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A cross-cultural comparison of the network capability development of entrepreneurial firms[☆]

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ABSTRACT

The business-to-business network literature has made interesting and insightful contributions in relation to networks as a core trajectory for external resource acquisition for the small, entrepreneurial firm. Using the micro-brewing industry in Ireland and Belgium as an empirical base, the purpose of this paper is to extend this research through examining the relationship between national culture and the development of network capability in an entrepreneurial context. Findings from in-depth interviews with fourteen firms, and analysed in light of Hofstede's five dimensions illustrate that culture matters. Low power distance facilitated network capability development through wider network engagement. High masculinity and individualism negatively impacted network capability development as evidenced by a lack of experience in interaction, a desire for control and independence and minimal information sharing. Strong uncertainty avoidance scores allowed for joint problem-solving and industry cooperation whereas a short-term orientation led to more transaction-based exchange within the value chain. The core contribution of this paper stems from it being the first rigorous investigation regarding how national culture impacts network capability development in a business-to-business network context.

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1. Introduction

In this paper we address the relationship between national culture and the development of network capability in an entrepreneurial context. As can be seen in Fig. 1, national culture, defined as the shared values of people within a certain national environment (Hofstede, 1980), has been used as a mediating, tempering or explanatory variable in relation to; relationship formation and network development (Batonda & Perry, 2003; Fang, 2001; Törnroos & Möller, 1993); alliance formation (Steensma, Marino, Weaver, & Dickson, 2000); network benefits (Luczak, Mohan-Neill, & Hills, 2010); entrepreneurial activity and outcomes (Hayton, George & Zahra, 2002) and social networks (Klyver & Hindle, 2007; Klyver, Hindle, & Meyer, 2008). However, a gap emerges whereby a limited number of empirical studies have focused on understanding the relationship between national cultural

context and entrepreneurial networks and no previous study, to our knowledge, has examined national culture in relation to the development of network capability (see, Fig. 1). Network capability, a firm's ability to develop and utilise inter-organisational relationships to gain access to various resources held by others (McGrath & O'Toole, 2013; Walter, Auer, & Ritter, 2006), is important and can assist entrepreneurs to overcome some of the core challenges that characterise them. Many challenges stem from the relative size of the entrepreneurial firm and include; resource constraints due to both liabilities of newness and smallness (Baum, 1996; Stinchcombe, 1965); time and financial restrictions (Czarnitzki & Hottenrott, 2011); dependency on a small market, lack of specialist marketing expertise (Carson, 1985); and difficulty in accessing raw materials (Mumbula, 2002) and can be overcome through external network ties enabling the entrepreneurial firm to grow and survive through the identification of, and access to external opportunities and resources (Hite, 2005; Lechner, Dowling, & Welpel, 2006).

A rich literature in relation to entrepreneurial networks has greatly informed our understanding of how entrepreneurs discover and develop opportunities through engagement with the socioeconomic system to which they are connected (Birley, 1985; Chen & Tan, 2009; Elfring & Hulsink, 2003). However, as firms must build rather than buy capabilities (Teece, Pisano, & Shuen, 1997), network capability is not inherent but rather is evolutionary in nature. Given the perception that relations

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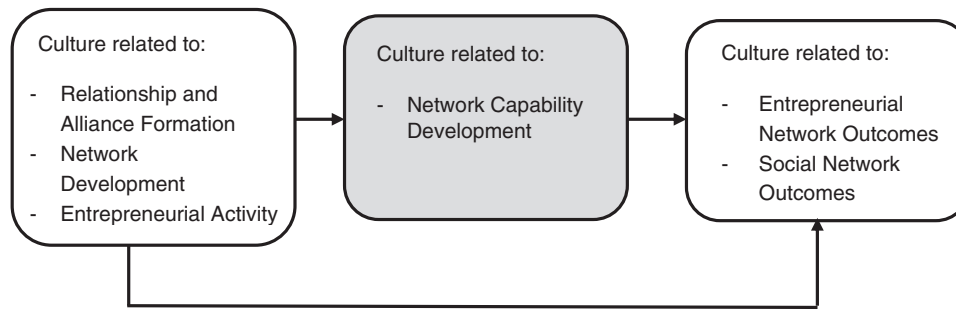


Fig. 1. The network capability development and culture gap.

between firms are important for entrepreneurial effectiveness coupled with the fact that entrepreneurial networks are context dependent and related to the socioeconomic system and societal context to which they are connected and embedded, it seems prudent to address the relationship between national culture and network capability development. More specifically, the intention of this study is to answer a fundamental research question: Does national culture influence network capability development of entrepreneurial firms?

The empirical base of this article focuses on the micro-brewing industry in Ireland and Belgium. To address the research gap, using the model developed by Hofstede, we will profile the factors impacting network capability development placing emphasis on the cross-cultural similarities and differences of such factors. The paper's contribution stems from it being the first rigorous investigation regarding how national culture impacts network capability development.

2. Does culture matter?

Culture has numerous definitions, and it has been argued that the definition selected by researchers largely depends on its intended use (Kluckhohn & Strodtbeck, 1961). For the purpose of this paper, national culture is defined as the shared values of people within a certain national environment (Hofstede, 1980). The core question addressed in this research is whether national culture impacts the development of network capability in entrepreneurial firms? That is, in an era characterised by increasing globalisation and standardisation of business practices does culture matter? The impact that culture has on networks has been discussed primarily from a social viewpoint illustrating networks as residing on a continuum between the universalist and contextualist perspectives. The universalist position argues that entrepreneurs have more in common with their international counterparts than with non-entrepreneurs from their own cultures (Dodd & Patra, 2002; McGrath, MacMillan, & Tsai, 1992). They suggest that entrepreneurial networks have a common, universal role independent of the context in which the entrepreneur is embedded, the fundamental assumption being that entrepreneurs engage with social networks in a similar way across cultures. However, previous research has cautioned that there are dangers inherent in the application of the universalist position (Gibb, 1999; Mueller & Thomas, 2000) which largely ignores the impact of national culture. The other extreme emphasises context determinism, arguing that social networks differ dramatically depending on the context in which the entrepreneur is embedded (Klyver & Foley, 2012). Greve and Salaff (2003:17), analysing the network activities of entrepreneurs through three phases of establishing a firm in four countries (Norway, Italy, Sweden, USA), acknowledged that disparity in network practice exists, but concluded that “cultural differences do not play a major role in networking”. Similarly, Staber and Aldrich (1995: 443) noted that “At least some aspects of business networking are generic, and that owners approach some tasks in similar ways in different environments”. Conversely, in analysing Japanese and USA based networks, Money, Gilly, and Graham (1998) found that native culture has a clear effect on networks with Dodd & Patra (2002: 119) in their Greece-

based study “highlighting the importance of cultural differences”. In response to fragmented findings, Klyver and Foley (2012) reasoned that diverse findings and difficulty in interpreting results may be attributed to different methodologies employed and diverse samples with some focusing on female entrepreneurs and others on urban and rural groups.

A long lineage of research concludes that culture affects virtually all human behaviour (Terpstra & David, 1985) thus, given the socially-embedded and human orientated nature of network activities, differences between cultures should be expected. Culture affects decision making and interpersonal interaction (Birley, Cromie, & Myers, 1991) and network actors and subsequent activities are predisposed by the culture of the country in which they originate and are undertaken (Fletcher & Fang, 2006). Therefore, it makes sense to analyse the potential impact that culture may have on the development of network capability. To determine cross cultural similarities and differences in network capability development, the next section will analyse potential influencing factors using the classic cultural framework developed by Hofstede (1980).

3. Linking network capability and culture

The etic versus emic dilemma in international research has persisted for decades (Berry, 1969; Triandis, Malpass, & Davidson, 1971). The etic approach identifies universal, generalizable measures that underlie cultural differences, for example the classic quantitative studies conducted by Hall (1976) and Hofstede (1991) into the underlying dimensions of culture. The emic school of thought, primarily based on a case study approach to research, holds that constructs and theories need to be studied within a specific context to fully understand the richness and complexities of each national culture that influence actors' behaviour in that culture. In this study we employ a hybrid etic/emic approach as advocated by Triandis et al. (1971) in which etic concepts are used to facilitate cross-cultural comparison but applied in a culture-specific (emic) manner, more specifically in the context of Ireland and Belgium.

Hofstede's cultural model was adopted as our theoretical framework to some extent due to its widespread recognition, in particular as a framework for international investigations of entrepreneurship (McGrath et al., 1992; Mueller & Thomas, 2000; Shane, 1993; Tiessen, 1997). For Hofstede, the way people in different countries perceive and interpret their world varies along five independent dimensions which characterise national culture: power distance, collectivism/individualism, femininity/masculinity, uncertainty avoidance and long-term/short-term orientation. According to Hofstede, based on cultural considerations we can use the dimensions to make predictions regarding the way that society operates (Hofstede, 1991). Hence, the bipolar dimensional approach to measurement of national culture can allow for cross cultural comparisons about how entrepreneurs develop network capability. Although the dimensions developed by Hofstede have received significant attention in the entrepreneurship literature (see Hayton, George, & Shaker, 2002) and business literature making it the dominant culture paradigm in business research (Nakata & Sivakumar, 1996), the model has not avoided criticism. Concerns have

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