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The Home Country Cultural Determinants of Firms' Foreign Market Entry Timing Strategies

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Firms choose foreign market entry timing strategies based on their perceptions and evaluations of the risks and rewards inherent with early versus late entry into that market. We expect a firm's home country culture to have a strong impact on these perceptions, resulting in systematic variation in firm entry timing strategies across firms' country of origin. To this perspective, we integrate extant research which suggests that the host country political environment will also impact entry timing. Our findings support the argument that home country cultural attributes directly influence whether a firm decides to enter a country earlier or later than other firms, and that the host country's political environment moderates these effects. Specifically, we find that firms from high performance orientation and high power distance tend to enter countries earlier on average; we also find that countries with weak political freedoms trigger late-entry strategies for firms from high uncertainty avoidance cultures, but early-entry strategies for firms from collectivist cultures. Our findings are the first in the entry timing literature to examine the role of a firm's home country cultural attributes and underscore the importance of the cultural and political environments on strategic decision-making across diverse home and host country contexts.

Introduction

Analyzing opportunities and threats in the environment and making decisions under conditions of uncertainty are fundamental issues for the field of strategic management (Levinthal, 2011; Schneider and De Meyer, 1991). When weighing the relative costs and benefits of strategic alternatives, subjective perceptions and interpretations lead firms to react differently to even the same objective stimulus (Daft and Weick, 1984; Makhija and Stewart, 2002; Powell et al., 2011). As the "collective programming of the mind which distinguishes one group from another"

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(Hofstede, 1980, p. 25), a firm's home country culture is one of the primary reasons for systematic differences in firm perceptions of their environments and resultant strategies (Doremas et al., 1998; Schneider and De Meyer, 1991). The norms and values of a firm's home country have a strong imprinting effect that impacts decision-making processes even when the firm operates outside of its home environment (Doremas et al., 1998; Stevens and Shenkar, 2012; Stinchombe, 1960). As a result, attributes of a firm's home culture have been shown to affect a number of decisions central to the strategic management literature from foreign entry mode choice to global knowledge transfer strategies (Bhagat et al., 2002; Erramilli, 1996; Makino and Neupert, 2000).

There is, however, a key research stream that has not adequately considered how home country culture affects firm strategy — the domain of entry timing strategy (Gallego et al., 2009; Pan et al., 1999). One of the most important strategic decisions a firm faces on entering a country is when to enter relative to its competitors (Lieberman and Montgomery, 1988). Entering before the competition could result in important early mover advantages, such as the ability to lock-up scarce resources or create buyer and supplier switching costs. However, early entry is not without potential downfalls — it often involves greater uncertainty, less market knowledge, and a potential lack of vital infrastructure (Lieberman and Montgomery, 1998). Thus, in some cases, *late* entry creates competitive advantage (Doh, 2000; Sandberg, 2001; Schnaars, 1994). Consequently, a firm's entry timing strategy is generally a result of perceptions about the complex risk/reward calculus between early versus late entry. Therefore, the literature suggests that some firms are more likely to pursue early entry strategies while others are more likely to pursue late entry strategies. Some have attributed these differences to heterogeneity in firms' resource endowments: firms with superior resources are more likely to enter sooner, as they will be able to better exploit and protect their advantage (Haleblian et al., 2012; Schoenecker and Cooper, 1998; Suarez and Lanzolla, 2007). This has led some researchers to call for the resource-based view to be the primary lens through which entry timing strategies are examined (Lieberman and Montgomery, 1998). Yet, questions remain, as entry timing decisions do not appear to be made on the basis of resource endowments alone, especially in the international environment (Alpert et al., 1996; Di Benedetto and Song, 2008; Lieberman and Montgomery, 1998; Nakata and Sivakumar, 1997; Song et al., 1999). The need to understand how firms' home country environment impacts their entry timing strategies is precisely why Lieberman and Montgomery (1998) call for more studies with an international perspective in this research domain.

In this paper, we take an alternative approach to explaining firm entry timing strategies in an international context, based on institutional theory. Institutional theory suggests that firms from different cultures see the world through different cognitive frames. In turn, they perceive risks and rewards differently — even when faced with the same objective scenario — leading to variation in behavioral patterns (Hofstede, 1980; Scott, 2008). This approach has been used to great success in other aspects of foreign entry strategy, such as entry mode (i.e., the effect of culture on the decision between a joint venture and wholly-owned subsidiary, or an M&A or greenfield investment) and location choice decisions (Johanson and Vahlne, 1977; Kogut and Singh, 1988), but has not yet been adequately extended to research on entry timing. However, preliminary research in this area has established an empirical relationship between variance in firm home country cultural attributes and differences in perceptions of the risks and rewards of early entry (Di Benedetto and Song, 2008; Song et al., 1999). However, this line of research has not examined whether these differences in *perception* translate into actual differences in firm *behavior*. We build on these studies to see if differences in firm entry timing strategies can indeed be explained by their home country attributes. From the literature, we identify cultural attributes expected to directly influence the perceived risks and rewards of early versus late entry. Specifically, we argue that firms from high performance orientation and high power distance cultures are more likely to engage in early entry strategies, while firms from high uncertainty avoidance and collectivist cultures are more likely to engage in late entry strategies, all else equal.

Additionally, we use the institutional perspective to address a critical and long-standing debate within the entry timing literature — whether adverse host country political environments lead to