

Argumentation Rationality in the German and Korean Automotive Industry

Axel v. Werder
Dong-Sung Cho
Till Talaulicar

To be successful and to gain support by their reference groups, managers back their decisions by arguments. These managerial argumentations mirror the thoroughness of the decision preparation. In short, they reveal the decision's argumentation rationality. Obviously, the argumentation rationality or the thoroughness of the decision preparation, respectively, can vary. Among other things, cultural and institutional factors will impact the level of argumentation rationality in management decisions. Studying Germany and Korea, this paper identifies differences between the two countries with regard to certain aspects of national culture and corporate governance which can be related to decision preparation behavior. Based on this research, hypotheses on the argumentation rationality differences between German and Korean management decisions are developed and tested using data drawn from publicly available accounts. Altogether 356 accounts were selected which report on three types of change actions in the German and Korean automotive industry and were published between 1990 and 1997. Intra- and inter-country analyses were carried out for revealing typical patterns and country-specific differences of argumentation rationality. Inter alia, it turns out that differences between the decision preparation of German and Korean managers cannot be captured in a simple black-white manner. Rather results of comparing argumentation rationality in the two countries vary with the aspects of decision preparation considered and indicate the usefulness of a differentiated perspective on the studied phenomena

1. INTRODUCTION

In the process of solving complex management problems, usually reasons or arguments, respectively, are put forward that support (and sometimes speak against) the recommended solution. A recent example is the intense debate about the merger between UK's leading mobile communications company Vodafone AirTouch and the German Mannesmann corporation.

At November 16th, 1999, Vodafone AirTouch published a press release presenting the strategic and economic advantages of a merger between Vodafone AirTouch and Mannesmann. Mannesmann's management board, however, rejected the proposal because they were convinced to be more successful when staying independent. After that, Vodafone AirTouch decided to pursue this merger strategy even against the conviction of the Mannesmann management board and announced an intended offer to Mannesmann shareholders at November 19th, 1999. What followed was one of the most intensive and expensive corporate campaigns of both companies for gaining the support of the addressed shareholders for their opposing strategies. Both CEOs, Vodafone's Chris Gent and Mannesmann's Klaus Esser, were in the limelight and strove for the agreement of the institutional investors as well as the remaining owners of Mannesmann's widely distributed stock with Vodafone's or Mannesmann's plans, respectively. The two companies appeared

to try to reach this goal by using means of argumentation rather than rhetoric. E.g., in a Mannesmann press release of December 17th, 1999, the company's communication strategy was termed "persuasion based on providing information."

At the end, Vodafone AirTouch's campaign prevailed against the defense efforts by Mannesmann: Mannesmann's management board members gave up their position on February 3rd, 2000, and recommended the merger after Vodafone AirTouch had improved its offer again. The following day, the supervisory board of Mannesmann approved this agreement, too. Figure 1 depicts a simplified summary of Chris Gent's reasoning for the preferability of his merger strategy which he put forward in his letter to the Mannesmann shareholders enclosed in Vodafone's official offer from December 23rd, 1999.

As this example should illustrate, the reason why managers back their decisions by arguments is that they want – or have to – convince their addressees (e.g., superior managers, the board of directors, investors and so on) of the soundness of that decision. In doing so, they inform about the decisive points of the measure in question which have been analyzed in the problem solving process. Thus, managerial argumentations mirror the thoroughness of the decision preparation. In short, they reveal the decisions' *argumentation rationality* (v. Werder 1994; v. Werder 1999).

Obviously, the argumentation rationality or the thoroughness of the decision preparation, respectively, can vary. Management decisions can be supported by more or less complex and convincing lines of reasoning. In other words, they can be more or less sound. These alternatives to prepare managerial measures more or less intensively raise two important questions. The first is the question about the impact of different levels of soundness or argumentation rationality, respectively, on the success of the corresponding management measure and thereby on the performance of the company. The second is the question about the factors that influence the argumentation rationality level.

The first question concerns the fundamental problem of whether or not management does matter (see the discussion in v. Werder 1999, p. 673 f.). As has been argued in previous work, one can hypothesize that management has an optimal impact on a company's performance if it chooses the right level of argumentation rationality for preparing decisions. Which rationality level is right, however, is contingent on the management situation (v. Werder 1999, p. 674).

Directly testing this hypothesis seems still to be an unfruitful undertaking. Too few insights into the relationship between argumentation rationality and the performance of companies exist at this point of time. However, this lack of knowledge can be reduced by addressing the second question outlined above – the question about the factors that influence the argumentation rationality level. This paper contributes to this necessary research. It analyzes the impact of cultural and institutional factors on the level of argumentation rationality in management decisions. Employing methodology of account analysis introduced by Lewin for the research project on New Organization Forms in the Information Age (NOFIA) (Lewin 1996; Lewin and Hunter 1998, p. 274 ff.; Hunter 1999, p. 96 ff.), management decisions in the German and Korean automotive industry reported in publicly available accounts are analyzed to find out typical patterns and country-specific differences of argumentation rationality.

Figure 1: Arguments in the Debate about the Merger between Vodafone AirTouch and Mannesmann (Based on Vodafone AirTouch CEO Chris Gent's Letter to the Shareholders of Mannesmann on December 23rd, 1999)

- Because A1: The merger of the both companies promises a better development of the shareholder value and is in the best interests of the shareholders.
- Because A11: The merger creates worldwide presence and a global telecommunications leader.
- Because A111: Both companies are ideal partners.
- But A1111: The management of Mannesmann stressed the existence of major strategic differences between the two companies after the announcement of Vodafone's intent to merge.
- But A11111: In fact, both companies share a common vision with respect to the opportunities of mobile voice, data, and internet.
- Because
- Because A112: Vodafone AirTouch has always followed a global strategy.
- Because
- Because A113: To date, Mannesmann has focused only on investing in the European market.
- Because
- Because A12: Global presence creates advantages for the combined company.
- Because A121: Global presence includes presence in the U.S. market, the world's leading mobile phone market and the world's most advanced internet economy.
- Because
- Because A13: Mobile phone and mobile multimedia services offer prospects for growth, which can better be realized by the combined company than by Mannesmann alone.
- Because A131: Analysts expect mobile data and internet traffic to accelerate rapidly, as soon as the technology allows.
- Because A132: Information services, e-commerce and video over mobile will be the most important growing sectors of the larger global providers in the near future.
- Because A133: The return characteristics of investments in mobile services are more favourable than those for fixed network communications.
- Because
- But A134: Providing fixed services is still necessary up to now.
- Because
- Because A14: The offer by Vodafone AirTouch is generous and represents a significant premium to the standalone value of Mannesmann's businesses.
- Because A141: Mannesmann's shareholders receive a 68.8 per cent or 84.0 per cent, respectively, premium to the closing price of a Mannesmann share on October 20, 1999 (the day on which the terms of Mannesmann's offer for Orange were announced) or October 21, 1999 (the day following Mannesmann's offer for Orange), respectively.
- Because
- But A142: The management board of Mannesmann has repeatedly rejected the modified offer by Vodafone AirTouch and placed increasing higher valuations on Mannesmann.
- But A1431: The management board of Mannesmann has not justified its valuation in detail.
- Because
- Because
- Because A15: Mannesmann values independence and control too much.
- Because A151: The cost of Mannesmann's independent strategy is considerable.
- Because
- Because A16: The merger of the two companies can be realized peacefully with respect to social affairs.
- Because A161: There will be no redundancies as a result of this transaction.
- Because A162: A co-determined supervisory board will maintain.
- Because A163: Düsseldorf will remain the headquarters of Mannesmann.
- Because

The study is based on the concept for investigating the argumentation rationality of managerial reasoning developed by v. Werder (1994; 1999). After a short sketch of this concept in section B (for more details see v. Werder 1999), the research hypotheses are elaborated (section C). In section D follows the description of the sample as well as the analysis and the discussion of the empirical data. The paper ends with an outlook on further research (E).

2. MEASURING ARGUMENTATION RATIONALITY

The soundness of a management decision or the thoroughness of its preparation, respectively, can be assessed by the convincing power of the arguments that are put forward by the advocate of the recommended change action to support the decision. The more thoroughly founded the arguments are, the higher the argumentation rationality (and thus the cognitive foundation) of the change action tends to be. In order to measure the argumentation rationality of complex managerial decisions more precisely, v. Werder (1994; 1999) has developed an ordinal scale of argumentation rationality, elaborating the argumentation theory of Stephen E. Toulmin (Toulmin 1958; Toulmin, Rieke, and Janik 1979). This scale encompasses four main levels of argumentation rationality and contains a further differentiation of one of these main levels. The main levels are the unfounded, the global-founded, the detail-founded and the qualified-founded decision or change action (Figure 2).

An *unfounded change action* has the lowest level of argumentation rationality since management does not support its recommended measure by any reason. In the case of *global-founded change actions* decisions are backed with propositions about the positive consequences of the proposed alternative for the realization of certain goals. Yet, there is no further backing for the global consequence propositions. It is not explained, *why* the recommended measure will realize the pursued goals.

If global consequence propositions are not only stated but backed themselves, there are then *detail-founded change actions*. The argumentation rationality of detail-founded decisions varies according to the soundness of the detail-reasoning. Consequently, this main level of argumentation rationality can be further differentiated. According to a simplified scale, a detail-founding argumentation can be evaluated with regard to its depth, its breadth, and its pro/contra relation.

The *depth* of an argumentation complex describes the number of *argumentation layers* over which the reasoning is developed. This attribute refers to the fact that arguments directly supporting a global consequence proposition can be questionable as well. In this case, these arguments must be backed with further reasons to increase the soundness of the argumentation. Doubts about the reliability or the relevance of arguments thus open another "round of reasoning," leading to a second layer of the argumentation complex. Since the arguments of the second round of reasoning can be doubtful as well, these reasons themselves eventually have to be backed. Depending on their comprehensiveness, argumentations can therefore be more or less *flat* or *deep*, respectively.

Figure 2: Main Levels of Argumentation Rationality (Simplified Scale)

Change Action:	
Basic Claim:	
Unfounded Change	<input type="checkbox"/>
Global-Change	<input type="checkbox"/>
Detail-Change	<p><i>impartialit</i></p> <p><i>partial</i> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <i>impartia</i></p> <p style="text-align: center;">0 1 2 3 ? 4</p> <p style="text-align: center;"><i>contra-arguments considered</i></p>
	<p><i>depth</i></p> <p><i>flat</i> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <i>deep</i></p> <p style="text-align: center;">0 1 2 3 ? 4</p> <p style="text-align: center;"><i>times more than two layers of detail-reasoning</i></p>
	<p><i>breadth</i></p> <p><i>narrow</i> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <i>broad</i></p> <p style="text-align: center;">0 1 2 3 ? 4</p> <p style="text-align: center;"><i>times more than two reasons backing an argument</i></p>
Qualified-Change	<input type="checkbox"/>

An argumentation's *breadth* depends on the number of arguments put forward to discuss a proposition on the higher layer. Since global consequence propositions can be backed by a variety of reasons, a complex argumentation can follow various *argumentation lines* and thereby be more or less *narrow* or *broad*, respectively.

The *pro/contra relation* of an argumentation provides information about the proportion of reasons in support of (*pro-arguments*) and in objection to (*contra-arguments*) the proposition in question. This relation is especially important in the context of complex, unstructured management decisions. Such decisions by definition are always risky, so that

possible contra-arguments should be considered. With respect to its pro/contra relation, an argumentation can be more or less partial or impartial, respectively. *Partial argumentations* are biased toward the proposition and take only a few or even no contra-arguments into account. In contrast, *impartial argumentations* include a more balanced ratio of pros and cons.

Within the main level of detail-foundation, an argumentation as a whole can thus be evaluated as to whether it is flat or deep, narrow or broad, and partial or impartial. These three items are each operationalized exploratively by a five-level semantic differential as defined in Figure 2. Combining the potential values of the three rationality variables results theoretically in 125 possible patterns of detail-founded reasoning. Obviously, not all of them make sense. In v. Werder (1999, p. 683 f.), therefore, four specific and meaningful types of detail-reasoning are introduced. The *A-Form* represents a partial and flat and narrow reasoning (e.g., 0_i-0_d-0_b). This type of argumentation has of course the lowest degree of rationality within the main level of detail-foundation. The characteristic of the *B-Form* of reasoning is that the argumentation is broader than deep, and usually less partial (e.g., 2_i-0_d-2_b). Here, quite a lot of aspects of the management problem are taken into account but are not elaborated in great detail. The *C-Form* is typical for a controversial reasoning which comprehends a considerable number of contra-arguments, while being at the same time comparably flat and narrow (e.g., 3_i-0_d-0_b). Finally, in case of the *D-Form* the reasoning is deeper than broad, and usually more partial (e.g., 0_i-2_d-0_b). That means that only a few aspects are considered; these aspects, however, are investigated more thoroughly.

The fourth main level of argumentation rationality, called *qualified-founded change action*, is achieved, if the state of the issue-related accessible knowledge has been completely exhausted while preparing the decision. In this case stop criteria for a meaningful limitation of the depth and the breadth of an argumentation are met (for details, see v. Werder 1999, p. 686). Since the reasoning takes all relevant aspects into account, demanding additional arguments epistemologically is not justified. Thus, the main level of a qualified-founded change action is the form of decision making with the highest degree of rationality.

3. THEORETICAL FRAMEWORK OF THE STUDY

3.1. The Importance of the Environment as a Strategic Variable

There are many debates on what causes firms to succeed. Building upon the four factors proposed as the essence of strategies by Andrews in 1971 – external conditions, internal capabilities, management philosophy, and social responsibilities – theorists of strategy have developed the following three perspectives¹ (for more details, see the discussion in Cho and Lee 1998).

The first perspective views the thoughts and the behavior of the subject who makes and executes the strategies of a company as the most decisive factor in the success of a firm

¹ Of course, the three paradigms discussed are not exclusive. A number of other paradigms such as game theory, agency theory, institutional theory and so forth, has emerged in the strategy field since the 1980s. In this paper, however, we chose what we see as the major streams of research in strategy theory.

(Child 1972; Hambrick and Mason 1984; Westley and Mintzberg 1989; Nanus 1992). The role of top management is especially important in this line of argument. The chief executive can either indirectly affect the success of the firm by means of communication patterns (Barnard 1938), strategies, or organizational structures (Chandler 1962; Child 1972) or directly influence the success by offering visions of the future or by promoting the organizational commitment in the course of delivering them to its members (Westley and Mintzberg 1989; Nanus 1992).

The second perspective emphasizes environmental factors surrounding a firm. These factors include the industry's structural characteristics (Porter 1980; Porter 1985), management conditions of the country (Porter 1990; Kogut 1993), density or the distribution of similar kinds of companies (Hannan and Freeman 1977; Hannan and Carroll 1992), or the industrial policies of the government (Johnson 1982; Okimoto 1989). According to this paradigm, the success of the firm depends more on external conditions than on its internal factors.

Quite opposite to the second, the third perspective stresses the importance of internal resources for the success of a firm. According to this resource-based perspective, success depends more on its resources than on environmental factors (Wernerfelt 1984; Prahalad and Hamel 1990; Barney 1991; Conner 1991; Grant 1991; Mahoney and Pandian 1992; Peteraf 1993; Nonaka and Takeuchi 1995). Firms in the same field react differently to environmental changes because each one differs in its resources. To be successful, the company should quickly grasp environmental changes and formulate appropriate strategies. More important, however, is the effective implementation of the formulated strategies. The company should either possess or create necessary resources in order to implement the strategies successfully (Barney 1986; Dierickx and Cool 1989).

As discussed above, the existing paradigms of strategies explain the causes of business success from various perspectives: subjects (S), environment (E), or resources (R), respectively. Furthermore, these three paradigms properly reflect the economic and business circumstances in which they were argued and accepted.

The first, subject-based, paradigm was immensely popular in the early part of the twentieth century, when the firms were relatively young, small, and simple in business portfolio. Management control of most companies was still in the hands of founders/entrepreneurs. The firms did not have many resources, either human or financial, and faced a comparably stable environment that was not much different from those their competitors faced. Therefore, top management was the most salient factor in determining the performance of firms.

In the wake of the first Energy Crisis in 1973 and the second one in 1979, the concern of the top management in major firms suddenly shifted to analyzing the industries they had been in to see if they would be as attractive as before. Particularly hit were oil-oriented industries such as petroleum refining and petrochemical, and oil-dependent industries such as automobile and shipbuilding. In the midst of these turmoils, top management scrambled to secure effective means to understand industry dynamics. The second, environment-based, perspective that would evaluate potentials of various industries was a natural fit during this period.

The environment-based perspective, however, deviated the attention of top management away from securing and utilizing their resources. Instead, they would argue the importance of protecting the domestic environment with the aid of the government, resulting, for example, in raising trade barriers against importation of automobiles and semiconductors between the United States and Japan. Such an externally oriented attitude brought more

harms than benefit to the competitiveness of the U.S. economy and companies. Contrary to the expectations of major firms such as GM and IBM with certain degrees of influence over the government that they would survive and prosper through government protection in the form of trade barriers, their competitiveness gradually eroded in the long run vis-a-vis foreign firms that were living under cut-throat competition. It was in this context that a number of scholars started to argue the importance of internally developed resources such as core competence, capability, and tacit knowledge.

The above review of the strategy paradigms in the past several decades shows that scholars had identified only one of the three variables, subject, environment, and resources, as the most salient variable in strategy decisions at a certain point in time. However, we all know that the real world is composed of all of the three variables, regardless of which perspectives strategy scholars would argue. The subject should be able to scan the external environment carefully and identify more important attributes that might affect the outcome of the chosen strategy, and utilize and explore the internal resources that they can mobilize and create. In this context, all three variables should be given fair opportunities to be learned by strategic managers, albeit their relative importance might vary by specific situations. We, therefore, propose a paradigm – the “ser-M” view – which focuses on the interactions between subject (s), environment (e), and resources (r) and integrates them into a dynamic mechanism (M) (for more details see Cho and Lee 1998).

Furthermore, we are able to group these three variables under two broad categories, firm-specific and industry-specific. The subject and resources vary by the firm, while the environment is typically industry-specific, that is, the environment is the same or similar among the firms that compete with another in the same industry. Therefore, we may need to choose the environment as the most important independent variable when we construct a generalized model of strategy development. Especially in the case of cross-country analysis, we have to emphasize environmental variables for explaining similarities or differences between management practices in the studied countries. Since we reduce our analysis to the automotive industry, we may assume that different management practices within one country are mainly dependent on varying subjects and resources. Causes of cross-country differences, however, will be environmental in nature.

Focusing on environmental factors we argue that culture and corporate governance are conspicuous contingencies for explaining differing decision preparation behavior. Two streams of research that are dedicated to building theories about cross-country differences of management practices guide this choice. One stresses cultural impacts on management, the second views managerial behavior as being shaped by social, political, or economic institutions which might vary by countries. According to Hofstede, up to 50 percent of cross-country differences in work-related values that also affect management practices can be explained with regard to cultural differences (cf. Hofstede 1983, p. 78; Hofstede et al. 1990, p. 288). Governance structures, inter alia, reflect the institution of specific nation state forms of capitalism the importance of which for understanding managerial practices have been emphasized by scholars like Child (1981, p. 320 ff.); Whitley (1994, p. 157 ff.); Calori et al. (1997, p. 682 ff.); Lewin, Long, and Carroll (1999, p. 541 f.). We, therefore, will describe the two constructs of culture and corporate governance and reveal their systematic relation to argumentation rationality. Furthermore, we will identify differences between Germany and Korea with regard to specific aspects of culture and corporate governance and explore hypotheses about the effects of these variables on argumentation rationality (Figure 3).

Figure 3: Theoretical Framework of the Study

4. CULTURE AS A STRATEGIC VARIABLE

The importance of culture for argumentation behavior cannot be doubted seriously in this context though its general impact on management is sometimes overestimated (Nasif et al. 1991, p. 82; Sullivan 1997, p. 387). It is worth noting that we do not think about culture as the only cause of cross-country differences. Culture is a major but not the only aspect of national distinctiveness (Child 1981, p. 328; Kelley, Whatley, and Worthley 1987, p. 19; Cheng 1989, p. 5; Hickson and Pugh 1995, p. 15 ff.; Sullivan 1997, p. 390). As already mentioned, we take other variables into account, namely corporate governance, that are distinct from culture, as will be shown below. Furthermore, we are aware that culture and country (or nation, respectively) are not necessarily equal (Child 1981, p. 307; Bhagat and McQuaid 1982, p. 654 f.; Sekaran 1983, p. 67; Kelley, Whatley, and Worthley 1987, p. 19; Ricks, Toyne, and Martinez 1990, p. 224; Nasif et al. 1991, p. 82; Tayeb 1994, p. 431 f.; Georgas and Berry 1995, p. 121; Triandis 1995, p. 3 f.; Boyacigiller and Adler 1997, p. 400). Nevertheless, we assume spatial congruence of culture and nation because possible ethnic and regional cultural differences within Germany or Korea can legitimately be neglected in our case. We stress the differences between the two countries on the nation

level that will prevail even when averaging cultures across societal groups (Hofstede 1983, p. 77 f.; Hickson and Pugh 1995, p. 25; Harzing and Hofstede 1996, p. 308; Lubatkin et al. 1998, p. 672)².

For elaborating cultural influences and deriving sound hypotheses about its impact on managerial argumentation rationality, the construct of culture has to be contemplated more carefully. There is no widely accepted and shared definition of culture (Kroeber and Parsons 1958, p. 582; White 1959, p. 227; Bhagat and McQuaid 1982, p. 653; Adler 1984, p. 49; Roberts and Boyacigiller 1984, p. 428; Schneider 1988, p. 232; Bhagat et al. 1990, p. 60; Redding 1994, p. 331; Georgas and Berry 1995, p. 125 f.; Boyacigiller and Adler 1997, p. 402). Instead, culture is an ill-defined and elusive phenomenon. One of the difficulties when explicating the term culture is its use in different sciences. Culture is studied not only in anthropology and ethnology but also by biologists, psychologists, sociologists, as well as by political, economic, and business scientists (Schneider 1988, p. 232; Boyacigiller and Adler 1997, p. 402). More importantly, culture definitions rely on specific paradigms whose fundamental assumptions may sometimes diverge or that might even be incommensurable (Smircich 1983, p. 339; Boyacigiller and Adler 1997, p. 402 ff.). Because of the limited scope of this paper, we will not enter this paradigm discussion that meanwhile has also reached the field of international business research (Steinmann and Scherer 1997, p. 78 ff.; Toyne and Nigh 1997, p. 3 ff.). Instead, we want to identify definitions and dimensions of culture that seem to be appropriate for our research purpose.

Kluckhohn (1951); White (1959, p. 227 ff.); Kluckhohn and Strodtbeck (1961, p. 4 ff.); Hofstede (1980, p. 25 ff., 42 ff.); Child (1981, p. 323 ff.); Bhagat et al. (1990, p. 60 ff.); Triandis (1994, p. 110 ff.); Boyacigiller and Adler (1997, p. 400 ff.) and others have made intriguing (and partly critical) literature reviews of the culture concept. In contrast to the broader definitions by some ethnologists who view culture as a historically stable and integrated complex whole that also includes economy, social organization, politics, law, education, religion, collective knowledge – in short: all aspects of life of a specific group of humans besides their biological nature (Herskovits 1955, p. 305; Kroeber and Parsons 1958, p. 582; Wimmer 1996, p. 402; Schweizer 1999, p. 4), for the purpose of management studies it is useful to interpret culture more narrowly. Reviewing more than 100 current definitions of culture, Kroeber and Kluckhohn (1952, p. 181) conclude the following as the approximate consensus of these definitions: “Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievements of human groups, including their embodiments in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values.” More briefly, Kluckhohn and Kelly (1945, p. 98, italics deleted) define culture as “a historically derived system of explicit and implicit designs for living, which tends to be shared by all or specially designated members of a group.”

While different cultural dimensions have been proposed (e.g., Kluckhohn and Strodtbeck 1961, p. 10 f.; Bhagat et al. 1990, p. 62; Hampden-Turner and Trompenaars 1993, p. 10 f.), for our purpose it seems to be most appropriate to use the framework introduced by Hofstede (1980). Hofstede (1991, p. 5), defines culture as “the collective programming of the mind that distinguishes the members of one group or category of people from another” (italics deleted). This “software of the mind” includes patterns of

² Additionally, the often stated cultural homogeneity in Korea and other East Asian countries could be noted (e.g., Whitley 1990, p. 49).

thinking, feeling, and potential acting which the group members learned throughout their lifetime. Hofstede (1980, p. 54 ff., 92 ff.) originally identified four dimensions of culture that will be explicated in detail below: power distance, individualism, masculinity, and uncertainty avoidance³. These major dimensions reflect the assumed common problems that all human societies share. According to Inkeles and Levinson (1969, p. 447 ff.), the basic issues every society has to deal with are (1) the relation to authority, (2) the conception of self, in particular (2a) the relationship between individual and society, and (2b) the individual's concept of masculinity and femininity, as well as (3) the ways of dealing with conflicts, including the control of aggression and the expression of feelings (see Hofstede 1980, p. 47; Hofstede 1991, p. 13). Hofstede and many other scholars have used these dimensions extensively. Their values, thus, are proved to be relevant for managerial behavior both theoretically and empirically (cf. Triandis and Albert 1987, p. 275 ff.; Jackofsky, Slocum and Jackofsky, p. 73 ff.; Slocum, and McQuaid 1988, p. 44 ff.; Kogut and Singh 1988, p. 427; Schneider 1989, p. 153 ff.; Shackleton and Ali 1990, p. 110; Erez 1994, p. 574; Shane 1994, p. 629 f.; Søndergaard 1994, p. 449 ff.; Triandis 1994, p. 128 ff.; Finkelstein and Hambrick 1996, p. 48 ff.; Geletkanycz 1997, p. 618, 624; Floyd et al. 1998, p. 284 ff.).

Since Hofstede's huge data basis also includes survey results from Germany and Korea, the values of the culture dimensions have already been determined and we already know the cultural differences between Germany and Korea with respect to the dimensions in Hofstede's concept. Methodologically, we approve that Hofstede surveyed cultural values at the country level with reasonable validity and reliability (Kogut and Singh 1988, p. 422; Shane 1994, p. 631; Søndergaard 1994, p. 449; Shane 1995, p. 52; Geletkanycz 1997, p. 623).

Nevertheless, we don't ignore or suppress the critics of Hofstede's concept. Interestingly, as Chapman (1997, p. 18, 20) remarks, most of the critics have been initiated by Hofstede himself (for summaries of the criticism, see Roberts and Boyacigiller 1984, p. 446 ff.; Smith and Bond 1993, p. 41 ff.; Schwartz 1994, p. 87 ff.; Søndergaard 1994, p. 449; Harzing and Hofstede 1996, p. 307 ff.; Smith, Dugan, and Trompenaars 1996, p. 234; Hofstede 1998a, p. 481). Hofstede's four dimensions are the result of factor analyses based on 116,000 questionnaires from IBM employees in about 40 countries (for explanations about reported inconsistencies concerning the time frame of the survey, the number of employees and countries as well as the design of the used questionnaire, see Hofstede 1983, p. 77 f.; Schmid 1996, p. 256). With regard to the data bank, it is criticized that the IBM data are too old and that they do not provide information about the entire national culture. Indeed, the data were collected between 1967 and 1973. However, replicating and follow-up research was carried out, too (Shackleton and Ali 1990, p. 112 ff.; Søndergaard 1994, p. 450 ff.). Furthermore, matched samples like Hofstede's IBM data, which survey respondents from different countries who are functionally equivalent in all respects except their national culture, are appropriate for revealing cultural differences (Hofstede et al. 1990, p. 288; Hofstede 1991, p. 13; Schwartz 1994, p. 90; Harzing and Hofstede 1996, p. 308; Smith, Dugan, and Trompenaars 1996, p. 234). Additionally, for weighing the

³ Later a fifth dimension – *long-term versus short-term orientation* – was added (for details, see The Chinese Culture Connection 1987, p. 145 ff.; Hofstede and Bond 1988, p. 14 ff.; Hofstede 1991, p. 159 ff.). We will exclude this extension because the conclusions from this dimension with respect to our concept of argumentation rationality seem to be less straightforward than from the previous ones.

relevance of this criticism, one has to acknowledge the historical stability of national cultures as well as the probability of similar developments in different cultures initiated by the same forces of change.

Further criticisms concern the number and the distinction of the dimensions as well as the empirical scores of some countries. As indicated above, different dimensions of culture have been defined and discussed. Some authors extend Hofstede's classification more or less arbitrarily by adding (partly overlapping) dimensions of other concepts that promise additional insights (e.g., Bhagat et al. 1990, p. 62). We will demonstrate that Hofstede's dimensions can work as an appropriate framework for our study and that they offer interesting possibilities for deriving propositions about argumentation rationality differences between Germany and Korea. As far as we know and as we can say from our personal experience with German and Korean culture, the country scores of these two countries do not seem to contradict intuition as it is the case for some other country results, for example, Spain or France (Chapman 1997, p. 20, 22 f.; d'Iribarne 1997, p. 34 ff.).

Most fundamentally, proponents of an idiographic framework of culture reject the survey method as an unsuitable way to discover cultural differences. This quarrel obviously also reflects the tension between interpretive and positivist models in social sciences and for culture research (Burrell and Morgan 1979; Chapman 1997). We agree with Hofstede (1980, p. 40 ff.) that neither an etic nor an emic way for studying culture is enough⁴ but that multi-paradigmatic studies are required. In this sense, our contribution has to be viewed as a first tentative step that has to be followed by additional, methodologically varying ones.

To summarize, there seem to be no alternative approaches today which offer a comparable theoretical and empirical elaboration and which are as suitable for applications in our management context as Hofstede's classification apparently is. While some frameworks have even more severe methodological weaknesses, others lack any empirical foundation.

The four bipolar dimensions of culture identified by Hofstede are power distance, individualism, masculinity, and uncertainty avoidance. Table 1 illustrates the empirically found differences between Germany and Korea with respect to these four dimensions.

⁴ While an etic approach strives for relatively culture-free description of cultural phenomena using universal terms and variables that can be generalized across cultures, emic approaches assume the uniqueness of different cultures. Thus, from an emic perspective, cultural phenomena can only be understood from within the culture using its particular language and concepts specific to that culture (for details, see Triandis et al. 1972, p. 39 ff.; Bhagat and McQuaid 1982, p. 655 f.; Ekstrand and Ekstrand 1986; Segall 1986, p. 527 f.; Headland, Pike, and Harris 1990; Smith and Bond 1993, p. 47 ff.; Pike and McKinney 1996; Schmid 1996, p. 288 ff.; Chapman 1997, p. 17 f.). Without doubt, some cultural developments need a more emic approach to be discovered, but a purely emic approach obviously makes cross-cultural considerations impossible. As Berry (1990, p. 93) puts it: "We cannot be »cultural« without some notion like emic; and we cannot be »cross« without some notion like etic."

Table 1: Cultural Index Values for Germany and Korea

	German score	Korean score
<i>Power distance index</i>	35	60
<i>Individualism index</i>	67	18
<i>Masculinity index</i>	66	39
<i>Uncertainty avoidance index</i>	65	85

Source: Hofstede 1991, p. 26, 53, 84, 113.

Power distance reflects the degree of (in)equality within a society and its institutions. Large power distance characterizes countries in which the less powerful members of institutions and organizations accept significant differences in the distribution of power and consider them as normal, whereas cultures at the opposite side of this dimension are more egalitarian in nature (Hofstede 1991, p. 28).

From a managerial point of view, large power distance converges with high centralization, high positional authority of top management, and few attempts to democratize and empower the work place. Thus, we expect that large power distance is related with lower levels of argumentation rationality because accounting for top management decisions is not necessary for implementing them. Employees do not expect explanations of superior decisions and are not used to participative decision styles. Top management does not need the power of reason because it can use its positional power for carrying its decisions through. Since the power distance index (PDI) of Germany is lower (PDI=35) than the Korean one (PDI=60) (see Hofstede 1991, p. 26), we assume German managers to prepare their decisions more thoroughly than Korean managers do.

The second dimension – *individualism versus collectivism* – deals with the relation between the individual and the collective in society. Individualist societies value the individual higher than the group. Ties between societal members are loose and everyone is expected to look after his or her own good first. Contrary, in collectivist cultures the people are integrated into strong, cohesive in-groups which protect their members in exchange for unquestioning, permanent loyalty (Hofstede 1991, p. 51).

Obviously, collectivism converges with searching and striving for group harmony (e.g., Xie, Song, and Stringfellow 1998, p. S198). “Everybody is supposed ... to have no other opinions and beliefs than the opinions and beliefs in their ingroup” (Hofstede 1983, p. 79). Decision preparation takes place within the rules of the group and is not allowed to challenge basic premises that hold the collective together. As we know from social psychology, decision making in cohesive groups is dedicated to preserving group harmony. This groupthink syndrome is described as concurrence-seeking and inclines members to avoid any discordant arguments or schisms (Janis 1982, p. 479; Steiner 1982, p. 503; Janis 1983, p. 9, 174 ff.; Janis 1989, p. 56; Peterson et al. 1998, p. 273). Even without being fully aware of it in all cases, they might uncritically approach a decision rule which Janis (1989, p. 56 f.) terms the “Preserve Group Harmony” rule⁵. Thus, we expect management decisions in cultures with a high degree of collectivism to be less argumentation rational, especially less impartial. While the German individualism index (IDV) is 67, the Korean

⁵ We are aware that groupthink does not necessarily imply lower quality of decision making processes in general. However, we do not examine routine or minor decisions, but major strategic ones. In these cases the detrimental effects for critical deliberations of the issues in question will predominate (cf. Janis 1989, p. 63, 247).

score is slightly low (IDV=18)⁶ (Hofstede 1991, p. 53). Against this background, German management decisions will be more argumentation rational, in particular more impartial.

Masculinity versus femininity reflects the distinctiveness as well as the content of gender roles. Masculine cultures sharply divide the roles between the sexes in society. Furthermore, men have to be assertive, tough, and focused on material success. They search for earnings, prestige, advancement, and challenge. Contrary, women are expected to be more modest, tender, and concerned with the nonmaterial quality of life. They value good working relations with their superiors and peers, an environment characterized by friendliness and desirability, as well as employment security. Femininity pertains to societies which define overlapping social gender roles and which respect masculine and feminine values equally (Hofstede 1991, p. 79 ff.).

Again, feminine societies tend to foster harmonious decision processes that avoid challenging basic premises and positions. Discussions within 'feminine' top management teams do not abstract from the involved persons and seek for equality and consensus. In contrast, masculine top management teams' preference for achievement leads to problem solutions which refer to features of the discussed issue only. Managerial discussions are sounding and doubting positions regardless of other's interests or feelings. Therefore, we assume those managers to prepare their decisions more thoroughly than managers in a feminine cultural setting. Expecting higher levels of argumentation rationality in masculine cultures is supported by Hofstede's assumption that managers in feminine societies more often use intuition when making decisions (Hofstede 1991, p. 96). Germany's masculinity index (MAS) is high (MAS=66), while Korea (MAS=39) is a feminine country (Hofstede 1991, p. 84). Thus, we expect German managers to practice higher levels of argumentation rationality when preparing managerial decisions, again particularly with respect to the determinant of impartiality.

The dimension of *uncertainty avoidance* measures the tolerance for ambiguity in societies. High scores of the uncertainty avoidance index (UAI) characterize countries the members of which feel uncomfortable in uncertain or unknown situations. Coping with uncertain situations causes stress and makes individuals feel nervous in this cultural environment. In contrast, people in weak uncertainty avoidance cultures accept uncertainty and don't become upset by it (Hofstede 1991, p. 113).

At first glance, strong uncertainty avoidance could converge with high levels of argumentation rationality because managers might try to reduce uncertainty by processing more information and reflecting the problem in question more thoroughly. However, more weighty is the need for rules and operating procedures in those cultures. Problem solutions, thus, have to be found within the space left by more or less restrictive regulations that have to be obeyed when creating a solution and that are obeyed voluntarily in order to reduce one's own perceived degree of uncertainty. Additionally, managers avoid hinting on aspects that make possible solutions appear less appropriate and that create uncertainty or ambiguity within the top management team. Again, striving for group harmony and consensus as well as avoiding contra-arguments are important patterns of behavior in cultures with high degrees of uncertainty avoidance because people feel threatened by diverging opinions and beliefs and seek for protecting conformity. Oppositely, members of weak uncertainty avoidance cultures are more tolerant for ambiguity – for different ideas,

⁶ Concerning possible changes of this characterization, the results of a study by Cha (1994, p. 170) shall be noted: Focussing on a more emic perspective he concludes that despite changes toward individualism Korea remains to be a collectivist country.

approaches, and concepts (Geletkanycz 1997, p. 620). In our context, this tolerance gains specific importance, because the problems top management faces include per definitionem complex issues that (to some degree) always refer to the uncertain, unknown, unstructured, and unpredictable. Since the German uncertainty avoidance index (UAI) is lower (UAI=65) than the Korean one (UAI=85) (Hofstede 1991, p. 113), we expect to observe higher levels of argumentation rationality in the German management accounts.

Summarizing the developed relations between culture (as independent variable) and the extent of decision preparation (as dependent variable) we posit the following hypotheses:

H₁: Since power distance is smaller in Germany than in Korea, we expect German management accounts to be more argumentation rational than the Korean ones.

H₂: Since Germany is more individualist than Korea, we expect German management accounts to be more argumentation rational than the Korean ones, in particular more impartial.

H₃: Since Germany is more masculine than Korea, we expect German management accounts to be more argumentation rational than the Korean ones, in particular more impartial.

H₄: Since uncertainty avoidance is weaker in Germany than in Korea, we expect German management accounts to be more argumentation rational than the Korean ones, in particular more impartial.

5. CORPORATE GOVERNANCE AS A STRATEGIC VARIABLE

As introduced above, the second independent variable we focus on is corporate governance. Since corporate governance can generally be described as the system by which companies are directed and controlled (Cadbury Committee 1992, para. 2.5; Stapledon 1996, p. 3; Hampel Report 1998, para. 1.15; v. Werder and Grundei 2000), it refers to the set of relationships between corporate management, board of directors, shareholders, and other stakeholders (cf. Monks and Minow 1995, p. 1; Lorsch 1996, p. 200; Business Roundtable 1997, p. 2 f.; OECD 1999, p. 2).

Corporate governance integrates two distinct issues – organization of top management as well as the relation between management and stakeholders. We will stress the second issue. The immense public attention to corporate governance topics results from the societal demand for corporate accountability and the emergence of global markets, in particular capital markets. Without doubt and for several reasons corporate relations to shareholders (in terms of accountability) gain specific importance in this context (Monks and Minow 1995, p. 43; Business Roundtable 1997, p. 3). The debate on corporate governance is chiefly concerned with examining the relationship between management and investors, especially institutional investors whose power increases because of their dramatic growth in the globalizing capital markets (Farrar and Girton 1981, p. 370 ff.; Shleifer and Vishny 1986, p. 462; Jensen and Warner 1988, p. 5 f.; Heard 1990, p. 245, 248 f.; Chaganti and Damanpour 1991, p. 479; Coffey and Fryxell 1991, p. 437; Bethel and Liebeskind, 1993, p. 19; Hopt 1994, p. VII; Roe 1994, p. 71; Blair 1995, p. 45 f.; Stapledon 1996, p. 19 ff.; Brancato 1997, p. 19 ff.; Davies 1997, p. 51; Gerke 1998, p. 613 f.).

We will take up this focus by contemplating the ownership structure of German or Korean companies, respectively. We are concerned with the top management's abilities to exercise control and with the shareholders' possibilities to influence corporate policy. The second independent variable, corporate governance, thus, means in the present study

foremost the distribution of power between the corporation's management and its shareholders and the structure of ownership (see also Buxbaum 1991, p. 3 ff.; Blair 1995, p. 4 ff.; Monks and Minow 1995, p. 23, 84 ff.; Stapledon 1996, p. 3, 5 ff.; Thomsen and Pedersen 1996, p. 150; Davies 1997, p. 54 ff.).

Doubtless, corporate accountability requires considering corporate relations to society and balancing other relevant interests in the company's business, too (Freeman and Reed 1983, p. 89 ff.; Freeman 1984, p. 195 ff.; Blair 1995, p. 202 ff.; Monks and Minow 1995, p. 38 ff.; Hampel Report 1998, para. 1.3, 1.16 ff.). Additionally, we are aware, as briefly mentioned above, that corporate governance includes many more facets that could be relevant for our study. For example, cross-country differences regarding the composition of top management teams and of boards, rewarding systems, specific legal norms with impact on governance structures (e.g., the co-determination law or the requirement of a two-tier structure in Germany), etc. might cause differences in argumentation rationality between the two countries. Yet, one has to acknowledge the importance of ownership structure and the distribution of power in order to understand management composition, board structure, and the design of incentive plans comprehensively. Nevertheless, we again emphasize that our research is a first step for indicating significant differences between German and Korean management's decision preparation behavior. As a consequence, we decided to contemplate a very salient aspect of corporate governance differences and to leave the examination of other factors for further research studies.

With regard to the distribution of power and the structure of ownership, we differentiate between public and private companies. *Public companies* are owned by many shareholders and controlled by the capital market. *Private companies*, in contrast, are influenced by just a few (private) shareholders (for instance the founder and/or his family)⁷. While in Germany the governance structures correspond with the type of a public company, Korea is characterized by the governance structure called private company here. Prominent examples are the big Korean conglomerates called chaebols the ownership of which is strongly connected with corporate control (Yoo and Lee 1987, p. 97 f.; Hamilton, Zeile, and Kim 1990, p. 120; Whitley 1990, p. 57; Whitley 1991, p. 2 f.; Whitley 1994, p. 158, 160; Cho, Kim, and Rhee 1998, p. 499).

Here, again, we have to emphasize our specific comparative perspective: German companies are more public than the Korean ones⁸. Compared with several other countries, however, their companies have to be viewed as even more public than the German ones⁹. For instance, the ownership concentration is much higher in Germany than in Great Britain, the U.S., or Japan (Prowse 1994, p. 33 ff.; Roe 1994, p. 28 f.; Windolf and Beyer 1995, p. 7 ff.; Davies 1997, p. 48; Franks 1997, p. 283 f.; Kaplan 1997, p. 252; Dietl 1998, p. 124; Mülbart 1998, p. 448 ff., 455, 494 ff.; Prigge 1998, p. 972 f.; Roe 1998, p. 371 f.; Wymeersch 1998a, p. 311; Wymeersch 1998b, p. 1168 f.).

Furthermore, the concentration of ownership and control in Korean companies is sometimes hidden in official figures (see Table 2). In the Korean business sector, a typical

⁷ Our terminology is a very common one. However, for avoiding misunderstandings, one has to note that it differs fundamentally, of course, from those definitions of public ownership which refer to corporate control by national or local government agencies (e.g., Ogden and Watson 1999, p. 526).

⁸ Although, ownership starts to disperse in Korea, too (Cho, Kim, and Rhee 1998, p. 504).

⁹ Therefore, Roe (1998, p. 361) terms them "semi-private" companies.

pattern of chaebol behavior, at least until the 1997 economic crisis, was cross-shareholdings among the member firms within the same chaebol group. Thus, the founders and founding families were able to maintain their control over the chaebol member firms even with less than 50 % shares, sometimes with less than 8 %. This 8 % guideline has been set by the government, which would allow certain benefits such as liberal bank loans to the firms that meet this guideline. Since the government utilized chaebols as a vehicle for implementing various industrial policies such as a move into new strategic industries, the government exercised a double-edged policy toward chaebols, sticks and carrots. While the government favored chaebol firms with highly dispersed share-ownership (to less than 8 %), it had to guarantee to the founders and their families that no hostile takeovers would be allowed. In order to dwarf any hostile takeover bids, the government practiced various discretionary measures, that restricted minority shareholders' rights, such as the rights to choose outside directors and to review proceedings of the board of directors.

Table 2: Ownership Concentration of Listed Companies in Germany and Korea

<i>Percentage of voting rights controlled by the largest shareholder</i>	Germany (1994)^a	Korea (1999)^b
0 % – 9.99 %	3.2 %	8.7 %
10 % – 24.99 %	6.9 %	25.8 %
25 % – 49.99 %	16.7 %	49.3 %
50 % – 74.99 %	31.9 %	13.7 %
75 % – 100 %	41.3 %	2.5 %

^a Data based on Germany's 550 largest listed AGs and KGaAs (source: Dietl 1998, p. 124).

^b Data based on Korea's 759 listed in KSE in 1999 (source: Korea Stock Exchange 2000).

In our study we collected data about the management measures at eight auto companies. The ownership structure of these surveyed companies is shown in Table 3. In Germany, the portion of widely dispersed stock varies – with Volkswagen being the most public company regarding this aspect¹⁰. However, even the corporations with high percentages of private ownership are traded at stock exchanges with considerable turnovers, too. All studied German companies are, therefore, pressurized by the (international) capital markets and urged to show satisfying market performances. For example, despite the significant share ownership by the private family Quandt in the case of BMW (see Table 3), the Bavarian company is frequently more or less rumoured reported as a potential target of (hostile) takeovers.

¹⁰ Volkswagen's widely distributed stock is held by ca. 728,000 shareholders (Commerzbank 1997, p. 1072).

Table 3: Ownership Structure of the Surveyed Companies

Notes:

- ^a For Germany: Intercompany linkages between the Monopolies Commission's German Top 100 (the hundred largest German companies in all industrial branches on the basis of the criterion of value added).
- ^b Ownership exists at least indirectly.
- ^c Common shares owned by the Volkswagen AG itself.
- ^d After 1990 Porsche was not listed among the Monopolies Commission's German Top 100. Therefore, the commission did not examine its ownership structure again. However, no changes in the distribution of Porsche's common shares were observed (e.g., Commerzbank 1997, p. 794).
- ^e Daewoo Motor is not listed in the Seoul Stock Exchange, thus no data is available for the distribution of shares.

Sources:

For German companies, 1990: Monopolkommission 1994, p. 210, 214

For German companies, 1996: Monopolkommission 1998, p. 196.

For Korean companies, 1990: Annual Report of Listed Companies–Korea Listed Companies Association 1991, p. 1,554, 1,581, 1,593.

For Korean companies, 1996: Annual Report of Listed Companies–Korea Listed Companies Association 1997, p. 1,659, 1,701, 1,734.

Concerning market pressure, from an international point of view, the German stock market is sometimes stated to be underdeveloped or even to play a negligible role in corporate governance (Schmalenbach 1990, p. 109; Kübler 1994, p. 574; Hansen 1995, p. 323; Kim 1995, p. 379; Wymeersch 1995, p. 311; Deutsche Bundesbank 1997, p. 28; Dietl 1998, p. 120 ff.; Prigge 1998, p. 986; Wymeersch 1998a, p. 311; Wymeersch 1998b, p. 1185; Lewin, Long, and Carroll 1999, p. 542). There were only 741 domestic companies out of 5,468 stock corporations quoted at all German stock exchanges at the end of 1998 (Deutsche Börse AG 1999, p. 23; Hansen 1999a, p. R 67, respectively). The going public of the German Telekom let the market capitalization of domestic companies exceed the 1,000 billion DM line in November 1996 for the first time (U.S.: 13,354; Japan: 4,881; Great Britain: 2,544 billion DM) (Deutsche Bundesbank 1997, p. 28)¹¹. Although, doubtless, the capital markets are (still) much more influential in the Anglo-American regions, their power and the importance of institutional investors are growing in Germany, too (Schneider 1990, p. 318 ff.; Assmann 1992, p. 132; Baums and Fraune 1995, p. 97; Hansen 1996, p. R 88, R 90; Hansen 1997, p. R 416, R 418; Hansen 1998, p. R 467 f.; Mülbart 1998, p. 449; Prigge 1998, p. 968; Wymeersch 1998b, p. 1187). For instance, insurance companies (and investment funds) increased their stock assets from 114.9 (44.5) billion DM in 1990 to 209.4 (127.0) billion DM in 1995 (Deutsche Bundesbank 1997, p. 38)¹².

Additionally, with respect to our sample, one has to acknowledge that the German stock exchanges are top-heavy (Schmalenbach 1990, p. 109; Hansen 1995, p. R 322; Hansen 1996, p. R 88; Prigge 1998, p. 986; Hansen 1999b, p. 38). I.e., they do not have the breadth and the depth of the Anglo-American ones concerning volume and turnover. However, the companies we will survey have a significant weight within the market. They are large corporations which constantly make a major part of public stock trading turnover at the German stock exchanges (see Table 4).

¹¹ Based on the exchange rates at the end of December 1996, the corresponding numbers are U.S.: 8,663; Japan: 3,166; Great Britain: 1,650, and Germany: 650 billion US-\$. More revealing than absolute figures is relating the state of the capital market to the size of the domestic economy. Market capitalization of domestic companies as a percentage of nominal GDP amounted to 27 percent in Germany compared to 122 percent in the U.S., 63 percent in Japan, and 152 percent in Great Britain (Deutsche Bundesbank 1997, p. 28).

¹² I.e., based on the exchange rates at the end of December 1990 or 1995, respectively, the stock assets of insurance companies increased from 77.0 to 145.8, and the ones of investment funds from 29.8 to 88.4 billion US-\$.

Table 4: Stock Exchange Turnover and Market Capitalization of the Four German Automotive Companies at the German Stock Market, 1998

<i>Stock</i> <i>k</i>	<i>Stock</i> <i>exchange</i> <i>turnover #</i> <i>(12/98)^a</i>	<i>Stock</i> <i>turnover</i> <i>(billion</i> <i>DM)</i> <i>(01/98–12/98)^a</i>	<i>Stock</i> <i>exchange</i> <i>turnover;</i> <i>â in %</i>	<i>Market capitalization</i> <i>(billion</i> <i>DM)</i> <i>(30/12/98)^a</i>	<i>Market</i> <i>capitali-</i> <i>zation;</i> <i>â in %</i>
Daimler Chrysler	1	135.070 (= 81.145 billion US-\$) ^b	12.10	163.064 (= 97.962 billion US-\$)	10.36
Volksw- agen	5	67.260 (= 40.408 billion US-\$)	39.27	51.185 (= 30.750 billion US-\$)	25.97
BMW	18	24.781 (= 14.887 billion US-\$)	80.92	32.352 (= 19.436 billion US-\$)	72.35
Porsche	35	2.634 (= 1.582 billion US-\$)	94.79	3.325 (= 1.998 billion US-\$)	85.60
Market Total ^c		1,116.102 (= 670.513 billion US-\$)	100.0 0	1,573.976 (= 945.586 billion US-\$)	100.0 0

^a Source: Hansen 1999b, p. R 36.

^b The corresponding figures in US-\$ are based on the exchange rates at the end of December 1998.

^c Based on the German DAX and MDAX which represent the 100 most actively traded German stocks.

In contrast, the importance of capital markets is much lower in the case of the four Korean auto companies. Daewoo Motor Company is not even publicly listed in the stock exchange. Stock exchange turnover and market capitalization of the remaining three companies at the Korean stock market are much lower compared to the German figures. In 1998, the stock exchange turnover of Hyundai, Ssangyong and Kia was 1,320.196, 331.061, and 255.071 billion Won (= 1.097, 0.275, and 0.212 billion US-\$), respectively. At December 28th, 1998, the market capitalization of these three companies was 1,287.261, 177.488, and 124.969 billion Won (= 1.070, 0.148, and 0.104 billion US-\$), respectively¹³.

To summarize, while the number of listed and publicly owned companies might be viewed as comparably low from some perspectives, the four German automotive companies which were surveyed are all listed at German stock exchanges (and at some exchanges abroad as well). Although the German stock markets might be perceived as narrow and thin, the four companies we surveyed are major corporations with considerable volume and turnover of their stock trading. Thus, they benefit from the top-heaviness of German share markets, indicated above, and can be termed public companies. In contrast, the stock exchange impacts the four Korean auto companies much less. Turnover and market capitalization of the Korean auto companies are either low or they are not even publicly listed in the stock exchange as it is the case for Daewoo. According to our terminology, these companies are therefore private ones.

Referring to the concept of argumentation rationality, we argue that in the case of public corporations (German corporate governance), management perceives a high degree of justification pressure (executed by the shareholders and the capital market). Corporate

¹³ Source: Daily Official List, 1998. 12.28, Korea Stock Exchange (KSE).

The corresponding figures in US-\$ are based on the exchange rates at the end of December 1998.

management intends to satisfy the interests of their shareholders because otherwise dissatisfied shareholders will sell their corporate shares or they will engage in corporate governance by dismissing failing managers (Dietl 1998, p. 38). Thus, corporate executives are under pressure to put forward arguments that support the assumed impact of management measures in question on corporate performance. Because of this high justification pressure, managers in public corporations tend to prepare their decisions carefully in order to have arguments at hand to justify their decisions. Consequently, the high degree of justification pressure could be reflected in comparatively detailed accounts.

On the contrary, it can be expected that in private corporations (Korean corporate governance), the perceived degree of justification pressure is lower. Therefore, managers in private corporations could tend to prepare their decisions less carefully. They need less convincing power for carrying out their decisions because shareholders are strongly tied to their companies and the capital market is less influential. Thus, the Korean governance structure with its lower justification pressure could result in less informative accounts with lower argumentation rationality.

In short, we posit the following hypothesis about the influence of the independent variable corporate governance:

H₅: Since companies are more public in Germany than in Korea, we expect German management accounts to be more argumentation rational than the Korean ones.

6. DATA BASE AND RESULTS

In order to test on an empirical basis the hypotheses just explained, the following data from the German and the Korean automotive industry were used. In Germany, 138 accounts on the four German companies BMW, Daimler-Benz, Porsche and Volkswagen of the years 1990–1997 were selected (see v. Werder 1999, p. 682).

The Korean sample also contained four motor companies – Hyundai, Daewoo, Kia and Ssangyong – of which 218 accounts were selected for the same period of time. In both countries, these accounts were taken from annual reports, business magazines and newspapers. They report on three types of major change actions: (1) reorganization of the overall company structure, (2) restructuring of central staff departments, and (3) personnel changes in the management board. The distribution of these accounts among the types of change action and on the four companies in each country is shown in Table 5.

The majority of the German accounts deals with overall reorganizations (46.4 %) and personnel changes in the management board (42.8 %). Only 15 out of 138 accounts (10.9 %) picked out central staff restructurings as their central theme (Table 5). This distribution indicates that structural and personnel changes at the top level gain more public attention than central staff restructurings which are located on lower levels of the hierarchy and which are reported on less intensively referring to the pure number of accounts

Table 5: Distribution of German and Korean Accounts on Change Actions and Companies

	Overall Reorganization	Restructuring Central Staff	Personnel Changes	Σ
Germany				
BMW	2	5	25	32
Daimler-Benz	51	3	12	66
Porsche	9	0	1	10
Volkswagen	2	7	21	30
Σ	64 (46.4 %)	15 (10.9 %)	59 (42.8 %)	138 (100 %)
Korea				
Hyundai	39	6	3	48
Daewoo	66	0	0	66
Kia	63	6	3	72
Ssangyong	28	0	4	32
Σ	196 (89.9 %)	12 (5.5 %)	10 (4.6 %)	218 (100 %)

The Korean accounts are far more concentrated on overall reorganization issues than the German ones (89.9 % compared to 46.4 %). This difference is mainly due to the management practices of the Korean firms, in which top managers are mostly the largest shareholders who are not held responsible by the shareholders for the firms' performance. Thus, personnel changes are rare. Also, Korean companies at least during the researched period were not accustomed to the restructuring of the staff. It was only in the wake of the economic crisis that started in November 1997 that any major restructuring of the staff was made in Korean firms. On the other hand, most of the Korean firms including the automobile companies in our sample went global during the same period. They aggressively invested abroad, through construction of new plants and acquisition of factories. This trend in that era echoed the Korean government's declaration to globalize its economy, system, and modus operandi, resulting in major reorganization of the overall corporate structures in many firms.

The total number of accounts, hence, is 356. The argumentation rationality of these accounts was coded by German and Korean scholars familiar with the theoretical concept of argumentation rationality and the measurement instrument. In order to spot check the reliability of the rationality analysis, some accounts were coded separately by more than one person. Although comparing these results did not reveal major deviations, a strict systematic test of the intercoding reliability is still to be carried out and makes further research necessary.

The rationality analysis applied the simplified scale of argumentation rationality introduced above (Figure 2, section B.). On this basis, the main level of argumentation rationality was determined for each single account. Additionally, in the case of detail-founded change actions the extent of impartiality, depth, and breadth were coded using the five-level semantic differential of each item.

7. INTRA-COUNTRY ANALYSES

The intra-country analyses have been carried out with regard to two principle questions. The first question concerned the relative frequency of the main levels of argumentation rationality. The second question asked for correlation between impartiality, depth and breadth in the case of a detail-founded reasoning. Both these questions were analyzed by change actions and by companies in order to find out whether or not change action-specific and company-specific argumentation rationality levels and patterns exist.

7.1. GERMANY

7.1.1. Analysis of the Main Levels of Argumentation Rationality

With the exception of the (very complex) qualified-founded change action, all main levels of argumentation rationality could be found in the German accounts (v. Werder 1999, p. 682). The relative frequency of these levels varies with the *type of change action* (Table 6).

Table 6: Main Levels of Argumentation Rationality by Type of Change Action in the German Accounts

German Accounts	Unfounded	Global-founded	Detail-founded	Σ
Overall	3	24	37	64
Reorganization	(4.7 %)	(37.5 %)	(57.8 %)	(46.4 %)
Restructuring	1	5	9	15
Central Staff	(6.7 %)	(33.3 %)	(60.0 %)	(10.9 %)
Personnel	15	33	11	59
Changes	(25.4 %)	(55.9 %)	(18.6 %)	(42.8 %)
Σ	19	62	57	138
	(13.8 %)	(44.9 %)	(41.3 %)	(100 %)

The majority of the reorganizations of the overall company structure and of the restructuring of central staff departments were detail-founded. It is interesting to note that there are no significant differences between these two types of change actions. 57.8 % of the accounts on overall reorganizations and 60.0 % of the accounts on central staff restructuring were detail-founded. 4.7 % of the overall reorganizations and 6.7 % of the staff restructurings were unfounded, 37.5 % and 33.3 %, respectively, global-founded.

On the contrary, only 18.6 % of the personnel changes in the management board were detail-founded. Rather, the vast majority of the personnel changes were only global-founded (55.9 %) or even unfounded (25.4 %). These findings indicate that decisions about structural matters are more thoroughly discussed (at least in the published accounts) than the more sensitive personnel issues. Thus, it can be expected that the share of detail-founded accounts would have been higher if the topic of personnel changes would have been addressed less frequently.

Analyzing the influence of the *company* on the main level of argumentation rationality is not easy because the accounts are not proportionally distributed among the companies (

Table 7). Referring to the pure number, 66 out of 138 accounts (48 %) concern Daimler-Benz. This reflects the multitude of management measures that were carried out at this company with its weighty strategic redirections and personnel changes in the 1990s, on the one hand, and the publicly paid attention to these important means, on the other. Only 10 accounts (7 %) report on Porsche which can be interpreted as a size effect because Porsche is by far the smallest of the four German companies in our sample.

Table 7: Main Levels of Argumentation Rationality by Company (and Type of Change Action) in the German Accounts

	Unfounded	Global-founded	Detail-founded	Σ
BMW	5 (16 %)	23 (72 %)	4 (13 %)	32 (23 %)
(O); (C); (P)	0; 1; 4 (0 %; 20 %; 16 %)	2; 4; 17 (100 %; 80 %; 68 %)	0; 0; 4 (0 %; 0 %; 16 %)	2; 5; 25 (3 %; 33 %; 42 %)
Daimler-Benz	4 (6 %)	27 (41 %)	35 (53 %)	66 (48 %)
(O); (C); (P)	3; 0; 1 (6 %; 0 %; 8 %)	17; 1; 9 (33 %; 33 %; 75 %)	31; 2; 2 (61 %; 67 %; 17 %)	51; 3; 12 (80 %; 20 %; 20 %)
Porsche	0 (0 %)	6 (60 %)	4 (40 %)	10 (7 %)
(O); (C); (P)	0; 0; 0 (0 %; -; 0 %)	5; 0; 1 (56 %; -; 100 %)	4; 0; 0 (44 %; -; 0 %)	9; 0; 1 (14 %; 0 %; 2 %)
Volkswagen	10 (33 %)	6 (20 %)	14 (47 %)	30 (22 %)
(O); (C); (P)	0; 0; 10 (0 %; 0 %; 48 %)	0; 0; 6 (0 %; 0 %; 29 %)	2; 7; 5 (100 %; 100 %; 24 %)	2; 7; 21 (3 %; 47 %; 36 %)
Σ	19 (14 %)	62 (45 %)	57 (41 %)	138 (100 %)
(O); (C); (P)	3; 1; 15 (5 %; 7 %; 25 %)	24; 5; 33 (38 %; 33 %; 56 %)	37; 9; 11 (58 %; 60 %; 19 %)	64; 15; 59 (100 %; 100 %; 100 %)

(O): Overall Reorganization; (C): Restructuring Central Staff; (P): Personnel Changes in the Management Board

Furthermore, the analysis is difficult because sometimes there are only very few accounts on a specific change action for a company (Table 7). While only 2 accounts on overall reorganization report on BMW, 9 on Porsche and 2 on Volkswagen, 51 out of all 64 reorganization accounts concern Daimler-Benz. A bit more balanced are the 15 accounts on staff restructuring (5 on BMW, 3 on Daimler-Benz, 0 on Porsche and 7 on Volkswagen) and the 59 accounts on management changes (25 on BMW, 12 on Daimler-Benz, 1 on Porsche and 21 on Volkswagen).

More importantly for revealing company impacts, the ratios between the number of accounts about the three change action types diverge. While the vast majority of the Daimler-Benz (77 %) and of the Porsche (90 %) accounts concerns overall reorganizations,

personnel matters are the most frequent topic of the analyzed accounts on BMW (78 %) and Volkswagen (70 %). The comparably high numbers of accounts on management changes in the cases of BMW and Volkswagen, respectively, are – inter alia – caused by the resignation of the prominent BMW CEO in 1993 as well as by the separation between a group management board (“Konzernvorstand”) and a brand management board (“Markenvorstand”) at Volkswagen.

If the companies nevertheless are ranged with respect to their specific argumentation behavior (Table 7), Volkswagen has the most detail-founded accounts for all types of change actions (100 % each of 2 accounts on overall reorganization and of 7 accounts on staff restructuring, 24 % of 21 accounts on management changes), followed by Daimler-Benz (61 % of 51 accounts on overall reorganization, 67 % of 3 accounts on staff restructuring and 17 % of 12 accounts on management changes). These two companies also underline the finding that decisions about the overall structure and about staff departments are more thoroughly argued for than personnel issues are.

The low argumentation rationality of accounts on personnel changes is also evidenced by BMW and by Porsche. Only 16 % of the corresponding 25 BMW accounts were detail-founded and the single account on this issue of Porsche was just global-founded. However, these two companies also show a comparably low argumentation rationality profile with regard to overall reorganizations and staff restructuring. None of the 2 BMW accounts on overall reorganizations and the minority (44 %) of the 9 Porsche accounts on this issue were detail-founded. Similarly, the 5 BMW accounts on central staff restructuring were either unfounded (20 %) or just global-founded (80 %). Of course, the small number of accounts limits the interpretability of this observation.

Another interesting result of the analysis is that the similarity of the argumentation rationality main levels for accounts on overall reorganizations and staff restructurings can also be found on the firm level. In the case of Volkswagen, 100 % of the overall reorganization accounts and 100 % of the staff accounts are detail-founded. For Daimler-Benz, 6 % of the overall reorganizations (0 % of the staff restructurings) are unfounded, 33 % (33 %) global-founded and 61 % (67 %) detail-founded. In the case of BMW, no account on either overall reorganization or staff restructuring is detail-founded, while a global-foundation exists in 100 % of the reorganization accounts and in 80 % of the staff accounts¹⁴.

7.1.2. ANALYSIS OF THE DETAIL-REASONING

Regarding the extent of impartiality, depth and breadth of detail-founded accounts, the empirical findings only disclose 23 different patterns out of the 125 theoretically possible combinations. Of these 23 argumentation patterns, only 8 were found more than once and only 5 more than twice. As has been shown in v. Werder (1999, p. 683), with three exceptions ($0_i-1_d-2_b$, $0_i-2_d-2_b$, and $0_i-2_d-3_b$) all of the empirical patterns can be grouped into the four types that were introduced in section B. (see Figure4).

¹⁴ Porsche is left out since no account on central staff restructuring is in the sample.

Figure 4: Types of Detail-Reasoning

The *A-Form* encompasses the patterns $0_i-0_d-0_b$ (found 15 times), $0_i-0_d-1_b$ (7 times), and $1_i-0_d-0_b$ (4 times). With (26 out of 57 accounts \Rightarrow) 46 % the A-Form is the most frequent type of reasoning in the German detail-founded accounts (Table). The *B-Form* type includes the patterns $1_i-0_d-1_b$ (7 times), $1_i-0_d-2_b$ (3 times), $2_i-0_d-1_b$ (1 time), $2_i-0_d-2_b$ (1 time), $2_i-0_d-3_b$ (1 time), $4_i-0_d-2_b$ (2 times), and $4_i-0_d-3_b$ (1 time). With (16 out of 57 accounts \Rightarrow) 28 % the B-Form is the second most frequent detail-reasoning type found. The family of the *C-Form* is composed of the patterns $2_i-0_d-0_b$ (2 times), $3_i-0_d-0_b$ (1 time), $3_i-0_d-1_b$ (1 time), $3_i-1_d-1_b$ (1 time), and $4_i-0_d-0_b$ (1 time). It has been found in (6 out of 57 \Rightarrow) 11 % of all detail-founded accounts. Finally, the *D-Form* is represented by the patterns $0_i-2_d-0_b$ (1 time), $0_i-3_d-1_b$ (1 time), $0_i-3_d-2_b$ (1 time), $0_i-4_d-2_b$ (2 times), and $1_i-2_d-1_b$ (1 time). It is with 11 % as frequent as the C-Form type of detail-reasoning.

Table 8: Forms of Detail-Reasoning by Type of Change Action in the German Accounts

	A-Form	B-Form	C-Form	D-Form	Others	Σ
Overall	14	12	5	4	2	37
Reorganization	(38 %)	(32 %)	(14 %)	(11 %)	(5 %)	(65 %)
Restructuring	4	2	1	1	1	9
Central Staff	(44 %)	(22 %)	(11 %)	(11 %)	(11 %)	(16 %)
Personnel	8	2	0	1	0	11
Changes	(73 %)	(18 %)	(0 %)	(9 %)	(0 %)	(19 %)
Σ	26 (46 %)	16 (28 %)	6 (11 %)	6 (11 %)	3 (5 %)	57 (100 %)

This rank-ordering between the A-, B-, C- and D-Form in principle also holds for the different types of change action (Table 8). Out of all 37 detail-founded accounts on overall reorganization, 38 % show the A-Form, 32 % the B-Form, 14 % the C-Form, 11 % the D-Form (and 5 % others). Correspondingly, of the 9 detail-founded accounts on staff restructuring 44 % mirror the A-Form, 22 % the B-Form, 11 % the C-Form, 11 % the D-Form (and 11 % others). As far as the 11 detail-founded accounts on changes in the management board are concerned, the A-Form is even more predominant. It represents 73 % of these 11 accounts, followed by the B-Form (18 %) and the D-Form (9 %). The missing of the C-Form here emphasizes the already stated finding, that personnel issues normally are not discussed in great detail in accounts and especially not in a controversial manner. Furthermore, the predominance of the A-Form underlines the observed lower extent of argumentation rationality in general which can also claim validity within the group of detail-founded accounts.

Because of the small number of detail-founded accounts that were identified for BMW and Porsche we will not attempt to interpret the distribution of the different forms of detail-reasoning among the four companies in greater detail. The analysis of the patterns of detail-reasoning by companies, however, shows an interesting deviation from the companies' ranking in terms of the main level of argumentation rationality. Volkswagen has the highest percentage of detail-founded accounts as compared to Daimler-Benz, Porsche and BMW (see p. 45). Yet, Daimler-Benz has the lowest percentage of accounts with the low-rational A-Form (37 %, compared to 50 % for Volkswagen, 50 % for Porsche and 100 % for BMW), the highest percentage of B-Form accounts (34 %, compared to 25 % for Porsche, 21 % for Volkswagen and 0 % for BMW) and the highest percentage of C-Form accounts (14 %, compared to 7 % for Volkswagen and 0 % each for BMW and Porsche). Only with respect to the D-Form, Porsche (with 25 % of its detail-founded accounts) and Volkswagen (14 %) can be rated higher than Daimler-Benz (9 %) and BMW (0 %). For information purposes, these distributions are summarized in Table 8.

Table 8: Forms of Detail-Reasoning by Company (and Type of Change Action)
in the German Accounts

	A-Form	B-Form	C-Form	D-Form	Others	Σ
BMW (O); (C); (P)	100 % 0; 0; 100 %	0 %	0 %	0 %	0 %	100 % (n=4) (n=0; 0; 4)
Daimler-Benz (O); (C); (P)	37 % 36; 100; 0 %	34 % 36; 0; 50 %	14 % 16; 0; 0 %	9 % 6; 0; 50 %	6 % 6; 0; 0 %	100 % (n=35) (n=31; 2; 2)
Porsche (O); (C); (P)	50 % 50; 0; 0 %	25 % 25; 0; 0 %	0 %	25 % 25; 0; 0 %	0 %	100 % (n=4) (n=4; 0; 0)
Volkswagen (O); (C); (P)	50 % 50; 29; 80 %	21 % 0; 29; 20 %	7 % 0; 14; 0 %	14 % 50; 14; 0 %	7 % 0; 14; 0 %	100 % (n=14) (n=2; 7; 5)
Σ (O); (C); (P)	46 % 38; 44; 73 %	28 % 32; 22; 18 %	11 % 14; 11; 0 %	11 % 11; 11; 9 %	5 % 5; 11; 0 %	100 % (n=57) (n=37; 9; 11)

(O): Overall Reorganization; (C): Restructuring Central Staff; (P): Personnel Changes in the Management Board

7.2. KOREA

7.2.1. Analysis of the Main Levels of Argumentation Rationality

We carried out the analysis of the accounts on Korean automobile companies during the period of 1990 through 1997, in a similar fashion with that of the German counterpart. As mentioned above, the survey resulted in 218 accounts of four motor companies – Hyundai, Daewoo, Kia and Ssangyong. Among those 26 (11.9 %) accounts were classified as unfounded, and 44 (20.2 %) as global-founded, resulting in 148 (67.9 %) accounts as detail-founded. Again, no qualified-founded change action was found (Table 9).

Table 9: Main Levels of Argumentation Rationality by Type of Change Action in the Korean Accounts

	Unfounded	Global-founded	Detail-founded	Σ
Overall Reorganization	23 (11.7 %)	40 (20.4 %)	133 (67.9 %)	196 (89.9 %)
Restructuring Central Staff	2 (16.7 %)	3 (25.0 %)	7 (58.3 %)	12 (5.5 %)
Personnel Changes	1 (10.0 %)	1 (10.0 %)	8 (80.0 %)	10 (4.6 %)
Σ	26 (11.9 %)	44 (20.2 %)	148 (67.9 %)	218 (100 %)

The distribution of the main levels over the three change actions was more or less even. The numbers of unfounded accounts for overall reorganization, restructuring central staff, and personnel changes in the management board were 23, 2, and 1 respectively, while the numbers of global-founded accounts for the corresponding categories were 40, 3, and 1 respectively. These ratios are not much different from the numbers of detail-founded accounts for the corresponding categories that were 133, 7, and 8.

Calculating ratios of these three main levels of argumentation rationality in each change action, we have similar results (Table 9). Among the 196 accounts that reported overall reorganizations, 23 (11.7 %) were unfounded, 40 (20.4 %) global-founded, and 133 (67.9 %) detail-founded. Among the 12 accounts that reported restructuring in central staff, 2 (16.7 %) were unfounded, 3 (25.0 %) global-founded, and 7 (58.3 %) detail-founded. Finally, among the 10 accounts that reported personnel changes in management board, 1 (10.0 %) was unfounded, 1 global-founded (10.0 %), and 8 (80.0 %) were detail-founded. The accounts of the restructuring in central staff and the personnel changes in the management board are too small in number to make any meaningful conclusion in this regard. Nevertheless, there is no evidence that the type of change action impacts the main levels of argumentation rationality.

Similarly with the German accounts, examining the influence of the company on the main level of argumentation rationality is not easy, due to the uneven distribution of the accounts among the companies. Furthermore, there were only very few accounts on either restructuring of central staff or on personnel changes in the management board (Table 10). Analyzing nevertheless the company-specific accounts by the main level of argumentation rationality, we have fairly even distributions. Though the numbers are again too small to draw statistically proved implications from the statistics, it is, based on this empirical basis,

at least impossible to identify salient differences concerning the main levels of argumentation rationality dependent on the specific company.

Table 10: Main Levels of Argumentation Rationality by Company (and Type of Change Action) in the Korean Accounts

	Unfounded	Global-founded	Detail-founded	Σ
Hyundai	8 (17 %)	12 (25 %)	28 (58 %)	48 (22 %)
(O); (C); (P)	5; 2; 1 (13 %; 33 %; 33 %)	10; 1; 1 (26 %; 17 %; 33 %)	24; 3; 1 (62 %; 50 %; 33 %)	39; 6; 3 (20 %; 50 %; 30 %)
Daewoo	8 (12 %)	15 (23 %)	43 (65 %)	66 (30 %)
(O); (C); (P)	8; 0; 0 (12 %; -; -)	15; 0; 0 (23 %; -; -)	43; 0; 0 (65 %; -; -)	66; 0; 0 (34 %; 0 %; 0 %)
Kia	4 (6 %)	15 (21 %)	53 (74 %)	72 (33 %)
(O); (C); (P)	4; 0; 0 (6 %; 0 %; 0 %)	13; 2; 0 (21 %; 33 %; 0 %)	46; 4; 3 (73 %; 66 %; 100 %)	63; 6; 3 (32 %; 50 %; 30 %)
Ssangyong	6 (19 %)	2 (6 %)	24 (75 %)	32 (15 %)
(O); (C); (P)	6; 0; 0 (21 %; -; 0 %)	2; 0; 0 (7 %; -; 0 %)	20; 0; 4 (71 %; -; 100 %)	28; 0; 4 (14 %; 0 %; 40 %)
Σ	26 (12 %)	44 (20 %)	148 (68 %)	218 (100 %)
(O); (C); (P)	23; 2; 1 (12 %; 17 %; 10 %)	40; 3; 1 (20 %; 25 %; 10 %)	133; 7; 8 (68 %; 58 %; 80 %)	196; 12; 10 (100 %; 100 %; 100 %)

(O): Overall Reorganization; (C): Restructuring Central Staff; (P): Personnel Changes in the Management Board

7.2.2. Analysis of the Detail-Reasoning

Concentrating on the detail-founded accounts, we may have a more salient picture of the type of detail-reasoning by change action types and companies. Regarding the extent of impartiality, depth and breadth of detail-founded accounts, the empirical findings disclosed 21 different patterns out of the 125 theoretically possible combinations. This number was 2 less than the 23 in the German database. Of these 21 combinations, 9 were found only once, 3 were found twice. In concurrence with the philosophy of the four types of reasoning introduced above (section B.), 16 patterns (118 accounts or 80 % out of all 148 detail-founded accounts, respectively) were grouped into these four clusters. For this, the forms were slightly modified without contradicting the idea of their definition (Figure 5). These extended forms just do not cover the remaining five patterns: $0_i-0_d-2_b$ (found 6 times), $0_i-1_d-1_b$ (17 times), $0_i-1_d-2_b$ (2 times), $1_i-1_d-0_b$ (3 times), and $1_i-1_d-1_b$ (2 times). Hence, 30 Korean accounts had to be termed as “others”.

Figure 5: Types of Detail-Reasoning

The *A-Form* encompasses the patterns $0_i-0_d-0_b$ (found 33 times), $0_i-0_d-1_b$ (38 times), $0_i-1_d-0_b$ (9 times), and $1_i-0_d-0_b$ (1 time). With 81 (55 %) accounts out of the total 148, the *A-Form* is the most frequent type of detail-reasoning in the Korean accounts as well (Table 11). The *B-Form* type includes the patterns $1_i-0_d-1_b$ (19 times), $1_i-0_d-2_b$ (1 time), $2_i-0_d-1_b$ (3 times), as well as $2_i-0_d-2_b$, $2_i-1_d-2_b$, $3_i-1_d-2_b$, $3_i-1_d-3_b$, and $4_i-1_d-4_b$, each of which is found once. With 28 accounts, this type represents 19 % of the total number of 148 detail-founded accounts. The family of the *C-Form* is composed of the patterns $2_i-0_d-0_b$ (1 time), $2_i-1_d-1_b$ (5 times) and $3_i-1_d-1_b$ (2 times). With 8 accounts, this type represents 5 % of the total 148 detail-founded accounts. Finally, the *D-Form* is represented by $0_i-2_d-0_b$, which was found only once in the case of Kia.

A closer look at the accounts that could not be grouped into these four types of detail-reasoning reveals some interesting similarities between the more frequent patterns. The combination $0_i-0_d-2_b$ (found 6 times) mirrors a reasoning which is comparably broad. However, it does not fit into the *B-Form* because it is partial at the same time. Furthermore, the patterns $0_i-1_d-1_b$ (17 times) and $0_i-1_d-2_b$ (2 times) represent decisions which are prepared quite thoroughly with respect to the determinants of depth and breadth but (again) not with respect to the one of impartiality. Thus, these three patterns, which anyhow represent 83 % out of the accounts termed others, have in common that they represent reasonings which are comparably broad or broad and deep, respectively, but partial. Possibly, they could be grouped into a new cluster characterizing such a type of detail-reasoning. While examining this feasibility requires further research, it shall already be noted that the frequency of these patterns in the Korean accounts is in line with our theoretical hypotheses because we expected the Korean accounts to be less impartial.

Table 11:Forms of Detail-Reasoning by Type of Change Action in the Korean Accounts

	A-Form	B-Form	C-Form	D-Form	Others	Σ
Overall	71	27	8	1	26	133
Reorganization	(53 %)	(20 %)	(6 %)	(1 %)	(20 %)	(90 %)
Restructuring	4	1	0	0	2	7
Central Staff	(57 %)	(14 %)	(0 %)	(0 %)	(28 %)	(5 %)
Personnel Changes	6	0	0	0	2	8
	(75 %)	(0 %)	(0 %)	(0 %)	(25 %)	(5 %)
Σ	81	28	8	1	30	148
	(55 %)	(19 %)	(5 %)	(1 %)	(20 %)	(100 %)

The rank among the four types of reasoning was A, B, C, and D for all the data (Table 11). For different types of change action, however, the extreme skewness matters. On overall reorganization, 133 accounts were distributed among the A-Form (71 accounts), B-Form (27 accounts), C-Form (6 accounts), D-Form (1 account), and the others (26 accounts). For restructuring in central staff, 4 of the total 7 detail-founded accounts belonged to the A-Form, one to the B-Form, and two accounts to the others. In the case of personnel changes in the management board, 6 out of the total 8 detail-founded accounts belonged to the A-Form, while the remaining two accounts had to be termed as others.

Table 12: Forms of Detail-Reasoning by Company (and Type of Change Action) in the Korean Accounts

	A-Form	B-Form	C-Form	D-Form	Others	Σ
Hyundai	21 %	50 %	14 %	0 %	14 %	100 % (n=28)
(O); (C); (P)	13; 67; 100 %	54; 33; 0 %	17; 0; 0 %		17; 0; 0%	(n=24; 3; 1)
Daewoo	63 %	12 %	7 %	0 %	19 %	100 % (n=43)
(O); (C); (P)	63; 0; 0 %	12; 0; 0 %	7; 0; 0 %		19; 0; 0 %	(n=43; 0; 0)
Kia	60 %	11 %	2 %	2 %	25 %	100 % (n=53)
(O); (C); (P)	61; 50; 67 %	13; 0; 0 %	2; 0; 0 %	2; 0; 0 %	22; 50; 33 %	(n=46; 4; 3)
Ssangyong	67 %	13 %	0 %	0 %	21 %	100 % (n=24)
(O); (C); (P)	65; 0; 75 %	15; 0; 0 %			20; 0; 25 %	(n=20; 0; 4)
Σ	55 %	19 %	5 %	1 %	20 %	100 % (n=148)
(O); (C); (P)	54; 57; 75 %	20; 14; 0 %	6; 0; 0 %	1; 0; 0 %	20; 29; 25 %	(n=133; 7; 8)

(O): Overall Reorganization; (C): Restructuring Central Staff; (P): Personnel Changes in the Management Board

Analyzing the types of reasoning by company intriguing differences were discovered (Table 12). In the case of Hyundai, the A-Form was found in 6 accounts, the B-Form in 14 accounts, C-Form in 4 accounts, and the others in 4 account. In the case of Daewoo, the numbers for each of the types were 27, 5, 3, 0 and 8 others. In the case of Kia, the numbers were 32, 6, 1, 1 and 13 others. In the case of Ssangyong, the numbers were 16, 3, 0, 0 and 5 others. It is interesting to note that Hyundai as the market leader has obviously the lowest share of accounts belonging to the A-Form (21 %) although concerning the main levels we were not able to identify accounts on Hyundai as being more argumentation rational than accounts on the other Korean companies. Contrary, the frequency of detail-reasoned

accounts seemed to be lower in the case of Hyundai (Table 10). Thus, one could conjecture that Hyundai's management selects only some specific measures which they spend special attention for and which they reason more thoroughly than their competitors do. To avoid misunderstandings, these thoughts are speculative in their nature, of course. Nevertheless, they could open up discussions and reveal possible lines for future research about the relationship between the level of argumentation rationality and company performance. For this purpose, further theory development might include deeper case studies of single companies and might address the differences in reasoning patterns of successful and failing managers. We will take up these aspects at the end of this paper when perspectives for future research are elaborated more systematically (section E.).

8. INTER-COUNTRY ANALYSES

The inter-country analysis was carried out in two steps. First, we compared the distribution of the main levels of argumentation rationality between the German and the Korean data. Subsequently, we analyzed the detail-founded share of the accounts. These analyses aimed to determine whether or not the German accounts were more argumentation rational than their Korean counterparts. We did not focus on subgroups of our data because the empirical basis was too small for analyzing them reasonably and for drawing meaningful conclusions. Thus, when interpreting the results of the aggregated inter-country comparisons we had to be aware of change action specific and company specific differences that the German intra-country analysis in particular had disclosed.

Firstly, concerning the main levels of argumentation rationality, there are no remarkable differences in the frequency of the extreme main levels which limit both sides of the continuum of (more or less) argumentation rational management solutions. A qualified-founded change action was identified neither in the German sample nor in the Korean one. Furthermore, the relative number of unfounded change actions is very similar (13.8 % of the German accounts and 11.9 % of the Korean accounts, respectively). Yet, the share of detail-founded accounts is much lower in the German sample. 41.3 % of the German accounts compared with 67.9 % of the Korean ones were detail-founded. This finding contradicts our hypotheses developed above. However, for interpreting this result one has to look more carefully at the data and the insights of the intra-country analyses carried out before.

In the case of the German automobile industry, we revealed significant impacts by the type of change action on the main level of argumentation rationality. More precisely, personnel changes in the management board were reported to be prepared much less thoroughly in the published accounts. This point is in particular weighty, because the number of accounts on this specific type of change action was comparably high in the German data. 42.8 % of the German accounts dealt with personnel changes (see again Table 6). In contrast, there were only few Korean accounts on personnel changes (4.6 % of 218 accounts), of which the majority was detail-founded anyway (Table 9). Therefore, the comparison of the aggregated data presents a distorted picture of the differences in preparing management decisions. As mentioned above, the share of detail-founded accounts in the German data can be expected to be higher if the data would have contained fewer accounts on personnel changes in the management board.

Nevertheless, even if we reduce our analysis to the accounts on overall reorganizations and staff restructurings the share of detail-founded measures reported on in the German

sample is lower than the one in the Korean data (58.2 % compared to 67.3 %). Although this difference is smaller, it apparently contradicts our propositions. Therefore, concerning the main levels of argumentation rationality our hypotheses are to be rejected on the basis of the scrutinized data.

Secondly, concerning the level of detail-reasoning we carried out two sample Gauß-tests in order to find out whether the suggested differences exist within the group of detail-founded accounts. Results of comparing the three determinants of argumentation rationality are summarized in Table 13.

Table 13: Inter-Country Analysis of Detail-Founded Accounts

	Germany	Korea
Number of detail-founded accounts	57	148
Impartiality (mean)	0.88	0.43
Depth (mean)	0.42	0.31
Breadth (mean)	0.88	0.79
Impartiality (standard deviation)	1.21	0.80
Depth (standard deviation)	1.02	0.48
Breadth (standard deviation)	0.91	0.67
Correlation (impartiality, depth)	-0.23	0.23
Correlation (impartiality, breadth)	0.26	0.42
Correlation (depth, breadth)	0.37	0.10
Two sample Gauß-test		
Impartiality	0.994766	
Depth	0.785236	
Breadth	0.742154	

When focussing the detail-founded accounts in our samples, coding results indicate a higher degree of argumentation rationality in the German data compared with the Korean ones. Interestingly, the higher degree of argumentation rationality can be observed in each of the three dimensions. Hence, on average, the German detail-founded accounts are more impartial, deeper, and broader than their Korean counterparts. Testing the statistical significance of these observations which concur with our hypotheses is only successful in the case of the impartiality dimension, however ($p < 0.01$). Concerning the determinants of depth and breadth, the differences are too small in order to be proofed to be significant.

Hence, our two-tiered analysis discloses that the studied phenomena are more ambiguous than our general hypotheses make suggest. The results indicate that two divergent aspects have to be differentiated. While from a macro perspective viewing the main levels of argumentation rationality Korean accounts seem to be more argumentation rational than their German counterparts, the relations invert in the case of detail-founded solutions.

German management accounts, therefore, are not more argumentation rational than the Korean ones in general. Instead, German automobile managers pick out some topics and measures which they investigate more thoroughly – even more thoroughly than their Korean counterparts, particularly with respect to the determinant of impartiality. Thus, these problem solutions are more impartial, broader, and deeper, respectively, than the Korean reasoning is. However, further research is necessary for identifying those aspects

and characteristics of a management problem which make the requirement of a (more or less) detail-founded solution.

9. CONCLUDING REMARKS

The study described in this paper is obviously still in an embryonic phase. Nevertheless, already the premature results reported here underline the value of the concept of argumentation rationality for cross-country analyses and point at interesting fields for further research. Limitations of the study have been mentioned above and concern in particular the intercoding reliability as well as the sample size. The former marks an intriguing task for further research. Controlling intercoding reliability is difficult because the procedure for coding the argumentation rationality of accounts is a complex process which requires business know-how and also a deep understanding of the coders for the measurement concept. Besides repeated coding of the data by the same individual or measuring the intracoder reliability, respectively (e.g., Webb and Pettigrew 1999, p. 606), double coding by several coders or coding teams and subsequently comparing their coding results is a practicable, but very costly way for reliability testing. We only used this method in spot checks because of the time effort that coding the argumentation rationality of accounts needs. In principle, of course, it is feasible to extent these comparisons and to measure the percentage agreement (e.g., Bettman and Weitz 1983, p. 174) as well as – in the case of larger separately coded samples – the correlation between the results different coders yield (e.g., D'Aveni and MacMillan 1990, p. 642 f.).

The latter limitation – sample size – becomes relevant when focussing on specific levels of argumentation rationality and studying the impact of selected variables. While the total number of 356 accounts seems to be considerably high, the subgroups of main level, (form of) detail-reasoning, country, company, and change action specific accounts can sometimes be viewed as too small for drawing meaningful conclusions. Therefore, it was impossible to unravel the inter-country analysis for separating the company and change action specific effects systematically.

Contradictions to our hypotheses can also result from neglected influences. Thus, a first line of further research might elaborate the effects of additional factors on the extent of argumentation rationality. E.g., the importance of a change action will matter, too. Apparently, it makes a difference whether changes in the top management team concern a prominent CEO who is in the limelight or another member of the board who is hardly known to the public. The structural and strategic range of restructuring measures can vary, too. We may assume evidence that management measures will be prepared (and accounted for) the more thoroughly the more important they are perceived to be. Controlling this contingency, however, requires a procedure for ranking the (perceived) importance of change actions. Thereby, it might be necessary to differentiate between the perceptions of top management team members, shareholders and other stakeholders. Additionally the importance might be interpreted in terms of time pressure that management faces when preparing its decisions. However, we currently lack such a ranking procedure the development of which is a complex effort on its own.

Further research might also address the impact of time. Our study controlled this influence by restricting the data collection to a limited period of time (1990–1997). When extending this time frame it might be possible to identify an increasing extent of argumentation rationality in published accounts over time caused – inter alia – by changes

in the competitive situation and in the investors' relations as well as by the growing public attention to and media observation of corporate affairs.

Albeit the necessity of further research we have proofed the usefulness of our measurement concept for international management studies. Furthermore, our results validate the need for more differentiated research questions and designs which are sensitive to divergent influences and micro phenomena. Apparently, the differences between the decision preparation of German and Korean managers cannot be captured in a simple black-white manner. Our findings suggest that German management accounts are not more argumentation rational than their Korean ones in general. Instead, one has to differentiate between a macro view on the main levels of argumentation rationality and a micro one for elaborating the detail-founded solutions with more accuracy. Only in the case of detail-founded change actions the hypothesized relations have been confirmed. Therefore, German detail-founded management accounts turned out to be more argumentation rational than the Korean ones, in particular more impartial.

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Axel v. Werder. Technical University Berlin. WW2, Uhlandstr.4-5, D-10632 Berlin, Germany. Tel. 49-30-314-22583. Fax: 49-30-314-21609. E-mail: a.werder@ww.tu-berlin.de

Dong-Sung Cho. College of Business Administration, Seoul National University, San 56-1 Shilim-dong Kwanak-gu Seoul, 151-742, Korea. Tel: 82-2-880-6945. Fax: 82-2-456-2044. E-mail: cho@ips.or.kr

Till Talaulicar. Technical University Berlin. WW2, Uhlandstr.4-5, D-10632 Berlin, Germany. Tel: 49-30-314-25256. Fax: 49-30-314-21609. E-mail: t.talaulicar@ww.tu-berlin.de