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THE IMPACT OF CULTURAL VALUES ON ESCALATION OF COMMITMENT

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Research in escalating commitment has shown that escalation situations are primarily a function of psychological traits such as self-justification and risk propensity. However, the extent to which these factors affect decision making is dependent upon a number of variables which include the situation, the level of commitment, and the cultural norms involved. No studies to date examine the relationship between escalating commitment and cultural values. The purpose of this paper is to extend the work on escalating commitment by examining it from an international perspective. Research propositions explore cultural values and their impact on the escalation of commitment process.

Culture influences organizational behavior at such a deep level that individuals often lack awareness of its adverse affects. Most researchers have failed to account for the impact of these deeply rooted values and therefore many aspects of organizational theories produced in one culture may not be appropriate in other cultures (Triandis, 1983). This raises the question of whether American theories based on the cultural values of the U.S. have fundamentally shaped management research and therefore imbedded organizational science with inappropriate universal theories (Schneider, 1989). Hence, many recent scholars have called for more research integrating theories across national boundaries in search of broader integrative feworks (Boyacigiller & Adler, 1991; Rahim & Blum, 1994; Wright & Ricks, 1994).

An important variable in organizational behavior research that has yet to be explored internationally is escalation of commitment. Escalation situations occur

when a decision maker is faced with a situation where costs are incurred in pursuit of an objective that is unlikely to occur, regardless of any future course of action undertaken (Schaubroeck & Williams, 1993; Staw, 1981). Thus, the occurrence of escalating commitment is possible anytime such an initial decision is reconsidered. A common example of an escalation situation occurs when businesses continue to lose on an investment because the associated sunk costs often force managers to overlook viable alternatives. Surely, this scenario occurs frequently in the business world and firms of all shapes and sizes experience losses due to their often jaded senses of commitment.

The purpose of this paper is to respond to the above calls for more integrative research by extending the study of escalating commitment to a cross-cultural setting. In doing so, we employ Hofstede's (1980; 1994) cultural dimensions as a theoretical fework for differentiating values across cultures. The need for such an extension seems clear when one considers two important details of modern business: (1) organizational decisions almost certainly face subsequent reevaluation and consideration, and (2) global business is now a reality. Research propositions are developed based on the relationship between escalating commitment and Hofstede's (1980) value dimensions. These relationships may assist managers in recognizing which cultures are more likely to experience escalating commitment, thus enabling them to develop appropriate strategies tailored toward individual cultures.

Escalating Commitment Behavior

Over the past twenty years an increasing amount of research has been conducted that investigates the antecedents and determinants of escalation behavior (Brockner, 1992). An escalation situation occurs when an individual incurs costs in pursuit of a goal that is unlikely to be attained no matter what future actions are taken (Staw, 1981). If the individual follows this failing course of action, he/she is exhibiting escalating commitment behavior (Whyte, 1993). A typical example of this phenomenon is when an individual pursues an investment strategy of increasing investment in a stock when the price is falling.

Most studies of escalation situations have focused on identifying the different psychological elements that determine an individuals' likelihood to continue a losing course of action. Previous research has argued that the most important psychological process is self-justification (Staw, 1976). Essentially an application of cognitive dissonance, decision makers become entrapped in a losing course of action to justify their original decision. In turn, pressure to commit to the original decision increases as an individual seeks to justify the correctness of the original decision (Brockner, 1992). This explanation not only provides intuitive appeal, but also benefits from empirical support (Ross & Staw, 1993; for a comprehensive review of the empirical research see Brockner, 1992). However, other explanations of escalating behavior have recently been offered, the most prominent of these is prospect theory (Brockner, 1992).

Prospect theory is based on the finding (Kahneman & Tversky, 1979) that individuals tend to display risk-seeking behavior when facing a decision alternative in the realm of losses (less than the original expected outcome). Alternatively, risk-averse behavior is expected when facing a decision in the realm of gains (greater than the original expected outcome). Thus, individuals facing an original decision that results in a negative outcome, would likely select an alternative that will return back to them their original expected outcome. Prospect theory suggests that this option is the one associated with the greatest risk. As a result of having the most risk, it is most likely to fail, leaving the decision maker further from the original expected outcome and essentially placing the individual in an escalation situation. Similar to self-justification theory, prospect theory has also received empirical support (i.e., Whyte, 1986, 1993). While prospect theory has received recent interest as an approach for explaining escalation behavior, Brockner (1992) concludes that the majority of evidence suggests that self-justification has more explanatory power than prospect theory. However, Brockner also suggests that situations will occur in which prospect theory can provide important explanations of escalation behavior and thus it should be viewed as a supplementary approach (Brockner, 1992).

Issues involving cultural values have essentially been overlooked in the escalation behavior literature. This is not surprising given that the majority of research efforts have been concerned with identifying the psychological determinants of escalating commitment and not with isolating specific conditions in which culture is influential. However, there is theoretical and empirical evidence which suggests that culture has an impact on these psychological determinants. Therefore, we argue in this paper that cultural values will influence the likelihood of escalating commitment.

Cultural Values

By identifying dimensions of cultural variation, frameworks have been created in which the integration of diverse attitudinal and behavioral phenomena are distinguished, providing a basis for hypothesis generation. Hofstede's (1980, 1994) value dimensions, based on a study of over 116,000 subjects from 66 nations, have been extensively employed by researchers in order to explain cross-cultural differences in a number of areas (for example see Geletkanycz, 1997; Hambrick & Brandon, 1988; Shane & Venkataan, 1996; Smith, Dugan, & Trompenaars, 1996). While Hofstede's (1980) methodologies have received some criticism, overall his typology has benefited from consistent support (see Shane & Venkataan, 1996). For instance, a commentary of Hofstede's work states "such objections might make sense (and might win me some points from my academic colleagues), but let me be willing to concede that there are important differences in national cultures, and I have no important reasons to doubt that Hofstede's conceptual model does an adequate job of allowing these differences to be described" (Goodstein, 1981, p. 51). In addition, Hofstede's work has been cited as developing "four defining

factors of culture backed both by theory and empirical evidence" (Ronen & Shenkar, 1985, p. 446). Therefore, Hofstede's dimensions are used as the basis for cross-culturally analyzing escalation commitment in this paper.

Power Distance, the first dimension, defines the extent to which the less powerful people of a society accept inequality in power and consider it normal (Hofstede, 1980). This phenomenon reflects the values of both the powerful and less powerful members of society. The major characteristics of small power distance countries include the accessibility of superiors and minimization of inequality (Hofstede, 1980). Conversely, large power distance countries are characterized by inequality and the inaccessibility of superiors. In these cultures power is a fact of society and power-holders are entitled to privileges (Hofstede, 1980).

The second dimension, *Individualism*, implies a loose social fework in which people take care of themselves (Hofstede, 1980). On the other hand, collectivism characterizes social in-groups that are expected to take care of their members. In individualistic cultures, identity is based on the individual, and emotional independence from the organization is maintained. In addition, it is held that everyone has a right to a private life and opinion, and strong belief is placed in individual decisions. In collectivist cultures, identity rests in the social system and involvement with organizations is moral. Other characteristics include the emphasis on belonging to organizations and the strong belief placed in group decisions (Hofstede, 1980).

Uncertainty avoidance represents the extent to which a culture is threatened by uncertainty and ambiguous situations and thus seeks to avoid them (Hofstede, 1980). Avoidance is accomplished through greater career stability, the establishment of more formal rules, and the intolerance of deviant ideas and behavior. Cultures with strong uncertainty avoidance are characterized by such factors as the need for consensus and written rules and regulations, as well as the assumption that deviant persons create dangerous ideas. Also, in these cultures, high levels of anxiety and aggressiveness create a strong urge in people to work hard. Cultures of weak uncertainty avoidance believe in the willingness to take risks in life. In such cultures, rules are kept to a minimum, deviation is not considered threatening, and there is more acceptance of disagreement (Hofstede, 1980).

Masculinity, the fourth dimension, reflects the extent to which the dominant values of a culture are assertive and competitive (Hofstede, 1980). Cultures high in masculinity believe performance is what counts, money and material things are important, the successful achiever is admired, and that men should dominate society. Cultures low in masculinity are termed feminine cultures. These cultures believe that men need not be assertive, but can also be nurturing. In contrast to masculine cultures, they believe that quality of life counts most, people and the environment are important, sympathy should be given to the unfortunate or unsuccessful, and equality between sexes should hold (Hofstede, 1980).

Empirical Support of Hofstede

There have been a number of studies that have employed Hofstede's (1980) dimensions in recent years. Many of these studies hold theoretical value related to our current analysis of escalating commitment. Individualism has undoubtedly been invoked most often and has received the most support. For example, Shane and Venkataan (1996) queried 3,020 managers from 28 nations, and found that managers in individualist societies prefer renegade innovation championing strategies. Geletkanycz (1997), in a study of 1,540 managers from 20 countries, recently concluded that individualism is significantly related to executive adherence to existing strategies and leadership profiles. Individualism-collectivism has also been used in a predictive manner in additional studies of organizational equity (Bond, Leung, & Wan, 1982; Hui, Triandis, & Yee, 1991), social loafing (Early, 1989), and inventiveness (Shane, 1992).

High uncertainty avoidance has been linked to rational innovation championing styles (Shane & Venkataan, 1996) as well as preference for rules and procedures to promote innovation (Shane, Venkataan, & MacMillan, 1995). Geletkanycz (1997) found that high uncertainty avoidance was significantly related to executive commitment. In addition, Schneider (1989) concluded that executives from low uncertainty avoidance backgrounds tend to be more entrepreneurial. High power distance has been empirically related to renegade strategies (Shane & Venkataan, 1996), the need for authoritative support (Shane et al., 1995), adherence to existing strategies (Geletkanycz, 1997), and decision monitoring (Child & Kieser, 1979). Masculinity has also received empirical support in recent years. Dorfman and Howell (1988) linked masculinity to leadership style and organizational commitment, and Aldrich (1979) found a relationship between masculinity and change. While the studies reviewed above are examples of empirical studies of Hofstede's (1980) theory, theoretical support also exists. Vitell, Nwachukwu, and Barnes (1993), for example, provided a number of propositions related to the correlation between cultural background, and ethical attitudes.

It can be argued that commitment to an escalation situation may be primarily a function of psychological factors such as self-justification behavior (Staw, 1976) and risk propensity (Whyte, 1986). In addition, the extent to which psychological factors have a high or low priority in decision making is affected by cultural values (Hofstede, 1980). From this it follows that the likelihood of escalation commitment will be affected by cultural values as well (see Figure 1). This leads to the first proposition.

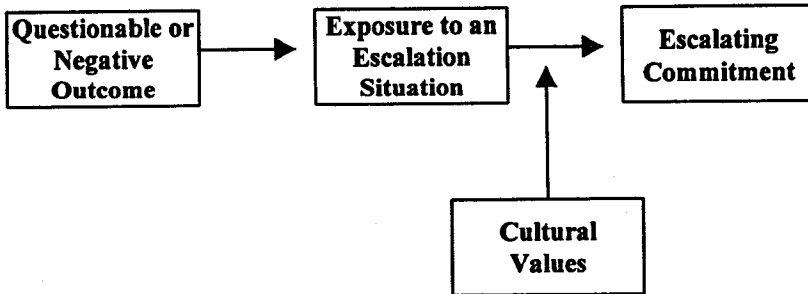
Proposition 1: The relationship between exposure to an escalation situation and escalation commitment is moderated by cultural values.

Escalating Commitment and Cultural Values

We are all culturally conditioned and see the world in the way we have learned to see it (Hofstede, 1980). Because of this people can only step out of the

boundaries imposed by their culture to a limited extent. Americans are no exception, and thus research on escalation commitment has suffered from a limited cultural perspective. However, with the use of Hofstede's (1980) conceptual framework it is possible to examine this variable from a more integrative cross-culture perspective.

Figure 1
Cultural Values as a Moderating Variable of Escalation Commitment



Much of the research on escalation behavior has relied on cognitive theories with self-justification likely being the most relevant (Staw & Ross, 1987). In contrast to analyzing the costs and benefits associated with a project, this line of research has emphasized how negative consequences lead to increased continuance. Escalating commitment research has shown that decision makers may seek to justify an ineffective course of action by increasing their commitment to it (Staw, 1976). Thus, those feeling responsible for previous losses (an ineffective course of action) may invest an increasing amount of resources into a less opportune course of action in hopes of turning things around and saving their original decision from being a failure (Staw & Ross, 1987).

This need for justifying an ineffective course of action has been shown to result from such factors as the extent of responsibility for losses, ego-defensiveness, and the involvement of others in the situation (Staw & Ross, 1987). All else being equal, the greater the responsibility for losses of a decision maker, the more likely an escalation situation is to occur. Moreover, the greater the ego of the decision maker, the greater the likelihood of an escalation situation. Finally, the greater the involvement of others in decision making, the less likely it is an escalation situation will occur (Staw & Ross, 1987).

Consistent with these three characteristics is Hofstede's (1980) masculinity dimension. Because cultures high in masculinity believe independence is ideal and performance is what counts, it is likely that responsibility for losses by the decision maker in these cultures will be high. Similarly, because masculine cultures believe men should be assertive, machismo is appreciated and success is admired, it is

likely that the ego of decision makers from these cultures will be high. Again, because performance is what matters and independence is considered ideal, it is likely that involvement of others in decision making in these cultures will be low.

Following the same logic, feminine cultures can be viewed as the opposite of masculine cultures. In feminine cultures men assume a more nurturing role and equality of sexes provides a unisex ideal. Moreover, performance takes a back seat in importance as quality of life is stressed. In line with this view, people and the environment are considered important as opposed to money. Finally, these cultures view interdependence as the ideal and show sympathy for those who are unfortunate as opposed to praising those who are successful (Hofstede, 1980). Thus, the following proposition is offered.

Proposition 2: The higher the level of masculinity in a culture, the more likely that an escalation situation will lead to escalation of commitment.

Also consistent with the self-justification explanation of escalation commitment is Hofstede's individualism dimension. In these cultures identity is based on the individual and everyone is expected to take care of themselves and their family. In addition, initiative and achievement are emphasized, and leadership is highly regarded. For these cultures, belief is placed in individual decisions (Hofstede, 1980). Following the lines of self-justification research (Staw & Ross, 1987), decisions left to the individual are more likely to result in escalation commitment. In addition, the degree of responsibility for losses would be high for decisions made by an individual. This will also increase the likelihood of escalating behavior. Therefore, escalation commitment is more likely to occur in individualistic cultures.

On the other hand, in collectivist cultures, identity is based on the social system as opposed to the individual. Collectivist cultures emphasize organizational membership and individuals depend on this emotionally. In these cultures, emphasis is placed on the group decision (Hofstede, 1980). Self-justification theory suggests that as involvement of others in decision making increases, the likelihood of escalation commitment decreases (Staw & Ross, 1987). Furthermore, this suggests that the responsibility for losses faced by an individual in this type of situation is likely unclear because decisions are made as a group. Thus, escalation commitment will be less likely to occur in collectivist cultures. This leads to the following proposition.

Proposition 3: The higher the level of individualism in a culture, the more likely that an escalation situation will lead to escalation of commitment.

Hofstede's power distance dimension may also affect a decision maker's propensity for self-justification. Small power distance cultures are characterized by the belief that all people should have equal rights. These cultures are trusting of those at various power levels as harmony exists between the powerful and the powerless (Hofstede, 1980). With this trust, authority for decision making is much

more distributed among the many than the few. Thus, many people may not only be held responsible for making decisions, but also for the ramifications of such decisions. An example is the concept of management by objectives (MBO). The use of such a technique involves a small power distance relationship in which subordinates are sufficiently independent to negotiate with their supervisor. In addition, both view performance as important and are willing to take risks to achieve it (Hofstede, 1980). As discussed above, there is a greater likelihood of escalation commitment under such conditions (Staw & Ross, 1987; Whyte, 1986).

Contrary to small power distance cultures, large power distance cultures are characterized by the belief that power is a basic fact of life and those who have power are entitled to privileges. In addition, a latent conflict exists between the powerful and the powerless (Hofstede, 1980). For these reasons, decisions are left up to the powerful while the less powerful simply follow rules or orders. Because of this, blame can be assigned to the more powerful and a comfort level can be reached by the less powerful majority. As such, responsibility for a course of action may be held by only the minority who make decisions. In addition, this order of inequality is understood and accepted which protects one's place in the order. Thus, the powerful majority (the decision makers) will likely not engage in risky behavior nor feel pressure to perform well. Under such circumstances escalation commitment is less likely to occur. Thus, the following proposition is offered.

Proposition 4: The lower the level of power distance in a culture, the more likely that an escalation situation will lead to escalation of commitment.

As reviewed above, another area of study that escalation behavior research has relied on is prospect theory. This explanation suggests that as more and more resources are allocated to a failing course of action, decision makers have two options: either they can cut their losses or they can proceed to commit to the previous course of action (Whyte, 1986). This assumes that individuals in an escalation dilemma believe that they are in a losing situation and rather than accept a loss if they were to stop allocating resources, they will continue to add additional resources in hopes of turning the situation around (Brockner, 1992). This is certainly a more risky option than ending the commitment. Thus, it is more likely to fail, leaving the decision maker further from the desired outcome.

Related to this view of escalating commitment is Hofstede's uncertainty avoidance dimension. Cultures weak in uncertainty avoidance have more of a willingness to take risks than those strong in uncertainty avoidance. These cultures believe the fewer the rules the better, and are more tolerant of different ideas. On the other hand, cultures strong in uncertainty avoidance have a great concern for security in life and feel the need for written rules and regulations. They also feel a great need for consensus and generally believe that uncertainty is a continuous threat that must be fought (Hofstede, 1980). Because cultures with strong uncertainty avoidance are likely to avoid risk, it is probable that the risk taking of decision makers in these cultures will be low. Similarly, it is likely that risk taking of

decision makers in cultures with weak uncertainty avoidance will be high. This leads to the following proposition.

Proposition 5: The weaker the uncertainty avoidance in a culture, the more likely that an escalation situation will lead to escalation of commitment.

Discussion

The purpose of this paper has been to extend the work on escalation of commitment by examining its likelihood in differing cultural situations. Smith and Bond (1993) note the frequent failures to replicate behavioral and psychological findings from American studies in other cultures. This casts doubt on the cross-cultural validity of Western theories and suggests the need for studies in which the conceptualization of culture is given a major role (Smith et al., 1996). It has been argued in this paper that the study of escalating commitment has suffered from such failures. The research propositions set forth have been designed to address this apparent void in the literature on the escalation of commitment phenomenon.

The thrust of our theoretical position holds that culture is a moderating variable of escalation commitment and thus escalation situations are likely to vary depending on different cultural values. Specifically, the research propositions suggest that escalation commitment is more likely to occur in cultures characterized by varying degrees of masculinity, individualism, power distance, and uncertainty avoidance.

An important research implication of this paper is that escalation commitment may be best analyzed at the cross-cultural level. Future investigation is needed which examines this complex variable from a multidimensional international perspective. As a start, this study could be tested empirically by comparing the results of a few separate cultures in their likelihood to experience escalation commitment. For example, samples could be drawn for Japan, Mexico, and the United States, using an escalation commitment scale and national groups as the unit of analysis. The potential for future research in this area is rich. Opportunities exist for studies empirically examining the propositions discussed in this paper, as well as integrating other areas of research cross-culturally. For example, future research is also needed which examines the relationship of escalation commitment and individual ethics at the international level.

The use of Hofstede's (1980) dimensions may have some limitations according to various critical assessments of these variables. Hofstede's (1980) use of one firm, albeit to control for organizational culture, can be argued a strength or a weakness. Moreover, additional moderating variables must be considered such as economic conditions, performance at work, and subcultural values (Vitell et al., 1993; Golembiewski, Boudreau, Goto, & Murai, 1993). While Hofstede's research has received much attention as a measure of cultural values, researchers may elect to utilize a different framework.

An alternative that may be considered in place of Hofstede's is the recent work of Trompenaars (1994). In a study of approximately 15,000 workers from 50 countries, Trompenaars (1994) defined several cultural value traits which relate to human behavior. The cornerstone of Trompenaars' (1994) typology are his five cultural value dimensions: affective versus neutral cultures, specific versus diffuse cultures, universal versus multiple cultures, individualism versus collectivism, and achievement versus ascription.

The first of Trompenaars' dimensions appears to have theoretical significance in the scope of the present paper. Individuals in affective cultures tend to exhibit their emotions while members of neutral societies keep their emotions carefully controlled and subdued (Trompenaars, 1994). Relative to decision-making, affectively oriented people are more likely to attach an emotional context to decisions while neutrality is associated with more of a rational decision-making approach. Thus, affective cultures may be more inclined to engage in escalating commitment. As discussed earlier, escalation commitment is more likely to occur in cultures that are less rational in the decision-making process. Trompenaars' (1994) research revealed that, in the United States, neutrality appeared to be the dominant orientation. Conversely, in Latin America, affectivity dominates. Trompenaars suggests that "Americans tend to exhibit emotion, yet separate it from rationale decisions" (Trompenaars, 1994, p. 72). He then states that, in affective-oriented countries, individuals tend to engage in emotional decision-making. Thus, it appears that Latin Americans are more prone to emotional decision-making than North Americans, and perhaps to escalating commitment as well.

An understanding of the cultural ramifications of escalating commitment may prove useful for managers of multinational corporations operating in many parts of the world. Thus, a practical implication for managers is that investment decision making criteria used by Americans is likely not universal. As such, future tests of data may prove useful in helping managers consider culture when delegating investment decisions to foreign managers abroad. Overall, it is hoped that this paper will serve as a foundation for future studies investigating the relationship between cultural values and escalation commitment. Managers of firms may also benefit with renewed insight regarding the impact of culture on investment decision making.

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