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Foreign market entry as network entry: A relational-structuration perspective on internationalization in television content production

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Summary Our study of German television content production firms entering the Hungarian market and other markets, and of U.S. firms entering the German market shows that foreign market entry in this industry often takes the form of network entry and, in some cases, collective network entry. The network orientation is the preferred strategy, to help firms cope with the often substantial “cultural discount” on their products. To interpret these observations, we extend the network approach of the Nordic school of international business research and distinguish between networks as a (relational) perspective and a form of governance. Our data show that, in this industry, different “market” entry strategies are implicated in network entry. Foreign market entry is a process that includes a dynamic mix of market, hierarchical, and network arrangements. Using ideas from Giddens’ (1984) structuration theory, we conceptualize foreign market entry as a process driven by the recursive interplay of knowledgeable agents and the social structure of organizational networks and fields.

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Introduction

Growth rates in the world’s two largest domestic markets for television content production, the United States and Germany (Media Perspektiven, 2009), have declined over the last few years, while the cost of production has risen significantly and the scope for financing prestigious event-television projects has narrowed considerably. Because the marginal cost of additional broadcasting via television or the Internet is close to zero, an increasing number of television production

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firms have entered foreign markets in recent years. They have used a variety of internationalization strategies, including exporting, joint production, licensing, and foreign acquisition (Hickethier, 1999). Because there are often substantial “cultural discounts” on television programs (Hoskins & Mirus, 1988), the “liability of foreignness” (Hymer, 1976) is likely to matter in this industry even more than it does in others. Access to locally embedded resources is thus critical, regardless of which entry strategy is chosen (Preston & Kerr, 2001). In those cases where local television audiences have a strong preference for specific locations, type-casting, and story lines to reflect local traditions and cultural tastes, local content is particularly valuable. The question is, how can such local content be produced by foreign firms that are not familiar with the historical, cultural, and institutional nuances of local contexts in which knowledge evolves? In this paper, we argue that under these conditions the most suitable entry mode is a strategy that helps firms tap into existing local inter-organizational networks or create new ones.

Much previous research has focused on the structural aspects of such networks, to highlight the value of a firm’s position for mobilizing critical resources. In research on the film and television industry, studies have identified the complex resource interdependencies between the various economic and institutional actors that constitute global production networks (Coe, Dicken, & Hess, 2008). We suggest that understanding the inner workings of a network-focused entry strategy requires more than identifying the structural network configuration of firms in a given local (and international) field. It also requires knowledge of the processes and activities through which the actors cooperate, seek legitimacy, negotiate access to resources, and so forth. In this study, we thus go beyond a purely structuralist approach (Staber, 2006), to explore how the context in which foreign market entry takes place is embedded recursively in firms’ ongoing practices. We start from the premise, as suggested by the relational perspective used in much of the Nordic school research on international business (for a review, see Björkmann and Forsgren, 2000), that foreign market entry is often accomplished as “network entry”, to the extent that networks are a viable mechanism to manage resource interdependencies. However, the relational perspective, as used in much of this literature, lacks precision in that it does not distinguish between networks as a (relational) perspective and a form of governance. Also, the reality of foreign market entry – as in the case of television content production – is far more complex and dynamic than can be captured by a relational or structuralist network perspective alone. Networks are inherently dynamic and they are often embedded in diverse organizational fields that include different kinds of actors who, in the process of entering a market, create, reproduce, or transform network structures in ways that may also involve elements of markets and hierarchies.

Despite these complexities, international business researchers have often employed a narrow structuralist network approach. In this paper we complement and extend this approach in two ways. First, we suggest that new insights can be obtained by taking into account the different modes of governance in the organizational field that firms adjust when entering a foreign market. While distinguishing in this respect between market, hierarchy, and network modes of actual

field governance, we find in the industry under investigation here that firms entering a foreign market tend to transform existing networks or create new ones. To accomplish this, they employ the network and organizational (hierarchical) governance mode and, to a somewhat lesser extent, also the market mode. Second, we suggest that an explanation of foreign market entry requires attention to process and practice, rather than structure alone. Foreign “market” entry can be understood as a relational-structuration process, reflecting the recursive interplay of structure and agency with respect to the cognitive, normative, and power elements that are inherent in any kind of social practice (e.g., Sydow & Windeler, 1998). Our emphasis on process and the practices that firms engage in when they *enter* a foreign market departs from the perspective normally used in international business research, which treats entry strategies as an isolated feature, disconnected from the structural aspects of networks, fields, and society. We suggest that Giddens’ (1984) theory of structuration helps to better understand business internationalization strategies by highlighting not only process, without neglecting structure, but also the recursiveness of social life in general.

We illustrate our theoretical arguments with data from an in-depth case study of how Soapy, a leading German television production company, entered the Hungarian market. The case analysis is complemented with empirical observations on other German companies entering foreign markets, as well as U.S. majors that have entered, or have attempted to enter, the German market in recent years. We see our research primarily as an exploratory, theory-generating, or better, a theory-differentiating rather than hypothesis-testing study (Eisenhardt, 1989). It is a theory-differentiating study in that we extend the Nordic school’s relational approach in the two directions indicated above. We believe that the insights the relational-structuration perspective can offer are not limited to internationalization in television content production, but are generalizable to other, not (yet) fully globalized creative industries, and possibly some service industries as well.

The paper is structured as follows. In the next section, we outline the network approach as used in the Nordic school of international business research. We then discuss the relational-structuration perspective on foreign market entry, emphasizing how the structure of the organizational field influences the choice of entry strategy and how the key players are implicated in the structuration of the field. Following the case analysis and the discussion of the other evidence we collected on foreign market entry, we highlight the implications of these findings for theory building in research on internationalization. We conclude with several propositions for managerial practice in international television content production and other creative industries.

Conceptualizing foreign market entry as network entry

Questions of business internationalization in general, and of foreign market entry in particular, have been addressed from a variety of perspectives (for reviews, see Brouthers & Hennart, 2007; Canabal and White, 2008; Meyer, Estrin, Bhaumik, & Peng, 2009). Of the three research streams

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