SWITZERLAND	4	10.53
TAIWAN	3	7.90
DENMARK	3	7.90

Source: Web of Science (consulted on 12 December 2016)

Table 1 indicates that European Union countries are among the most productive research areas of the international experience in the upper echelon theory and at the same time are those who issue the most papers which point to the possible universality of the theory, i.e. the influence of international experience of managers on different business segments of the company. To make the theory more plausible it

is necessary to increase the number of researches in the coming years from different countries but also at different organizational levels.

In regards to the main journals in which the papers related to the area of international experience within the upper echelon theory are published (Table 2.), we can see that 36,85% of all papers about that topic in the observed period were published in three journals.

Previous research use Herfindahl Hirschman's HHI concentration index for analysis of concentration of research journals (e.g. Dabic et al., 2015). According to Herfindahl Hirschman's HHI concentration index, we can conclude that this field has a small concentration (HHI 687) because this index ranges from 0 to 10,000 (in case one journal describes the entire area) while 0 is the value that tends to the indefinite number of journals. Although this index is used to calculate market concentration, it is widely used in bibliometric analysis literature.

Unlike the Herfindahl Hirschman's index, the Fidessa Fragmentation Index (FFI) is calculated as an inversion of the Hirschman's H-index. We wanted to know how the journals are fragmented in the international experience topic, so FFI can provide us with this information. This index has a history of analysis in sectors like finance, where it was used to calculate fragmentation of stocks across the market, for example, as shown by Pierron (2010) and Axioglou and Skouras (2011). Since it is an inversion of the Hirschman index it can vary from 1 to 38 papers because there are only 38 papers that address the international experience topic. According to the above stated authors, this index provides the number of papers dealing exclusively with this topic. In our case the FFI is 3.73, which means that most of the papers are concentrated in four journals. As shown in Table 2, nearly 36% of all papers are written in the first three journals or 42% if we include the fourth journal.

Table 2

Top 5 Journals Publishing Papers Related to Upper Echelons and International Experience

Source: Titles	Records	% of 38
JOURNAL OF WORDL BUSINESS	6	15.79
MANAGEMENT INTERNATIONAL REVIEW	4	10.53
BRITISH JOURNAL OF MANAGEMENT	4	10.53
STRATEGIC MANAGEMENT JOURNAL	2	5.26
HANDBOOK OF RESEARCH ON TOP MANAGENT TEAMS	2	5.26

Source: Web of Science (consulted on 12 December 2016)

Based on presented results we can say that this area is still very young and represented in a small number of journals. A large number of papers are published in only one journal so an increase of number of papers in different journals can be expected, as the research area will expand.

According to Table 3, the top five authors wrote 8 different papers, representing 21.05% of the total number of analyzed papers (38). The top five authors represent a total of 625 citations, which is more than 72% of the total number of citations (861) that we have collected and analyzed over a period of time from 1985 to 2016. If we consider the frequency of the author's citation, as can be seen in column (a) of Table 3, the three most cited authors are Carpenter (176 citations, 20.44% of the total number of citations), Sambharya (163 citations, 18.93% of total number) and Herrmann (144 citations, 16.72% of the total number of citations).

However, if we take the most productive authors in the classification (see Table 3, column (d) under the number of papers), the top three authors are Nielsen (3

papers), Herrmann (2 papers) and the rest of the authors each 1, among them listed as top three in alphabetical order - Carpenter (1 paper).

Table 3
Top 5 Most Cited Authors

Author	a) Frequency of author citations	b) Frequency of author citations (n=861)	c) Average citations per paper	d) Number of author's papers	e) Percentage of author's papers (n=38)
Carpenter, M.A.	176	20.44	176	1	2.63
Sambharya, R.B.	163	18.93	163	1	2.63
Herrmann, P.	144	16.72	72	2	5.26
Nielsen, S.	93	8.94	31	3	7.89
Ruzzier, M.	49	5.69	49	1	2.63

Source: Web of Science (consulted on 12 December 2016)

If we look at column (c) and take into consideration the number of citations per published papers, top three authors are still the same. These are Carpenter (176 citations on average, 1 paper), Sambhary (163 citations on average, 1 paper), and Herrmann (72 citations on average, 2 papers). Based on the analysis of the citations and the number of papers published by the authors, we can conclude that the first three authors have paved the path for all the others to come. Also, based on everything said we can conclude that the area is still very young and that new authors like Nielsen and Ruzzier are coming, which further deepen the theory and whose topicality will grow.

Table 4 show the top 5 most popular papers published in the period from 1985 to 2016. The years we have taken into consideration are from 2012 to 2016 and we have analyzed the number of citations per paper. The average number of citations per year for all the mentioned papers is 45.32.

Table 4
Top 5 Most Cited Papers in the Period 1955. - 2016.

Author	Total citations 1955 - 2016	Average citations per year	2012	2013	2014	2015	2016
Total number of papers	861	45.32	58	88	112	132	150
Carpenter (2002)	176	11.00	11	19	17	22	19
Sambharya (1996)	163	7.41	9	14	12	13	13
Herrmann and Datta (2002)	77	4.81	4	4	7	10	10
Herrmann and Datta (2005)	67	5.15	3	6	6	8	8
Nielsen and Nielsen (2011)	53	7.57	2	8	12	12	17

Source: Web of Science (consulted on 12 December 2016)

As in the tables before, the first three papers are works of the same authors. Namely, the first three papers hold almost 50% of the total number of citations. As mentioned above, the top five papers refer to the influence of the heterogeneity of demographic characteristics, including international experience, on some sort of

organizational performance in accordance with the Hambrick and Mason (1984) theories. However, in order for the review to be complete in the next paragraphs, we will devote our attention to the analysis of the topics of all 38 papers in the next section.

Discussion

The main aim of this paper was to undertake a thorough analysis of the literature on the international experience of top managers within the upper echelon theory and to summarize research of over twenty years. Content analysis was made based on 38 papers that dealt with the above mentioned area. The research area was defined with 38 papers and 76 keywords used in the titles. This literature review has the task of combining all the researches carried out on international experience in upper echelon theory and providing insights into potential new directions of research. Also, the meaning of this literature review is to point to the potential deficiencies of the theory that would lead to the realization of its universality.

International experience as a demographic characteristic within the theory of upper echelons was first seen in the work of Sambharya (1996). It is also the base year when research of this area begins. Subsequently, Carpenter publishes significant works in 2002, which further deepen the upper echelon theory with an international perspective. The overall list of the selected research according to the time development is presented in Table 6.

Table 6

The summarized results of systematic literature review of selected papers

Author(s), year of publication	Target country of study	Industry	Research objective(s)
Sambharya, 1996	USA	Fortune 500	Relationship between TMT international experience and international diversification
Carpenter, 2002	USA	Standard & Poors (S&P) industrial index	TMT heterogeneity and firm performance
Herrmann and Datta, 2002	USA	Manufacturing industries	Examines relationship between CEO successor characteristics and foreign market entry mode
Herrmann and Datta, 2005	USA	manufacturing sector	Relationship between TMT demographic characteristics and international diversification
Lee and Park, 2006	USA	Aerospace, computer equipment, food, etc.	Linkage between TMT demographic characteristics, based on upper echelon theory, and firm internationalization
Ruzzier et al., 2007	Slovenia	IPIS Slovenia	Impact of human capital on SMEs internationalization
Lee and Park, 2008	USA	Stock exchange firms	Influence of TMT international experience and international alliances
Patzelt, H., et al., 2009	Europe	European Venture Capital firms	Impact of TMT composition on portfolio strategy choice
Greve et al., 2009	Europe	Banking and insurance	Relationship between TMT configuration and DOI

Author(s), year of publication	Target country of study	Industry	Research objective(s)
Biemann and Wolf, 2009	EU, Japan, UK and the United States	N/A	Analyzes career paths of TMTs based on their international experience
Slater and Dixon-Fowler, 2009	USA	S&P 500	Analyzes if CEO international experience influence corporative social performance
Nielsen, 2010	Switzerland	Stock exchange firms	Relationship between TMT international characteristics and foreign operations ability
Nielsen and Nielsen, 2011	Switzerland	Stock exchange firms	This study is concentrated on link between managers characteristics and foreign entry mode
Chen, 2011	Taiwan	TSEC and GTSM listed firms	This paper examines the effects of TMT characteristics on internationalization and the moderating effect of independent directors on the TMT characteristics - internationalization relationship
Kirca et al., 2012	N/A	N/A	Research which multilevel characteristics impact firms multinationality the most
Lin and Liu, 2012	Taiwan	Stock exchange firms	Relationship between characteristics of successor, DOI and performance
Rivas, 2012	Europe and USA	Stock exchange firms	Relationship between TMT international experience, CEO characteristics and DOI
Hsu et al., 2013	Taiwan	TSEC and GTSM listed SME's	Impact of CEO characteristics on performance of internationalization in SME's
Hutzschenreute, and Horstkotte, 2013	Germany	German stock exchange	Influence of TMT experience on performance, effect of added cultural distance in international expansion process
Kaczmarek and Ruigrok, 2013	Dutch, Swiss, and UK companies	Stock exchange firms	Examines TMT national diversity and firms internationalization
Piaskowska and Trojanowski, 2014	UK	Stock exchange firms	Examines strategic decision-making of TMTs and how those decisions influence internationalization
Schmid and Dauth, 2014	Germany	Stock exchange firms	Examines link between international experience of CEO and stock market
Chittoor et al., 2015	India	BSE 500	Link between foreign market entry of Indian companies and ownership characteristics
Agnihotri and Bhattachary, 2015	India	Consumer goods, automobiles etc.	Relationship between international experiences and export intensity
Dauth and Tomczak, 2016	Poland	Stock exchange firms	Impact of upper echelons internationalization on firms internationalization
Laufs et al., 2016	Germany	German SMEs	Impact of CEO characteristics and SMEs foreign market entry mode
Georgakakis et al., 2016	Switzerland, the Netherlands, Germany and the UK	Stock exchange firms	Impact of international experience on career advancement
Schmid and Wurster, 2016	Germany	Stock exchange firms	Examines hypothesis that international experience of TMT influence pay level

Source: Author's work

International experience and degree of internationalization

There are several studies that are focusing on the impact of international experience on the degree or model of internationalization. Agnihotri and Bhattacharya (2015) point out that the international experience of managers positively affects the export intensity of Indian companies. In addition, Taiwanese companies gain more levels of internationalization when their managers have more international and work experience (Chen, 2011).

International experience is also important at distinct levels, either individually in the form of a CEO or as a group in the form of top management team. In both cases it has a positive influence on the level of internationalization (Rivas, 2012). Therefore, research based on the study of demographic characteristics such as years, experience, education, career development and their impact on internationalization of business are no longer sufficient. In today's globalized world, it is necessary to add international experience to these characteristics. Although there is not much research in the field of upper echelon theory, it is likely that this will change in the future.

International experience also has an important predictive purpose. It can be the predecessor of larger international involvement in top managers who run small and medium-sized companies (Ruzzier et al., 2007).

It is to be expected that teams of top managers with international experience will lead to higher degrees of international involvement due to their superior ability to grasp more complex information and to organize various strategies that precede the entry into the foreign market. Empirical evidence suggests a positive link in this area. Some of them include the degree of internationalization (Lee and Park 2006, Sambharya 1996), degree of international diversification (Herrmann and Datta, 2005) and changes in the international diversification (Wally and Becerra, 2001). Some research even points out that the international experience of a team of top managers as well as national diversity can be the answer to the international strategies (Nielsen and Nielsen 2009; Greve et al., 2009).

International experience and strategic choices

Faced with increasing competition, companies perceive the need for managers who have the attributes and a set of skills for successful management in increasingly complex international conditions (Herrmann and Datta, 2005). Based on the theory of upper echelon, most of the available studies stress out the importance of demographic characteristics of managers as true assessors of their cognitive orientations, values and knowledge, thus influencing the strategic choices (Herrmann and Datta, 2005). Education, functional career and international experience on international alliances and models of internationalization also have an important impact (Lee and Park, 2006, 2008), as well as demographic characteristics on strategic choices (Michailova, 2011).

International experience and foreign market entry

Researchers like Bartlett and Ghosal (1989) and others highlight the importance of managers to understand and conduct foreign business. Kobrin (1984) points out that the manager's knowledge about the foreign market operation and their institution eases the decision-making. Understanding how top management knowledge affects internationalization is important for scientists and top managers as well (Herrmann and Datta, 2005). First of all, entry into a foreign market is accompanied by a high level of uncertainty and risk. Depending on the market entry model - fully controlled (acquisitions and Greenfield investments) or partially controlled - depends

also on the knowledge that the top manager possesses. For example, a top manager with significant international experience in entering the foreign market will use the acquisition strategy (Chittoor et al., 2015) and the model of complete control (Herrmann and Datta, 2002). Some research suggests that companies from the banking and insurance sectors, when entering a foreign market, will look for managers with international experience close to their strategies (Greve et al., 2009). Others emphasize that international experience will reduce the cultural distance and increase the profitability of companies on foreign markets (Hutzschenreuter and Horstkotte, 2013). Nielsen (2010) emphasizes that international experience will moderate the uncertainty and risk of entering a foreign market, will shape its awareness and the way of processing information that will influence decision-making about the choice of strategy (Nielsen and Nielsen, 2011; Piaskowska and Trojanowski, 2014).

Additional benefits of international experience

The experience that top managers gain from working on foreign markets is considered a highly valuable resource for a company that enhances its competitive advantage. Athanassiou and Nigh (2002) points out that international experience is excellent for different sources of information. International experience also affects the salary of the manager. More international experience leads to higher wages, but with some degree of uncertainty, due to the recent data included in the research (Schmid and Wurster, 2016).

International experience and firm performance

By entering the foreign market, the advantages of international experience are likely to be transmitted to corporate results. One of the first researches which demonstrates how nationally heterogeneous teams of top managers are better at managing foreign branches and as evidence provide better business performance for subsidiaries was conducted by Elron (1997). However, there is not much research that investigates the direct links between the internationalization, international experience and business performance. Namely, Carpenter (2002) has linked the positive influence of internationalization to the performance of companies but only with the high degree of internationalization. On the other hand, Wang et al. (2015) points out that hiring managers with international IT experience has a positive impact on both short-term and long-term performance as well as on innovation and operations in overseas countries. Similarly, Nielsen (2010) argues that at highly internationalized organizations, senior managers foster better organizational. However, there are also researches that have not revealed such positive relationships (Dauth and Tomczak, 2016). Therefore, intensifying research of direct impact of business operations should be the focus of future research.

Researchers have over the last twenty years supplemented this gap that has emerged in the literature, but today there is another evident void. The existing literature in the theory of upper echelon, which is facing toward the international context, e.g. (Nielsen, 2010, Lee and Park, 2006, Slater and Dixon-Fowler, 2009, Ruzzier et al., 2007), is mostly based on North American multinational companies.

The overall focus of research is directed at multinational companies, which is logical, given the number of international strategies they undertake. If we want to address problem of international experience within small and medium-sized companies, only two studies are devoted to it (Hsu et al., 2013; Ruzzier et al., 2007). Given that the SME's are playing important role in the economy of the European Union, we think this is a topic that needs to be given more attention.

Conclusion

The paper presents the literature review in the field of international experience of top managers related to the upper echelon theory. We selected 38 research papers in the field from the Web of Knowledge database. Based on the time distribution of the papers, we conclude that the area of research is emerging and it needs to be further explored in different research directions. First, changing the focus from multinational companies to small and medium businesses would significantly improve the theory and contribute to its strength. Second, the influence of the managers' nationality and culture from which they come on the international experience is one of the possible directions of research. Third, the theory has the possibility of uniformity; however, as stated at the beginning, it is necessary to increase the number of researches from other countries.

The question of international experience is the question of knowledge. In today's highly globalized world, knowledge of internationalization strategies is a very valuable resource. If one possesses the knowledge the "psychological" boundaries (Johanson and Vahlne, 1977) in business are reduced. Customs and traditions that were distant and unknown are now close and familiar. Also, as Sambharya (1996) mentions a company recruiting managers with international experience has triple benefits. It serves as a variable to reduce international business uncertainty; (b) it is used as a source of knowledge about a foreign culture (c) international experience is the answer of the company to the growing challenges of market globalization.

Hence, recruiting managers with international experience must be in the focus of companies that have a more international presence in their strategy. They can provide greater speed and quality of the internationalization process. Particularly at a time when there is a great deal of pressure on management and return on investment, especially in the stages of stagnation and recession (Dabic et al., 2015).

The more research-based on small and medium-sized companies is needed, since the deficit of such research is strikingly obvious. This thought is on the trail of Schmid and Wurster (2015) research who have studied the differences of international experience of top managers from Germany and Great Britain. This research concluded that there are significant differences between the two countries. Therefore, as Dabic et al. (2015) pointed out a broader geographic perspective in empirical research is needed to confirm the universality of the theory of international experience in the theory of upper echelon or to determine its affiliation to contextual legality of the size of the organization. Practical implications of this research are primarily directed at managers and business owners. Research revealed that the international experience significantly contributes to the expansion of perception, better resonance, easier and safer management of complex international affairs, and other factors. In addition, international experience, have also significant implications for managers in terms of higher earnings and faster career advancement, as some of the research has shown.

However, when taking into account the results of the research several limitations emerge. First, a large number of researches focus on multinational companies which may indicate that the aforementioned theory is not applicable to small and medium-sized companies. Second, almost all of the research comes from economically developed countries which may indicate that the theory is not applicable to less developed countries. Third, it is necessary to increase the number of researches from different countries to determine whether there is a possibility of unifying the theory. These also represent the fruitful promising topics of future research in the area of internationalization and upper echelon theory.

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Appendix

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