



The effect of culture on the responsiveness of firms to mimetic forces: Imitative foreign joint venture entries into China, 1985–2003



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ARTICLE INFO

Article history:

Available online 18 August 2014

Keywords:

Culture
Institutional theory
Imitation
Foreign market entry
International joint ventures
China

ABSTRACT

Institutional theory suggests that firms imitate their peers when deciding to enter a foreign market in order to gain legitimacy and cope with uncertainty. There is little investigation, however, on how home country culture affects a firm's mimetic behavior as a response to institutional influences. To understand culture's role, this paper examines the effect of the cultural environment on mimetic foreign joint venture entries into China. Based on a sample of 1361 international joint venture entries in the 1985–2003 period, we find that the cultural dimensions individualism–collectivism and power distance significantly affect the responsiveness of firms to mimetic forces.

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1. Introduction

The decision of a firm to enter a foreign market is of strategic importance and of unusual uncertainty, as firms are exposed to the liability of foreignness when entering another country (Hymer, 1976). Institutional theory proposes that firms cope with such uncertainty and gain legitimacy by imitating their peers (DiMaggio & Powell, 1983). Several studies have employed the institutional perspective to examine the mimetic behavior of firms in the context of foreign market entry (e.g., Ang & Michailova, 2008; Guillén, 2002; Henisz & Delios, 2001; Kang & Jiang, 2012; Lu, 2002; Yiu & Makino, 2002). The overarching argument in these studies is that firms face mimetic pressures that encourage them to adopt similar foreign entry decisions. While these studies find that firms imitate the foreign expansion moves of their peers, the extent to which the home country culture influences a firm's responsiveness to mimetic stimuli has been largely neglected.

The cultural environment, however, can play an essential role in determining a firm's response to mimetic forces (Lu, 2002; Oliver, 1991). Oliver (1991) argues that cultural norms are crucial factors in determining organizations' responses to institutional pressures.

Firms are more likely to imitate a practice if doing so is consistent with their cultural norms and expectations (Oliver, 1991). Lu (2002) offers similar thoughts when cautioning readers to generalize the empirical findings of her study on imitative entry mode choice. While her analysis is based on a sample of Japanese firms that are embedded in a collectivistic home country, firms from less collectivistic countries may not be as prone to mimetic influences (Lu, 2002). Although these studies have considered the influence of culture on the responsiveness of firms to mimetic pressures, none has examined the influence of the cultural environment on the extent to which firms respond to such mimetic forces.

Assessing culture's role is important as culture may significantly affect the response behavior of firms thereby allowing us to understand what cultural characteristics encourage institutional processes such as mimetic isomorphism. Culture is the “learned behavioral standards, socially transmitted through personal values, norms, activities, attitudes, cognitive processes” (Allred & Swan, 2004, p. 82). It is in this sense a system of collectively held values (Hofstede, 2001). From Schwartz's (2008) perspective, such collectively held values are central to culture's influence on behavior by providing the stimuli that focus conscious or unconscious attention on expected patterns of behaviors. Prior studies find that the cultural values of a society significantly affect the actions and decisions of its societal members on a wide range of issues (Dorfman, Javidan, Hanges, & Dastmalchian, 2012; Taras, Steel, & Kirkman, 2012). Given the neglect of studying culture's role

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in furthering imitative behaviors, we examine the effect of all of Hofstede's (1980, 2001) five cultural dimensions – individualism–collectivism (I–C), uncertainty avoidance (UA), power distance (PD), masculinity/femininity (M–F), and long-term orientation (LTO) – on the extent to which firms respond to mimetic pressures. Specifically, we examine the degree to which these cultural dimensions are related to a firm's desire to imitate the foreign joint venture entry decisions of their peers.

Given the above, our study makes two main theoretical contributions. First, it contributes to institutional theory by examining the effect of home country culture on the extent to which firms succumb to mimetic forces. Existing research provides evidence for mimetic isomorphism as a response to mimetic pressures in the context of foreign expansion (Guillén, 2002; Kang & Jiang, 2012). It is not clear, however, how culture affects the responsiveness of firms to such mimetic stimuli (Lu, 2002). Our study answers this question by examining the way firms respond to isomorphic pressure contingent on their national culture based on Hofstede's scheme.

Second, our study provides a refined perspective on the role of culture in international business. Extant scholarship has argued that culture is related to individuals and firms behaving similarly within a social collective leading to similar individual and organizational outcomes (Dorfman et al., 2012; Hofstede, 2001). We refine the notion that firms behave similarly when sharing the same culture and demonstrate that the degree of similarity varies depending on the culture the firms are embedded in.

Our paper is organized as follows. First, we derive hypotheses on the influence of culture on a firm's responsiveness to mimetic forces for the cultural dimensions individualism–collectivism, uncertainty avoidance, power distance, masculinity/femininity, and long-term orientation. Next, we test them on a sample of Sino-foreign equity joint venture (JV) entries into China from 1985 to 2003. After presenting the results of our analyses, we conclude with a discussion of implications for theory and practice and present further research avenues.

2. Theory and hypotheses

2.1. Mimetic influences and foreign entry

Neoinstitutional theory emphasizes the interorganizational and social aspects of organizations (Scott, 2008). It offers two related rationales through which mimetism occurs. The first rationale suggests that mimetism is triggered by uncertainty and ambiguity (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). When exposed to uncertainty, firms try to cope with the uncertainty by putting a stronger emphasis on social considerations relative to technical ones (Scott, 2008). As a result, firms tend to adopt the past behaviors of other social actors in their immediate interorganizational environment. This has the advantage of yielding feasible solutions with little expense as others have already tried such behaviors (Cyert & March, 1963).

The second rationale suggests that mimetism is driven by "obligatory action" (March, 1981). According to this logic, a decision or practice that is increasingly adopted by social actors will become taken-for-granted and legitimate (Zucker, 1977). Legitimacy refers to social acceptability and credibility (Scott, Ruef, Mendel, & Caronna, 2000). Legitimate decisions are those that are perceived to be proper and desirable by other social actors (Suchman, 1995). The accumulated adoption increases the pressure on similar social actors to adopt these decisions in order to themselves attain and increase legitimacy (DiMaggio & Powell, 1983).

Both rationales are intertwined as legitimacy is particularly important in the face of high uncertainty (Demirbag, Glaister, &

Tatoglu, 2007; Deng, 2009; Haunschild & Miner, 1997). The process by which organizations are pressured to model themselves after each other is called mimetic isomorphism (Lieberman & Asaba, 2006).

Fig. 1 depicts the process through which mimetic isomorphism occurs. Uncertainty and the increased adoption of a decision by other firms represent the external pressure for the focal firms' mimetic behavior (March, 1981; Meyer & Rowan, 1977). As focal firms have the interrelated desire to cope with uncertainty and gain legitimacy, they perceive the need to respond to situations of uncertainty and increased adoption of a decision by imitating their peers (DiMaggio & Powell, 1983; Scott, 2008). The stronger the desire to cope with uncertainty and to gain legitimacy is, the more likely firms will succumb to mimetic pressures.

Foreign market entry offers an excellent setting to examine mimetic influences and isomorphic behavior, as foreign expansion decisions are usually mired in high uncertainty and cognitive limitations (Hymer, 1976; Johanson & Vahlne, 1977). Considerable empirical evidence supports the idea that firms imitate the entry mode choice (Lu, 2002; Xia, Tan, & Tan, 2008; Yiu & Makino, 2002) and foreign entry location decisions (Henisz & Delios, 2001; Kang & Jiang, 2012; Yang & Hyland, 2012) of their home country industry peers. A few studies have mentioned the notion that not all firms are equally susceptible to mimetic pressures (Delios, Gaur, & Makino, 2008; Gimeno, Hoskisson, Real, & Wan, 2005; Li & Yao, 2010). Prior work has further suggested that the cultural environment of the home country can affect the extent to which firms respond to mimetic forces (Lu, 2002; Oliver, 1991). While this notion has been mentioned before, none of these studies have examined the influence of distinct home country cultural dimensions on a firm's responsiveness to mimetic constraints.

2.2. Culture and responsiveness to mimetic pressures

Culture plays a fundamental role in institutional theory and can be viewed as "a substratum of institutional arrangements" (Hofstede et al., 2002, p. 800). In particular, culture can be considered as a dimension of institutional theory (Berry, Guillén, & Zhou, 2010) and part of the informal institutions that "underpin formal institutions" (Redding, 2005, p. 123). In fact, extant research suggests that cross-national phenomena can be explained by both culture and institutions (Parboteeah & Cullen, 2003). Institutional theory thus provides the framework that specifies the mechanisms by which both culture and institutions can affect such cross-national phenomena (Kostova, 1997).

Given the above, there has been, to our knowledge, no attempt made to study the influence of specific cultural elements on mimetic isomorphism. However, examining the impact of culture on mimetic phenomena can be useful and provide novel insights as cultural values have a significant impact on the motivations and desires of organizations and their response to external stimuli (Hofstede, 2001). At the same time, the motivations and desires of organizations influence mimetic behavior (see Fig. 1). As a result, social actors may respond to mimetic pressures in different ways depending on the home country culture they are embedded in and

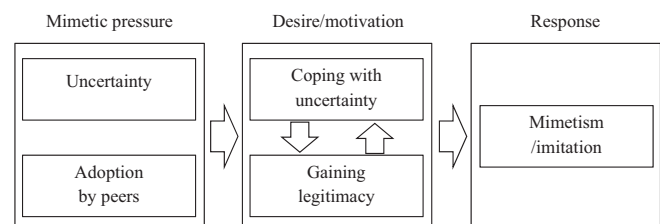


Fig. 1. Process of mimetic isomorphism.

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