



# 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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## 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

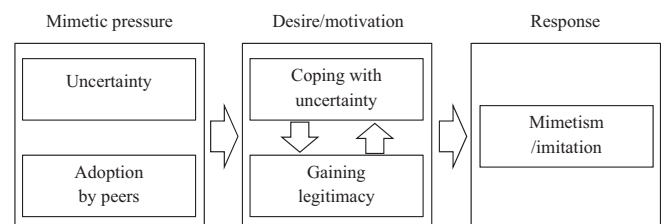


Fig. 1. Process of mimetic isomorphism.

the cultural values they possess. By examining the relationship between distinct cultural and institutional elements, we integrate culture and institutions into a single theoretical framework.

In order to examine the influence of culture on the mimetic behavior of firms, we develop a set of hypotheses based on Hofstede's (2001) cultural dimensions individualism–collectivism (I–C), uncertainty avoidance (UA), power distance (PD), masculinity–femininity (M–F), and long-term orientation (LTO).

### 2.2.1. Individualism–collectivism

Collectivism refers to “a social pattern consisting of closely linked individuals” (Triandis, 1995, p. 2) with individualism as the opposite pole of the individualism–collectivism (I–C) dimension (Hofstede, 2001). I–C is one of the most studied constructs in cross-cultural research (Kim, Triandis, Kagitcibasi, Choi, & Yoon, 1994; Triandis, 1995) and has been identified as a critical cultural dimension in explaining managerial outcomes in international business (Gelfand, Bhawuk, Nishii, & Bechtold, 2004; Kirkman, Lowe, & Gibson, 2006). I–C is particularly interesting when examining mimetic isomorphism as it refers to the interdependency between societal members (Hofstede, 2001; Triandis, 1995), which are deemed important predictive dimensions of institutional processes (Oliver, 1991).

We propose that I–C affects firms' responsiveness to mimetic pressures because it influences their motivation and drive to gain and maintain legitimacy. As a result of their strong links to other societal members and their deep embeddedness in society, collectivists tend to put a stronger emphasis on social attitudes rather than individual ones (Chen, Chen, & Meindl, 1998; Triandis, 1995). They tend to be driven by social norms, rules, and obligations rather than individual values and beliefs (Davidson, Jaccard, Triandis, Morales, & Diaz-Guerrero, 1976; Luthans, Zhu, & Avolio, 2006). As a consequence, collectivists are more likely to succumb to peer pressure and more prone to let obligatory action guide their behaviors. Prior work documents that collectivists show low resistance to social pressures and are less independent and self-assertive than individualists, which results in a higher degree of conformity in actions and decisions (Bond & Smith, 1996). As the desire to gain legitimacy is motivated by the aspiration for social acceptance and recognition, firms from more collectivistic countries tend to have a stronger desire to gain and maintain legitimacy than firms from more individualistic countries. Thus, with their peers' increasing adoption of a foreign entry decision, focal firms from collectivistic countries are more likely to imitate that decision in order to gain social recognition and legitimacy compared to firms from individualistic countries.<sup>2</sup> Based on the above discussion, we argue that collectivism increases the responsiveness of firms to mimetic influences and are more likely to imitate the foreign entry decisions of their peers:

**Hypothesis 1.** I–C influences the responsiveness of firms to mimetic pressures, such that firms from collectivistic countries are more likely to imitate foreign entry decisions of their peers than firms from individualistic countries.

### 2.2.2. Uncertainty avoidance

Uncertainty avoidance (UA) can be defined as “the degree to which a society feels threatened by uncertain and ambiguous situations” (Hofstede, 1980, p. 45) and tries to avoid these situations by establishing more formal rules, not tolerating deviant ideas, and believing in absolute truths (Hofstede, 2001). UA is thus

the extent to which members of an organization or society strive to avoid uncertainty by relying on established social norms, rituals, and bureaucratic practices (Sully de Luque & Javidan, 2004). The UA dimension is of particular interest when studying mimetic processes, as uncertainty itself is considered an antecedent to mimetic isomorphism (DiMaggio & Powell, 1983).

We argue that there is a positive relationship between UA and firms' responsiveness to mimetic pressures because UA affects firms' motivation to cope with uncertainty. Foreign expansion decisions are usually mired in high uncertainty as firms tend to lack information and knowledge of foreign markets which can accentuate the “perceptions of risk and uncertainty” regarding these markets (Liesch, Welch, & Buckley, 2011, p. 856). Firms that face uncertainty surrounding foreign entry rely on social considerations, such as the decisions of their peers to enter the foreign market, rather than technical considerations to cope with the uncertainty (Guillén, 2002; Scott, 2008). This allows them to adopt viable solutions with little expenses and search costs (DiMaggio & Powell, 1983). As more and more peers decide to enter a host country, the entry decision becomes taken-for-granted while the mimetic pressure to adopt the foreign expansion move increases (Guillén, 2002). Due to the higher propensity to avoid uncertainty, firms in high UA countries are more likely to respond to these mimetic pressures as a way to cope with the uncertainty than firms from low UA countries. In addition, firms have a larger desire to gain social legitimacy when decisions are mired in ambiguity and outcomes are not predictable (Demirbag et al., 2007; DiMaggio & Powell, 1983). As the imitation of legitimate practices represents such a way to acquire and maintain legitimacy, firms tend to cope with uncertainty through imitation as a way to increase their legitimacy. Thus, we propose

**Hypothesis 2.** UA influences the responsiveness of firms to mimetic pressures, such that firms from high UA countries are more likely to imitate foreign entry decisions of their peers than firms from low UA countries.

### 2.2.3. Power distance

Power distance (PD) refers to the degree to which individuals accept and expect the unequal distribution of power and authority in an organization or society (Hofstede, 1980; House, Hanges, Javidan, Dorfman, & Gupta, 2004). PD affects the structure of and practices in firms and countries in a number of ways. In countries with higher PD, employees show respect to those higher up the organizational hierarchy and often prefer more authoritarian styles of management (Loi, Lam, & Chang, 2012). Furthermore, whereas high PD countries respect authoritative patterns and prescriptions low PD countries tend to challenge these patterns (Hofstede, 2001).

We suggest that firms in high PD countries are more likely to imitate their peers' foreign expansion decisions than those in low PD countries because PD influences the firms' desire to gain legitimacy and their tendency to let authoritative patterns guide their behaviors. Firms in high PD countries are more likely to respect and less willing to challenge authoritative structures and patterns (Hofstede, 2001). The increased adoption of a decision or practice by other social actors represents an authoritative pattern that prescribes and guides the actions and behaviors of focal actors in the form of obligatory action (DiMaggio & Powell, 1983; Scott, 2008). As more and more of their peers begin to adopt a certain practice, the pressure increases for the focal firms to follow suit in order to gain social legitimacy and acceptability (DiMaggio & Powell, 1983). The more firms are affected by such authoritative patterns, the larger their desire is to succumb to the influence of mimetic pressure. Thus, firms that feel more obliged to conform to authoritative patterns rather than to challenge them will have a

<sup>2</sup> Even though foreign market entry refers to operations overseas, it is the home country firm's headquarter that makes the foreign entry decision and responds to the mimetic pressure. Thus, the I–C dimension of the home country exerts an influence on the home country firm's desire to gain legitimacy, which indirectly affects the firm's foreign operations.

stronger desire to gain legitimacy. As a result, firms in high PD countries are more likely to respond to mimetic influences through imitation. In contrast, firms from low PD countries tend to challenge authoritative patterns such as those imposed on them through the behaviors and decisions of other firms (Hofstede, 2001). They are less likely to mimic foreign market entry actions and decisions of their peers. Firms in high PD countries are thus more likely to rely on actions from other firms to enter international markets and respond stronger to mimetic pressures. Therefore,

**Hypothesis 3.** PD influences the responsiveness of firms to mimetic pressures, such that firms from high PD countries are more likely to imitate foreign entry decisions of their peers than firms from low PD countries.

#### 2.2.4. Masculinity–femininity

Masculinity–femininity (M–F) can be defined as the “the distribution of emotional roles between the genders, which is another fundamental problem for any society to which a range of solutions are found” (Hofstede, 2001, p. xx). The M–F dimension affects the behaviors and decisions of societal members in a number of ways. Masculine societies are characterized by competition, materialism, wealth, and sharp distinctions between assertive roles for men and service roles for women (Hofstede, 2001). In contrast, feminine societies emphasize harmony, solidarity, and concern about social relationships (Erumban & Jong, 2006; Lee & Peterson, 2000).

We propose that femininity relates positively to the mimetic responsiveness of firms as a feminine society treasures more collaboration rather than competition.<sup>3</sup> As firms in feminine countries emphasize social relationships and put these relationships before money and achievement (Kedia & Bhagat, 1988), they likely tend to stress social considerations relative to technical ones. The actions and decisions of a firm’s peers depict one of the most prominent social influences for a focal firm (DiMaggio & Powell, 1983; Scott, 2008). Firms that emphasize social considerations feel obliged to respond to such influences in order to gain social legitimacy and acceptance (Scott, 2008). Based on the propensity of firms in feminine nations to be strongly influenced by social considerations, we expect firms in these countries to have greater desires to gain legitimacy whereby exhibiting strong mimetic tendencies. In contrast, we expect mimetic forces to have a weak effect on firms from masculine countries because of their relative disregard of social considerations and relationships compared to firms in feminine countries. Therefore, we hypothesize

**Hypothesis 4.** M–F influences the responsiveness of firms to mimetic pressures, such that firms from feminine countries are more likely to imitate foreign entry decisions of their peers than firms from masculine countries.

#### 2.2.5. Long-term orientation

Long-term orientation (LTO) “refers to the extent to which a culture programs its members to accept delayed gratification of their material, social, and emotional needs” (Hofstede, 2001, p. xx). Societies that score high on LTO exhibit perseverance toward slow results, adaptation of traditions to a modern context, and respect for social and status obligations only within certain limits (Erumban & de Jong, 2006; Peterson, Dibrell, & Pett, 2002). High LTO societies tend to display future-oriented virtues such as persistence and thrift (Kirkman et al., 2006). In contrast, societies that score low on LTO are characterized by tendencies toward quick results, respect for traditions without much adaptation, and

respect for social and status obligations regardless of costs (Hofstede, 2001; Peterson et al., 2002).

We suggest that LTO has a negative relationship with the mimetic responsiveness of firms. Our logic is based on the desire of low LTO countries to comply with social and status obligations by spending lavishly even when they do not possess the financial resources (Peterson et al., 2002). Thus, firms in low LTO countries tend to emphasize social considerations more compared to firms in high LTO countries. At the same time, firms in low LTO nations are willing to disregard financial constraints in order to comply with social obligations (Hofstede, 2001). As mimetic behavior is rooted in an organization’s desire to gain social legitimacy (DiMaggio & Powell, 1983), we expect LTO to have an influence on firms’ mimetic responsiveness. As LTO relates negatively with firms’ desire to gain social recognition and legitimacy, we argue that LTO has a negative influence on the tendency of firms to respond to mimetic forces. Specifically, firms are more likely to respond to mimetic forces in low LTO societies because of the stronger emphasis on social obligations in such societies. Therefore,

**Hypothesis 5.** LTO influences the responsiveness of firms to mimetic pressures, such that firms from high LTO countries are less likely to imitate foreign entry decisions of their peers than firms from low LTO countries.

### 3. Methods

#### 3.1. Research setting

The hypotheses are tested with a sample of foreign market entries in the form of Sino-foreign joint ventures (JVs) established in China over the 1985–2003 period. China offers an excellent setting to study the mimetic behavior of international firms in the context of foreign expansion for a number of reasons (e.g., Guillén, 2002; Xia et al., 2008). First, the institutional environment of China in the periods after the open-door policies were introduced in 1979 has been largely considered highly uncertain and complex for foreign firms (Luo, 1998). As uncertainty is a major driver for firms to rely on social comparison (DiMaggio & Powell, 1983), China offers a unique context to investigate mimetic processes. Second, equity JVs have been the primary mode of entry into China, in part, because of restrictions implemented by the Chinese government (Beamish, 1993; Luo, 1997). Up until 2003, JVs were the most dominant and encouraged mode of foreign investment by the Chinese government and the only mode of investment allowed for several industries (Peng, 2006; Xia et al., 2008). Firms that attempted to enter through mergers and acquisitions (M&As) and wholly owned subsidiaries had to go through entirely different administrative processes and had to face much larger hurdles. Thus, M&As and wholly foreign-owned enterprises cannot be considered comparable alternative entries to JVs prior to 2003. This enables us to focus on culture’s influence on the imitation of foreign equity JVs as the dominant foreign entry mode in our study and to a reasonable extent avoid issues related to other foreign entry modes. Third, China has steadily become one of the largest recipients of foreign direct investments in the world making it an excellent destination to study cross-cultural phenomena in the context of foreign expansion (Luo, 2007). Finally, as there have been almost no foreign investments in China before the open-door policy in 1979 (Pearson, 1991; Shi, 2001), it is possible to avoid left-censoring issues when using data that cover the periods since 1979.

#### 3.2. Data

Data for this analysis are obtained from the Securities Data Company (SDC) database. Since SDC is one of the most commonly

<sup>3</sup> We thank an anonymous reviewer for suggesting this hypothesis.

used data sources in JV and alliance research (Schilling, 2009), using it allows for comparability with prior work. For this study, a sample is collected for equity JVs in manufacturing and services industries that include exactly one foreign and one Chinese partner. The primary industry of a firm is classified according to its two-digit SIC code consistent with previous research on foreign expansion (e.g., Guillén, 2002). To focus on institutional effects and avoid some of the effects of oligopolistic reaction theory that occur when the number of firms in an industry is small (Knickerbocker, 1973; Yu & Ito, 1988), we excluded industries that exhibit on average less than one equity JV entry per year over the examined time span from 1985–2003. These industries may also have a high entrance barrier established by the local government or are particularly unattractive in China, so that mimetic market entry cannot be properly studied. Industries classified as prohibited in the Guiding Catalogues for Foreign Investment in Industry are not included in the sample. The final sample includes 1361 Sino-foreign equity JVs established in the 1985–2003 period in 19 manufacturing and service industries from 23 home countries (Appendix I).

### 3.3. Empirical model and dependent variable

The imitation of foreign expansion decisions is sequential in nature. Thus, we choose an explicitly dynamic estimation model to capture this effect. Cox proportional hazard model is employed in this study in line with prior research (e.g., Gimeno et al., 2005; Guillén, 2002). The model has the advantages of accounting for time-varying explanatory variables, left truncation, and right censoring (Allison, 2010). It also has the advantage that it does not require the specification of a particular probability distribution for the baseline hazard (Allison, 2010). We use the model:

$$h_i(t) = h_0(t) \exp\left\{\sum \beta_{ij} \cdot X_{ij}\right\}$$

where  $h_i(t)$  is the hazard of establishment of a Sino-foreign JV  $i$  at time  $t$ .  $h_0(t)$  depicts the baseline hazard function.  $x_{ij}$  refers to the independent and control variables  $j$  and is updated annually for time-varying covariates. We use a robust variance estimator in which the parameter estimates are based on a robust standard error to account for possible non-independence of spells from each firm-country event history (Lin & Wei, 1989).

The dependent variable is measured as the duration in days between the focal Sino-foreign JV entry and the first foreign equity JV entry of a firm of the same industry (Xia et al., 2008). The first foreign JV entry event is the starting point because it is the first event that triggers mimetic stimuli and encourage imitative foreign market entry. If the foreign firm already has a JV entry in China, the dependent variable is measured as the duration between the firm's latest JV entry and the focal JV entry (Xia et al., 2008).

### 3.4. Independent variables

#### 3.4.1. Prior JV entry

We use the total number of JVs established by other firms from the same home country and the same industry in the year prior to the focal firms' foreign entry as a proxy for mimetic pressure and stimuli (e.g., Guillén, 2002). The responsiveness of firms to mimetic pressure is measured by the extent to which they react to the number of prior JV entries. The stronger the focal firms' response to mimetic pressure is, the larger their likelihood to enter the foreign market becomes. We focus on firms that share the focal firms' industry and nationality as prior work suggests that the dimensions industry and nationality are central in determining a firm's

reference groups. Firms usually compete against industry peers and face similar challenges and pressures that lead to similar internationalization patterns within the same industry (Dunning & Lundan, 2008; Porter, 1985, 1986). Common nationality is often used to determine reference groups as nations provide unique environments with their legal, social, and political frameworks and histories within which firms operate (McKendrick, 2001). Prior research finds that entries by focal firms' peers from the same home country industry affect focal firms the most (e.g., Chan, Makino, & Isobe, 2006; Li, Yang, & Yue, 2007). The one year lagged variable is based on research that examines frequency-based adoption of organizational practices (e.g., Haunschild & Miner, 1997). Industry membership of the firm is identified by its two-digit SIC code.

#### 3.4.2. Cultural dimensions

We use scores from Hofstede (1980, 2001) to obtain measures for the *collectivism*, *uncertainty avoidance*, *power distance*, *femininity*, and *long-term orientation* cultural dimensions. We use the additive inverse of Hofstede's (2001) individualism and masculinity scores to calculate the *collectivism* and *femininity* measures, respectively. Hofstede's (1980, 2001) groundbreaking study on cultural values is one of the most cited studies in the field of cross-cultural research and international management (Kirkman et al., 2006). Hofstede (1980) collected data from over 88,000 IBM employees from more than 50 countries in the 1960s and 1970s. Four cultural dimensions have been originally identified based on theoretical analyses and empirical validity (Hofstede, 1980). The fifth dimension, long-term orientation, was added later (Hofstede, 2001).

#### 3.5. Control variables

We control for a set of variables that may affect the JV entry behavior of firms. Prior research provides evidence that firms learn from their previous foreign entry experience (Johanson & Vahlne, 1977; Li, 1995). We include the *JV experience of foreign firm* and the *JV experience of Chinese firm* measured as the total number of Sino-foreign JVs formed in China before the focal JV entry by the foreign and Chinese firm respectively. Previous studies suggest that publicly traded firms tend to possess more financial resources than firms that are not traded on the stock-exchange (Holtz-Eakin, Joulfaian, & Rosen, 1994). Thus, we include a dummy control *foreign firm public status*. We further include a control *Chinese firm state-owned status* that indicates whether the Chinese partner is majority-owned by the government. Due to the desire of foreign companies to acquire larger equity stakes in order to gain additional control and avoid opportunistic behavior, a relaxation of ownership restrictions could possibly encourage JV entries (Child & Yan, 1999). Thus, we control for the *foreign firm equity share*. We also include an industry dummy and control for the *service industry* affiliation of the equity JV as service firms face different challenges compared to manufacturing firms in their foreign expansion processes (Brouthers & Brouthers, 2003).

At the industry and country level, we control for the total number of *prior M&As* and *prior strategic alliances* established in the previous year by firms from the same home country industry as prior research suggests that M&As (Kogut & Singh, 1988) and strategic alliances (Davies, 2003) can usually be considered alternatives to equity JVs. While equity JVs play a unique role in Chinese inward investments and were the dominant entry mode and the encouraged mode of entry by the Chinese government up until 2003, the existence of other modes of entry may still influence JV entry decisions into China, albeit not being comparable alternatives. We control for *GDP of China* as a proxy

for the size and attractiveness of the host country economy (Lu, 2002). The difference in GDP per capita is included as a reflection of the difference in the economic development between China and the home country (Stein & Daude, 2007). We further include Kogut and Singh's (1988) cultural distance measure to account for difficulties stemming from differences in national cultures (Elango, 2009).

#### 4. Results

Table 1 presents the summary statistics and correlation matrix. Variance inflation factors (VIF) are less than 2.8 for all variables. The correlation matrix and VIF indicate that multicollinearity is not a problematic issue in this study (Kennedy, 2008).

Table 2 presents the statistical results following Cox proportional hazard model. The coefficients  $\beta$  can be interpreted with the log hazard ratios:  $\ln[h_i(t)/h_0(t)]$  (Allison, 2010). An increase in  $z$  units of the corresponding covariate from the baseline hazard  $h_0(t)$  will result in a  $\beta z$  increase in the predicted log hazards ratio. Model 1 is the baseline model and includes only the control variables. Models 2–6 examine the moderating effects of the I–C, UA, PD, M–F, and LTO dimensions. We do not report a full model due to the large correlations between the cultural dimensions.

We hypothesize that culture influences the way firms respond to mimetic constraints. The response itself is measured through the effect of prior JV entries on the focal firms' likelihood of JV entry. Models 2–6 all include the variable prior JV entries and show a consistently positive and significant effect, suggesting that firms respond to mimetic forces by adopting foreign market entry decisions of their peers. In order to examine the influence of culture on the responsiveness to mimetic stimuli, we assess the moderating effect of the cultural dimensions I–C, UA, PD, M–F, and LTO on the positive relationship between prior JV entries and the focal firms' likelihood of JV entry.

**Hypothesis 1** predicts that the I–C dimension affects the mimetic responsiveness of firms such that firms from collectivistic countries are more responsive than firms from individualistic countries. This suggests that collectivism has a positive moderating influence thereby increasing the responsiveness of firms to mimetic pressures. Model 2 includes the interaction effect. We find that collectivism has a positive and significant moderating influence on the imitative behavior at the 0.05  $p$ -level in Model 2 as predicted.

To plot the interactions, we defined high and low on a variable as one standard deviation above or below the mean. The value on the Y-axis refers to the likelihood of JV establishment by the focal firms. The X-axis refers to the number of prior JV entries by firms of the same home country industry. A positive slope suggests that the focal firms' likelihood of JV entry increases with the number of prior JV entries by their peers. This is expected as the greater the number of prior JV entries is, the larger the mimetic pressure becomes, which then leads to a larger likelihood of JV entry. Firms that are highly responsive to these mimetic forces have a large increase in the likelihood of JV entry indicated by a steep slope. Firms that are not very responsive to mimetic influences have a gentle slope. The influence of the cultural dimensions on the responsiveness to mimetic pressure is thus illustrated by the difference in steepness between the slopes. As can be seen in Fig. 2, both lines, for high collectivism and low collectivism, have positive slopes, but the line for high collectivism is steeper suggesting that the responsiveness to mimetic influences is higher for collectivist countries than for individualist countries. Thus, there is empirical support for the significant influence of the I–C cultural dimension on the mimetic-based JV entry behavior of firms.

In **Hypotheses 2–5**, we propose that UA, PD, M–F, and LTO have a moderating effect on the relationship between prior JV entries

and a focal firm's likelihood of entry. Models 3–6 include the interaction effects with the respective dimensions. While we find that UA, M–F, and LTO have insignificant moderating influences, power distance has a positive and significant moderating effect at the 0.01  $p$ -level as hypothesized. Fig. 3 illustrates the results for the PD dimension. PD increases the responsiveness to mimetic influences as illustrated by the steep slopes for high PD countries and the gentle slopes for low PD countries. The results suggest that there is empirical support for the significant moderating influence of the PD dimension.

##### 4.1. Robustness checks

We examine the robustness of the hypothesized results to using alternative variable definitions for our independent and control variables and alternative model specifications.

First, we include several alternative variable specifications for the independent variables. As entry decisions can be influenced by long-term mimetic pressures and a broader set of reference firms, we create several alternative measures of prior JV entries to capture these possibilities. We replace prior year's JV entries by the total number of JV entries of the prior two and three years to account for long-term mimetic influences. In addition, firms are also influenced by their peers from other countries (Hannan, Carroll, Dundon, & Torres, 1995). Previous research shows that global industry peers, i.e., firms that belong to the focal firms' industry but not necessarily to the same home country, also exert mimetic pressure on the focal firms (Xia et al., 2008). Thus, we include the total number of prior JV entries into China by all foreign firms of the same industry. We create three different variables to measure the JV entries into the host country by firms of the same industry in the previous one to three years. The results remain largely robust for the alternative measures of prior JV entry based on long-term influences and global peers.

Second, we replace the control variables with alternative variable specifications. Entering a foreign country may take a few years to plan. At the same time, long term influences can exert an influence on the foreign expansion decision. The use of one-year lags may not be sufficient to capture alternative explanations for some firms. Thus, we run the previous analyses with the same controls but lagged by two years and three years, respectively. We further include alternative cultural distance measures due to criticism of the widely used Kogut and Singh (1988) measure (Shenkar, 2001). We run our analysis with cultural difference measures using Ronen and Shenkar's (1985) cultural clusters approach. The results remain highly robust when accounting for long-term influences of the control variables and alternative cultural difference measures.

Third, we run the analyses only with the foreign firms' first entries. Although the rate of imitative entry is often modeled as a repeated hazard in prior research (e.g., Gimeno et al., 2005; Xia et al., 2008), first entry and sequential entries could have different motivations. The results excluding repeated entries are highly similar to the original results.

#### 5. Discussion

Previous studies have alluded to the importance of the cultural environment when examining mimetic processes (e.g., Lu, 2002; Oliver, 1991). In response to prior research, this study systematically assesses the influence of culture on the responsiveness of firms to mimetic influences based on 1361 Sino-foreign JV establishments in China by firms from 23 different home countries. The results suggest that culture has a profound impact on firms' responsiveness to mimetic pressures. Specifically, we show that higher levels of collectivism in societies render firms in these

**Table 1**  
Correlation matrix.

Variable	Mean	St. dev.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
1	Prior JV entry	1.31	2.80																
2	Hofstede collectivism	−65.09	26.15	−0.127															
3	Hofstede uncertainty avoidance	55.48	23.56	0.069	0.097														
4	Hofstede power distance	48.17	13.63	−0.088	0.777	0.024													
5	Hofstede femininity	−61.75	19.21	−0.179	−0.070	−0.450	−0.001												
6	Hofstede long-term orientation	48.13	25.57	−0.029	0.847	0.239	0.703	−0.308											
7	JV experience of foreign firm	0.10	0.58	0.233	0.027	0.131	−0.006	−0.104	0.049										
8	JV experience of Chinese firm	0.05	0.41	0.090	0.031	0.063	0.035	−0.037	0.047	0.107									
9	Foreign firm public status	0.55	0.50	0.050	0.034	0.140	0.034	−0.105	0.115	0.144	0.034								
10	Chinese firm state-owned	0.19	0.39	−0.059	0.009	−0.009	−0.041	0.011	0.001	0.010	0.149	0.049							
11	Foreign firm equity share	0.54	0.12	−0.020	0.049	−0.023	0.045	0.021	0.002	−0.021	−0.024	0.061	0.027						
12	Service industry	0.16	0.37	−0.098	−0.048	−0.087	−0.028	0.039	−0.046	−0.069	−0.050	−0.004	−0.029	−0.027					
13	Prior M&As	0.23	1.03	0.209	0.002	−0.092	0.033	−0.020	0.052	0.039	0.043	0.000	−0.031	−0.025	0.072				
14	Prior strategic alliances	0.21	0.86	0.371	−0.135	−0.035	−0.080	−0.060	−0.069	0.026	0.038	0.047	−0.026	−0.021	0.084	0.276			
15	GDP of China	587.25	256.32	0.264	−0.036	0.007	−0.037	−0.007	−0.032	0.172	0.122	0.013	−0.090	0.002	0.055	0.290	0.234		
16	Difference in GDP per capita	23.80	7.42	0.332	−0.305	0.238	−0.249	−0.603	0.051	0.108	0.032	0.111	−0.045	−0.047	0.005	0.140	0.216	0.259	
17	Cultural distance	70.66	22.67	0.123	−0.771	0.445	−0.739	−0.093	−0.646	0.056	0.007	0.062	0.012	−0.039	−0.009	−0.085	0.078	0.044	0.363

Notes: 1361 entries. Correlations  $\geq 0.017$  or  $\leq -0.017$  are significant at the 0.05 level.

**Table 2**  
Results of Cox regression analyses (N=1361).

Variable	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Prior JV entry × collectivism	H1	0.045 <sup>†</sup>	(0.020)			
Prior JV entry × uncertainty avoidance	H2			−0.024	(0.018)	
Prior JV entry × power distance	H3				0.086 <sup>**</sup>	(0.029)
Prior JV entry × femininity	H4					0.015 (0.019)
Prior JV entry × long-term orientation	H5					0.021 (0.016)
Collectivism		0.062	(0.049)			
Uncertainty avoidance				0.094 <sup>**</sup>	(0.036)	
Power distance				0.031	(0.055)	
Femininity					0.004	(0.044)
Long-term orientation						0.051 (0.047)
Prior JV entry		0.223 <sup>***</sup>	(0.021)	0.233 <sup>***</sup>	(0.023)	0.234 <sup>***</sup> (0.025)
JV experience of foreign firm	0.087 <sup>**</sup>	(0.032)	0.055 <sup>†</sup> (0.026)	0.056 <sup>†</sup> (0.026)	0.063 <sup>†</sup> (0.026)	0.061 <sup>†</sup> (0.026)
JV experience of Chinese firm	0.035	(0.029)	0.030 (0.025)	0.022 (0.024)	0.028 (0.024)	0.027 (0.024)
Foreign firm public status	0.130 <sup>***</sup>	(0.031)	0.116 <sup>***</sup> (0.031)	0.111 <sup>***</sup> (0.031)	0.117 <sup>***</sup> (0.031)	0.121 <sup>***</sup> (0.031)
Chinese firm state-owned	0.144 <sup>***</sup>	(0.032)	0.155 <sup>***</sup> (0.032)	0.162 <sup>***</sup> (0.032)	0.159 <sup>***</sup> (0.032)	0.161 <sup>***</sup> (0.032)
Foreign firm equity share	−0.020	(0.032)	−0.020 (0.031)	−0.017 (0.031)	−0.017 (0.031)	−0.018 (0.031)
Service industry	−0.213 <sup>***</sup>	(0.034)	−0.154 <sup>***</sup> (0.034)	−0.148 <sup>***</sup> (0.034)	−0.155 <sup>***</sup> (0.034)	−0.154 <sup>***</sup> (0.034)
Prior M&As	0.042 <sup>†</sup>	(0.021)	0.027 (0.021)	0.023 (0.022)	0.023 (0.022)	0.02 (0.023)
Prior strategic alliances	0.098 <sup>***</sup>	(0.020)	0.049 <sup>†</sup> (0.023)	0.040 <sup>†</sup> (0.023)	0.043 <sup>†</sup> (0.023)	0.036 (0.023)
GDP of China	0.934 <sup>***</sup>	(0.076)	1.013 <sup>***</sup> (0.072)	1.006 <sup>***</sup> (0.072)	1.009 <sup>***</sup> (0.073)	1.007 <sup>***</sup> (0.073)
Difference in GDP per capita	−0.039	(0.037)	−0.139 <sup>***</sup> (0.039)	−0.132 <sup>***</sup> (0.038)	−0.149 <sup>***</sup> (0.039)	−0.123 <sup>†</sup> (0.050)
Cultural distance	−0.052 <sup>†</sup>	(0.031)	−0.014 (0.047)	−0.115 <sup>**</sup> (0.036)	−0.045 (0.044)	−0.075 <sup>†</sup> (0.032)
Log-likelihood	−8594.58	−8535.06	−8536.47	−8535.42	−8540.35	−8538.09
d.f.	11	14	14	14	14	14

Standard errors in parentheses.

<sup>†</sup>  $p < 0.10$ .

<sup>\*</sup>  $p < 0.05$ .

<sup>\*\*</sup>  $p < 0.01$ .

<sup>\*\*\*</sup>  $p < 0.001$ .



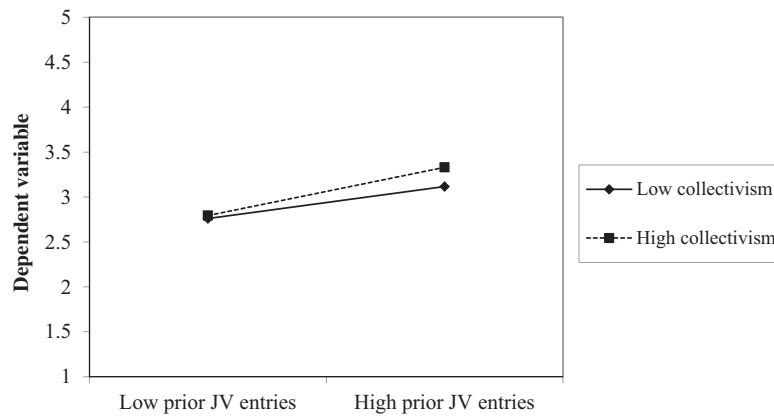


Fig. 2. Interaction effect of collectivism.

societies more responsive to mimetic forces than firms in individualistic societies. We also find that the strong desire to acquiesce to authoritative patterns likely encourages firms in high power distance (PD) societies to imitate their peers.

In order to illustrate the relevance of our empirical findings, we follow Combs' (2010) guideline on large sample analysis to study the exact changes in firms' mimetic behavior based on one unit change of the cultural dimensions. As we have standardized all explanatory variables, the coefficients report the increase/decrease of the likelihood to establish a JV given a one standard deviation change of the independent variable. For Model 2, the likelihood for a focal firm to establish a JV with a Chinese partner increases by 0.223 for a one standard deviation increase of prior year's JV entries by the focal firm's peers. The interaction coefficient of 0.045 indicates that the likelihood increases by 0.268 ( $=0.223 + 0.045$ ) for a one standard deviation increase of the collectivism dimension measured using Hofstede's scores and prior year's JV entries. Thus, for societies that are one standard deviation more collectivistic, the likelihood to imitate increases by 20 per cent. Examining the PD dimension analogously, we find that the likelihood to adopt JV entries grows by 36 per cent for a one standard deviation increase in the PD dimension.

Despite the expected results for both collectivism and power distance, we were surprised to find that the other three dimensions do not significantly relate to a firm's likelihood to imitate. Different factors may help explain such findings. First, collectivism and power distance may have a more pronounced effect compared to the other dimensions on the desire to gain

legitimacy and to follow "obligatory action" (March, 1981). Both collectivism and power distance seem to have stronger and more direct mechanisms that pressure societal members to comply with and abide by social obligations. Such pressures appear to be weaker and less straightforward for the other cultural dimensions. Second, some of the underlying characteristics of the other three cultural dimensions may exert contradictory influences on mimetic behavior. For instance, while the emphasis on harmony in more feminine countries can encourage mimetic tendencies, the desire to maintain harmony may also mean that firms are willing to accept and tolerate peers that exhibit deviant actions and decisions whereby allowing nonconformity. Similarly, while the concern for social and status obligations in low LTO countries can drive imitation, the emphasis on quick results may deter from imitation of practices with uncertain future outcomes.

Given the above findings, this paper makes two main theoretical contributions. First, it contributes to institutional theory by offering a contingency perspective of mimetic isomorphism with culture as a contextual variable that may foster or constrain mimetic processes. We demonstrate in what cultural contexts firms are more likely to succumb to mimetic pressures regarding foreign expansion decisions. In doing so, we substantiate prior assumptions of culture's potential influence on mimetic processes (e.g., Lu, 2002) through our empirical analyses. In addition, this study has implications to future empirical research that aims to examine institutional phenomena such as mimetic isomorphism. Our results highlight the

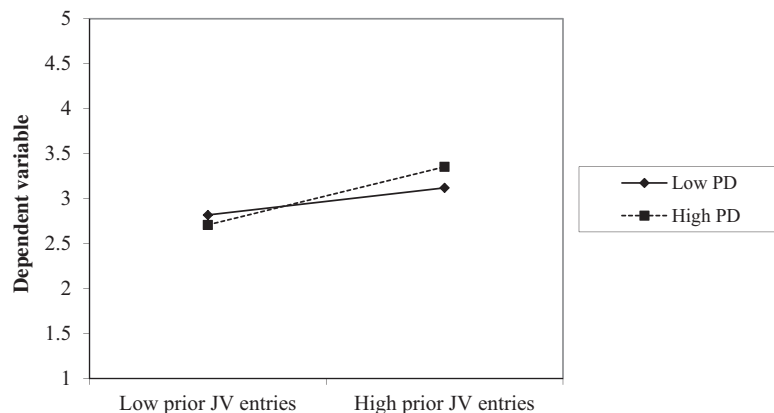


Fig. 3. Interaction effect of power distance (PD).

importance of cultural context when examining mimetic processes and may offer a rough guideline in choosing an appropriate research setting. As we find the response behavior to mimetic forces to be much stronger for countries that are high in collectivism and power distance, it can be appropriate to select countries and settings with these cultural traits when conducting studies on mimetic processes (Oliver, 1991). If, on the one hand, statistical results regarding hypothesized mimetic phenomena are weak, it may not be a result of unsound theory development, but rather a consequence of an inappropriate research setting. If, on the other hand, the proposed mimetic processes receive strong empirical support, the observed phenomena may not be simply generalized and expected to be universally valid, as organizations in other settings are not necessarily as responsive to mimetic influences (Lu, 2002).

Second, our study contributes to the field of cross-cultural research and the understanding of culture as “the collective programming of the mind” Hofstede (1980, p. 25). This understanding is fundamentally about similarities and shared values and behaviors of a collective (Hofstede, 2001; House et al., 2004) and is supported by a multitude of empirical evidence, e.g., regarding similarities in inventiveness (Shane, 1992), negotiation style (Metcalfe et al., 2006), and volunteering behavior (Parboteeah, Cullen, & Lim, 2004) in the same culture. Our results challenge and refine this prevalent notion of culture and propose that culture can also lead to dissimilarity. Due to differences in responsiveness to mimetic stimuli, firms in some cultures tend to model themselves after their peers and become highly similar to each other while firms in other cultures possess much weaker mimetic tendencies. As a result, firms in the latter cultures display greater diversity and variety in organizational structure and outcomes despite being part of the same collective, contrary to the extant notion of culture. This perspective provides for a more nuanced understanding of culture and its impact on firms.

### 5.1. Managerial relevance

This study is also relevant to managers and practitioners. While prior research grounded in institutional theory create awareness that decisions, such as foreign market entries, are not exclusively based on economic rationale but also on a firm’s desire and need to gain legitimacy, our study adds the notion that it depends on the cultural context. While it may be necessary to be highly attentive to social pressures in one culture, it may be more common and even desirable to make independent decisions in another culture. Thus, special attention needs to be paid to the cultural context and the need to legitimize one’s own behavior when conducting business abroad. In particular, when operating in countries that score high on power distance and collectivism, i.e., mostly developing/emerging Asian and South American economies including China, Malaysia, Venezuela, among others, firms should quickly undertake measures to obtain social legitimacy by imitating the visible practices and norms of their peers. These can include organizational structures and human resource practices, but also customs, etiquettes, and traditions when doing business. Spending time to learn and adopt established practices can pay dividends later on when operating in such countries. In contrast, firms are able and even expected to focus on technical rationales rather than social considerations in countries that score low on power distance and collectivism. These countries are mainly found in developed Western European, American, and Australian regions that include Australia, the United Kingdom, and the United States, among others. Therefore,

developing awareness for the different tendencies to comply with social pressures can be helpful for managers and practitioners when operating in different cultures.

### 5.2. Limitations and future research directions

This study has some limitations and provides avenues for future research. First, our sample captures JV entries before 2003. We have chosen the year 2003 as an endpoint in order to focus on JVs as the dominant and encouraged mode of entry into China (Peng, 2006; Xia et al., 2008). While the data report events from over a decade ago, we expect our study’s main phenomena – firms’ mimetic behavior and national culture – to remain relatively stable over time. Mimetic behaviors can be observed long before the end of the 19th century triggered by the same mechanisms as they are in the 20th century (DiMaggio & Powell, 1983). National culture is also considered as relatively stable over long periods of time (Hofstede, 2001). However, updated data could help to capture more recent mimetic phenomena and provide more confidence in our empirical results.

Second, while our results are valid for the most dominant foreign entry mode, i.e., Sino-foreign JVs, they are not valid for M&As in China.<sup>4</sup> Several reasons related to the setting may help explain these findings. Whereas foreign entries after the open-door policies in 1979 were mired in large uncertainty, a major driver for mimetic behavior, they became less uncertain over time due to the experience gained in China by foreign firms. Further, left-censoring issues can contort the test as M&A entries into China existed before 2004. In addition, foreign entry mode issues may distort a straightforward analysis of mimetic M&A entries. As multiple entry modes have become viable options to enter China by 2004, mimetic behavior is not only restricted to the decision to enter, but also to the entry mode. However, the different findings for M&As may be due to a number of other reasons. Future studies may pursue the question why culture affects mimetic behavior for specific organizational forms.

Finally, this study only examines one type of response to institutional forces, i.e., imitation. While this assumption has been explicitly or implicitly adopted in prior studies on foreign expansion (e.g., Guillén, 2002; Lu, 2002), imitation is only one possible strategic response to institutional processes (Oliver, 1991). Other potential responses to institutional forces such as substitution (Okhmatovskiy & David, 2012), decoupling (Lamin & Zaheer, 2012), or defiance (Oliver, 1991) have not been covered in our study. Future studies could expand this line of research and investigate the way culture evokes different types of responses to institutional influences.

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<sup>4</sup> We tested our hypotheses with cross-border M&As in China for the 2004–2014 period. Results for 1988–2003 and 1988–2014 are similar.

## Appendix I

## Distribution of JV entries among home countries.

Home country	Number of JVs	Date of first JV (month/day/year)	Home country	Number of JVs	Date of first JV (month/day/year)
Australia	35	05/18/1993	Netherlands	40	03/08/1988
Austria	5	08/17/1993	New Zealand	2	10/01/1993
Belgium	11	08/27/1988	Norway	5	02/24/1991
Brazil	1	04/30/1997	Philippines	2	10/19/1994
Canada	32	01/01/1991	Singapore	48	04/29/1993
Czech Republic	3	08/30/1991	South Korea	64	07/20/1992
Finland	10	04/09/1992	Sweden	15	01/27/1992
France	70	11/06/1992	Thailand	10	07/29/1993
Germany	141	01/01/1985	United Kingdom	72	09/28/1987
Hong Kong	131	01/01/1991	United States	384	03/21/1985
India	5	10/10/1994	Vietnam	2	12/06/1987
Japan	273	12/01/1986			

Source: SDC database.

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