

CHAPTER 2: The influence of host country cultural characteristics on the entry mode of indian firms

2.1 Abstract

‘Cultural distance’ as an aggregate construct to capture the complex phenomenon of culture has received much criticism in the entry mode literature. Disentangling the effects of the individual dimensions of Hofstede’s (2001) dimensions of national culture has been attempted, but has focused on either home country effects or home-host differences, rarely isolating the effects of host country cultural characteristics. This study argues how host country national cultural dimensions can matter for the mode of entry adopted in crossborder mergers and acquisitions. It is proposed that each of the five dimensions of Hofstede’s national culture can be treated as parametric shifts across countries in the *informal institutional environment* of the comparative economic organization framework provided by Williamson (1991), thus impacting governance costs, and observably, entry mode. This theoretical approach serves to integrate cultural factors into the comparative economic organization framework, for which the phenomenon of multinational entry mode serves as one appropriate test bed. Analyzing 218 deals from India between 1980 to 2009 show that host country values for individualism, adjusted for per-capita national income, and long-term-orientation, proxied by the country’s ‘marginal propensity to save’, are positively associated with the adoption of hierarchical over hybrid modes. Further propositions are offered on the interaction of the cultural dimensions, treated in relation to uncertainty, with elements of asset specificity.

CHAPTER 3: The contingent effects of home country national culture: a study of control sought in cross border transactions

3.1 Abstract

Studies examining the effects of home country national culture on entry mode have already been attempted in the literature, however with three critical lacunae (1) They have focused on a dependent variable not proximal enough to the influence of culture on the decision making process (2) they have been limited to the piecemeal analysis of a few key dimensions, and (3) they leave much to be desired towards a more nuanced theoretical explanation of the contingent influence of culture in international business. Our study argues how home country national cultural dimensions can matter for the mode of entry sought by managers in cross-border acquisitions, by employing state-of-the-art frameworks on when does culture matter. By characterizing the context of the entry mode decision as a situational- characteristic, we argue that the home country national culture is a determinant of the managerial perception of transaction costs. We hypothesize that each of Hofstede’s national culture dimensions influence the mode of governance sought in the entry. Analyzing 1671 cross-border deals, with target country as India, shows that home country power distance is positively associated, and long term orientation is negatively associated, with the managerial seeking of hierarchical over hybrid modes.