

This is to certify that the
dissertation entitled

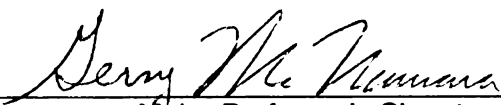
**EARLY AND LATE MOVERS IN
DOMESTIC AND INTERNATIONAL MARKET ENTRY**

presented by

Bernadine Johnson Dykes

has been accepted towards fulfillment
of the requirements for the

Doctoral degree in Strategic Management


Major Professor's Signature

5/6/09

Date

PLACE IN RETURN BOX to remove this checkout from your record.
TO AVOID FINES return on or before date due.
MAY BE RECALLED with earlier due date if requested.

DATE DUE	DATE DUE	DATE DUE

**EARLY AND LATE MOVERS
IN DOMESTIC AND INTERNATIONAL MARKET ENTRY**

By

Bernadine Johnson Dykes

A DISSERTATION

**Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of**

DOCTOR OF PHILOSOPHY

Strategic Management

2009

ABSTRACT

EARLY AND LATE MOVERS IN DOMESTIC AND INTERNATIONAL MARKET ENTRY

By

Bernadine Johnson Dykes

In this three-essay dissertation, I apply the behavioral theory of the firm (Cyert & March, 1963) and Hofstede's national culture dimensions (Hofstede, 1980, 2001) to predict the relative timing in which firms enter a new product market and a new geographic market, respectively. I also examine the effect of the diverse modes of imitation on the relationship between early market entry and firm performance. The results from Study I indicate that market entry timing is influenced by firm level factors, such as prior performance, slack resources and prior entry experience, but in ways that are sometimes contrary to theory. The results from Study II indicate that market entry timing is also influenced by societal level factors at the single and multi-firm level of analysis. However, as Study III suggests, the influence of the different modes of imitation on the relationship between firm performance and early market entry remains unclear. I test these ideas on sample of firms that entered the mutual fund industry and the project-finance market. In multiple ways, this dissertation adds to the extensive body of work in strategic management and international business regarding market entry and points to several opportunities for future research.

ACKNOWLEDGEMENTS

I thank my dissertation committee, Dr. Gerry McNamara (chair), Dr. Linn Van Dyne, Dr. Yuri Mishina and Dr. G. Tomas Hult, for their support and guidance in completing my degree and dissertation. I thank my husband (Roy), family, friends, Dr. Matthew Anderson, Dr. Ernest Betts, Dr. Christopher Porter and all of my cohort members in the doctoral program for their support and encouragement during my tenure at Michigan State. Finally, I thank the members, affiliated faculty and support staff of the Management Doctoral Students Association of the PhD Project.

TABLE OF CONTENTS

LIST OF TABLES.....	v
LIST OF FIGURES.....	vi
INTRODUCTION.....	1
STUDY I: Behavioral Perspectives on the Order of Market Entry.....	18
STUDY II: The Cultural Determinants of the Order of Market Entry.....	59
STUDY III: The Consequences of Firm Imitation on Early Entrant Performance	105
DISSERTATION CONCLUSION.....	140
APPENDIX A: Mutual Fund Category Titles.....	142
APPENDIX B: Project Finance Countries.....	144
APPENDIX C: Factor Analysis Details.....	146
REFERENCES.....	156

LIST OF TABLES

Table 1: Descriptive Statistics I.....	42
Table 2: Descriptive Statistics: Continuous versus Spline function.....	43
Table 3: Random-Effects Tobit Regression Predicting Order of Entry: Historical Aspirations.....	44
Table 4: Random-Effects Tobit Regression Predicting Order of Entry: Social Aspirations.....	45
Table 5: Random-Effects Tobit Regression Predicting Order of Entry: Spline Function.....	46
Table 6: Descriptive Statistics II: Hofstede Dimensions.....	92
Table 7: Descriptive Statistics: House Dimensions.....	93
Table 8: Descriptive Statistics: Hofstede versus House.....	94
Table 9: Descriptive Statistics: Cultural Diversity Models.....	95
Table 10: Random Effects Tobit Regression Results Predicting Order of Entry: Hofstede Dimensions.....	96
Table 11: Random Effects Tobit Regression Results Predicting Order of Entry: House Dimensions.....	97
Table 12: Random Effects Tobit Regression results Predicting Order of Entry: Cultural Diversity.....	98
Table 13: Descriptive Statistics III.....	135
Table 14: HLM Results Predicting Total Net Assets.....	136

LIST OF FIGURES

Figure 1: Full Model.....	150
Figure 2: Hypothesis 1.....	151
Figure 3: Hypothesis 2.....	152
Figure 4: Hypothesis 3.....	153
Figure 5: Hypothesis 4.....	154
Figure 6: Interaction between experience and social relative performance.....	155
Figure 7: Interaction between slack and historical relative performance.....	156
Figure 8: Interaction between slack and social relative performance.....	157

INTRODUCTION

One of the classic areas of study in the strategic management literature is the order in which firms enter new markets¹, and the advantages and disadvantages that subsequently ensue to early and late entering firms (Lieberman & Montgomery, 1988). Economics and competitive dynamics form the foundation of the arguments used in this stream of literature. Combined, these literatures suggest that order of entry dynamics develop through a process that begins with an unspecified environmental change (e.g., a change in the economic or social environment). This change creates opportunities for firms to compete in order to gain the economic and social advantages of new market opportunities as they evolve continuously in the environment (Schumpeter, 1934). When firms earn profits from capitalizing on these opportunities, other firms are motivated to enter the same market. However, markets are imperfect, so heterogeneity in terms of resources, capabilities and information exist between organizations. As a result, some firms are more proficient at identifying, responding and capitalizing on market opportunities than other firms. As a result, these pioneer firms² gain advantages, such as superior returns, customer loyalty, advanced technologies or reputation capital (Lieberman & Montgomery, 1988, 1998). However, rival or late moving firms often imitate the actions of pioneer firms, and thus the advantages earned by the pioneer firms diminish.

The empirical research on order of market entry has focused on four main areas: (1) the conceptual foundation of order of entry dynamics, (2) the antecedents of order of entry behavior (i.e., which firms tend to enter markets early versus late), (3) the context

¹ Order of entry refers to the relative timing of a firm's entrance into a market. Throughout the document, order of entry is a continuous variable.

² I use the terms "pioneer" and "early moving" firm interchangeably to refer to a unique entrant in a market.

in which order of entry dynamics exist and (4) the advantages and disadvantages that accrue to firms that act early or late on new market opportunities. I review these four areas in turn followed by a discussion of how this dissertation extends each of these areas.

Conceptual Foundation

The work of Joseph Schumpeter (1934, 1950, 1986) forms the foundation of order of market entry research. Schumpeter (1934) described capitalism as an evolutionary process. From his viewpoint, this evolutionary process is fueled by the opening of new markets (or the creation of new technologies) that replace or revolutionize existing economic structures (Schumpeter, 1934, 1950, 1986). In other words, similar to other members of the Austrian School of Economics (Jacobson, 1992), but unlike traditional economic theorists, Schumpeter saw innovation (i.e., the entrepreneurial discovery and exploitation of new markets, new technologies, new product uses, new distribution channels, etc.) rather than monopoly power as the foundation of superior firm profits. Schumpeter's argument was that competition based on innovation requires more cost and quality advantages than competition based on monopoly power, and thus competition based on innovation is more likely to generate superior profits.

To quote Schumpeter (1950: 84), *"it is not price competition which counts, but the competition from the new commodity, the new technology, the new source of supply, the new type of organization-competition which commands a decisive cost or quality advantage and which strikes not at the margins of the profits and the outputs of the*

existing firms, but at their foundations and very lives. This kind of competition is more effective than the other..... ”

Further, Schumpeter and other Austrian economists emphasized that firm action rests upon gaining knowledge or information about innovative opportunities that others may have overlooked (Jacobson, 1992).

Schumpeter's arguments suggest that firms that enter a new market (or develop a new product, find a new supply source, etc.) earlier than other firms obtain superior returns (Schumpeter, 1934). The superior profits that innovative firms gain from entering new markets motivate other firms to enter the market in an attempt to dethrone the innovator and obtain the same profits. Schumpeter named the process whereby new markets, commodities or innovations destroy existing ones, “creative destruction” (Schumpeter, 1934). The process of “creative destruction” suggests that the need to innovate stimulates firm behavior in a competitive context. Without innovation, firms are likely to be replaced by other firms that discover (or create) new markets. The process of creative destruction highlights the interdependence of firm strategy and action, and ultimately performance, and points to the fact that a firm's strategy is often, in part, a function of the strategy of its rivals.

Despite its Schumpeterian origins, the literature on order of market entry has conceptual limitations. First, the literature on order of market entry has relied almost

exclusively on the arguments based in Austrian economics,³ which limits the ability of scholars to make different predictions and explanations regarding order of market entry behavior. For example, agency theory (Jensen & Meckling, 1976) may suggest that top management team compensation or board structure may influence market entry timing, yet Austrian economic thought does not directly consider corporate governance factors to explain entry behavior. Second, the literature on order of market entry under-specifies the manner in which firms actually discover new markets. Specifically, this literature assumes that certain firms use their unique proficiencies to detect market opportunities more effectively than other firms (Lieberman & Montgomery, 1988), yet the decision-making process that leads to the discovery of these opportunities is unclear.⁴ Finally, although logic would suggest that firms consider the risks of market entry, the literature on order of entry pays limited attention to the downside potential of the market opportunities on which firms capitalize to gain pioneering advantages.⁵

Antecedents of Order of Market Entry Behavior

Research regarding the antecedents to the timing of market entry has primarily examined the firm-level attributes and characteristics that predict whether firms will enter markets earlier or later than other firms. Existing research has found several firm characteristics to be important. For example, this stream of literature suggests that firm size (Fuentelsaz, Gomez, & Polo, 2002; Haveman, 1993a; Khorana & Servaes, 1999; Mascarenhas, 1992; Teece, 1986; Wernerfelt & Karnani, 1987), prior performance

³ For an exception, see Lambkin (1988).

⁴ The literature on the diffusion of innovations suggests that firms discover new technologies through research and development (Rogers, 2003).

⁵ The literature on the diffusion of innovations recognizes that new technologies are costly and that they do sometimes fail (Rogers, 2003).

(Bolton, 1993; Fuentelsaz, Gomez, & Polo, 2002), prior experience (Klepper & Simons, 2000), specific organizational skills (Robinson, Fornell, & Sullivan, 1992) and certain types of firm resources (Frynas, Mellahi, & Pigman, 2006; Schoenecker & Cooper, 1998) may predict which firms act early or late in a competitive setting. Among the most researched characteristics (i.e., firm size, prior performance and firm assets), the only consistent finding suggests that early moving firms tend to have more or better (technological and political) resources than late moving firms.

The Context of Order of Market Entry Behavior

Scholars have examined the ongoing process of moves and countermoves implicit within an order of entry context in many, but primarily domestic settings, such as new product or new technology markets.⁶ For example, order of entry dynamics exist in the mutual fund (Makadok, 1998), internet commerce (Lieberman, 2007), telecommunications (Lee, Smith, Grimm, & Schomburg, 2000), radio/television (Klepper & Simons, 2000), banking (Dos Santos & Peffers, 1995), computer (Schoenecker & Cooper, 1998) and consumer goods (Robinson & Fornell, 1985) industries. Further, order of entry dynamics also exist within waves of domestic mergers and acquisitions (Carow, Heron, & Saxton, 2004; McNamara, Haleblan, & Dykes, 2008).

Order of entry dynamics also occur in international business environments (Fuentelsaz et al., 2002; Mascarenhas, 1992; Pan & Chi, 1999; Pan, Li, & Tse, 1999). Taken together, the findings in the international business research suggest that multinational

⁶The literature has not made a distinction between these different contexts in terms of predicting early or late market entrance.

firms enter developed and developing countries to gain access to new sources of demand and factor inputs. Multinational firms that enter these countries earlier than other firms are able to pre-empt the nation's valuable resources and capabilities, and hence earn higher returns. Nonetheless, research on order of entry studied in an international business context has not fully considered how the cultural factors that are unique to an international business context may shape early or late market entry.

Order of Market Entry and Firm Performance

Finally, the relationship between order of entry and firm performance has received the most empirical examination in this stream of literature. Specifically, the literature on order of entry proposes that firms that pioneer gain abnormal returns, whereas late or copy-cat firms earn lower returns (Carow et al., 2004; Dos Santos & Peffers, 1995; Lambkin, 1988; Lieberman & Montgomery, 1988, 1998; Makadok, 1998; Mascarenhas, 1992; McNamara et al., 2008; Robinson & Fornell, 1985; Sinha & Noble, 1997). Early-movers gain their competitive advantage through technological leadership, buyer switching costs, pre-emption of assets (Lieberman & Montgomery, 1988, 1998) or the political resources of the firm (Frynas et al., 2006). Specifically, early movers can gain benefits through learning advantages if the learning is kept proprietary and if the firm can maintain its leadership in the market (Lieberman & Montgomery, 1988). Early movers may establish brand loyalty as buyer preferences evolve in a manner that favors the initial position of the pioneer. Early movers can also seize profits by gaining control of valuable and scarce resources. If selected and used effectively, these resources can be a source of sustainable competitive advantage (Barney, 1991; Penrose, 1959; Wernerfelt,

1984). Finally, early movers can gain advantages if they leverage their political resources (i.e., resources that allow the firm to use the political process for its gain) (Frynas et al., 2006).

Early mover advantages appear to be difficult to sustain, however. First, based on a meta-analysis, early mover advantages appear to be more sustainable when market share is used as a measure of performance as opposed to profitability or survival (Vanderwerf & Mahon, 1997). Further, later movers can capitalize on the (1) resolution of uncertainties, (2) discontinuities in the marketplace or (3) incumbent inertia and thereby diminish the advantages earned by the early moving firm (Lieberman & Montgomery, 1988). Later movers can also use their own resources and strategies to obtain market success (Cho, Kim, & Rhee, 1998; Shamsie, Phelps, & Kuperman, 2004). Most importantly, late movers may erode the advantages gained by early movers by imitating the behavior of early moving firms (Lee et al., 2000; Sinha & Noble, 1997). Nevertheless, this literature has ignored the multidimensional nature of firm imitation (Haunschild & Miner, 1997), which limits the ability of strategic management scholars to fully understand the effects of imitation on the sustainability of early mover advantages.

Study Purpose

In this dissertation, I extended the order of market entry research in all four areas of inquiry (i.e., conceptual foundation, antecedents, context and order of entry-performance relationship). In particular, the main purpose of this dissertation is to address the following questions: (1) how does a firm's decision-making processes and national

culture shape order of market entry? and (2) does the performance of early moving firms erode based on diverse forms of imitation? I examined both parts of this research question in three separate studies. Figure 1 is an illustration of the full set relationships that I tested. The studies in this dissertation focus on entrance into new product markets in domestic and international settings.

Overview of Study I

The purpose of Study I is to apply the behavioral theory of the firm (Cyert & March, 1963) to predict the order in which firms will enter a new market. I base Study I on three premises: (1) introducing a new theoretical framework to the research on order of entry may enrich the current understanding of market entry behavior (2) firms actively search for new markets and (3) market opportunities contain risks and uncertainties. Given its focus on search and risk⁷, the behavioral theory of the firm (Cyert & March, 1963) provides a framework to predict order of entry behavior in terms of the decision processes through which firms search for and consider the risks associated with market entry opportunities. Further, because the behavioral theory of firm (Cyert & March, 1963) considers performance compared to a specific benchmark, instead of absolute performance, Study I provides an opportunity to resolve the inconsistent findings regarding the relationship between prior performance and order of entry.

The behavioral theory of the firm suggests that relative performance predicts future behavior. In particular, decision-makers compare their performance to an aspiration or

⁷ Although the behavioral theory of the firm can be applied to risk-taking, its original conceptualization focused on search and organizational change. Later works (i.e., Singh (1986) and Bromiley (1991)) incorporated elements of risk.

target level of performance relative to their historical performance and relative to the performance other firms in their social comparison group (Cyert & March, 1963). Both comparison processes may reveal discrepancies between a firm's aspiration level and its actual performance. A performance discrepancy leads firms to search for opportunities with varying levels of risk in order to resolve the discrepancy. In general, performance below aspirations leads to "problemistic" search and risk seeking behavior, whereas performance above aspirations tends to result in risk averse behavior (Cyert & March, 1963; Kahneman & Tversky, 1979).⁸ By considering market entry in terms of search behavior, the behavioral theory of the firm (Cyert & March, 1963) suggests that firms deliberately search for opportunities to enhance their performance, whereas the existing market entry literature is relatively silent about how firms identify such opportunities. Further, the behavioral theory of the firm suggests that firm action in a competitive setting is not only the result of firms seeking to outperform their rivals through innovation, but such action is also the result of "boundedly" rational decision-makers using their routines to resolve a discrepancy in their performance. Finally, by conceptualizing market entry as a trade-off between risk and return, rather than as an opportunity, the behavioral theory of the firm supplies a theoretical framework to predict when firms are likely to enter a market earlier or later than other firms based on their search behavior and risk preferences.

In addition, research on order of entry has produced mixed results regarding the relationship between prior performance and the tendency of firms to enter a market or

⁸ Throughout the document, performance relative to aspirations is a continuous variable.

adopt an innovation earlier or later than other firms. Specifically, one set of findings suggests that substandard prior performance may lead to the early adoption of an innovation (Bolton, 1993). Another set of findings suggests that substandard prior performance leads to late adoption or imitation of an industry practice (Kraatz, 1998), while other work found no relationship between prior performance and entry timing (Fuentelsaz et al., 2002). By using the behavioral theory of the firm (Cyert & March, 1963), I have an opportunity to resolve these mixed findings by modeling not just prior absolute performance, but rather performance relative to social and historical aspiration levels to predict order of entry into a new market. Consistent with behavioral theory logic, I also propose that slack may have a main effect on entry timing. Finally, the equivocal findings in this area of research suggest that moderating factors may be influencing these relationships. Therefore, I also propose that prior entry experience and organizational slack moderate the relationship between entry timing and performance relative to aspiration levels. Specifically, high levels of prior entry experience may weaken, but slack may strengthen the relationship between performance relative to aspirations and order of entry, and thus prior entry experience and slack may modify the decision-making process that is implicit within the logic of the behavioral theory of the firm.

In Study I, I make five contributions to the literature. First, by applying the behavioral theory of the firm, I use a unique theoretical framework that makes predictions about order of market entry, particularly as it relates to a firm's search processes and risk preferences. Second, existing theories and perspectives in the management literature

focus primarily on why and which firms may follow or act late in a new market setting. However, the behavioral theory of the firm provides a more complete perspective on entry behavior because its arguments helped to examine which firms may act early **and** which firms may act late in a market entry context. Third, by applying the behavioral theory of the firm in an order of entry context, I examine whether performance discrepancies may trigger innovative behaviors. Finally, given that the existing literature has produced unclear results regarding the relationship between prior performance and order of entry, I attempt to reconcile these mixed findings and thereby establish a more sound understanding of the prior performance-order of entry relationship.

I organize Study I as follows. First, I provide a brief overview of the behavioral theory of the firm. Second, I discuss market entry in terms of search and risk. I then discuss the importance of prior performance in the study of strategic management and some of the empirical findings related to prior performance. Next, I review the literature on the behavioral theory of the firm. Finally, I develop the hypotheses, present results and discuss the findings and areas for future research. I test the hypotheses for this study on a sample of 102 publicly traded, financial institutions that entered the equity mutual fund market in the United States between 1980 and 2006.

Overview of Study II

In Study II, I examine how national culture predicts order of entry decisions for single firms and teams of firms doing business in international markets. In Study II, I emphasize the fact that national culture is important because it affects firm action and

decision-making. More importantly, in Study II, I highlight the fact that very few studies have examined how order of entry behavior varies if it occurs *across* rather than within diverse economic or social contexts. This suggests that although scholars have studied order of entry in international settings, the cultural implications of this setting needs further investigation. In other words, although current work supports the existence of order of entry behaviors and the advantages of pioneering activities (Carow et al., 2004; Dos Santos & Peffers, 1995; Lambkin, 1988; Makadok, 1998; Mascarenschas, 1992; McNamara et al., 2008; Robinson & Fornell, 1985), most studies have been conducted in a domestic or single country setting. As a result, these studies ignore the multi-cultural influences that permeate the strategic decision-making processes of most contemporary multinational organizations.⁹ Further, I recognize that, in an international business setting, teams of multinational firms may make order of entry decisions as they seek to spread the risks associated with investing in new markets. Therefore, the behavior of multinational teams of firms is an important area of study.

In the current business environment, multinational organizations compete for profits across multiple geographic markets. In this setting, Porter (1990) argues that the traditional sources of competitive advantage (i.e., economies of scale, labor costs, etc.) are flawed and that a new perspective that focuses on the national environment is necessary in order for firms to succeed in international competition. Specifically, Porter (1990) identified the national environment as a source of competitive advantage. “Differences in national values, culture, economic structures, institutions and histories all

⁹ A multinational organization is an organization with operations in more than one country.

contribute to competitive success” (Porter, 1990: 19). That is, the national environment in which a firm or industry operates determines its resources, shapes how it will act, and thus perform, in international competition. Therefore, given that national culture is an important element of the national environment that influences organizational behavior (Hofstede, 1983), national culture may predict the competitive behavior of firms in an order of entry context.

In this vein, international business scholars have tested the influence of the national environment surrounding order of entry (Isobe, Makino, & Montgomery, 2000; Pan & Chi, 1999; Song, Di Benedetto, & Zhao, 1999). The findings from this line of research suggest that order of entry advantages exist *within* a variety of international settings and that managerial *perceptions* of such advantages vary across countries due to cultural differences. However, what remains an open question is how national culture specifically determines the tendency to pursue (or disregard) order of entry advantages, which aspects of national culture have the most influence on such tendencies and how these tendencies or behaviors vary *across* international markets. Further, given that multinational organizations not only make autonomous order of entry decisions that are influenced by their own national culture, but also make such decisions jointly with other firms from diverse cultural environments, the influence of national culture on market entry decisions becomes even more complex.

In Study II, I make four contributions to the literature. First, I examine how national culture shapes competitive behavior. Second, Western experience and data as well as

assumptions based in Western culture still primarily guide the literature on order of entry and its associated advantages (Lieberman & Montgomery, 1998). Therefore, by examining order of entry decisions across diverse cultural settings, I broaden the applicability of this stream of literature and respond to a call to consider the implications of Western-based theories and frameworks at the international level (Boyacigiller & Adler, 1991; Hofstede, 1991). Third, by testing the influence of team and independent cultural effects on order of entry decisions, I extend the understanding regarding the relationship between national culture and strategic action for individual firms and teams of firms. Finally, although the influence of national culture on entry mode choice (Hennart & Larimo, 1998; Kogut & Singh, 1988) has been tested (i.e. the influence of national culture on *how* firms enter markets), the direct impact of national culture on *when* firms may enter a market in international settings has not been examined. Given that it is not only the choice of entry mode, but also the timing of entry that can influence a firm's outcomes, a study that tests the influence of national culture on order of entry decisions allowed me to extend the understanding of order of entry and its ensuing advantages for international business scholars.

I organize Study II as follows. First, I review the conceptual framework that guides this study as well as the stream of literature on national culture, including empirical findings. Second, I develop hypotheses related to how national culture influences which individual firms and which teams of firms enter markets early and which ones enter late. Third, I discuss the data and methods used to test the hypotheses. I conclude with a discussion and opportunities for future research. I test the hypotheses developed in this

study on a sample of 1,000 project-based investments across 48 countries from 1980-2003. Project-based investments are discrete forms of foreign direct investment, which multinational corporations primarily use to finance infrastructure projects across the globe.

Overview of Study III

Finally, in Study III, I examine how the performance of early moving firms decreases based on three modes of imitation. Research on order of entry advantages has long acknowledged the contingent nature of the abnormal earnings garnered by early moving firms (Kerin, Varadarajan, & Peterson, 1992; Szymanski, Troy, & Bharadwaj, 1995). For example, early mover advantages may be contingent on the early mover's advertising intensity, quality of products and services, and resource endowments. Similarly, early-mover advantages may also depend upon the pioneer's strategy or the technologies that the pioneer owns (Coeurderoy & Durand, 2004; Durand & Coeurderoy, 2001). Primarily, however, this stream of research has argued that early-mover advantages are contingent upon the ability of late movers to imitate or copy the behavior of early moving firms. As a result of this imitative behavior, early-mover advantages are eroded as other firms enter the same market, or develop a similar product, strategy or practice (Lee et al., 2000; Lieberman & Montgomery, 1988). By responding quickly through imitation, rival firms scale the barriers to entry and thereby diminish the superior profits that early moving firms accrue.

However, the literature on the acquisition and sustainability of early mover advantages has treated the act of imitation in a rather simplistic and uni-dimensional manner. In reality, not all imitation is the same. Indeed, inter-organizational imitation has three modes that can operate simultaneously among groups of organizations: frequency-based imitation, trait-based imitation and outcome-based imitation (Haunschild & Miner, 1997). Frequency-based imitation occurs when a large number of other firms imitate the actions of the early moving firm. Trait-based imitation occurs when firms imitate the behavior of early moving firms based on the specific characteristics of the early moving firms, such as the size, success or reputation of the firm. Outcome-based imitation occurs when firms imitate a practice or structure of the early moving firms based on the apparent positive outcomes that early moving firms have received from employing this practice or structure. Although each mode of imitation has a different operationalization, each mode has its theoretical foundation in institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977).

Given the multi-faceted nature of firm imitation, it may have different effects in a competitive context. Further, the three modes of imitation may have different effects when compared to each other. Therefore, in Study III, I attempt to address two issues. First, how is the performance of early moving firms eroded based on the (a) the number of imitators (frequency-based imitation), (b) the characteristics of the early moving firm (trait-based imitation) and (c) what practice used by the early moving firm is being imitated (outcome-based imitation)? Second, what is the comparative effect of each mode of imitation on the performance of early moving firms?

In Study III, I seek to make three contributions to the literature. First, I extend the understanding of first-mover advantages by further specifying the conditions in which first-mover advantages may erode through imitation by late moving firms. Second, I specify the consequences of the diverse modes of imitation, whereas the current literature has primarily focused on the antecedents or consequences of a generic form of imitative behavior. Finally, I investigate the comparative strength of each mode of imitation.

I organize Study III as follows. First, I review the literature on organizational imitation, which has primarily been discussed in the organizational sociology research. Second, I describe the three modes of imitation. Third, I develop and test the hypotheses. Finally, I discuss findings and areas for future research. I test the hypotheses for this study on a sample of 470 international equity mutual funds that were opened in the United States between 1985 and 2006.

BEHAVIORAL PERSPECTIVES ON THE ORDER OF MARKET ENTRY

THEORY AND HYPOTHESES

The traditional economic perspective on order of market entry has portrayed the relative timing of market entry as the outcome of a competitive process whereby certain firms use their superior knowledge or proficiencies to see and exploit market opportunities before rival firms are able to do so. From this perspective, the process by which firms gain knowledge about new markets or deploy their proficiencies to identify such markets is unclear. Further, this perspective primarily views market entry as a potential gain for entering firms. However, to fully capitalize on the benefits of a new market, the firm must first search for the market opportunity. In addition, market entry is a strategic decision that firms make. Thus, once a firm detects a new market, it may also consider the entry decision in terms of the risks and returns associated with such a decision. By employing the behavioral theory of the firm (Cyert & March, 1963), I use a behavioral perspective to explain and predict how firms use their routines to search for new markets and how firms consider risk in order to predict order of entry into a new market. Moreover, by applying the behavioral theory of firm (Cyert & March, 1963), I have the opportunity to reconcile the inconsistent findings regarding the relationship between prior performance and market entry timing by examining not just absolute prior performance, but performance relative to a firm's aspiration levels. Further, in line with behavioral theory predictions, I hypothesize a direct relationship between organizational slack and order of market entry. Finally, I seek to further refine and extend the understanding related to the influence of relative performance on market entry timing by

suggesting that high levels of prior entry experience and organizational slack may act as moderating variables by weakening or strengthening the relationship between relative performance and order of market entry, respectively.

The Behavioral Theory of the Firm

The behavioral theory of the firm is one of the classic theories related to the study of organizations. In their seminal work, Cyert and March (1963) portray organizations as goal-oriented, routine-based entities that use simple decision rules to adapt to variation in the environment. Among many things, the behavioral theory of the firm proposes that performance compared to a firm's aspiration or target level of performance, not just absolute prior performance, predicts future firm behavior (Cyert & March, 1963).¹⁰ Based in social comparison theory (Festinger, 1954),¹¹ these aspiration levels develop as firms compare themselves to others and their own historical performance. Uncertainty in the environment evokes greater levels of social comparison (Pfeffer, Salancik, & Leblebici, 1976). If the firm determines that its position is less than its aspired to or target level of performance, it attempts to adjust its position by searching for alternatives that reduce the performance discrepancy (Cyert & March, 1963). This comparison process leads firms to accept varying levels of risk to either protect or enhance their relative position (Bromiley, 1991; Singh, 1986).

Market Entry, Search and Risk

¹⁰ Recent work suggests that organizations also form aspirations based on firm size (Greve, 2008).

¹¹ Social comparison theory (Festinger, 1954) has been supported empirically at the individual and firm level of analysis, respectively (Moschis, 1976; O'Reilly, Main, & Crystal, 1988).

Firm entry into a new market involves organizational search and risk. In order to enter a new market, an organization must first discover the new market opportunity. To do so, the firm may need to search the environment broadly and discriminately in order to identify the best opportunity. Then, in order to capitalize on the opportunity, the firm may need to change its current strategy, re-arrange its organizational structure, invest in new research and development or challenge the status quo. Therefore, new market entry takes time and resources away from existing strategies and tactics. This change in focus and resources towards a new or different strategy is laced with uncertainty and risk because the outcomes associated with new market entry may be unknown. Further, as population ecology theorists have long argued, organizational change is difficult and gradual because organizations are subject to strong inertial forces (Hannan & Freeman, 1977, 1984). These forces prevent the organization from making radical changes based on threats or opportunities in the environment. Ultimately, organizational change is precarious because the firm may not survive or remain competitive after the change (Amburgey, Kelly, & Barnett, 1993; Hannan & Freeman, 1977, 1984).

Despite the challenges associated with market entry, it is still a common occurrence (Geroski, 1995). However, firms enter new markets at varying times. Certain firms see opportunities more quickly than other firms, and subsequently embrace the risk and uncertainty associated with moving into new markets, and thus gain early moving advantages (Lieberman & Montgomery, 1988, 1998). Conversely, other firms may fail to detect new markets in a timely manner or simply prefer to enter late or imitate the behavior of other market entrants because imitation allows firms to “free ride” on the

learning and experience gained by other firms. Therefore, imitation or late entry is a less opportune, but safer, less costly and less risky form of market entry. Nevertheless, the empirical findings are reasonably consistent in terms of the consequences of the order of market entry.¹² Firms that enter markets early receive higher financial returns than firms that enter later (Carow et al., 2004; Dos Santos & Peffers, 1995; Lambkin, 1988; Mascarenhas, 1992; McNamara et al., 2008; Robinson & Fornell, 1985; Sinha & Noble, 1997). Given these polar outcomes, one way to consider market entry timing (or order of entry) is to interpret it as an outcome of how firms search for new markets and how firms perceive the risks associated with market entry. Therefore, based on its consideration of search and risk in decision-making, the behavioral theory of the firm may provide important predictions regarding the timing of market entry.

Prior Performance and Market Entry

Although much of the literature in strategic management concentrates on the factors that predict the subsequent performance of the firm, the effect of prior performance on future organizational behaviors is an important area of inquiry. Similar to the literature on performance feedback in the organizational behavior literature, much of the literature regarding prior performance and subsequent firm behavior assumes that actors learn what actions to take in the future based on the feedback they receive from past and current actions and behaviors. Based on this feedback, actors are motivated to adjust their actions and behaviors to achieve desirable outcomes. Financial performance is a relevant and salient feedback mechanism for organizations because investors, management and

¹² In a meta-analysis, VanderWerf and Mahon(1997) find that order of entry advantages are more significant when market share, instead of profitability or survival, is used as the performance measure.

other stakeholders view performance as a signal of the firm's potential for growth or stability into the future. In the strategic management literature, prior performance has been shown to predict multiple behaviors, including corporate illegal behavior (Baucus & Near, 1991), partner selection in strategic alliances (Li & Rowley, 2002), CEO succession (Dalton & Kesner, 1985), risk taking (Bromiley, 1991; Singh, 1986) and corporate social responsibility (McGuire, Sundgren, & Schneeweis, 1988).

Existing research has also examined the relationship between prior performance and the tendency of firms to adopt an innovation or enter a market earlier or later than other firms, but with mixed results. Specifically, this line of research has found that low prior performance causes firms to act either in a leading or imitative fashion (i.e. act early or late). For example, Bolton (1993) found that substandard prior performance led to the early adoption of a technological innovation among a group of research and development organizations across multiple industries. Alternatively, Kraatz (1998) found that substandard performance led to the imitation or late adoption of an adaptive change in a network of colleges and universities. Finally, others found that prior profitability had no significant impact on the speed or timing of bank entry into a new geographic market (Fuentelsaz et al., 2002).

Because the behavioral theory of the firm models relative performance, its arguments may help to resolve the inconsistent empirical findings regarding the relationship between prior performance and market entry timing. However, certain factors may moderate the relationship. In particular, prior entry experience and organizational slack

may moderate the relationship between performance relative to aspirations and order of market entry because prior experience and slack may influence the decision calculus that is embedded within the logic of the behavioral theory of the firm. Specifically, prior entry experience may lead to over-reliance on existing routines, and thus early market entry. On the other hand, organizational slack may create complacency, and thus later market entry. Therefore, performance relative to aspirations moderated by prior entry experience and slack may adjust a firm's tendency to continue operating under its existing market entry timetable.

The Behavioral Theory of the Firm Revisited

The behavioral theory of the firm (BTOF) suggests that decisions are the result of firms searching for a solution to a problem (Cyert & March, 1963; March & Simon, 1958). The problem arises because the firm experiences a gap between its aspired to or target performance level and its actual (or expected) performance level. A gap or attainment discrepancy between the aspiration level and actual performance leads to a search to resolve the discrepancy. Models that focus on attainment discrepancy provide the best description of the aspiration formation process compared to rational, economic models (Lant, 1992). Performance below aspiration levels leads to “problemistic” search to identify opportunities that may raise the organization's performance level. Slack search, which occurs when firms have excess resources, leads to experimentation with novel approaches. Search ends when the firm finds a “satisficing” option or when the firm adjusts its aspiration levels. The behavioral theory of the firm assumes that (1) firm behavior is based on routines (i.e., action entails matching procedures to circumstances)

(2) firm behavior is goal-oriented, path dependent and rule-based (Levitt & March, 1988), (3) attainment discrepancies are repairable and (4) decision makers are not always aware of all possible alternatives due to cognitive and information limitations, and thus are “boundedly” rational (Cyert & March, 1963; March & Simon, 1958).

When viewed through the lens of prospect theory (Kahneman & Tversky, 1979), the behavioral theory of the firm provides predictions regarding the relationship between relative performance and the inclination of organizations to engage in risk taking behavior. At the individual level of analysis, prospect theory suggests that how decision-makers respond to risk and uncertainty is a reflection of the framing of the potential outcomes. Decision-makers tend to be risk averse for positively framed outcomes, but tend to be risk seeking for negatively framed outcomes (Kahneman & Tversky, 1979). Similarly, low performing firms seek risk, whereas high performing firms avoid risk (Fiegenbaum & Thomas, 1988). Combined, prospect theory and the behavioral theory of the firm suggest that firms with performance above social and historical aspirations are risk averse because they want to uphold their success, but firms with performance below social and historical aspirations are risk seeking because they want to improve their performance (Cyert & March, 1963; Kahneman & Tversky, 1979).

Most studies based in the behavioral theory of the firm focus on firm risk-taking tendencies as measured by variance in financial returns (Bromiley, 1991; Singh, 1986). However, more recent studies have used the behavioral theory of the firm to predict specific firm behaviors. For example, radio stations are more likely to change formats

when guided by performance relative to social and historical performance levels (Greve, 1998). Based on a sample of Japanese shipbuilders, low performance relative to aspiration levels leads to increased innovation launches and R&D intensity (Greve, 2003a). However, high performance relative to aspiration levels reduces innovation launches and R&D intensity (Greve, 2003a). Organizations with inconsistent performance feedback (i.e., performance levels above historical aspirations, but below social aspirations and vice versa) are inclined to engage in non-local partnership ties, whereas those organizations performing near aspiration levels are more likely to re-connect with prior allies (Baum, Rowley, Shipilov, & Chuang, 2005). Hospitals that performed below their reference group are more likely to add and delete high technology in order to increase profits or enhance their image among stakeholders (Ketchen & Palmer, 1999). Finally, relative performance also influences the likelihood of financial statement misrepresentation (depending on whether the reference point is social or historical) (Harris & Bromiley, 2007) and the extent to which railroads learn from experience, and thus reduce accident costs (Baum & Dahlin, 2007).

Given the shared focus on search and risk between market entry and the behavioral theory of the firm, organizational performance relative to aspirations may likely affect the firm's propensity to enter a market earlier or later than other firms. Performance compared to aspiration levels can influence a variety of behaviors. Nevertheless, this comparison process is likely to predict market entry timing because the timing decision reflects the effectiveness of the firm's search processes and its willingness to accept risk. Thus, given the comparison process embedded within the logic of the theory, the

behavioral theory of the firm provides a natural setting to more fully investigate the antecedents of order of entry into a new market. Further, the behavioral theory of firm implies that certain firms will act early or late in a market entry context based on their relative performance, whereas existing management theories and perspectives, such as institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977) and bandwagon processes¹³ (Abrahamson & Rosenkopf, 1993; Banerjee, 1992; Bikchandani, Hirshleifer, & Welch, 1992; Denevow & Welch, 1996; Palley, 1995; Scharfstein & Stein, 1990) primarily explain late moving or imitative behaviors.

Performance, Aspirations and Order of Market Entry

According to the behavioral theory of the firm (Cyert & March, 1963), aspirations or target levels of performance are derived from two comparisons: (1) comparison to others in the organization's social comparison group and (2) comparison to the organization's own historical performance. Comparable others and a firm's historical performance serve as benchmarks or reference points against which the organization compares its current level of performance.¹⁴ In both comparisons, aspirations have a positive bias in that organizations tend to aspire to higher levels of performance relative to historical performance or the performance of similar others (Bromiley, 2005). Empirical work supports a positive relationship between the aspiration levels of the previous period and those in the current period (Mezias, Chen, & Murphy, 2002).

¹³ See Study III for a more complete description of bandwagons, herd behavior and information cascades.

¹⁴ Organizations may also compare their performance to a survival level (Chen & Miller, 2007; March & Shapira, 1987, 1992).

Research related to the behavioral theory of the firm suggests that if performance is above social or historical aspirations, firms become risk averse or less willing to change (Greve, 1998, 2003a; Singh, 1986). Performance above aspirations leads organizations to engage in risk-averse behavior because the organization wants to protect its successful position relative to its peers and own prior performance. That is, when performance is above social or historical aspirations, organizations tend to conserve their resources and focus on the exploitation of existing systems and strategies (March, 1991). These arguments suggest that performance above aspirations would lead to late entry into a new market because late entry would allow the firm to rely on current modes of operation and thus face lower risks of failure.

Alternatively, if performance is below social or historical aspirations, organizations are more willing to take risks in order to improve their performance (Baum et al., 2005; Bromiley, 1991; Greve, 2003a; Ketchen & Palmer, 1999). When performance is below social or historical aspirations, organizations engage in problemistic search. Cyert and March (1963) theorized that problemistic search is local initially (and thus may result in imitative behavior). If a solution is not found, the search becomes distant. Greve (1998) also asserts that problemistic search tends to be focused on competitors in the local market. However, I argue that problemistic search results in a broad search for opportunities, which results in innovative behavior that improves the firm's performance. This argument is consistent with recent empirical findings (Baum et al., 2005; Bolton, 1993; Greve, 2003a). The logic is that the further a firm's performance is below aspirations, the larger the adjustments the firm must make in order to improve

performance. Therefore, the firm must emphasize more exploratory or innovative search. Further, the pressure to improve performance leads firms to accept higher levels of risk in any potential activity. By accepting a higher level of risk, the organization expects to receive a higher level of return that will boost its performance. These arguments imply that performance below aspirations would lead to early entry into a new market. This is because firms with performance below aspirations would be inclined to search broadly and thus identify a wide and perhaps better set of market opportunities, and pursue the higher earnings associated with early entry in order to improve their performance. Therefore,

H1: Firm performance relative to aspirations is positively related to the timing of market entry, such that firms with performance above (below) aspirations will be late (early) entrants into new markets. (See Figure 2)

The Main Influence of Firm Slack

Aside from problemistic search, Cyert and March (1963) theorized that slack search may facilitate organizational change. Slack search results from extra time and resources that are used for experimentation (Greve, 2003b). Restated, slack creates a willingness to explore new opportunities (March, 1991) because slack allows for a relaxation of resource controls. Finally, slack buffers the firm against environmental uncertainties (Thompson, 1967). In an order of entry context, slack supports more intensive search activities (Chen & Miller, 2007; Greve, 2003a) and thus would lead to the early detection of more or more novel market opportunities. Therefore, firms with slack resources are

more likely to identify entry opportunities earlier than other firms and be more willing to accept the risks of early market entry. Therefore,

H2: Slack is negatively related to the timing of market entry (i.e., more slack leads to early market entry). (See Figure 3)

The Moderating Influence of Prior Entry Experience

Historically, the management literature has argued that organizations learn from their own experience or through the experience of others (Levitt & March, 1988). Own-experience learning (i.e., learning curve effects) suggests that cumulative experience can reduce the costs of production because, over time, firms experiment with different inputs and processes. Consequently, they learn which inputs and processes are the most efficient. Put differently, as firms gain experience, they become more familiar with which alternatives may lead to success or failure. Despite the primary focus on manufacturing entities in early works, recent research provides evidence that experience improves efficiency for service and manufacturing firms (Darr, Argote, & Eppler, 1995; Yelle, 1979).

Theoretically, prior experience is an important factor as it relates to the behavioral theory of the firm. A central idea from the theory is that organizations learn from their past experiences and this learning influences the likelihood of future behavior (Levitt & March, 1988). In a behavioral theory of the firm sense, this means that firms learn which adjustments are necessary in order to resolve any discrepancies in their performance based on their experiences. The more experience a firm has had, the more likely it is to have learned the appropriate adjustments. The lessons gained from experience are

encoded in routines (Nelson & Winter, 1982), which can then be used by the organization in the future. Routines change as experiences change. Therefore, varying levels of prior experience may have different influences on the adjustments that firms make in order to address a performance discrepancy.

In terms of the timing of market entry, existing work suggests that firms with prior entry experience in a related industry will enter a market earlier than other firms (Klepper & Simons, 2000). That is, prior entry experience has a direct effect on order of market entry. The argument is that prior entry experience in a related industry provides firms with the necessary expertise to be successful, and thus enables the firm to enter the related industry earlier than other firms (Klepper & Simons, 2000). However, prior entry experience may have moderating effects on the relationship between relative performance and order of entry because firms may view experience differently depending on their performance standing, and hence make different entry decisions.

Specifically, under conditions of high levels of prior entry experience, firms are more likely to rely on their established routines rather than performance cues when making entry decisions. Again, firms encode the lessons gained from experience in their routines (Nelson & Winter, 1982). Therefore, higher levels of experience create more established routines. This is because organizations that gain experience with particular activities are likely to develop distinctive competencies in a domain, which then invites further utilization and routinization (Levinthal & March, 1993; O'Neill, Pouders, & Buchholtz, 1998). Similarly, as organizations gain experience with a particular action, strategy or

behavior, they are likely to intensify this behavior (even if the previous outcomes are unfavorable) (Amburgey & Miner, 1992). The momentum gained from repeating entry behaviors implants these behaviors within the firm's core routines. These core entry routines may cause firms to ignore any new or discrepant market information because the firm is simply following a pattern of established behavior. Therefore, the firm may become insensitive to performance cues or any information gained from search activities that may direct the firm towards more rational entry decisions. Therefore, prior experience weakens the relationship between relative performance and order of market entry. Hence,

H3: Prior entry experience moderates the relationship between relative performance and order of market entry with a stronger relationship for firms with low levels of prior entry experience than firms with high levels of prior entry experience. (See Figure 4)

The Moderating Influence of Firm Slack

The management literature presents two opposing perspectives regarding organizational slack: one from the behavioral theory of the firm (Cyert & March, 1963) and the other from agency theory (Jensen & Meckling, 1976). Slack is a pool of resources in an organization that is in excess of the minimum necessary to produce a given level of organizational output (Nohria & Gulati, 1996). Environmental conditions and organizational characteristics influence a firm's level of slack resources (Sharfman, Wolf, Chase, & Tansik, 1988). Among its many functions, behavioral theorists view slack as a buffer against the vagaries of the external environment, a resource for creative

and innovative experimentation, and a facilitator of strategic change (Bourgeois, 1981; Cyert & March, 1963; Nohria & Gulati, 1996; Thompson, 1967). Because of its potential benefits, behavioral theorists view slack as a particularly useful asset for failing firms because slack may provide failing firms with the resources needed to rectify their performance.

Alternatively, from an agency theory perspective (Jensen & Meckling, 1976), slack represents waste and managerial self-interest. Agency theorists believe that firms with slack resources have been inefficient in terms of their operations and that slack allows firms to invest in activities that may not be in the best interest of the firm's stakeholders (Jensen, 1986). Because of its potential to distract managerial attention away from maximizing shareholder value, agency theorists view slack as harmful to the organization. This view of slack may be particularly applicable to successful organizations because successful organizations may discount their infallibility, which compounds the potential detrimental effects of slack. Given these arguments, slack may have different implications for the relationship between relative performance and order of market entry.

First, firms with performance below aspirations may be faced with the threat of failure as their performance continues to decline. However, for these firms, slack provides a cushion against the uncertainties in the environment (Thompson, 1967) and may provide the resources needed to search for opportunities to improve the firm's performance. Under these conditions, failing firms may view their performance discrepancy as a

repairable condition. Therefore, these firms may be more inclined to search broadly for novel market opportunities. More importantly, they may be more willing to accept the risks of early market entry, which may then enhance their performance.

Alternatively, firms with performance above aspirations may view their successful performance as an opportunity to ignore the interests of the firm's stakeholders. This is because, for these firms, the presence of slack suggests that managers may have the resources to pursue their own self-interests, and thereby disregard the interests of the firm's principals (Jensen & Meckling, 1976; Williamson, 1963). Further, slack may lead these firms to undertake low benefit or value destroying activities, which harm the principal's interests, because slack allows managers to discount the economic implications of their decisions (Jensen, 1986). Under these conditions, the self-interested behavior and economic indifference that slack promotes may lead to organizational complacency, which in turn leads to late market entry. Therefore,

H4: Slack moderates the relationship between relative performance and order of market entry with a stronger relationship for firms with high levels of slack than firms with low levels of slack. (See Figure 5)

METHODOLOGY

I test the hypotheses in this study on a sample of 102 publicly traded, financial institutions that entered the equity mutual fund¹⁵ market in the United States between 1980¹⁶ and 2006. These data include domestic and international mutual funds opened in the United States. The data include twenty-one mutual fund categories. Appendix A includes the titles of each fund category. Each category had an average of twenty-six mutual funds. I obtained these data from Morningstar Principia. Morningstar Principia has data on over 10,000 mutual funds. For simplicity, I only considered the Class A shares¹⁷ of each mutual fund in this analysis.

Research Setting

The equity mutual fund industry experienced tremendous growth in the past two decades primarily because of growth in the U.S. economy and because more Americans placed their retirement savings into mutual funds. During the 1990s, the U.S. economy had strong corporate financial performance, low inflation and low interest rates-factors that stimulate growth in equity mutual fund investments. Further, more Americans used mutual funds to grow their retirement savings. This change reflected a switch from defined benefit plans (i.e., pension plans) to defined contribution plans (i.e., 401(k)s, 403(b)s and IRAs) as the principal vehicle for retirement savings in the United States.

¹⁵ A mutual fund is a company that offers investors an interest in a portfolio of professionally managed investment assets (Leonard & Caudill, 1996). An equity mutual fund is a mutual fund that invests primarily in the stock or equity securities of publicly traded companies.

¹⁶ The year 1980 is the beginning cut-off year to capture the behavior of firms that recognized the opportunity in this market earlier than other firms. The Revenue Act of 1978 created 401(k) plans (i.e., defined contribution plans) (EBRI, 2005). The government issued regulations for the plans in late 1981 and many organizations started offering 401(k) plans in 1982 (EBRI, 2005). Because many organizations funded their 401(k) plans with equity investments, the growth in 401(k) plans coincides with the growth in the equity mutual fund market.

¹⁷ Class A shares are the highest tier of shares available because they grant the owner more voting rights than any other share type.

Between 1986 and 1993, the percentage of 401(k) plans invested in mutual funds increased from 9% to 23.2%, or \$155 billion to \$475 billion (Leonard & Caudill, 1996). Overall, the equity mutual fund market grew from approximately \$250 billion to \$750 billion between 1986 and 1993 (Leonard & Caudill, 1996). Because of the growth in the U.S. economy and changes in retirement funding, the early stages of the equity mutual fund market provided an opportunity for firms to gain advantages by entering the market early. Specifically, firms that entered the market early were more likely to pre-empt investment assets¹⁸ and establish customer loyalty¹⁹ to their equity funds, which in turn may have enhanced the performance of the fund and the firm (e.g., Makadok, 1998). Further, because the early period of the industry was probably marked with uncertainty, firms may have been constantly adjusting their aspiration levels, and leveraging their prior experience and slack to adapt in such an environment. Therefore, the early stages of the equity mutual fund market provide an appropriate competitive context to study the relationship between order of market entry, performance, aspirations, prior entry experience and slack.

Analysis

Given that the dependent variable (order of entry) is left-censored, tobit regression is the appropriate analytical technique.²⁰ Additionally, given that each firm may have issued more than one mutual fund, the data are grouped by firm, which prevents independence of the observations. To capture the influence of this group membership, a

¹⁸ Mutual funds earn income based on the percentage of assets under management.

¹⁹ Customers incur fees to switch from one mutual fund to another. Therefore, customers are more likely to remain committed to their initial fund, particularly if the fund is performing well.

²⁰ Ordinary least squares estimates would have biased because OLS assumes the dependent variable can take on values above and below zero.

fixed or random effect model is appropriate. Tobit fixed effects models yield co-efficient estimates that are inconsistent for panel data (Maddala, 1987). Therefore, I analyzed the data using a random-effects tobit model. As is the case in this analysis, random-effects estimators are recommended when the analysis contains a large number of groups (greater than 10)²¹ and when one wishes to generalize to the population of groups (Snijders & Bosker, 1999).

Tables 1 and 2 contain a correlation table and descriptive statistics. All variance inflation factors were below the 10 point cut-off and condition numbers were below the 30 point cut-off for the fully saturated models (Cohen, Cohen, West, & Aiken, 2003). To eliminate the influence of outliers, I removed all observations in the dataset with externally studentized residuals of plus or minus two (Cohen et al., 2003).²² I centered all base terms before creating the interaction terms to control for multi-collinearity. Tables 3 and 4 contain the tobit random-effects results that measure relative performance as a continuous variable for historical and social aspirations, respectively. As a robustness check, Table 5 contains the tobit random-effects results that measure relative performance as a spline function (i.e., relative performance is measured as two independent variables with values above and below zero, respectively).

Dependent Variable

Order of Market Entry. Order of entry is usually measured as the rank order in the sequence of entry (e.g., Lee et al., 2000). Throughout my dissertation, I measure order of

²¹ I had 42 groups in this study with an average of fourteen observations per group.

²² The inclusion of these observations do not change the results significantly.

market entry as the elapsed time since the entry of the pioneer, which is an alternative measure that Lieberman and Montgomery (1988) recommend. The elapsed time since entry of the pioneer (i.e., temporal order) is a more effective measure than rank order because the observations are more independent. In this study, I based order of entry on the date of inception of each equity mutual fund. The order of entry variable reflects the entry of all mutual funds that were opened by a private or publicly traded financial institution. I coded the first entrant (in each fund category) with a “0.” I coded the remaining entrants based on the number of days since the date of inception of the first entrant in each fund category.

Independent and Moderating Variables

Performance. Following other work (Bromiley, 1991; Chen & Miller, 2007; Iyer & Miller, 2008), I based firm performance on the return on assets (ROA) of the firm one year prior to the inception of the equity mutual fund (t-1). ROA is the performance metric that is typically used in studies based in the behavioral theory of the firm. Further, in a study of insurance companies, Greve (2008) found that firms pay more attention to performance goals (e.g., ROA) rather than growth goals (e.g., firm size) because performance goals are more closely tied to firm survival. Thus, while growth goals are important for financial services firms, profit performance appears to be a more prominent goal. In particular, firms focus on growth goals after performance goals are satisfied (Greve, 2008). Therefore, I used ROA (i.e., a performance metric) rather than total assets under management (i.e., a size metric) as the measure of firm performance. I obtained ROA data from Compustat.

Aspirations. Based on behavioral theory of the firm prescriptions (Cyert & March, 1963; March, 1988), aspirations are a weighted combination of social and historical aspirations. However, existing research has provided little consistent indication of how firms weight their own or other's performance (Baum et al., 2005; Greve, 2003a). Given this uncertainty and following prior work (Chen & Miller, 2007), I used two different models with different aspiration proxies: one for social aspirations and one for historical aspirations.

Social Aspirations. Following prior work (Audia & Greve, 2006; Baum et al., 2005; Greve, 1998; Mishina, Dykes, Block, & Pollock, 2008), I defined social aspirations as the mean ROA²³ for all financial institutions included in the focal firm's two digit SIC code, excluding the ROA of the focal firm. Formally,

$$\text{Social Aspirations}_{it} = (\sum_j P_{jt})/N ,$$

where j is another firm and N is the number of other firms, j , and P is the performance metric (ROA). I based social aspirations on the mean performance of the firms in the industry one year prior to the focal firm's past performance ($t-2$). I obtained these data from Compustat.

²³ The mean (versus the median) is a more appropriate measure of central tendency if the data is normally distributed (McClave & Benson, 1985). Based on my analysis of this variable by industry (i.e., I evaluated measures of skewness and kurtosis), I determined that the majority of the industries represented in the sample (80%) were normally distributed, and thus the mean ROA is an appropriate measure of social aspirations in this study.

Historical Aspirations. Following prior work (Chen & Miller, 2007), I defined historical aspirations as the focal firm's ROA one year prior to past performance (t-2). I obtained these data from Compustat.

Further, the literature suggests that the slope of the line above and below the aspiration point may be different (Greve, 1998). Therefore, as a robustness check and following other work (Baum et al., 2005; Greve, 1998, 2003a), I specified relative performance as a spline function. The spline function permits a comparison of the slopes for performance above or below aspirations (Greene, 1993). To specify the spline function, I created two separate variables, as described below (Mishina et al., 2008).

$$\begin{aligned}\text{Performance Above Aspirations}_{it} &= \text{ROA}_{it} - \text{Aspirations}_{it} \text{ if } \text{ROA}_{it} > \text{Aspirations}_{it}, \\ &= 0 \text{ if } \text{ROA}_{it} < \text{Aspirations}_{it}\end{aligned}$$

$$\begin{aligned}\text{Performance Below Aspirations}_{it} &= \text{Aspirations}_{it} - \text{ROA}_{it} \text{ if } \text{ROA}_{it} < \text{Aspirations}_{it}, \\ &= 0 \text{ if } \text{ROA}_{it} > \text{Aspirations}_{it}\end{aligned}$$

Firm Slack. Researchers have measured slack in multiple ways (Bourgeois, 1981; Bourgeois & Singh, 1983).²⁴ I measured slack one-year prior to market entry using two

²⁴ Existing empirical work suggests that each type of slack has a similar effect on firm outcomes (Bromiley, 1991; McNamara et al., 2008). However, Singh (1986) found that each type of slack may have a different effect.

indicators²⁵: recoverable slack (SG&A/sales) and potential slack (total debt/total equity).

Recoverable slack represents resources that the firm has absorbed, but that may be recovered during adverse times (Bourgeois & Singh, 1983). Potential slack represents the firm's capacity to obtain debt from external sources. I obtained these data from Compustat.

Prior Entry Experience. I measured prior entry experience based on the number of other equity funds the firm operated. I based the number of other equity funds on a count of other equity funds the firm opened (in any fund category) prior to the focal equity fund. I measured prior experience at the five and ten year time point. I logged the experience counts to account for any extreme values. I obtained these data from Morningstar.

Control Variables

Firm Size. I included firm size as a control variable to assess the competitive strength of each market entrant (Vanderwerf & Mahon, 1997). I based firm size on the total assets of each firm one-year prior to market entry.²⁶ I logged these values to account for any extreme values. I obtained these data from Compustat.

²⁵ Most of the research based in the behavioral theory of the firm uses three measures of slack: available, recoverable and potential slack. I did not use available slack (current assets/current liabilities) because, by accounting convention, many financial institutions (e.g., insurance companies, brokerage firms, etc.) do not structure their balance sheets to reflect current assets or current liabilities.

²⁶ Firm size can also be measured based on total sales or total employees. However, I used the log of total assets as the measure of firm size because, relative to the log of total sales or the log of total employees, it is the least correlated with the other variables of interest. Further, I ran separate models using the log of total sales and the log of total employees and achieved a similar pattern of results compared to the models in which I used the log of total assets as the measure of firm size.

Year Dummies. I included twenty-six year dummies (1981 – 2006) as control variables to account for any macroeconomic factors in the United States (i.e., changes in interest rates, inflation, etc.) that may have influenced the level of activity in the equity mutual fund market.

TABLE 1 Descriptive Statistics I

Variable	Mean	S.D.	1	2	3	4	5	6
1. Firm Size [^]	1.49	0.24						
2. Recoverable Slack	0.28	0.37	-.23					
3. Potential Slack	1.04	1.02	.47	-.03				
4. Equity Exp-5yrs [^]	0.74	0.45	.36	-.14	.33			
5. Relative Performance-Historical Aspirations	-.005	0.11	-.01	.39	.03	-.04		
6. Relative Performance-Social Aspirations	0.001	0.12	.03	-.45	.04	.07	.55	
7. Order of Entry	6505.28	1877.98	.25	-.11	.28	.28	-.11	.06

N = 600

[^] Logarithm

All correlations greater than .05 are significant at p< .10

All correlations greater than .08 are significant at p<.01

TABLE 2 Descriptive Statistics: Continuous versus Spline function

Variable	Mean	S.D.	1	2	3	4	5	6
1. Relative Performance- Historical Aspirations	-.005	0.11						
2. Relative Performance- Social Aspirations	0.001	0.12	.55					
3. Performance above Social Aspirations	0.01	0.04	.04	.40				
4. Performance below Social Aspirations	0.01	0.11	-.58	-.93	-.04			
5. Performance above Historical Aspirations	0.007	0.04	.39	-.38	.14	.47		
6. Performance below Historical Aspirations	0.01	0.10	-.92	-.75	.01	.83	-.02	
7. Order of Entry	6505.28	1877.98	-.11	.06	.02	-.06	-.19	.05

N = 600

All correlations greater than .05 are significant at $p < .05$

All correlations greater than .13 are significant at $p < .01$

TABLE 3 Random-Effects Tobit Regression Predicting Order of Entry: Historical Aspirations[#]

Variables	Model 1 Control Model	Model 2 Historical Aspirations	Model 3 Historical Aspirations	Model 4 Historical Aspirations	Model 5 Historical Aspirations
Year Dummies [^]	a	a	a	a	a
Firm Size	1102.03** (2.89)	437.45 (1.28)	410.01 (1.13)	178.32 (.63)	109.91 (.39)
Recoverable Slack		-768.69*** (-4.74)	-1437.88*** (-3.34)	2020.63*** (3.34)	1825.02* (3.03)
Potential Slack		85.41 (1.20)	83.78 (1.15)	99.66 (1.59)	112.19† (1.82)
Equity Exp-5 yrs [@]		-612.91*** (-4.73)	-617.36*** (-4.71)	-525.20*** (-4.29)	-494.60*** (-4.60)
Relative Performance		-1966.13*** (-5.72)	-1469.06*** (-3.25)	-3600.13* (-1.99)	-6004.65*** (-3.12)
Relative Performance x Equity Exp-5 yrs			-7299.64† (-1.69)		-16984.28*** (-3.79)
Relative Performance x Recoverable Slack				-6341.08*** (-4.71)	-9382.65*** (-6.04)
Relative Performance x Potential Slack				-33.64 (-.02)	-2661.84 (-1.49)
Constant	1014.53 (1.45)	-501.13 (-.67)	-403.12 (-.53)	-577.40 (-.82)	-516.33 (-.75)
N	600	600	600	600	600
Log Likelihood	-4909.36	-4866.66	-4865.19	-4857.97	-4850.87
Wald χ^2	1958.73***	2297.81***	2314.28***	2403.03***	2475.41***
df	23	27	28	29	30

[#] Unstandardized coefficients are reported with t-values in parentheses.

^a All models include year effects, but their coefficients are not reported for simplicity.

[@] Results are similar based on 10 years of experience.

[^] Logarithm

† p< .10 * p<.05 ** p<.01 *** p<.001

TABLE 4 Random-Effects Tobit Regression Predicting Order of Entry: Social Aspirations[#]

Variables	Model 6 Control Model	Model 7 Social Aspirations	Model 8 Social Aspirations	Model 9 Social Aspirations	Model 10 Social Aspirations
Year Dummies [^]	a	a	a	a	a
Firm Size	1102.03** (2.89)	202.70 (.55)	301.10 (.91)	146.13 (.50)	666.22* (1.98)
Recoverable Slack		-1320.00*** (-7.25)	401.00 (1.07)	2018.77** (3.17)	1270.44† (1.91)
Potential Slack		84.18 (1.14)	110.72 (1.61)	125.39† (1.82)	206.54** (2.90)
Equity Exp-5 yrs [@]		-630.61*** (-4.75)	-797.73*** (-6.08)	-570.69*** (-4.60)	-942.04*** (-6.05)
Relative Performance		-1706.34*** (-4.71)	-585.09 (-1.45)	1531.51 (1.09)	5905.02*** (3.53)
Relative Performance x Equity Exp-5 yrs			-11981.94*** (-5.02)		-17507.46*** (-4.12)
Relative Performance x Recoverable Slack				4679.41*** (5.31)	84.90 (.06)
Relative Performance x Potential Slack				1575.66 (1.32)	5563.33*** (3.77)
Constant	1014.53 (1.45)	-142.69 (-.19)	-292.51 (-.40)	-592.98 (-.82)	-900.62 (-1.24)
N	600	600	600	600	600
Log Likelihood	-4909.36	-4871.77	-4860.13	-4860.93	-4851.57
Wald χ^2	1958.73***	2251.22***	2374.67***	2376.32***	2473.11***
df	23	27	28	29	30

[#] Unstandardized coefficients are reported with t-values in parentheses.

^a All models include year effects, but their coefficients are not reported for simplicity.

[@] Results are similar based on 10 years of experience.

[^] Logarithm

† p< .10 * p<.05 ** p<.01 *** p<.001

TABLE 5 Random-Effects Tobit Regression Predicting Order of Entry: Spline Function[#]

Variables	Model 11 Historical Aspirations	Model 12 Social Aspirations
Year Dummies [^]	a	a
Firm Size	-428.11 (-1.60)	-672.19 (-1.37)
Recoverable Slack	1602.62*** (6.28)	-1463.76*** (-7.14)
Potential Slack	117.17* (2.06)	92.61 (1.21)
Equity Exp-5 yrs [@]	-360.68** (-3.08)	-561.12*** (-4.13)
Performance above Aspirations	-25957.48*** (-11.24)	-8207.34*** (-3.92)
Performance below Aspirations	610.94† (1.80)	1333.19*** (3.59)
Constant	3842.83*** (7.16)	4677.90*** (5.91)
N	600	600
Log Likelihood	-4820.04	-4866.67
Wald χ^2	2804.66***	2313.31***
df	28	28

[#] Unstandardized coefficients are reported with t-values in parentheses.

^a All models include year effects, but their coefficients are not reported for simplicity.

[@] Results are similar based on 10 years of experience.

[^] Logarithm

† p<.10 * p<.05 ** p<.01 *** p<.001

RESULTS

Model 1 in Table 3 is the control model (model 6 replicates the control model in Table 4). Models 2, 3, 4, 7, 8 and 9 test hypotheses one through four. Models 5 and 10 show the fully saturated models for historical and social aspirations, respectively. Models 11 and 12 show the robustness check of Hypothesis 1 using a spline function. The Wald χ^2 statistic is significant in all models ($p < .001$), which indicates good overall model fit.

Model 1 shows an interesting result related to the control variable. Firm size is positive and significant in the model, which suggests that larger firms enter markets later than smaller firms. Perhaps the bureaucratic and complex structure of large firms prevents them from responding to new market opportunities in a timely manner. However, firm size fails to reach statistically significant levels in most of the remaining models (except Model 10), which adds to the existing mixed findings regarding the effect of firm size on market entry timing (Fuentelsaz et al., 2002; Haveman, 1993a; Khorana & Servaes, 1999; Mascarenhas, 1992; Teece, 1986; Wernerfelt & Karnani, 1987).

Models 2 and 7 show the results that predict order of entry based on performance relative to historical and social aspirations, respectively. Both models indicate a negative and significant relationship between relative performance and order of entry, which is contrary to the hypothesized direction. Therefore, Hypothesis 1 is not supported for historical or social aspirations. The negative slope suggests that firms with performance levels below historical and social aspirations tend to search narrowly and thus be late entrants into new markets, whereas firms with performance levels above

historical and social aspirations appear to search broadly for new markets and thus be early entrants into these markets. Although this finding is contrary to behavioral theory of the firm predictions, it is consistent with other research streams, which I discuss below.

First, firms with performance below aspirations may be late entrants into new markets because the threat rigidity perspective suggests that as firms face a threat, such as declining performance, they may restrict information flows and rely more on existing operating procedures and knowledge (Staw, Sanderlands, & Dutton, 1981). In a market entry context, such behavior may result in reduced search processes, which in turn would lead to late market entrance for firms with performance below aspiration levels. Further, the existing literature suggests that firms may have two reference points. When faced with severe financial distress, firms may use bankruptcy as their reference point (Chen & Miller, 2007; March & Shapira, 1987, 1992), and thus conserve their resources in order to maintain current operations. In a market entry context, this suggests that firms may reduce search and avoid the risks of early entry. When faced with a performance shortfall, this conservative behavior may be particularly prevalent for the financial services firms represented in the sample.

For firms with performance above aspirations, their risk-seeking behavior may be reflective of the confidence and feelings of infallibility they have in their superior market position. This is consistent with the literature that suggests that the success of performing above aspirations breeds confidence and a willingness to accept risky

alternatives (e.g., Baum, et al., 2005). Current research proposes that this confidence may be particularly acute in pioneering decision contexts because in such contexts managers tend to have more salient information about the potential success of the outcome (i.e., the success of pioneering behaviors tends to yield more dramatic and publicized results) (Simon & Houghton, 2003). As a result, managers become overconfident and thus may pursue riskier strategic actions, such as early market entry. Even further, successful firms are often under pressure to maintain their superior performance in order to meet ongoing market expectations for further success (Mishina et al., 2008). Therefore, successful firms may engage in risky behavior to order to avoid disappointing their customers, investors or other constituents.

Models 2 and 7 show a negative and significant co-efficient for recoverable slack, which lends support for Hypothesis 2 for both aspirations. However, neither model shows a significant term for potential slack. Consistent with behavioral theory logic (Cyert & March, 1963), the findings related to recoverable slack suggest that firms leverage their excess resources to buffer themselves against the risks and uncertainties of early market entry. In particular, firms may be more likely to use recoverable slack rather than potential slack because, by definition, recoverable slack represents resources firms may use under challenging and uncertain circumstances (Bourgeois & Singh, 1983), such as early market entrance. Given that potential slack is a debt capacity measure, and thus less likely to be deployed for current strategic needs, the insignificant findings related to the main effect of potential slack are not surprising.

Models 3 and 8 show the results of the interaction between relative performance and prior entry experience. Model 3 shows a negative interaction term, but the term fails to reach conventional significance levels ($p < .10$). Model 8 shows a negative and significant co-efficient for the interaction term between relative performance and prior experience (See Figure 6). Therefore, Hypothesis 3 is not supported. The negative interaction term in Model 8 suggests that high performing firms with prior entry experience enter markets early, whereas high performing firms with less experience enter markets late. In other words, experience causes firms to react differently to performance feedback, which points to a potential boundary of the behavioral theory of firm (Cyert & March, 1963). Specifically, this finding suggests that high performing firms engage in problemistic search under certain conditions, which is contrary to the behavioral view of this type of search behavior. It seems that prior experience encourages the risk-seeking behavior associated with early market entry for successful firms. One potential explanation for this behavior is that rather than creating routinization or insensitivity to performance cues, prior market entry experience may be transformational in that it encourages entry into new markets (King & Tucci, 2002). Restated, experience with market entry may reduce search costs or bolster the value of current routines, and thus encourage earlier market entry. Further, existing work recognizes that routines may lead to a wide variety of outcomes, including stability *or* change (Feldman & Pentland, 2003), which means that the routines created from prior experience with a certain activity could result in innovative behavior, such as early market entry. These findings are consistent with the arguments related to H1 in that experienced successful firms appear to act more confidently in their behavior than successful firms with less experience. Alternatively,

successful firms with less experience may be complacent (i.e., late market entrants), which is consistent with the behavioral view of successful firm behavior. For these firms, prior success and inexperience causes them to search narrowly, perceive more risk in entry and doubt the value of existing routines. Further, the arguments from the behavioral theory of the firm appear to hold true for unsuccessful firms with less experience. These firms appear to engage in problemistic search in order to overcome their performance and experience deficiencies, and thus are early market entrants. Collectively, these findings open the door to future research on order of entry behavior based in the organizational learning and experience literature.

The interaction terms between relative performance and slack show inconsistent results. Model 4 shows a negative and significant interaction for recoverable slack (See figure 7), but this does not support Hypothesis 4 for historical aspirations. However, Model 9 shows a positive and significant interaction term for recoverable slack, which supports Hypothesis 4 for social aspirations (See figure 8). Neither Model 4 nor 9 shows a significant interaction term for potential slack. As predicted, the results from Model 9 suggest that slack may cause firms with performance above social aspirations to become complacent and thus enter markets later than other firms. Alternatively, slack may provide firms with performance below social aspirations with a cushion against market entry uncertainties, which in turn leads to early market entry. In other words, for successful firms, slack discourages early entry. However, slack encourages early entry for low performing firms. As firms refer to the performance of others to determine

future action, they draw upon their slack resources to either maintain or improve their performance as the behavioral theory of the firm would predict.

The interaction term for recoverable slack in Model 4 has a different interpretation. The negative co-efficient suggests that slack may provide firms with performance above historical aspirations with an incentive to enter markets early rather than a license for complacency, and thus late market entry. On the other hand, rather than using their slack resources to correct a performance shortfall, firms with low relative historical aspirations appear to conserve their slack resources and enter markets later than other firms. As firms refer to their own prior performance to determine future action, they appear to use slack resources in ways counter to the behavioral theory of the firm.

These conflicting findings related to the slack interactions are consistent with current work. First, recent findings suggest that slack resources exert different and sometimes conflicting influences on firm search processes (Voss, Sirdeshmukh, & Voss, 2008). Slack may either encourage or discourage exploration (i.e., early market entry) or exploitation activities (late market entry) depending on the environmental context and the type of slack deployed (Voss et al., 2008). Second, it is also interesting to note that the interactive effect of slack differs based whether the reference point is historical or social aspirations. This result is consistent with current research that finds that firms employ different aspiration points to determine future behavior (Harris & Bromiley, 2007).

As a post hoc analysis, I also modeled the slack interaction using Bromiley's (1991) single aspirations variable.²⁷ In Bromiley's model (1991), firms with performance above the industry mean have aspirations at 1.05 times their prior performance and firms with performance below the mean have aspirations at the industry mean. The results using Bromiley's aspiration variable show that the interaction between recoverable slack and the aspirations variable is positive and significant ($p < .001$) and the interaction between potential slack and the aspirations variable is negative, but non-significant. These findings are similar to the results related to the slack interactions using social aspirations (Model 9 in Table 4) and are consistent with Hypothesis 4. Therefore, these results lend more credibility to the slack interaction results using social aspirations. Future research should examine when firms switch between reference points and the implications of this behavior. Future research should also examine when and how firms use different types of slack resources.

Models 5 and 10 show the fully saturated models. The results from these models should be interpreted very cautiously because the presence of all main effects (relative performance, slack and experience) along with their interactions introduces multicollinearity into the models. For historical aspirations (Model 5), the main effect of recoverable slack is positive and significant. For social aspirations (Model 10), the main effect of potential slack is positive and significant. The results for recoverable slack (Model 5) indicate that slack leads to late market entry. This finding supports the agency theory perspective of slack as an indication of excess and waste (Jensen & Meckling,

²⁷ Compared to Greve's (1998) weighted average aspiration variable and the separate aspiration variables used in this study, recent work suggests that Bromiley's single aspiration variable provides more consistent results (Bromiley & Harris, 2008).

1976). Because potential slack is measured as debt divided by equity, the higher the potential slack, the less slack the firm possesses. Therefore, the positive coefficient in Model 10 for potential slack suggests that more potential slack leads to early entry, which is consistent with H2. Further, Model 10 shows a positive and significant co-efficient for relative social aspirations, whereas Model 5 still shows a negative and significant term for relative historical aspirations. The positive co-efficient for relative social aspirations in Model 10 supports Hypothesis 1 and is consistent with the behavioral theory of the firm arguments (i.e., performance above aspirations leads to late market entry, but performance below aspirations leads to early market entry).

As a robustness check, Models 11 and 12 (Table 5) predict order of entry measuring relative performance as a spline function for historical and social aspirations. Both models indicate a negative and significant relationship between performance above aspirations and order of entry. Performance below aspirations shows a positive and significant result for social aspirations, but a positive and non-significant result for historical aspirations. Both models support the results of Models 2 and 7, which show a negative relationship between relative performance and order of market entry, particularly for social aspirations.²⁸

Further, it is worthwhile to note the effect of prior experience as a main effect. In all models (historical and social aspirations), prior experience has a negative and significant relationship with entry timing. That is, more experience with entry promotes early

²⁸ I coded performance below aspirations in a manner such that its values are always positive. Therefore, the positive co-efficient for this variable indicates that its values increase as entry timing increases.

market entry. This finding is similar to other work that suggests that prior experience leads to innovative behavior in a market entry context (King & Tucci, 2002). Future research should seek to tease apart the effects of prior entry experience versus prior early entry experience on future firm behavior.

Finally, my dataset includes domestic (84%) and international (16%) equity mutual funds. I ran the main models using only the domestic mutual funds in the analysis.²⁹ In this analysis, I achieved the same pattern of results as indicated in Models 1 through 10. This suggests that entry timing is conditioned on the same set of variables even in exclusively domestic markets.

DISCUSSION

The purpose of this study was to apply the behavioral theory of the firm (Cyert & March, 1963) to predict the order in which firms will enter a new market. I also sought to reconcile the mixed findings regarding the relationship between prior performance and the tendency of firms to engage in innovative or imitative behavior. Contrary to behavioral theory of the firm predictions, firms with performance above historical and social aspirations appear to search broadly and thus engage in the innovative and risky behavior of early market entry. Alternatively, firms with performance below these same aspirations appear to search more narrowly and thus engage in the imitative and more conservative behavior of late market entry. Prior entry experience encourages more innovative behavior, especially for successful firms. The effect of slack depends upon

²⁹ The number of international equity mutual funds in the dataset is less than 100, which would have made the results difficult to interpret if I had run the models with only international mutual funds.

the firm's reference point. Ironically, these findings add to rather than reconcile the mixed results regarding the relationship between prior performance and innovative or imitative firm behavior.

The behavioral theory of the firm conceptualizes organizations as goal-oriented and routine-based entities. More importantly, the theory suggests that performance feedback based on certain reference points can predict future outcomes. Much of the current research using the behavioral theory of the firm has predicted various forms of firm behavior (Baum et al., 2005; Harris & Bromiley, 2007). I add to the body of research that applies the behavioral theory of the firm to analyze corporate level firm decisions (e.g., Iyer & Miller, 2008). Specifically, I found that prior relative performance motivates firms to consider their market entry decisions based on their search processes and risk preferences. Quoting Greve (2003b), performance relative to aspiration levels appears to serve as a “master switch” for a wide range of organizational behaviors. However, my findings associated with relative performance (i.e., the results from H1) are contrary to the predictions of the behavioral theory of the firm and may suggest that the theory has limited ability to predict market entry timing. Indeed, other perspectives may provide a better explanation for the findings. For example, the entrepreneurship literature suggests that successful firms engage in innovative behavior, such as early market entry, and do so more frequently than unsuccessful firms (Mansfield, 1963). Further, the degree of innovation and exploration that determines market entry timing may not depend on prior performance, but rather on a firm structure and explicit organizational culture that values pro-activeness and on-going learning (Slater & Narver, 1995).

I also add to the body of literature related to the effect of firm slack and prior experience. Specifically, the mixed findings related to slack resources highlight the need for scholars to develop a better understanding of how organizations may deploy different types of slack resources in their strategic decision-making. Further, the findings related to prior experience challenge the traditional notion that prior experience thwarts organizational change. Indeed, experience may lead to change or stability depending upon the firm's prior financial performance. Taken together, the findings related to slack and prior experience demonstrate that firms draw upon multiple factors, in sometimes unpredictable ways, to make entry timing decisions.

This study is not without limitations. First, Lieberman & Montgomery (1988) identified sample selection bias as one of the major methodological threats in the market entry literature. In particular, the exclusion of non-survivors (i.e., firms that entered early, but then quickly failed) is a typical issue in most market entry datasets. The exclusion of non-survivors may bias the empirical results (Golder & Tellis, 1993). My dataset excludes non-survivors because information on non-surviving mutual funds is scarce to non-existent. Because non-survivors are excluded, my order of entry variable may be over-estimated (i.e., firms may appear to have entered earlier than they actually did so). However, current work proposes that less than 1% of mutual funds close in any given year (Haslem, 2003). Furthermore, in their meta-analysis of the research on first mover advantages, Vanderwerf and Mahon (1997) found that the exclusion of non-surviving entrants had little effect on the collective empirical findings.

Second, I essentially examined a single industry, which limits the generalizability of the findings to other industries. Nevertheless, to examine the generalizability of these findings to the larger population of financial services firms, I conducted a post-hoc analysis that compared the entering firms represented in my sample to those firms that chose not to enter the mutual fund industry during my sampling period. The non-entering firms represent those firms in the same fourteen SIC codes as those firms in my dataset. In this analysis, I compared entrants versus non-entrants on firm size, performance (ROA) and slack (recoverable and potential slack) by industry. The results indicate that the entering firms are slightly larger than non-entrants,³⁰ but that both sets of firms appear to be comparable on performance and slack measures.³¹ These results suggest that the hypothesized relationships in this study may be robust to a large segment of the financial services industry.

Third, many of the assets that were invested in mutual funds during the period of study were done so through an individual's employer. This means that mutual fund companies that had significant corporate relationships may have been being able to gain access to a large number of customer accounts more readily. Therefore, these corporate relationships may have influenced the firm's entry timing decisions. This suggests that social network factors may also be affecting these results.

³⁰ Entrants may be larger than non-entrants because entrants may have more resources to leverage in an entry context.

³¹ A better approach to this analysis would have been to examine the non-entrants that were registered broker-dealers versus the firms in my sample, which presumably had a broker-dealer license. However, the SEC does not provide historical data on broker-dealer licenses.

Despite these limitations, by applying the behavioral theory of the firm, I examined the internal processes firms use when making entry-timing decisions. Specifically, firm search processes and risk preferences shape entry decisions. These decisions are further shaped by the availability of slack resources and prior entry experience. Moreover, by applying the behavioral theory of the firm, I was also able suggest, with some reservations, which firms may be early and late entrants into new markets. Collectively, these findings suggest that market entry timing is a complicated undertaking that warrants further investigation.

THE CULTURAL DETERMINANTS OF THE ORDER OF MARKET ENTRY

BACKGROUND AND HYPOTHESES

In addition to a behavioral perspective, a perspective that focuses on how national culture may influence order of market entry behavior may enrich the order of entry literature. In an international business setting, order of entry dynamics occur as multinational organizations compete for the opportunity to enter a market through diverse forms of foreign direct investment. In such a global setting, the national environment influences the competitive behavior and success of firms and industries because it supplies them with the resources and tools they need to identify and seize opportunities in international competition.

More importantly, the national environment reflects a society's national culture (Hofstede, 1980, 2001). Therefore, because national culture is an element of the national environment, national culture could affect firm behavior, such as order of entry behavior. Specifically, national culture is an important aspect of organizational behavior because it affects how organizations make strategic decisions (e.g., Kogut & Singh, 1988). Finally, given that multinational organizations face a wide variety of business risks, they may be prone to manage such risks by collaborating with other multinational organizations. Therefore, market entry, which is a strategic option laden with risks and uncertainties, is sometimes made in the context of a team of firms, which represent diverse national cultures, rather than in the context of a single firm. Consequently, in an international business setting, the multi-cultural aspects of strategic decision-making for multinational

organizations complicate market entry decisions. Therefore, in this study, I investigate whether national culture can predict order of market entry decisions across multiple international markets for individual firms and teams of firms.

The Organization and its Environment

The relationship between the organization and its environment is a traditional area of study in organization theory. Much of the early theorizing took an open systems perspective, which proposes that the interaction between the organization and its environment is essential to firm survival, and that the characteristics of the environment influence the characteristics of the organization (Scott, 2003). The open systems perspective suggests that the environment permeates the organization and shapes organizational behavior. Therefore, because the environments in which organizations operate vary (Dess & Beard, 1984), organizational behaviors vary also. Traditionally, research in organization theory considered the relationship between the organization and its environment irrespective of the implications associated with any particular geographic location (Westney, 1997).

However, in the current business environment, the specific national environment in which a firm operates is an important context of study. Organizations are increasingly entering (and operating in) multiple national environments to gain access to alternative sources of knowledge, skills and technologies. Entry can take the form of a subsidiary, joint venture or other form of direct investment depending on the organization's desired level of resource commitment and managerial control (Anderson & Gatignon, 1986).

However, organizations enter markets at different times (i.e., early or late) based on their characteristics (Schoenecker & Cooper, 1998) and skills (Robinson et al., 1992).

Because of their movement into different national markets, organizations often compete with organizations that exist not only in their own national environment, but also with firms from foreign national environments. Porter (1990) argues that each national environment provides its organizations with a distinctive set of factors that may help or hinder their international competitiveness. Therefore, in international competition, organizations bring to bear their internal strengths and weaknesses as well as the strengths and weaknesses inherent in their national environment. Indeed, the national environment has become such an important factor in the current business environment that Porter (1990) proposes that the national environment is a source of competitive advantage for firms, industries and nations.

“Cultural factors are important as they shape the environment facing firms... such influences are important ones to competitive advantage because they change slowly and are difficult for outsiders to tap or emulate” (Porter, 1990:129).

One of the chief elements of a national environment is the national culture of the environment. National culture reflects the characteristics (i.e., the values, norms and attitudes) of the country (Hofstede, 1980, 2001). This culture develops over time and is a result of the nation’s history, geography, natural resources, etc. Current research suggests that cultural differences impact various management phenomenon, including the

diffusion of innovations (Gatignon, Eliashberg, & Robertson, 1989) and corporate capital structures (Chui, Lloyd, & Kwok, 2002).

The multinational organization has a complex relationship with national culture. Multinational organizations often engage in strategic decisions that involve multiple parties across the globe, such as joint ventures or strategic alliances, in order to spread their risk. Put differently, multinational organizations sometimes make strategic decisions and foreign investments jointly with other multinational firms. Consequently, multinational organizations are likely to be subject to the impact of multiple national cultures concurrently in their strategic decision-making. Therefore, given the pervasiveness of market entry (Geroski, 1995) and the importance of the national environment (Porter, 1990), a study that explores the influence of national culture on order of market entry (i.e., whether firms will enter markets earlier or later than other firms) across multiple international markets for individual and teams of firms is a relevant area of inquiry.

Conceptual Framework

The conceptual framework I use to develop the hypothesized relationships will primarily be based the proposed relationship between national culture and firm strategy, structure and rivalry (Porter, 1990).³² Firm strategy, structure and rivalry represent the conditions in a nation that govern how firms are created, organized and managed, and the nature of domestic rivalry. Firm strategy, structure and rivalry contribute to the

³² Porter (1990) discusses four factors that shape the competitiveness of firms and industries in a particular nation. Among the potential factors, firm strategy, structure and rivalry have the most salient implications for firm decisions and outcomes.

competitiveness of a nation's industries in international markets. More explicitly, firm strategy, structure and rivalry shape the capabilities that firms possess as well as the behaviors and decisions that firms make that contribute to their success or failure against rivals in international competition.

Porter (1990) implies that a country's national culture has an impact on firm strategy, structure and rivalry, which ultimately may have an effect on market entry decisions. Specifically, Porter (1990) proposes that the national environment determines management practices, organizational structures and strategic approaches towards decision-making, training, hiring, leadership, customer relationships, labor relations, etc. Porter (1990) suggests that this is because the national environment reflects the national culture of the society. National culture shapes the norms, structures, practices and approaches of the organization (Hofstede, 1983), which in turn influences organizational behavior.

Existing empirical work supports Porter's claim.³³ First, differences in cultural values appear to affect firm strategy. For example, national culture affects international entry strategies (Hennart & Larimo, 1998; Kogut & Singh, 1988), foreign direct investment location decisions (Johanson & Vahlne, 1977; Li & Guisinger, 1992) and the formation of cross-country technology alliances (Steensma, Marino, Weaver, & Dickson, 2000). Further, at the individual level of analysis, cross-cultural differences explain managerial

³³ General support has been found for Porter's framework in that country level effects appear to explain a significant portion of the variance in firm performance (Makino, Isobe, & Chan, 2004).

attitudes towards strategic issues³⁴ (Schneider & De Meyer, 1991), changes in organizational leadership and strategic orientation (Geletkanycz, 1997), potential acquisition targets (Hitt, Dacin, Tyler, & Park, 1997) and international marketing decisions (Tse, Lee, Vertinsky, & Wehrung, 1988). For example, because they prefer to avoid uncertainty, Latin European executives tend to perceive strategic issues as threats, which ultimately effects their behavior when faced with a strategic decision (Schneider & De Meyer, 1991).

Second, national culture appears to affect organizational structures. For example, differences between the structure of Japanese and American manufacturing firms is due to cross-cultural differences in organizing (Lincoln, Hanada, & McBride, 1986). Relative to the United States, Japanese firms have less functional specialization and less delegation of authority (Lincoln et al., 1986). In general, these differences are due to the Japanese cultural emphasis on the group, rather than the individual, as the basic building block of the organization (Lincoln et al., 1986). Further, in a decision context, certain organizational structures and practices facilitate efficient strategic decision-making (Baum & Wally, 2003). In particular, decentralization of operations management, centralization of strategic management and formalization of routines allow organizations to make faster strategic decisions (Baum & Wally, 2003). In other words, these organizational structures are likely to result in faster market entry decisions when compared to other organizational structures. Therefore, given that cross-cultural differences exist among organizational structures and that certain structures are more

³⁴ A strategic issue is a development that is likely to have an important impact on the ability of the organization to meet its objectives (Ansoff, 1980). Strategic issues may be internal or external to the firm, and may involve a threat or opportunity (Ansoff, 1980).

conducive to efficient decision-making, national culture could affect market entry decisions.

Finally, national culture may have an affect on the values and attitudes towards rivalry. Rivalry is closely associated with the concept of competition. Competition is a process in which market participants engage each other through a series of moves and countermoves (Chen & Hambrick, 1995). In general, competition results in the expansion of one firm and a reduction in the relative growth or size of other firms (Carroll & Hannan, 1989). Competition is a fundamental concept in order of entry dynamics because competition forces firms to improve or innovate in order to gain the advantages associated with entering a new market. Rivalry is overtly conflictive competitive behavior and occurs when firms blatantly attempt to challenge or overthrow the position of other firms. Rivalry rewards only the most-fit actors (Park, 1998). Given its antagonistic orientation, aggressive, goal-directed and self-centered behaviors lie at the core of rivalry.

Cross-cultural differences exist regarding attitudes towards rivalry, which ultimately has an affect on firm behaviors in competitive settings. For example, managerial perceptions of pioneer advantages differ across national cultures because of inherent differences in attitudes towards rivalry, competition and business-to-business relationships (Song, Di Benedetto, & Zhao, 1999). More specifically, because of their collectivist orientation, Asian Pacific businesses are encouraged not to undercut competitors, but rather build long-term relationships. On the other hand, because of their

individualistic orientation, Western businesses are encouraged to adopt competitive strategies and accept adversarial relationships (Song et al., 1999). Therefore, given the existence of differences in cross-cultural values and attitudes toward rivalry, these attitudes and values could create diverse behavioral tendencies of organizations in a competitive decision-making context.

Taken together, these arguments suggest that through its influence on firm strategy, structure and rivalry, the national culture of an environment has implications for the market entry decisions that firms make. That is, national culture may predict whether firms will enter markets earlier or later than other firms. In that such decisions also affect firm performance (Lieberman & Montgomery, 1988), national culture eventually has implications for the profitability of the industries in a nation and for the nation as a whole. In the next sections, I specify how national culture might affect market entry behaviors.

National Culture and its Dimensions

The international business literature defines national culture in several ways. I adopt the traditional definition of national culture developed by Geert Hofstede whereby national culture is defined as “collective mental programming”: it is that part of our conditioning that we share with other members of our nation, region or group, but not with members of other nations, regions or groups (Hofstede, 1983). Culture is a latent construct knowable through patterns in its manifestations, such as symbols, artifacts, modes of communication, values, behaviors, institutions and social systems shared among group members (Brett, Tinsley, Janssens, Barsness, & Lytle, 1997). Culture

controls behaviors in deep and lasting ways, many of which are outside of human awareness or consciousness (Hall, 1959). In general, culture is difficult to change, but if it does change, the change is gradual (Hofstede, 1980).

Hofstede (1980a) developed the most popular framework to study national culture. In his original work, Hofstede surveyed employees from IBM across forty countries during the 1970s. From this work, Hofstede identified four dimensions of national culture: uncertainty avoidance, power distance, individualism-collectivism and femininity-masculinity (Hofstede, 1980, 2001). Hofstede argues that these dimensions can be used to describe the values and attitudes of a specific society. He further argues that these dimensions have repercussions for the study of management and organizations (Hofstede, 1983).

Scholars have used Hofstede's dimensions of national culture to make predictions across multiple areas of interest to organizations.³⁵ For example, national culture, based on Hofstede's dimensions, has been shown to affect compensation practices (Schuler & Rogovsky, 1998), corporate governance structures (Davis, Schoorman, & Donaldson, 1997), executive compensation (Tosi & Greckhamer, 2004), innovation championing strategies (Shane, Venkataraman, & MacMillan, 1995) and post-merger integration processes (Weber, Shenkar, & Raveh, 1996). Further, in the international business literature, Hofstede's dimensions have been used to predict economic performance (Franke, Hofstede, & Bond, 1991) as well as entry mode choice decisions (Hennart &

³⁵ For a review of the literature based on Hofstede's dimensions of national culture, see Kirkman, Lowe & Gibson (2006).

Larimo, 1998; Kogut & Singh, 1988). Combined, these studies suggest that Hofstede's dimensions may have direct implications for the firm across multiple strategic issues and decisions.

The Multinational Organization and National Culture

Because the multinational organization operates in multiple countries, it faces multiple risks. These risks include the political, economic and social risks associated with doing business or investing in a foreign market (Miller, 1992). Multinational organizations may respond to these risks through different approaches (Miller, 1992). Among the many alternatives, one approach is to collaborate with other multinational organizations, which allows the multinational organization to manage its environmental dependencies (Pfeffer & Salancik, 1978) and its risk exposure. As discussed in Study I, market entry contains risks and uncertainties, and therefore, multinational organizations may be inclined to partner with other multinational organizations to enter a new market. In such collaborative settings, this implies that the multinational organization is susceptible to multiple cultural influences as it works with other multinational organizations from diverse national cultures to make strategic decisions.

To examine the complex influence of national culture on multinational organizations more fully, I examine the hypothesized relationships for individual firms and teams of firms that made market entry decisions. To do so, I adopt the position that the national culture of the firm's home country governs the strategic decisions of the multinational organization. A firm's home country is likely to be the center that directs and controls its

competitive strategy (Porter, 1990). Put differently, the firm's home country is more likely to be the location where the organization devises and directs its strategic actions³⁶, such as market entry decisions. Further, although a multinational organization may have a physical presence in multiple geographic locations, the firm's home country should have the most influence on the firm's behavior because the national culture of the home country is more proximal, and thus the firm is more likely to be predisposed to the values of the home country.

In the context of teams of multinational organizations, national culture has two implications. First, in a team setting, the national culture of the dominant firm is likely to drive market entry decisions. The dominant firm is the firm that controls the decisions and operations of the team for a prolonged period of time (Shamsie, 2003). Dominance results from the ability of the firm to maintain its leadership position. By virtue of its dominance, the dominant firm should have greater leverage in its exchange relationships with other team members (Pfeffer & Salancik, 1978). Most importantly, by virtue of its dominance, the national culture of the dominant firm should determine the values and approaches that the team would adopt in a market entry decision context. Second, in a team setting, the degree of cultural diversity on the team of firms is likely to drive market entry decisions. In this study, cultural diversity refers to the degree of national cultural differences that exists on the team of firms. The cultural diversity of the team of firms is important because the organizational behavior literature suggests that cultural diversity

³⁶ Strategic actions are those actions that involve material commitments of resources and are difficult to implement or reverse (Egelhoff, 1982).

has implications for how effectively and efficiently the team of firms may develop and implement its entry decisions.

National Culture and Market Entry Decisions for Single & Dominant Firms

I base the following hypotheses regarding the relationship between national culture and order of entry into a market on the four dimensions of uncertainty-avoidance, power distance, individualism-collectivism and masculinity-femininity in a single and dominant multinational firm decision context. Each dimension of national culture is likely to have an affect on either the willingness or ability of the firms in a country to enter a market earlier or later than other firms.

Uncertainty-Avoidance. Uncertainty avoidance refers to the degree to which a society is comfortable with ambiguous situations and the inability to predict future events with certainty. High uncertainty avoidance cultures avoid ambiguity and prefer to construct institutions that create security, whereas low uncertainty avoidance cultures more readily accept the uncertainty of the future. High uncertainty avoidance cultures prefer rules and are risk averse (Hofstede, 1980, 2001; Triandis, 1990), whereas low uncertainty avoidance cultures are more willing to accept risks and nonconformity.

Empirically, existing research supports the predictions of uncertainty avoidance. For example, firms in high uncertainty avoidance cultures prefer low risk forms of entry mode (e.g. joint venture versus acquisition) compared to firms in low uncertainty avoidance cultures (Kogut & Singh, 1988). Low uncertainty avoidance cultures prefer that innovations be developed by challenging existing organizational norms, rules and

procedures rather than relying on existing routines, rules and procedure (Shane et al., 1995). Further, high uncertainty avoidance cultures prefer bank-based financial systems because such systems offer high levels of monitoring and return predictability (Kwok & Tadesse, 2006).

In an order of market entry setting, the cultural dimension of uncertainty-avoidance is likely to affect the willingness of firms to enter new markets earlier or later than other firms. Specifically, because of their aversion for ambiguity, firms in high uncertainty avoidance cultures are less likely to accept the risks of moving early into a market in order to minimize or postpone the costs of entry, such as liability of foreignness costs.³⁷ On the other hand, low uncertainty avoidance cultures are more likely to accept the ambiguity associated with moving early into a foreign market. This is due to the fact that firms in low uncertainty avoidance cultures are more tolerant of behaviors and modes of operation that are different from their own (Hofstede, 1983) and thus are more likely to explore opportunities embedded within different cultural environments. Therefore,

H1: The lower a country's level of uncertainty avoidance, the earlier its firms will enter a market.

³⁷ The liability of foreignness costs are the costs of doing business abroad that may result in a competitive disadvantage for the firm (Hymer, 1976). These costs arise due to country differences in social, economic and institutional structures that create barriers to doing business abroad. These costs are generally not incurred by local firms and can result from a general unfamiliarity with the local environment (Kostova & Zaheer, 1999; Zaheer, 1995). Empirical evidence supports the existence of the liability of foreignness and its detrimental effect on organizational performance (Miller & Parkhe, 2002; Zaheer, 1995).

Power Distance. Power distance describes the extent to which less powerful members of a society expect and accept that power is unequally distributed. High power distance cultures emphasize differences in status, wealth and abilities, whereas low power distance cultures try to minimize these differences. Further, power distance refers to the degree of hierarchy, inequality and autocratic leadership in organizations (Hofstede, 1983). High power distance cultures are likely to have more hierarchal decision styles in order to differentiate between bases of power and status within the organization, whereas low power distance cultures are likely to have decision styles that minimize hierarchy and differences between occupational roles.

Empirically, existing research also supports the predictions of power distance. For example, high power distance cultures tend to offer higher levels of CEO compensation because the increased organizational layering in such cultures creates greater wage disparities (Tosi & Greckhamer, 2004). Managers in high power distance countries are more likely to favor direct foreign investment over licensing as an entry mode because direct investment involves more monitoring and control over the investment activities (Shane, 1994). Further, high power distance cultures are more likely to develop principal-agent forms of corporate governance, whereas principal-steward forms of corporate governance are more likely to develop in low power distance cultures (Davis et al., 1997).³⁸

³⁸ Principal-agent forms of corporate governance are comprised of systems and structures in which the principal and agent seek to maximize their own self-interests. In principal-steward forms of corporate governance, the agent seeks to act in the best interest of the principal.

In an order of market entry setting, the cultural dimension of power distance is likely to affect the ability of firms to enter new markets earlier or later than other firms. Specifically, firms in high power distance cultures are more likely to have mechanistic (i.e. rigid) approaches to decision-making. Mechanistic decision-making approaches are less responsive to environmental uncertainty because they involve reduced information processing capabilities (Tushman & Nadler, 1978), which in turn create lengthier decision-making processes. Thus, firms in high power distance cultures are more likely to respond to competitive interactions in a delayed fashion. Alternatively, low power distance cultures are likely to have more organic decision-making approaches whereby information processing capabilities are high (Tushman & Nadler, 1978) and strategic decision-making is adaptive and flexible (Donaldson, 2001). Therefore, firms in low power distance cultures are more likely to respond to competitive interactions quickly. These arguments suggest that firms in low power distance cultures may have more expedient market entry processes. Therefore,

H2: The lower a country's level of power distance, the earlier its firms will enter a market.

Individualism-Collectivism. Individualism-collectivism describes the extent to which the culture emphasizes personal goals over group goals (Triandis, 1990). Individualist cultures are characterized by loose social ties and self-interested bases of motivation, whereas collectivist cultures are characterized by tight social ties and a duty to look after the needs of the other group members. Individualist cultures focus on

freedom of choice, and reward, recognize and emphasize individual efforts and achievements. Achievements and success also serve to determine roles and status. Collectivist cultures define themselves in terms of their relation to others. Therefore, collectivist cultures are more likely to refer to social referents to determine future behavior and thus more likely seek compliance with societal expectations. Collectivist cultures suppress individualistic desires for the sake of group harmony.

Current research supports the predictions of individualism-collectivism. For example, collectivist cultures are more likely to engage in cronyism than individualistic cultures because cronyism involves fulfilling mutually reinforcing exchange obligations, which often arise in situations with strong relationship ties (Khatri, Tsang, & Begley, 2006). Individualist cultures are more likely to develop principal-agent forms of corporate governance, whereas principal-steward forms of corporate governance are more likely to develop in collectivist cultures (Davis et al., 1997). Groups comprised of individuals from individualistic cultural traditions tend to display more competitive behaviors than groups comprised of individuals from collectivist cultures (Cox, Lobel, & McLeod, 1991). Further, banks in individualistic countries exhibit lower levels of information seeking because they have a higher tendency for independence in thought and action (Zaheer & Zaheer, 1997).

In an order of market entry setting, the cultural dimension of individualism-collectivism is likely to affect the willingness of firms to enter new markets earlier or later than other firms. Specifically, firms from individualistic cultures are more likely to

move early because they place value on task achievement, and thinking and acting autonomously in goal-oriented activities. On the other hand, firms from collectivist cultures are more likely to enter later because they place value on gaining approval from the other firms in the group or industry at the expense of task completion or achievement. Hence,

H3: The higher a country's level of collectivism, the later its firms will enter a market.

Masculinity-Femininity. Masculinity-femininity describes the extent to which a society distinguishes between the division of roles between men and women. Masculine societies emphasize the values of dominance, achievement and aggressiveness, whereas feminine societies emphasize the values of compassion, empathy and equality (Hofstede, 1980, 2001, 1998). In masculine societies, money and things are important, but in feminine societies, relationships are important (Hofstede, 1983, 1998). In masculine society's, one person's gain is another person's loss. Further, in masculine cultures, firms act aggressively to pursue clearly defined purposes, and are rewarded and praised for such behavior. On the other hand, in feminine cultures, firms are expected to take a more participatory approach in a team setting and to resolve conflict through compromise and negotiation.

Empirical support also exists for this dimension of national culture. For example, entrepreneurial firms in feminine cultures are more likely to pursue technological alliances than similar firms in masculine cultures (Steensma et al., 2000). Further, by

creating an environment of trust and support, feminine cultures encourage more idea generation than masculine cultures during the initiation phase of new product development (Nakata & Sivakumar, 1996).

In an order of market entry setting, the cultural dimension of masculinity-femininity is likely to affect the willingness of firms to enter new markets earlier or later than other firms. In particular, the assertive and aggressive behavior of firms in masculine cultures suggests that these firms may encourage and reward faster and more decisive decision-making. On the other hand, the more participatory decision approach of firms in feminine cultures suggests that these firms seek and promote inclusion in entry decisions, which may lengthen the decision timeframe. Thus, firms in masculine cultures are more likely to enter markets earlier than firms in feminine cultures. Therefore,

H4: The higher a country's level of masculinity, the earlier its firms will enter a market.

Cultural Diversity and Market Entry Decisions for Teams of Firms

International business scholars have conducted limited research in the area of cultural diversity among firms in a strategic-decision making context (Kirkman, Lowe, & Gibson, 2006). However, research on teams in the organizational behavior literature may serve as a guide to make predictions for the behavior of teams of firms. Specifically, the organizational behavior literature suggests that, in terms of task performance, culturally diverse teams tend to consider a wider range of perspectives and generate a broader range of alternatives compared to homogeneous teams (Watson, Kumar, & Michaelsen, 1993).

However, in terms of the timing of decisions, culturally diverse teams may have longer decision-making processes because their diverse perspectives create conflict and impediments to task completion, and reduce commitment to the team (Jehn, Northcraft, & Neale, 1999; Pelled, Eisenhardt, & Xin, 1999). Alternatively, homogenous teams appear to be better able to adhere to time constraints because they are better able to develop work plans, priorities and goals seamlessly (Ancona & Caldwell, 1992). Consequently, culturally homogeneous teams may make decisions more quickly compared to culturally heterogeneous teams.

Given these arguments, teams of firms comprised of similar national cultures are likely to work together more efficiently and move quickly to leverage or gain economies from their equivalencies. Conversely, teams of firms from diverse national cultures may act in a delayed fashion as they experience heightened transaction costs associated with managing the issues caused by their cultural differences. Therefore,

H5: The lower the national cultural diversity of a team of firms, the earlier the team will enter a market.

METHODOLOGY

I based the hypotheses in this study on a sample of market entry decisions in the form of project-finance investments across forty-eight countries for single multinational organizations and teams of multinational organizations.

Research Setting

Project-based investments are a form of foreign direct investment used to finance capital investment projects. The capital providers, which are usually large multinational firms and international institutions, look primarily to the cash flow from the project as the source of funds to service the loan and provide the return on the equity invested in the project (Esty, 2004; Finnerty, 1996). In other words, project finance is used to finance “tangible-asset-rich and capital intensive projects with transparent cash flows” (Kleimeier & Megginson, 2000) with non-recourse debt. The most common applications for project finance include investments in natural resources (e.g. mines, pipelines, etc.) and infrastructure (e.g. toll roads, bridges, power plants, etc.). Some of the most prominent applications of project finance include Disney’s Hong Kong theme park, Enron’s Dabhol power plant in India and Europe’s Channel Tunnel rail link. In 2004, project-financed investments reached \$234 billion worldwide, an increase of 36% over 2003 (Esty & Sesia, 2005).

To establish a project finance investment in a particular country, a single firm or a team of firms will create a project company and take an equity stake in the company. The sponsor(s) is generally involved in the construction and management of the project and bears the risk of completion, operation and maintenance of the project facility. Project sponsors are usually well-known multinational organizations from diverse industries, including oil and gas, utilities and construction. The project company is a standalone entity. Multiple lenders, including private financial institutions, affiliates of the World Bank (i.e., International Finance Corporation-IFC) or export-credit agencies,

fund the entity with debt. The project company uses the proceeds from the sale of its output to service any debt. A contractor is responsible for building the project facility (i.e., toll road, bridge, etc) within cost and on schedule, and may hold an equity position in the project company. Suppliers provide the project company with the resources it needs to build and operate the facility. Finally, the project company obtains advisory services from law and consulting firms to assist the company in preparing and securing its business arrangements. In general, project-financed investments are smaller, have longer maturities, involve more participating banks and are more likely to be extended to non-US borrowers than other types of syndicated financing (Kleimeier & Megginson, 2000).

Although the modern history of project-based investments began in the early 1980s, the 1990s marked an increased interest in project-financed investments. Economic growth in the United States and emerging economies stimulated this increase. More importantly, this increase was stimulated by increasing levels of privatization and deregulation in developing countries, which provided an opportunity for investment by private sector firms (Esty & Sesia, 2005).³⁹ In particular, private sector firms may have been attracted to project-based financing as a means to invest in foreign markets for several reasons. First, project-financed investments allow investors to share the risks and uncertainty associated with a foreign investment given that project companies involve arrangements with multiple parties (Finnerty, 1996; Kensinger & Martin, 1988). Second, project-based investments reduce the costs of resolving issues of financial distress for

³⁹ Many of the organizations that were privatized had used project-based investing to fuel their growth. Also, many of the industries that were deregulated (i.e., power and telecommunications) were industries that had historically relied heavily on project-based investments (Esty & Sesia, 2005).

investors (Finnerty, 1996). Unlike a corporation, project companies have a limited number of lenders and classes of debt. As a result, resolving any issues related to repayment or restructuring the debt is a less complex undertaking. Third, project-based financing reduces corporate income tax. If the project company is incorporated as a limited partnership, it avoids the double taxation levied against corporations based in the United States (Kensinger & Martin, 1988). Fourth, project-based investments expand the debt capacity of the sponsoring corporation because the project company obtains debt financing based on its own creditworthiness (Finnerty, 1996). Most importantly, the firms that entered foreign markets using project-based investments earlier than other firms were probably more likely to select the most attractive locations (e.g., countries with growing economies), gain access to the most high profile projects and secure the most beneficial contractual relationships. These advantages may have enhanced the performance of the project and the sponsoring firm(s).⁴⁰

The project-finance investments are a promising setting to study national culture and its effect on order of entry decisions for multinational organizations. First, the market for foreign direct investment and the potential benefits of project-based investments provided a setting in which firms were likely to compete for the advantages of entering the market early. As discussed above, project-based investments presented investors with several advantages to capitalize on the growing market for foreign direct investment, particularly

⁴⁰ Project-based investments involve projects that have long pay-off horizons (Esty, 2002). As a result, the performance of these projects is difficult to assess in the short-term term. Therefore, during the early stages of the increase in project-based investments, investors were probably attracted to the perceived performance outcomes of these investments.

during the 1990s.⁴¹ Further, the public procurement process in which project-finance investments are awarded creates a market in which multinational firms are likely to exhibit competitive behavior in order to win a contract. Through this competitive bidding process⁴², host governments grant project investments to a winning sponsor and project company to build and operate the facility within its sovereign borders (Yescombe, 2002).⁴³ Second, project-financed investments are a form of investment that firms undertake across a wide range of countries. Although project-financed investments got their early start in the power plant industry in the United States (Finnerty, 1996), firms in multiple countries are currently involved in project-based investments. As a result, the organizations involved in project-financed investments represent a broad spectrum of national cultures. Third, project-based investments involve single or multiple firms, which makes such projects subject to singular and multiple influences of diverse societal cultures. Finally, project-based investments are discrete single events, which make it easy to identify the timing of entry decisions.

Data

I based the hypotheses on two samples of project finance investments. The first sample includes approximately 600 project finance investments undertaken by a single or dominant sponsoring firm. Dominant firms are those firms on a team of firms with a

⁴¹ Although the Asian financial crisis in the late 1990s started a decline in worldwide foreign directed investment (FDI), worldwide FDI was strong until that time.

⁴² A competitive bidding process is required in most countries involving public funding or where services will be provided to the public (Yescombe, 2002). Additionally, a competitive bidding process is usually required if the World Bank or other multilateral development bank is involved in the project finance funding (Yescombe, 2002).

⁴³ The order of entry arguments still hold in the project-based investment context because the bidding process indicates how aggressive firms might be in terms of preparing and negotiating a bid for the project. However, the number of bidders per project is not available, which is a limitation of this study.

greater than 50% stake in the project company. I used this sample to test the first four hypotheses. The second sample consists of approximately 400 project finance investments undertaken by a team of firms, where no one firm has more than a 50% stake in the project company. I used this second sample to test Hypotheses 5. The project-financed investments included in this study range from 1980 to 2003 (for both samples) across a variety of industry segments. I collected these data from the Thomson-SDC project finance database, which has data on over 4,000 project-based investments. The year 1980 is the beginning cut-off year in order to mark the beginning of the contemporary history of project-based investments (Esty & Sesia, 2005). See Appendix B for the list of countries involved in the projects for both samples.

Analysis

Given that the dependent variable (order of entry) is left-censored, tobit regression is the appropriate analytical technique.⁴⁴ Additionally, each country may have been involved in more than one project, which prevents independence of the observations. To capture the influence of this group membership, a fixed or random effect model is appropriate. Tobit fixed effects models yield co-efficient estimates that are inconsistent for panel data (Maddala, 1987). Therefore, I base the discussion on the results using a random-effects tobit model. As is the case in this analysis, random-effects estimators are recommended when the analysis contains a large number of groups (greater than 10)⁴⁵

⁴⁴ Ordinary least squares estimates would have biased because OLS assumes the dependent variable can take on values above and below zero.

⁴⁵ In this study, the first sample has 48 groups with an average of twelve observations per group. The second sample has 46 groups with an average of nine observations per group.

and when one wishes to generalize to the population of groups (Snijders & Bosker, 1999).

I used the set of variables described below for the analysis. All observations are at the project level. Tables 6, 7 and 8 present the correlation tables and descriptive statistics of the first sample. Table 9 presents the correlation table and descriptive statistics for the second sample. All variance inflation factors were below the 10 point cut-off (Cohen et al., 2003). To eliminate the influence of outliers, I removed all observations in the dataset with externally studentized residuals of plus or minus two (Cohen et al., 2003). Tables 10, 11 and 12 show the results predicting order of entry using tobit regression with random effects.

Dependent Variable

Order of Market Entry. Order of entry is usually measured as the rank order in the sequence of entry (e.g., Lee et al., 2000). Throughout my dissertation, I measure order of entry as the elapsed time since the entry of the pioneer, which is an alternative measure that Lieberman and Montgomery (1988) recommend. The elapsed time since entry of the pioneer (i.e., temporal order) is a more effective measure than rank order because the observations are more independent. Therefore, in this study, I based order of entry on the chronological announcement date of each project in each country. I obtained these data from the Thomson-SDC project finance database. I coded the first entrant (in each country) with a “0.” I coded the remaining entrants based on the number of days since

the date of announcement of the first entrant. The dataset includes all countries with at least three project-financed investments from 1980 to 2003.

Independent Variables

National Culture. The independent variables represent the Hofstede scores (Hofstede, 1980, 2001) on the four dimensions of national culture of the home country for each sponsoring firm. Many have criticized Hofstede's work for his reliance on a single company (IBM) and a single survey measure at one point in time⁴⁶ (Roberts & Boyacigiller, 1984; Smith, 2002; Spector, Cooper, Sparks, Bernin, & Bussing, 2001). However, given its parsimony, widely-held use and predictive validity, I used Hofstede's dimensions in the primary analysis. Further, although other frameworks of national culture exist (House, Hanges, Javidan, Dorfman, & Gupta, 2004; Schwartz, 1994)⁴⁷, Hofstede's dimensions fit more appropriately with the relationships of interest in this study. I obtained the Hofstede values from his published work (Hofstede, 1980, 2001).

I applied the Hofstede scores differently for each set of hypotheses. For the first four hypotheses, I applied the Hofstede scores to the single sponsoring firm (i.e. the sponsor company with a 100% equity stake in the project company) or the dominant sponsor (i.e., the sponsor company with a greater than 50% equity stake on the team of firms) of each project company. For Hypothesis 5, I applied the Hofstede scores to the top three sponsoring firms in terms of project-company ownership, where no one firm had a greater than 50% ownership.

⁴⁶ Recent work has updated Hofstede's dimensions based on changing economic conditions across countries (Tang & Koveos, 2008).

⁴⁷ See (Nardon & Steers, In Press) for a comparison of the existing models of national culture.

As a robustness check, I used the House scales (House et al., 2004; House et al., 1999) in the analysis. I used those House dimensions (i.e., power distance, uncertainty avoidance, institutional collectivism and assertiveness) that corresponded to the Hofstede dimensions and arguments I used in this study.

Cultural Diversity. In almost all cases in the international business literature, researchers use the construct of cultural distance to assess the cultural diversity between the firm in the investing country and the country of entry in the context of an entry mode choice or foreign direct investment decision.⁴⁸ Developed by Kogut and Singh (1988), cultural distance (or “CD”) measures the distance between two cultures using a Euclidian distance measure based on Hofstede’s four dimensions of national culture. Formally,

$$CD_{jk} = \sqrt{\sum_{i=1}^4 \{(D_{ij} - D_{ik})^2 / V_i\} / 4},$$

where CD_{jk} = the cultural distance between countries j and k, D_{ij} = the score for country j on cultural dimension i, D_{ik} = the score for country k on cultural dimension i and V_i = the variance of the index for cultural dimension i. This formula corrects for the variance of each cultural dimension and averages across the four dimensions.

For Hypothesis 5, I used a modified version of Kogut and Singh’s (1988) cultural distance index. This modified cultural diversity measure captures the difference between

⁴⁸ See Kirkman, Lowe & Gibson (2006) for a review of the literature on cultural distance.

multiple cultures based on the four Hofstede dimensions. Specifically, this measure assesses the cultural distance between each of the top three sponsoring firms in terms of project company ownership. Formally, I calculated this modified version of the traditional cultural distance index as follows:

$$CD_m = \sum_{i=1}^4 \{(D_{ij} - D_{ik})^2 / V_i\} / 4 + \sum_{i=1}^4 \{(D_{ij} - D_{il})^2 / V_i\} / 4 + \sum_{i=1}^4 \{(D_{ik} - D_{il})^2 / V_i\} / 4$$

where CD_m = the cultural distance between countries j , k and l , D_{ij} = the score for country j on cultural dimension i , D_{ik} = the score for country k on cultural dimension i , D_{il} = the score for country l on cultural dimension i and V_i = the variance of the index for cultural dimension i . This formula also corrects for the variance of each cultural dimension and averages across the four dimensions.

Control Variables⁴⁹

Firm Dominance Dummy. In the first sample, I coded all projects with a single sponsor with a “1” and projects with a dominant firm on the team with a “0” in order to capture any effects that may differ based on whether the project was sponsored by a single firm or a team of firms dominated by one firm. The effects may differ for projects sponsored by a team of firms dominated by one firm because the national culture of the

⁴⁹ I also tested cultural distance (Kogut & Singh, 1988) as a control variable in the models because the cultural distance between the host country and entering country may effect entry timing. Cultural distance was significantly correlated with the individual dimensions of national culture (sample 1) and with cultural diversity (sample 2). Cultural distance was not significant in any of the models in which it was included as a control variable. Further, when cultural distance was included in the models, I achieved the same pattern of results for the other variables of interest. Therefore, I did not provide the results of the models that included cultural distance as a control variable.

other firms on the team may influence the team's decisions, whereas the projects sponsored by a single firm do not have such influences. I obtained these data from the Thomson SDC project finance database.

Prior experience of the sponsoring firm. To control for the advantages earned from prior experience, I used the prior experience of the single or dominant firm as a control variable. Each firm investing in a project company may have had prior experience with a project-based investment in another country prior to the focal project. This experience may have provided the firm with the knowledge and skills necessary to operate a project investment in the focal country (Davidson, 1980). Consequently, if the firm has had prior experience with project-based investments, the firm would more likely feel comfortable with starting a project investment in another country sooner than other firms. The prior experience of the single or dominant sponsoring firm is the number of project-based investments the firm had undertaken in any part of the world prior to the focal project. For Hypothesis 5, I based the prior experience of the team on the average prior experience of the top three sponsoring firms in terms of project company ownership. I measured prior experience as the number of project-based investments the sponsor firm (or team of firms) undertook within a five and ten-year period prior to the focal project. I logged the experience counts to account for any extreme values. I obtained these data from the Thomson SDC project finance database.

Openness to Foreign Direct Investment. To control for the fact that some countries may be more open to foreign trade and investment than other countries, I coded countries

that are members of the World Trade Organization (WTO) with a “1” and all others with a “0.” The WTO is the successor to GATT (the General Agreement on Trade and Tariffs), which was founded in 1947. The WTO is responsible for negotiating, implementing and monitoring the trade agreements between its member countries. At its founding in 1995, the WTO started with seventy-five GATT member countries plus members of the European Community. Fifty-two other GATT members joined the WTO during the following two years. I based the coding for this dummy variable on whether the host country was a member of either GATT or WTO at the time of the project-based investment. I obtained these data from the WTO website.

Macroeconomic Condition Controls

The strength of the economic market in which the project-investment is based may influence the order in which firms may decide to enter the market. Countries with favorable economic trends or conditions are likely to attract market entrants sooner than other countries. To control for economic conditions that may effect firm decision-making (McNamara & Vaaler, 2000), I used the following set of macroeconomic variables as control variables. I measured each variable one year prior to the announcement of the focal project ($t-1$). To create a more parsimonious model, I used the principal components method to condense the economic variables into one economic component, which I called economic condition. See Appendix C for further explanation of the factor analysis.

Gross Domestic Product (GDP) per capita. GDP per capita is the total value of goods and services (produced annually) per capita measured in constant 2000 U.S. dollars for each country in which a project was established. I obtained these data from the World Development Indicators (WDI) database.

Gross Domestic Product (GDP) Growth. GDP growth is the average real annual percentage growth in GDP for each country in which a project was established. I obtained these data from the World Development Indicators (WDI) database.

Inflation. Inflation is the annual consumer price percentage for each country in which a project was established. I obtained these data from the World Development Indicators (WDI) database.

Exchange Rate. The exchange rate refers to the average yearly rate of exchange for the local currency unit relative to the U.S. dollar. I obtained these data from the World Development Indicators (WDI) database.

External Debt. External debt is the present value of debt repayable in foreign currency for goods or services for each country in which a project was established. I obtained these data from the World Development Indicators (WDI) database.

Political Condition Control

The political condition in the country in which the project-investment is based may also influence the order in which firms may decide to enter the market. Countries that support human and civil rights are more likely to have stable political environments and thus pose less risk for market entrants (Vaaler & McNamara, 2004). To account for the political condition of each country, I used data that assesses the political and civil rights of each country as a control variable. I collected these data from Freedom House, a nonprofit organization that provides rankings on political and human rights on over 200 countries. Freedom House measures political and civil rights on a one-to-seven scale, with one being the highest degree of freedom and seven the lowest degree of freedom.⁵⁰ For each country, I took an average of the country's political and civil liberties score one year prior to the announcement date of the focal project.

⁵⁰ All of the countries represented in the final sample had ratings from Freedom House.

TABLE 6 Descriptive Statistics II: Hofstede Dimensions

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Political Condition	3.77	1.55									
2. WTO/GATT	0.88	0.32	-.47								
3. Economic Condition	-0.00	2.11	-.21	.07							
4. Experience [^]	0.90	2.92	-.04	.05	.18						
5. Dominance	0.60	0.48	-.11	-.02	.16	.01					
6. Uncertainty Avoidance	57.89	21.42	-.34	.08	.29	.10	.13				
7. Power Distance	64.32	19.73	.25	-.13	-.12	-.16	.03	.001			
8. Collectivism [~]	-47.78	26.71	.34	-.16	-.12	-.21	.03	.09	.75		
9. Masculinity	53.63	13.29	-.05	.03	.01	.07	-.01	-.14	-.16	-.32	
10. Order of Entry	2550.65	1244.59	.09	.09	.15	.02	.09	-.08	.17	.20	-.06

N = 579

[^] LogarithmAll correlations greater than .05 are significant at $p < .10$ All correlations greater than .08 are significant at $p < .01$ [~] Individualism was reverse-coded.

TABLE 7 Descriptive Statistics: House Dimensions

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Political Condition	3.77	1.55									
2. WTO/GATT	0.88	0.32	-.47								
3. Economic Condition	-0.00	2.11	-.21	.07							
4. Experience [^]	0.90	2.92	-.04	.05	.18						
5. Dominance	0.60	0.48	-.11	-.02	.16	.01					
6. Uncertainty Avoidance	4.63	0.53	.21	-.15	-.01	-.09	.07				
7. Power Distance	2.72	0.26	-.01	-.19	-.12	.05	-.01	-.12			
8. Institutional Collectivism	4.68	0.47	-.04	.21	.18	.01	.08	.49	-.41		
9. Assertiveness	4.09	0.71	.34	-.06	-.31	-.02	-.13	-.10	.12	-.48	
10. Order of Entry	2550.65	1244.59	.09	.09	.15	.02	.09	.20	-.27	.11	.07

N = 536

[^] LogarithmAll correlations greater than .05 are significant at $p < .10$ All correlations greater than .08 are significant at $p < .01$

Table 8 Descriptive Statistics: Hofstede versus House

Variable	Mean	S.D.	1	2	3	4	5	6	7
1. Uncertainty Avoidance ^a	57.89	21.42							
2. Power Distance ^a	64.32	19.73	.00						
3. Collectivism ^{a~}	-47.78	26.71	.08	.75					
4. Masculinity ^a	53.63	13.29	-.14	-.16	-.32				
5. Uncertainty Avoidance ^b	4.63	0.53	.29	.69	.78	-.25			
6. Power Distance ^b	2.72	0.26	-.18	-.20	-.35	.31	-.12		
7. Institutional Collectivism ^b	4.68	0.47	.35	.29	.43	-.38	.49	-.41	
8. Assertiveness ^b	4.09	0.71	-.57	.18	.07	.46	-.10	.12	-.48

All correlations greater than .07 are significant at $p < .10$

All correlations greater than .05 are significant at $p < .05$

All correlations greater than .11 are significant at $p < .01$

^a Hofstede's cultural dimensions

^b House et al.'s cultural dimensions

[~] Individualism was reverse-coded.

Table 9 Descriptive Statistics: Cultural Diversity Models

Variable	Mean	S.D.	1	2	3	4	5	6
1. Political Condition	3.99	1.59						
2. WTO/GATT	.84	.36	-.48					
3. Economic Condition	-0.00	2.17	-.26	.14				
4. Experience [^]	.15	.26	-.09	.08	.10			
5. Cultural Diversity-Hofstede ^a	9.17	7.06	-.05	-.10	-.02	-.03		
6. Cultural Diversity-House ^b	67.95	67.23	-.03	-.13	.01	-.05	.74	
7. Order of Entry	2295.55	1210.53	.06	.07	.14	.08	.07	.04

N = 433

[^] Logarithm

9 All correlations greater than .07 are significant at $p < .10$

All correlations greater than .10 are significant at $p < .05$

All correlations greater than .13 are significant at $p < .01$

^a Hofstede's cultural dimensions

^b House et al.'s cultural dimensions

Table 10 Random Effects Tobit Regression Results Predicting Order of Entry:
Hofstede Dimensions[#]

Variables	Model 13	Model 14
Political Condition	-198.67** (-3.09)	-196.95** (-3.13)
WTO/GATT	1075.64** (3.21)	1063.20** (3.26)
Economic Condition	129.24*** (4.28)	135.40*** (4.54)
Experience [@] ^	378.80** (2.53)	478.77** (3.17)
Dominance Dummy	420.58*** (4.96)	386.07*** (4.56)
Uncertainty Avoidance		.19 (.07)
Power Distance		-.54 (-.13)
Collectivism [~]		7.22* (2.37)
Masculinity		1.61 (.47)
Constant	1546.92*** (3.66)	1891.81** (3.13)
N	579	579
Log Likelihood	-4694.28	-4686.47
Wald χ^2	83.18***	102.45***
df	5	9

[#] Unstandardized coefficients are reported with t-values in parentheses.

[@] Results are similar based on 5 or 10 years of prior experience.

[^] Logarithm

[~] Individualism was reverse-coded.

† p< .10 * p<.05 ** p<.01 *** p<.001

Table 11 Random Effects Tobit Regression Results Predicting Order of Entry: House Dimensions[#]

Variables	Model 15
Political Condition	-208.74** (-3.13)
WTO/GATT	1119.03** (3.34)
Economic Condition	123.16*** (4.16)
Experience ^{@ ^}	454.29** (3.01)
Dominance Dummy	395.06*** (4.53)
Uncertainty Avoidance	291.06** (2.72)
Power Distance	-503.42** (-2.35)
Institutional Collectivism	53.87 (.34)
Assertiveness	38.88 (.41)
Constant	1280.61 (1.05)
N [~]	536
Log Likelihood	-4337.34
Wald χ^2	110.44***
df	9

[#] Unstandardized coefficients are reported with t-values in parentheses.

[@] Results are similar based on 5 or 10 years of prior experience.

[^] Logarithm

[~] Table 11 has only 536 observations (compared to 579 in Table 10) because the House dimensions were available for a fewer number of observations in the sample.

† p< .10 * p<.05 ** p<.01 *** p<.001

Table 12 Random Effects Tobit Regression results Predicting Order of Entry: Cultural Diversity[#]

Variables	Model 16	Model 17	Model 18
Political Condition	46.86 (.68)	55.52 (.81)	55.53 (.81)
WTO/GATT	618.15* (1.99)	638.09* (2.07)	659.30* (2.12)
Economic Condition	157.68*** (4.64)	154.01*** (4.55)	151.17*** (4.46)
Experience ^{@ ^}	740.32*** (3.91)	746.74*** (3.97)	759.90*** (4.05)
Cultural Diversity ^a		13.72* (2.00)	
Cultural Diversity ^b			1.85** (2.56)
Constant	1159.70** (2.76)	961.07* (2.24)	934.84* (2.18)
N	433	433	433
Log Likelihood	-3487.86	-3485.87	-3484.61
Wald χ^2	38.79***	43.30***	46.02***
df	4	5	5

[#] Unstandardized coefficients are reported with t-values in parentheses.

[@] Results are similar based on 5 or 10 years of prior experience for average and variability of experience.

^a Based on Hofstede's cultural dimensions

^b Based on House et al.'s cultural dimensions

[^] Logarithm

† p< .10 * p<.05 ** p<.01 *** p<.001

RESULTS

Table 10 presents the results for the first sample (Hypotheses 1 through 4). As a robustness check, Table 11 contains the control variables and the main effects using the House cultural dimensions. Table 12 shows the results for the second sample (Hypotheses 5) with calculations for cultural diversity based on the Hofstede and House dimensions of national culture, respectively. The Wald χ^2 statistic is significant in all models ($p < .001$), which indicates good overall model fit.

Model 13 in Table 10 shows the results regarding the control variables. First, the political condition term is negative and significant, which suggests that firms entered countries with poor political conditions (i.e., less civil and political rights) earlier than countries with strong political conditions (i.e., more civil and political rights). This finding reflects the fact that many organizations undertake project finance investments in developing and transition countries, which tend to have weaker political structures and systems. Similarly, the WTO/GATT dummy and economic condition variables have positive and significant terms, which suggest that firms entered countries that were members of the WTO and those with better economic conditions later than other countries. Again, these results point to the bias in the project-finance investments towards developing or transition economies.⁵¹ Contrary to the results in Study I, Model 13 indicates that more experience leads to later market entry. The complexities and risks

⁵¹ I conducted a test to determine if the results related to the control variables were an artifact of the data. In this analysis, I analyzed the correlation between the timing of the first entrant in each country with the economic condition, political condition and WTO/GATT membership of the country. This analysis showed a negative correlation for the economic condition variable, a positive correlation for the political condition variable and a negative correlation for the WTO/GATT variable. These results, which are contrary to the results for these control variables when all entrants are considered, indicate that the first project finance investments tended to be started in countries with good economic and political conditions as well as countries that were members of WTO/GATT.

of doing business in international markets may cause more experienced firms to become cautious in their entry decisions over time. Finally, the positive and significant coefficient on the dominance dummy code indicates that projects comprised of single firms entered countries later than project investments comprised of teams dominated by one firm. It could be that the projects comprised of teams had more or better information regarding investment options across countries, which allowed for earlier market entry.

The results regarding the main effects of Hofstede's dimensions of national culture provide mixed results regarding the hypothesized relationships (Model 14). Hypothesis 1 predicted a positive relationship between uncertainty avoidance and order of entry. Model 14 shows a positive and non-significant relationship for this dimension. Therefore, H1 is not supported. Hofstede warned that the dimension of uncertainty avoidance may not necessarily equate to risk avoidance (Hofstede, 1980, 2001), which may explain the lack of support for this hypothesis. Further, this non-finding is consistent with existing empirical work that finds that uncertainty avoidance cultures may not necessarily engage in risk-avoidant behavior (Chui & Kwok, 2008).

Hypothesis 2 predicted a positive relationship between power distance and order of entry. Model 14 shows a negative and non-significant coefficient for power distance. Therefore, H2 is not supported. One possible explanation for this null finding is that organizations with hierarchical decision-making styles may prefer to centralize entry decisions. Centralizing entry decisions places the decision in the hands of a just a few organizational participants, which could ultimately lead to faster decision-making.

Hypothesis 3 predicted a positive relationship between collectivism and order of entry. Model 14 shows a positive and significant coefficient for collectivism. Therefore, H3 is supported. Hypothesis 3 infers that firms from collectivist cultures tend to enter markets later than other firms. The group-focused orientation of these firms leads them to forego task achievement in order to promote the interests of the whole collective. Therefore, firms from collectivist cultures tend to react more slowly to new market opportunities.

Hypothesis 4 predicted a negative relationship between masculinity and order of entry. Model 14 shows a positive, but non-significant relationship for this dimension. Therefore, H4 is not supported. At its core, market entry involves the relationship between the entering firm and the host country. Therefore, market entry involves cooperation between the parties involved. The aggressive behavior of firms from highly masculine cultures may not be conducive to the collaboration needed for a quick entry into a new market.

Finally, Hypothesis 5 predicted a positive relationship between cultural diversity and order of entry. Model 17 shows a positive and significant co-efficient for cultural diversity. Therefore, H5 is supported. The results from Hypothesis 5 suggest that more culturally diverse teams tend to enter markets later than less culturally diverse teams. As predicted, this finding contradicts the arguments regarding the value of team diversity and points to the value of team homogeneity in a decision setting. Culturally

homogeneous teams appear to work together more effectively and efficiently to make foreign direct investment decisions across international markets.

As a robustness check, Table 11 and Model 18 in Table 12 provide results of the same hypotheses using the cultural dimensions of House et al. (2004). In Table 11, the positive and significant co-efficient for uncertainty avoidance suggests that firms from cultures that avoid ambiguity tend to be late market entrants. This finding, which is consistent with the arguments related to Hypothesis 1, makes sense given that late market entry allows firms to avoid the uncertainties of early market entry. The negative and significant co-efficient for power distance suggests that firms from cultures that may have more hierarchical decision styles tend to be early market entrants. This finding, which is contrary to the arguments related to Hypothesis 2, infers that firms with more hierarchical decision styles may be able to make more timely entry decisions. Again, organizations with hierarchical decision-making styles may prefer to centralize entry decisions, which may speed entry timing decision-making. Finally, the cultural diversity variable based on the House dimensions (Model 18) shows a positive and significant co-efficient. Again, culturally diverse teams of firms tend to be late market entrants.

A comparison of the results between the Hofstede and House individual dimensions of national culture indicates that both sets of dimensions have similar effects on order of entry decisions for all five hypotheses. I found significant results for three out of five hypotheses using the House dimensions versus two out of five using the Hofstede dimensions. These results are particularly surprising given the admitted dissimilarities

between the two sets of dimensions (Hofstede, 2006; Javidan, House, Dorfman, Hanges, & de Luque, 2006). These findings highlight the need for further comparison and examination of the national culture models.

DISCUSSION

The purpose of this study was to use dimensions of national culture to make predictions related to the entry timing of firms into new geographic markets. Secondly, this study sought to understand the influence of national culture for single firms and teams of firms making entry timing decisions across countries. I used the national culture dimensions of Hofstede (1980) to develop and test the hypotheses.

The national culture of an organization is a key factor in the firm's environment, especially for multinational firms. The national culture of the environment influences the norms of firm behavior, including the structures and strategies the firm may employ. Because of its influence, national culture may shape the entry timing choice of the firm. Further, in a team context, national culture may influence the collective decision-making processes of the group. However, the results of this study fail to provide strong support for many of these arguments.

First, some dimensions of national culture predict firm behavior consistent with the logic of the dimension, while others suggest behavior that seems contrary to the dimension. Firms in collectivist cultures are late entrants into new geographic markets, whereas the entry timing tendencies of firms from uncertainty-avoidant, power distant or masculine cultures is unclear. Nonetheless, these findings should be considered in light

of the vast literature that has examined and found support for national culture using Hofstede's dimensions across multiple contexts (Kirkman et al., 2006).

However, the findings related to cultural diversity in teams is consistent with the findings on team diversity in the organizational behavior literature (Ancona & Caldwell, 1992). Culturally homogeneous teams of firms have the opportunity to gain an advantage in international market entry. These teams are able to pool their knowledge and resources efficiently so that they maximize their market entry decision-making processes. Alternatively, culturally diverse teams of firms appear to be hampered by their differences and thus lose the opportunity to gain early mover advantages in these same markets. These findings contribute to the debate regarding the advantages and disadvantages of diversity in teams (Horwitz & Horwitz, 2007; Williams & O'Reilly, 1998).

This study has its limitations. First, I applied that dimensions of national culture to the firms in this study based on the firm's headquarters. A more precise approach may have been to measure the national culture of the firm's CEO or top management team. A firm's CEO or top management team is typically involved in the market entry decision of most major corporations. Existing research points to the large body of work that tests and substantiates the relationship between the characteristics of the top management team and strategic choices (Carpenter, Geletkanycz, & Sanders, 2004). However, Hofstede argues that his dimensions are more appropriately applied at the country level (Hofstede, 1980, 2001). I applied his dimensions at the firm level of analysis. Nevertheless, existing

research has applied the Hofstede dimensions across multiple levels of analysis and found significant results (Kirkman et al., 2006). Finally, given the ties between host governments and project-finance investments, I cannot rule out the possibility that the government may have played an influential role in the competitive dynamics of the project bidding process. If so, then other unobserved and unmeasured factors may be influencing the model results.

Notwithstanding these limitations, this study offers several areas for future research. First, given the multinational and multi-party nature of project-based investments, they are rife with the opportunity to examine how governance mechanisms across each project may interact in foreign direct investment decisions. For example, whose interests are met when several principals are involved in the decision-making of a project company? Similarly, given the multinational and multi-party nature of project-based investments, future research may also want to examine these investments from a social network perspective. For example, how might the structure of the social network between sponsoring firms determine the location of the project-based investment? Finally, future research may also want to examine the behavior of teams of firms in international business settings. What predicts how many firms participate in the project investment? What predicts whether or not a firm decides to sponsor a project by itself or with other firms? These questions point to the rich possibilities for future research based on project-finance investments.

THE CONSEQUENCES OF IMITATION ON EARLY ENTRANT PERFORMANCE

THEORY AND HYPOTHESES

One of the most practical aspects of order of entry behavior is not its behavioral or cultural determinants, but its relationship to firm performance. Lieberman and Montgomery (1988) first theorized that imitation diminishes the performance advantages that early moving firms earn.⁵² However, to date, the literature on order of entry has ignored the multi-dimensional nature of firm imitation. In this study, I examine the influence of the three modes of imitation, frequency-based, trait-based and outcome-based imitation (Haunschild & Miner, 1997), with a particular emphasis on understanding the consequences of firm imitation on the performance of early moving firms. I also test the relative strength of each mode of imitation.

The Basics of Firm Imitation

Organizational imitation occurs when the execution of a practice or behavior by one or more organizations increases the likelihood of that practice or behavior being used by other organizations (Haunschild & Miner, 1997).⁵³ In general, imitation is the result of a social comparison process. Actors have a natural tendency to compare themselves to others (i.e., a reference group), especially in the absence of other objective measures of evaluation (Festinger, 1954). Imitation occurs as actors attempt to reduce the perceived

⁵² Lieberman and Montgomery (1988) do not refer to any specific type of imitation, but rather to the general imitation of firm strategies and tactics.

⁵³ See Lieberman and Asaba (2006) for a review of the literature on firm imitation.

discrepancy between their abilities or outcomes and those of similar others.⁵⁴

Communication or social influence facilitates imitative behaviors. Communication may often come from sources outside of the organization (i.e., the media or change agents), whereas social influence mechanisms are often based on network ties or spatial proximity (Strang & Soule, 1998).

Empirical work on organizational imitation suggests that different strategies, products and practices are subject to imitative behavior. For example, radio stations imitate the format of other stations in the same organization or proximal regions (Greve, 1996). Television networks imitate other networks in terms of program introductions (Kennedy, 2002). Savings and loan organizations mimic the entry into new markets of other thrifts (Haveman, 1993a). Firms imitate the acquisition activities of other firms to which they have a board tie (Haunschild, 1993). Further, Fortune 500 firms imitate the corporate governance practices of other firms of similar size and geographic proximity (Davis & Greve, 1997).

In addition, imitation occurs in diverse contexts, including international settings. For example, multinational firms follow the plant location patterns of other multinational firms (Henisz & Delios, 2001). Multinational firms imitate the foreign entry decisions of other firms in the same industry (Guillen, 2002). Among other things, this clustering behavior or geographic agglomeration may be the result of decision-making based on the action of a referent firm operating in the same domestic market (Gimeno, Hoskisson,

⁵⁴ More specifically, equity theory (Adams, 1965) suggests that actors are inclined to imitate others if their inputs are greater, but outcomes lesser than those in their comparison group.

Beal, & Wan, 2005). Finally, multinational firms mimic the entry mode choice (i.e., wholly-owned subsidiary vs. joint venture vs. licensing) of other multinational firms (Lu, 2002). Imitation in entry mode choice may be based on similarities in national culture (Kogut & Singh, 1988), preferences for managerial control and resource commitment (Anderson & Gatignon, 1986), ownership advantages (Agarwal & Ramasswami, 1992) or tolerance for host government corruption (Rodriquez, Uhlenbruck, & Eden, 2005).

Finally, certain conditions appear to diminish or enhance the possibility of imitation. For example, firm imitation is least likely when the costs of imitation (i.e., the cost of developing and introducing the new product, service or practice) are large (Mansfield, Schwartz, & Wagner, 1981). On the other hand, firms are more likely to imitate the behavior of those in the reference group when the reference group is large and homogeneous in terms of practices (Rhee, Kim, & Han, 2006). Nevertheless, existing findings suggest that decision makers sometimes make mistakes or experience regret in decision outcomes when using social proof (i.e., looking to the actions of others for clues to what constitutes appropriate action) as a heuristic for future behavior (Rao, Greve, & Davis, 2001). This due to the fact that imitation sometimes leads to increased expectations and over-valuation of the adoption or behavior (Rao et al., 2001).

Imitation in an Order of Entry Context

In an order of entry setting, late moving firms imitate the behavior of pioneer firms in order to gain competitive parity. From an industrial/organizational economics perspective, pioneer firms erect barriers to entry (e.g., advertising costs, economies of

scale, etc.) that make subsequent entry or imitation by other firms difficult. In essence, these barriers preclude late moving firms from gaining access to the advantages acquired by the pioneer firm. The most effective barriers to imitation are those that are causally ambiguous (i.e., those barriers where the causal linkages between actions and results are unclear) (Lippman & Rumelt, 1982). However, by leveraging their existing competencies, late entrant or copy-cat firms may be able to catapult the barriers to entry (Reed & DeFillippi, 1990) and thus gain the opportunity to compete and earn the returns similar to those of the pioneer firms. The competencies that imitators may possess are internal to the firm and may serve as barriers to entry to subsequent imitators as firms further refine their competencies through continuous reinvestment (Reed & DeFillippi, 1990). In addition, late moving firms may gain competitive parity by free-riding on the benefits earned by the early moving firms, capitalizing on incumbent inertia, or exploiting the resolution of technological or market uncertainties (Lieberman & Montgomery, 1988). Finally, the success of a late moving or imitating firm may depend upon its existing resource pool and the quality, price and innovativeness of its product offering (Shamsie et al., 2004).

Similarly, late moving firms may imitate the behavior of pioneer firms in order to gain legitimacy. From an institutional theory perspective, organizations operate beyond a rational and economic context. Instead, organizations exist within a social framework that defines the expectations and norms of economic behavior. Under the assumption that they seek social approval (Zucker, 1987), organizations conform to the norms and expectations of their environment and thereby gain legitimacy. Legitimacy is a

generalized perception or assumption that the actions of an entity are desirable, proper or appropriate within some socially constructed system of norms, values, beliefs and definitions (Suchman, 1995). Legitimacy grants organizations access to critical resources, and thus they are “socially fit” to survive (DiMaggio & Powell, 1983; Pfeffer & Salancik, 1978) and operate more effectively in competitive situations. Thus, organizations seek to gain their legitimacy by following the behaviors that are prescribed or expected within their social environment so that they may reap the benefits obtained by similar others.

The Effects of Imitation

Existing research suggests that as they enter a market, imitative or late moving firms erode the performance advantages that early moving firms earn (De Carolis, 2003; Lee et al., 2000; Lieberman & Montgomery, 1988). However, what remains unclear from an empirical perspective is how the performance of early moving firms declines based on the diverse modes of imitation (Haunschild & Miner, 1997) enacted by rival firms. This shift in research attention from the sources of early moving advantages to the sources of early moving advantage erosion helps to extend this line of research. Further, by testing performance outcomes under diverse modes of imitation, I move beyond examining the effects of a generic form of imitation (Lee et al., 2000; Sinha & Noble, 1997) to examining a multi-faceted form of imitative behavior.

To analyze this research question, I examined the imitative behavior of a sample of international equity mutual funds (IEMFs) as these funds entered the market between

1985 and 2006. Because of the potential benefits that mutual funds could gain from entering the market early, the IEMF market supplies a good setting to study the competitive and imitative behavior of organizations.

Research Setting

International equity mutual funds (IEMFs) based in the United States are mutual funds that offer investors an interest in a portfolio of equity securities of non-U.S. companies. International equity funds include mutual funds that invest in small, large or medium-sized companies in emerging or developed markets. The funds may focus on a specific region of the global, such as China or Canada, or they may invest in a diversified mix of investments across diverse markets. Like other types of mutual funds, international equity funds have investment objectives that include growth, growth and income, balance, liquidity or long-term capital appreciation. Between 1984 and 2004, the number of share classes in the United States that had an international equity focus grew from twenty-nine to 2,172, while the number of shareholder accounts in this class of funds grew from 713,000 to 28.9 million for the same time period (ICI, 2005).

The extensive growth of international equity funds began in the 1990s. A general increase in the number of mutual funds in the United States fueled this growth, particularly as more Americans placed their retirement savings in equity securities. The globalization of financial markets and economic growth in emerging economies also stimulated this growth. First, during the 1990s, strong corporate financial performance, low inflation and low interest rates-factors that are ideal for equity mutual fund

investments-characterized the economic environment in the United States. Further, a growing percentage of American households placed their retirement savings in mutual funds. Assets in retirement savings plans invested in mutual funds rose from one-fifth of all fund assets in 1990 to more than one-third by the end of the decade (ICI, 2000). In response, the mutual fund industry enlarged the number and variety of mutual fund offerings while reducing the cost of acquiring and holding the funds (Fernando, Klapper, Sulla, & Vittas, 2003; ICI, 2000).

Second, advances in electronic technology stimulated the globalization of financial markets. Globalization involves increases in the flow of trade, information, assets and human capital across national borders (Masson, 2001). Advances in telecommunications, computers and the Internet over the past two decades significantly decreased communication and transportation costs thereby making it less expensive to conduct business abroad. More importantly, these technological advances created greater interdependencies between organizations across countries thereby increasing the flow of information and goods. As it relates to the mutual fund industry, these advances facilitated the flow of financial capital across markets, thus making it more efficient for U.S.-based mutual funds to manage large volumes of transactions across the globe.

Third, as emerging economies grew in economic strength, so did the number of American mutual funds offering investment opportunities in these countries. Emerging economies are low-income, rapid growth countries using economic liberalization as their primary engine of growth (Hoskisson, Eden, Lau, & Wright, 2000). During the late

1980s and early 1990s, emerging economies around the globe experienced tremendous economic growth.⁵⁵ Countries in Asia and Latin America adopted economic policies that favored privatization and free-market systems, and thus investor confidence increased. The fall of Communism in 1989 created a group of transition economies in Central and Eastern Europe that was eager for foreign direct investment to fund its newly found freedom. Further, the collapse of apartheid in South Africa stimulated much-needed investment in South Africa and surrounding countries. In 1996, over sixty countries in emerging markets had stock markets compared to half that number in 1985 (IFC, 1996). Emerging economies grew by four percent in the 1990s, compared to three percent in developed countries (WB, 2000). Mutual funds dedicated to emerging markets held \$35 billion in assets in 1996, up from \$1 billion in 1991 (Kaminsky, Lyons, & Schmukler, 2001). Although the currency crisis in Mexico in 1994 and Thailand in 1997 lead to a contagion of financial strife across the globe in the late 1990s (Vaaler & McNamara, 2004), prospects for future growth in emerging economies continued to remain strong in the early 21st century. Indeed, by 2025, the economies of Brazil, India, China and Russia may account for over half of the size of the G6 nations (i.e., the United States, Italy, Germany, France, Japan and Great Britain) (Wilson & Purushothaman, 2003). Currently, they are worth less than fifteen percent (Wilson & Purushothaman, 2003).

The Opportunity for a Competitive Advantage

⁵⁵ Despite the growth, doing business in emerging markets involves managing difficult issues. These issues, such as foreign exchange exposure and complex business-government relationships (Austin, 1990), often make investing in these economies unattractive. However, until the mid 1990s, investments in emerging markets offered a bundle of assets that had a low correlation with U.S. stocks (Kim & Singal, 1997; R. Smith & Walter, 1997). Therefore, investments in emerging market economies provided mutual fund companies with the opportunity to offer their customers a diversified portfolio.

The growth in the mutual fund market, particularly in the international equity market, created an opportunity for early moving IEMFs to gain a competitive advantage from various sources. First, by preempting the assets of investors, early moving IEMFs were able to earn income more quickly relative to late moving funds. Mutual funds do not earn their income based on fund performance, but rather by assessing fees on the percentage of total assets under management. The total fee of a fund (usually called the expense ratio) covers expenses for management and administrative services, marketing and sales support, and trading and execution services. Typically, fees range from .5% to 3% of annual net assets depending on the transaction costs, administrative expenses, director compensation, accounting and tax fees, etc. of the fund (Leonard & Caudill, 1996). Therefore, by preempting investment assets, early moving IEMFs were able to earn the income associated with managing the portfolio of assets faster than later moving funds. The funds could then reinvest this income to fuel future growth and development.

Second, early moving IEMFs could gain a competitive advantage by influencing investor switching costs. Mutual fund investors incur expenses to switch from one mutual fund to another. These expenses include the cost of transacting the sale through a clearinghouse, any back-end sales charges associated with the class of shares in the fund (i.e., back-end sales load) and, for non-retirement funds, the potential tax consequences of a gain or loss on the sale of the mutual fund shares. These expenses act as barriers that prevent the investor from switching between mutual funds. In addition, investors face the opportunity costs of searching through the thousands of other existing mutual funds if they desire to make a fund change. Between 1990 and 1999, the number of mutual funds

in the United States increased from 2,900 to 7,800 for all fund categories (ICI, 2000). For the international category, the number of funds increased from 129 to 950 for the same time period (ICI, 2000). At the same time, the number of potential outlets where investors could purchase mutual funds shares increased and diversified with the advent of electronic do-it-yourself clearinghouses (i.e., E-trade and Charles Schwab). The growth in the number of mutual funds and the number of sales outlets increased search costs and intensified cognitive processing requirements for investors who wished to switch from one fund to another. Taken as a whole, these arguments suggest that because of the high switching costs, IEMFs could gain the commitment of investors by entering the market early.

Similarly, early moving IEMFs could gain a competitive advantage through customer commitment given the imperfect information regarding the quality of mutual funds. Among other things, analysts evaluate the quality of a mutual fund by its historical performance. Companies such as Morningstar and Value Line are the most popular companies that provide ratings of mutual funds to the public based on the fund's performance. Investors often use mutual fund ratings to make purchase decisions. However, critics in academia and industry contend that mutual fund ratings offer investors questionable information about a fund's potential performance. This is due to the fact that, unlike the performance of a durable good, the performance of a mutual fund changes based on economic conditions (Edelman, 2006). These changing economic conditions make ratings of future performance based on past performance unreliable (Edelman, 2006). Further, Morningstar ratings appear to be reasonable predictors of poor

future fund performance, but only marginally effective at predicting good future fund performance (Blake & Morey, 2000). As a result, investors who use mutual fund ratings face making mutual fund investment decisions with less than ideal information. In this setting, investors are more likely to remain invested in their current mutual fund if it provides satisfactory performance. Therefore, early moving IEMFs with solid performance may also gain loyalty to their product offering relative to late moving IEMFs.

Finally, by moving early, IEMFs could also gain an advantage through learning experiences in international markets. The cost of operating a mutual fund differs across markets. International markets have diverse legal, accounting, reporting and institutional requirements for financial investment. Further, the availability of information regarding these requirements is often limited, particularly in emerging economies. As a result, the cost of operating international mutual funds is higher than domestic funds (Leonard & Caudill, 1996). However, by moving early into international markets, mutual funds could learn the methods and practices needed to operate successfully. This learning advantage can be particularly effective if the fund company can keep the learning proprietary (Lieberman & Montgomery, 1988) or if the learning can be used to operate in other international markets that may have similar operational requirements or institutional constraints.

The Erosion of Early Moving Advantages

Although early moving IEMFs may experience several advantages, they may also experience an erosion of their advantages as later moving IEMFs imitate their behavior. The traditional premise in the literature on first-mover advantages is that firms that imitate the early moving firms negate the performance of the early movers. The assumption is that late movers capture some of the earnings of the early mover by “free riding” on the practices or strategies of the pioneer. In the context of this study, these arguments imply that IEMFs that imitated the pioneer IEMFs decreased the profitability of the early moving funds by reducing (1) the potential new assets available for management by the pioneer and/or (2) reducing the pioneer’s current assets under management. In this vein, I examine the effects and the relative strength of the diverse modes of imitation on the performance of early moving firms.

The Three Modes of Imitation

Frequency-Based Imitation of a Fund

Frequency-based imitation occurs when a large number of other organizations follows the behavior of the early moving firm (Haunschild & Miner, 1997). Frequency-based imitation resembles the “taken-for-granted” status that certain practices achieve because they are unconsciously mimicked by a large number of organizations (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). That is, frequency-based imitation occurs because organizations simply do what other firms are doing without any consideration of the costs or benefits of the behavior. Because frequency-based imitation results from observing cues from referent others, it is a basic form of social influence. An underlying

assumption of frequency-based imitation is that the behavior of all other actors equally influences each actor.

Frequency-based imitation also closely resembles bandwagons, information cascades or herd behavior.⁵⁶ Bandwagons are diffusion processes whereby organizations adopt a practice, not because of their individual assessment of the efficiency or returns to be gained from the adoption, but because of pressures caused by the sheer number of organizations that have already adopted the practice (Abrahamson & Rosenkopf, 1993). Increases in the number of adopters increase bandwagon pressures, which in turn, cause the number of adopters to grow and the imitative behavior to continue (Abrahamson & Rosenkopf, 1993). This form of imitative behavior is also similar to information cascades or herd behavior (Banerjee, 1992; Bikchandani et al., 1992; Denevow & Welch, 1996; Palley, 1995; Scharfstein & Stein, 1990), which occurs when agents follow the behavior of other agents by ignoring their own information and rely on the information or behavior of others to determine their own course of action. Signals, cues or information from reputable actors maximize the inferences that others may make regarding the underlying value of the behavior (Fombrun & Shanley, 1990).⁵⁷ Even so, some argue that decision-makers may not necessarily ignore the information of others, but rather lack the mindful attention needed to make the information meaningful (Fiol & O'Connor, 2003). Nevertheless, herding provides “safety in numbers” (Palley, 1995), and allows

⁵⁶ Bandwagons, herd behavior and information cascades have similar outcomes (i.e., imitative behavior), but the causal explanation for each type of behavior is different. A detailed explanation of these differences is beyond the scope of this study.

⁵⁷ Signals or cues may be explicit or suggested by the behavior of others (Faris, 1926).

actors to hide their imperfections (Denevow & Welch, 1996) and share the blame for erroneous decisions (Scharfstein & Stein, 1990).

Several studies support frequency-based imitation. Firms adopted the multidivisional form of organization based on the number of other firms that had adopted such a organizational structure within the same industry (Fligstein, 1985). Hospitals adopted the matrix management form of organization based on the number of other hospitals in the same geographic region that had done the same (Burns & Wholey, 1993). Firms followed the plant location patterns of other firms based on the number of prior plant locations of other firms in the same industry (Henisz & Delios, 2001). Further, firms used the same investment-banking firm in an acquisition based on the number of other firms using the same investment bank (Haunschild & Miner, 1997). However, the effects of frequency-based imitation do not appear to hold in the spread of poison pills (Davis, 1991).

In terms the international equity mutual fund market, more international equity funds opened as conditions inside and outside of the United States strengthened for this type of investment. Based on arguments in the literature on order of entry advantages (Lieberman & Montgomery, 1988, 1998), early moving IEMFs likely gained a competitive advantage by preempting investment assets under management, increasing investor switching costs, gaining customer loyalty or learning from experience. However, in order to capitalize on the opportunity also, other funds entered the IEMF market. This imitative behavior may have resulted from institutional or competitive

bandwagon pressures as other funds followed the behavior of the early moving funds in an unsystematic manner.

Trait-Based Imitation of a Fund Family

Trait-based imitation occurs when organizations mimic the behavior of some subset of other organizations (Haunschild & Miner, 1997). Specifically, trait based imitation occurs when the characteristics of the early moving firm enhances the legitimacy of the action and triggers imitative behavior, regardless of the whether the practices or strategies used by the early mover are beneficial. That is, firms make certain attributions about the characteristics of the early moving firm and then use these attributions to determine if they should imitate the early mover's behavior. Institutional theory argues that organizations imitate the behavior of "legitimate" firms, which are usually large, reputable or successful organizations (DiMaggio & Powell, 1983). This mimetic isomorphism is particularly advantageous to the organization when it faces an ambiguous situation (DiMaggio & Powell, 1983) because when faced with ambiguity, firms may rely on cues from others to reinforce their own actions. Further, because decision-makers selectively attend and interpret certain cues from the environment (Weick, 1979), imitating firms are more likely to recognize and mimic more visible firms, such as those that are legitimate, successful or reputable, and thus reduce the perceived uncertainty from adopting the practice or behavior.

Empirical support for trait-based imitation also exists. In general, existing studies indicate that the size and/or success (i.e., profitability) of the early moving firm are two

particularly salient characteristics that trigger trait-based imitation (Haunschild & Miner, 1997; Henisz & Delios, 2001). For example, savings and loans associations (i.e., thrifts) followed large and profitable associations into new markets (Haveman, 1993a).

Hospitals adopted the matrix management form of organization of other hospitals that are more prestigious than less prestigious hospitals (Burns & Wholey, 1993). The size and performance of other firms using a particular investment bank in the past was found to be closely related to whether an acquiring firm would use the same investment bank in its current acquisition (Haunschild & Miner, 1997). Further, nursing home chains were more likely to acquire targets located near the recent acquisitions of other large chains (Baum, Li, & Usher, 2000).

In the context of international equity mutual funds, the size of the early moving fund family is an important trait that would likely stimulate imitative behaviors. The size of an early moving fund family is a possible reflection of an organization's capabilities, visibility, prestige and competitive strength. In particular, large early moving fund families are likely to be more visible and have greater market power than other firms (Haveman, 1993b). Further, large early moving fund families are more likely to possess the capabilities to integrate and leverage their core competencies to address environmental issues effectively. Thus, firms are likely to follow large fund families because, in so doing, they are able to economize on search and decision-making processes because the actions of the large fund family are likely to be perceived as legitimate (DiMaggio & Powell, 1983) and advantageous. Restated, follower firms are more likely to imitate large early moving firms.

The success (or profitability) of the early moving fund family is another trait that may also stimulate imitative behavior. Successful, early moving fund families are those firms that have excelled at fulfilling the economic and social expectations of investors, financial markets and other stakeholders (DiMaggio & Powell, 1983). Successful, early moving fund families are also firms that have been able to deploy their capabilities to sustain a competitive advantage (Teece, Pisano, & Shuen, 1997). More importantly, the presence of successful, early moving fund families in an industry makes the industry more attractive to other firms because profitability is an attribute that gains the attention of other potential entrants. Therefore, because of the perceived accomplishments and capabilities of successful firms, follower fund families are more likely to imitate profitable early moving fund families.

Outcome-Based Imitation of a Fund

In outcome-based imitation, firms mirror the behavior of early moving firms based on the outcomes that the early moving firms receive from employing certain practices or structures (Haunschild & Miner, 1997). Firms imitate practices or structures that appear to receive positive outcomes, but ignore those practices or structures that appear to receive negative outcomes. That is, neither the number nor trait of the early moving firms that engage in a practice is the focus of attention, but rather late movers focus their attention on the outcomes that are associated with a particular practice.

Outcome-based imitation is often associated with organizational learning theories. Learning theories suggest that organizations learn about the outcomes associated with an innovation or practice by observing the outcomes that others receive from adopting the innovation or practice (Levitt & March, 1988). Theorists in organizational learning have long argued that firms learn vicariously by imitating or avoiding specific actions and behaviors based on their perceived outcomes (Cyert & March, 1963; Levitt & March, 1988). Vicarious learning is particularly important under conditions where organizational decision-makers face uncertainty, because under uncertain conditions, firms may be inclined to refer to others for direction in terms of which actions to take.

Empirical support for outcome-based imitation also exists throughout the literature. For example, firms copied the acquisition premium paid, which reflects the practices employed during the acquisition negotiation process, by other acquiring firms (Haunschild & Miner, 1997). Further, outcome-based imitation is implicit in the order of entry literature. Firms imitate the practice of early market entry in order to receive the same or similar financial and social rewards as the pioneer firm (Lieberman & Montgomery, 1988, 1998).

In terms of international equity mutual funds, one important and visible structure for mutual funds is the expense ratio of the fund. The expense ratio is a fee that mutual funds assess against all mutual fund shareowners. Mutual funds set their expense ratio to cover the on-going costs of managing the fund. The higher the expense ratio, the more fee income the fund generates. For the investor, the expense ratio represents the price

that the fund charges to invest in the fund and to receive the services the fund provides. Typically, a portfolio with a higher turnover rate will have a higher expense ratio due to higher transaction costs (Leonard & Caudill, 1996). Therefore, a fund with an active management style will have higher expenses than a fund with a passive management approach (Leonard & Caudill, 1996).

The proliferation of mutual funds has placed increasing pressure on mutual funds to lower their fees. Between 1990 and 1999, the number of equity mutual funds (across all categories) increased from 1,051 to 3,952, an increase of almost 400% (ICI, 2000). Similarly, the total value of the assets in these funds grew from \$229 billion to over \$4 trillion for the same time period (ICI, 2000). As the account values in these funds grew, fund companies faced pressure to reduce their expense ratios. Between 1980 and 1998, total average distribution fees (i.e., the 12b-1 fee)⁵⁸ for equity funds declined from 227 basis points to 115 basis points (ICI, 1999). Further, the growth in index funds and institutional funds placed even further pressure on retail mutual funds to decrease their fees. Institutional funds have much larger account balances than retail funds, and thus institutional funds usually have much lower expense ratios than retail mutual funds. Additionally, index funds typically have lower expense ratios than other types of funds because they take a more passive approach to investment decisions.

Combined, these arguments suggest that the expense ratio is important for a mutual fund because it reflects that fund's fee structure, and thus is a potential source of

⁵⁸ Distribution fees are part of the expense ratio.

outcome-based imitation. In spite of the downward pressures, mutual funds prefer a high expense because a high expense ratio means that more fee income is available to pay the expenses associated with managing the fund. More importantly, in a competitive context, a high expense ratio indicates that more opportunity exists for follower funds because a high expense ratio suggests that funds can earn higher margins from fund management. Therefore, follower funds are more likely to imitate early moving funds with high expense ratios.

The Effect of the Three Modes of Imitation

Theoretically, frequency, trait and outcome-based imitation are grounded in institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977). That is, frequency, trait and outcome-based forms of imitation imply that firm imitation is the result of attempts to gain legitimacy in the eyes of other organizations. In frequency-based imitation, the larger the group of “other” organizations, the more inclined the focal organization is to imitate the other group members because the size of the group signals the legitimacy of its behavior. In trait-based imitation, firms mirror the behavior of large or successful “other” organizations, for the characteristics of such organizations lend legitimacy to a particular action, especially in the presence of environmental uncertainty (DiMaggio & Powell, 1983). In outcome-based imitation, organizations learn which behaviors to imitate by observing the outcomes that others receive. According to learning theory, organizations select which behaviors to learn based on the appropriateness or legitimacy of the behavior (Levitt & March, 1988).

Although each mode of imitation is based in institutional theory, early moving firms may experience different performance outcomes with each mode. Imitation plays a key role in the ability of firms to sustain a competitive advantage. The general argument is that once early moving firms earn superior returns from entering a new market, imitating firms are likely to enter the market in order to gain these same returns. However, early moving firms are able to sustain their competitive advantage because certain “ex post” factors limit the competition for these advantages (Peteraf, 1993). Among other things, these factors include casual ambiguity (Lippman & Rumelt, 1982), scale economies, information asymmetries, rare resources (Barney, 1991), advertising costs and firm reputation. In the face of these barriers to entry (Demsetz, 1982), imitating firms are less likely to duplicate the strategies and tactics of the pioneer firms and thus challenge the pioneer’s performance. However, because different modes of imitation exist, each mode may have a different effect on the performance of early moving firms.

For the mutual fund industry in particular, Makadok (1998) proposes that ‘resource position barriers’ prevent imitating funds from gaining the advantages of pioneer funds.⁵⁹ Resource position barriers exist when one firm possesses a resource that affects the costs and/or revenues of later entrants (Wernerfelt, 1984). For the mutual fund industry, Makadok (1998) proposes that this resource is access to existing customers. Specifically, pioneer funds are able to gain superior returns by locking in customers who are unlikely to switch to another fund because the costs and search time necessary to do so are excessive (Makadok, 1998). Therefore, given that the international equity mutual fund

⁵⁹ Makadok’s work (1998) focuses exclusively on the money market mutual fund industry.

industry is a growing industry⁶⁰ and that it likely has similar resource position barriers, it is an ideal setting to examine the sustainability of early mover advantages from imitative behaviors.

First, for frequency-based imitation, early moving firms are unlikely to be able to defend their competitive advantage because of the general increase of competitors in the market. Population ecologists assert that as the number of organizations in a population grows, competition for scarce resources intensifies (Carroll & Hannan, 2000; Hannan & Freeman, 1977).⁶¹ As competition intensifies, firms find it more difficult to develop or acquire unique and valuable products, services, resources and relationships (Barney, 1991; Penrose, 1959; Wernerfelt, 1984), which can then be used to develop superior strategies. Consequently, under these conditions, performance declines. In the context of this study, the increasing supply of IEMFs probably placed downward pressure on the performance of early moving funds because as more funds entered the market, the early moving funds were less able to distinguish their investment strategies and services from other funds, gain scale economies⁶² or secure customer loyalty. Consequently, rival funds were able to scale the barriers to entry, and thus the early moving funds were less able to sustain their competitive advantage.

⁶⁰ Young and growing mutual fund industries are settings in which imitation is more likely to occur and where fund categories proliferate (Makadok, 1998). Therefore, multiple opportunities exist to measure the sustainability of competitive advantage in such industries (Makadok, 1998).

⁶¹ Early research in industrial organizational economics viewed industry concentration (i.e., industry structure) as a factor that influenced firm strategy (i.e., firm conduct), which in turn influenced industry performance (Porter, 1981).

⁶² Mutual funds gain scale economies through back office processing functions (i.e., investment management, distribution, custody, transfer agency activities) (Levinthal & Myatt, 1994).

However, for trait-based imitation, the large size and success of the early moving firms suggests that they have the resources and capabilities to defend their competitive position even as competition intensifies. Specifically, large organizations are more likely to have the market power to enact the changes necessary to respond to rivals (Haveman, 1993b). Further, large and successful organizations are more likely to have the slack resources to undertake competitive actions. These slack resources allow the firm to sustain longer competitive attacks against rivals (Ferrier, 2001). Put differently, large and successful firms are more likely to have the resources and capabilities to erect barriers to entry that would limit the ability of rivals to erode their performance. For the IEMF industry, the large and successful early moving fund families were more likely to have had the resources and capabilities to gain customer awareness and commitment before other funds families, and thus secure the investment assets needed to sustain their competitive advantage. Specifically, large and successful fund families are more likely to have preferred relationships with retail financial planners, brokers and retirement plan administrators, which provides them with access to investment customers.

Finally, for outcome-based imitation, the beneficial strategies and tactics undertaken by the early moving firms suggest that these firms have superior knowledge or information relative to late moving or imitating firms. Firms gain knowledge or information about how to compete effectively in markets through their own experience or the experience of others. Such knowledge is a source of competitive advantage (Grant, 1996) and if combined properly (Kogut & Zander, 1992) and kept proprietary, superior knowledge can be used to develop the most effective and appropriate responses to the

actions of rivals. Further, pioneer firms with superior or asymmetrical information can create competitive “blind spots” for imitating firms, which can often lead rival firms to make mistakes in strategic decision-making (Zajac & Bazerman, 1991). Therefore, even as competition intensifies from increasing levels of new entrants, firms with superior knowledge or information can enact the necessary strategies and tactics to sustain their competitive advantage. For the IEMF industry, early moving funds that had superior knowledge or information were able to enact strategies to defend their competitive position and thus gain and sustain higher returns.

Given these arguments, the performance of the early mover should diminish from all three modes of imitation. However, these arguments suggest that trait and outcome-based imitation should have similar effects on the performance of early movers, and that either of their effects will be weaker than frequency-based imitation. This is because early movers are better able to sustain their advantage when faced with trait and outcome based imitation than frequency-based imitation. Therefore, for example, if a fund category is high on trait and frequency-based imitation, frequency-based imitation would have a stronger negative effect on the performance of the early mover. Therefore,

H1: Imitation diminishes the performance of early moving firms with a weaker negative effect on the performance of early movers from trait and outcome-based imitation than frequency-based imitation.

METHODOLOGY

Data

I obtained the sample of international equity mutual funds from Morningstar Principia Mutual Funds Advanced. Morningstar Principia provides historical data and analysis for over 10,000 mutual funds. I also cross-referenced these data to the listing of international equity mutual funds listed by Value Line to ensure the completeness of the dataset.

Value Line is one of the largest and oldest investment research firms in the United States for mutual funds, stocks and other types of investments. This cross-referencing process yielded a final set of approximately 132 mutual funds, representing 10 fund categories, for which complete data was available. The final dataset includes the Class A and institutional shares⁶³ of each mutual fund. These data include international equity mutual funds that were started in the United States between 1985 and 2006. The year 1985 is the beginning cut-off year in order to capture beginning of the growth in foreign markets, particularly the growth in emerging economies.

Analysis

I used the set of variables described below for the analysis. Because the arguments related to trait-based imitation imply cross-level effects, I estimated the models using 2-level hierarchical linear modeling (Hofmann, 1997). Level 1 represents the variance at the fund level and Level 2 represents the variance at the fund family level. I have specified the HLM equations below.

⁶³ Institutional shares are shares of a mutual fund that are sold to banks, insurance companies, hedge funds, pension funds and other large institutions.

$$\text{Level 1: } Y_{ij} = B_{0j} + B_{1j}W_{ij} + B_{2j}V_{ij} + r_{ij}$$

where Y_{ij} is the performance of early moving fund i in category j , B_0 , B_1 and B_2 , are the intercept and slopes on the predictors, W_{ij} and V_{ij} represent the values of frequency and outcome-based imitation for each early moving fund i in category j , and r_{ij} is the residual.

$$\text{Level 2: } B_{0j} = \gamma_{00} + \gamma_{01}G_j + \gamma_{02}H_j + U_{0j}$$

$$B_{1j} = \gamma_{10} + U_{1j}$$

$$B_{2j} = \gamma_{20} + U_{2j}$$

where G_j and H_j are the size and profitability of the early moving fund family (i.e., trait-based imitation), γ_{00} , γ_{10} and γ_{20} are the second stage intercept terms, γ_{01} is the slope relating G_j to the intercept term in the Level 1 equation, γ_{02} is the slope relating H_j to the intercept term in the Level 1 equation and U_{0j} , U_{1j} and U_{2j} are the level 2 residuals.

Table 13 represents the descriptive statistics and correlation table. All variance inflation factors were below the 10 point cut-off (Cohen et al., 2003). To eliminate the influence of outliers, I removed all observations in the dataset with externally studentized residuals of plus or minus two (Cohen et al., 2003). Table 14 shows the HLM results.

Definition of Early Moving Fund

Research based on subjective evaluations of pioneering activities suggests that approximately fifty percent of firms consider themselves early entrants (Robinson & Chiang, 2002; Robinson & Fornell, 1985).⁶⁴ Other studies in this research stream employ more conservative definitions of “early moving” firms (Carow et al., 2004; Coeurderoy & Durand, 2004; Durand & Coeurderoy, 2001; Sinha & Noble, 1997). Due to sample size limitations, I employed the more liberal definition of “early movers” (i.e., the first 50% in each fund category).

Dependent Variable

Performance of the Early Movers. I measured performance based on the total net assets under management in the early moving fund one, two and three years after the inception of the fund. I obtained these data from the CRSP mutual fund database.

Independent Variables⁶⁵

Frequency-Based Imitation. Frequency-based imitation is the cumulative number of international equity mutual funds in each of the three years following the inception of the early moving fund category entrants (i.e., following the inception of the first 50% of the category entrants). Following Haunschild and Miner (1997), I assume that any influence on an organization beyond three years is too old to influence the organization’s behavior. I obtained these data from Morningstar.

⁶⁴ See the PIMS (Profit Impact of Market Strategies) Data Manual, 1978.

⁶⁵ The imitation measures are invariant at the fund level because the argument is that the behavior and characteristics of the early movers trigger the imitative behavior of the follower firms.

Trait-Based Imitation. Trait-based imitation is the average size and success (or profitability) of the early moving fund family category entrants. I based the size of a focal fund family on the average total assets of the fund family one year prior to the inception of the focal fund. I logged these values to account for any extreme firm sizes. I based the success of a focal fund family on the return on assets (ROA) of the fund family one year prior to the inception of the focal fund. I obtained these data from Compustat.

Outcome-Based Imitation. Outcome-based imitation is the average expense ratio (on the fund inception date) of the early moving fund category entrants. I scaled the expense ratios in each fund category by dividing the expense ratio of each fund by the average expense ratio of the fund category. I obtained these data from the CRSP mutual fund database.

Control Variables

Prior Experience. Mutual fund companies may have opened more than one international equity fund prior to opening of the focal fund. Because of this prior experience, IEMFs within the same fund family are likely to have learned from each other. This learning may have created positive or negative operational synergies and thus influenced each fund's performance. Therefore, I included prior experience as a control variable. I measured prior experience as a count of other international equity funds the firm opened (in any fund category) prior to the focal equity fund. I measured prior experience at the five and ten year time point. I logged the experience counts to account for any extreme values. I obtained these data from Morningstar.

Total Firm Fund Assets. I included this variable as a control variable to assess the competitive strength of each market entrant (Vanderwerf & Mahon, 1997). I based firm fund assets on the total assets of each firm one-year prior to market entry excluding the focal fund. I obtained these data from Morningstar.

Type of Share Dummy. The sample in this study includes Class A shares and institutional shares. To capture any idiosyncratic effects related to the type of shares, I coded Class A shares with a “0” and institutional shares with a “1.” I obtained these data from Morningstar.

TABLE 13 Descriptive Statistics III

Variable	Mean	S.D.	1	2	3	4	5	6	7	8	9
1. Prior Experience (5 years) [^]	0.39	0.31									
2. Type of Share Dummy	0.16	0.37	.21								
3. Firm Fund Assets (excluding focal fund)	114.90	223.07	.20	.01							
4. Frequency-Based Imitation $t+1$	2.78	2.07	-.01	-.03	.003						
5. Outcome-Based Imitation t	0.96	0.06	.01	-.17	-.03	-.39					
6. Trait-Based Imitation (Firm Size $t-1$) [^]	6.35	1.68	.25	.03	.17	-.19	.10				
7. Trait-Based Imitation (Firm Profitability $t-1$)	0.05	0.02	-.15	.09	-.18	-.58	.24	-.08			
8. Total Net Assets under Management $t+1$	54.57	71.77	.08	-.06	.20	.11	-.11	.04	-.02		
9. Total Net Assets under Management $t+2$	99.49	172.69	-.10	-.08	.08	-.003	.01	-.07	.12	.67	
10. Total Net Assets under Management $t+3$	149.78	387.30	-.10	-.08	-.006	-.01	.04	-.06	.17	.38	.80

N = 132 [^] Logarithm

All correlations greater than .15 are significant at $p < .05$. All correlations greater than .19 are significant at $p < .01$.

TABLE 14 HLM Results Predicting Total Net Assets[#]

Variables	Model 19 Control Model	Model 20 TNA _{t+1}	Model 21 TNA _{t+2}	Model 22 TNA _{t+3}
Prior Experience (5 years) [^]	13.59 (.65)	18.45 (.86)	-37.52 (-.71)	-35.04 (-.66)
Type of Share dummy	-14.59 (-.86)	-21.31 (-1.22)	-39.24 (-.91)	-39.11 (-.90)
Firm Fund Assets (excluding focal fund)	.06* (2.22)	.06* (2.34)	.03 (.85)	.01 (.49)
Frequency-Based Imitation _{t+1}		6.51 (1.60)	8.84 (.87)	8.21 (.81)
Outcome-Based Imitation _t		-110.40 (-1.05)	-8.91 (-.03)	-7.31 (-.02)
Trait-Based Imitation (Firm Size _{t-1})		2.18 (.55)	-2.32 (-.24)	-2.13 (-.21)
Trait-Based Imitation (Firm Profitability _{t-1})		616.96 (1.52)	1648.92† (1.65)	1547.92 (1.56)
Constant	51.59*** (5.06)	.83 (.02)	99.49*** (6.57)	99.49*** (6.56)
N	132	132	132	132

[#] Unstandardized coefficients are reported with t-values in parentheses.

[^] Logarithm

† p< .10 * p<.05 ** p<.01 *** p<.001

RESULTS

Because HLM models do not provide an overall model fit statistic (Raudenbush & Bryk, 2002), I relied upon the statistical significance of the individual co-efficients to determine the support for the proposed hypothesis. Model 19 (Table 14) shows the results from the control model. Prior experience is positive, but non-significant. The co-efficient for the share type dummy is negative and non-significant. Firm fund assets has a positive and significant term, which suggests that larger firms tend to have larger funds.

Models 20, 21 and 22 show the HLM results that predict total net assets (TNA) one, two and three years after inception of the focal fund. Neither of the models shows a significant term (at conventional levels) in the predicted direction for the three types of imitation in years one, two or three. Therefore, Hypothesis 1 is not supported. Given these null results, I conducted a supplemental analysis to assess if the null results were an artifact of an inefficient model design. In this supplemental analysis, I tested whether the three types of imitation mediate the relationship between current performance and subsequent performance (Baron & Kenny, 1986). The conceptual argument is that imitation should erode the performance of early entrants and thus subsequent performance declines. The mediation results indicated that neither type of imitation mediated the relationship between current performance and subsequent performance.

DISCUSSION

The purpose of this study was to investigate the effects of the three modes of imitation on the performance of early moving funds. Using the international equity mutual fund

industry as the research context, the theoretical arguments presented suggested that frequency-based imitation should have had more of a negative effect on the performance of early moving firms than trait or outcome-based imitation. However, the empirical evidence does not support the theoretical arguments.

The null results in this study are primarily the result of an ineffective use of the imitation proxies and low sample size. I used the same imitation measures to reflect the three types of imitative behavior as they were first theorized and developed in Haunschild and Miner (1997) and subsequently used in other work (Henisz & Delios, 2001; Korn & Baum, 1999; Williamson & Cable, 2003). Given that other studies used the same measures of imitation and found significant results, I had no reason to believe *ex ante* that these measures would not be effective in the context of this study. Nonetheless, the existing literature on imitation suggests that the three types of imitation are best tested at the dyad level of analysis (Haunschild & Miner, 1997; Williamson & Cable, 2003). For example, if Firm A does X because Firm B is large or profitable, then this would be trait-based imitation. To test if this type of imitation is occurring, researchers would regress the likelihood that Firm A does X on the size and profitability of Firm B. Unfortunately, the hypothesis in this study does not imply a dyadic relationship.

However, existing research suggests that an alternative approach to test the hypothesized relationship is to use a matched sample design. In a matched sample design, I would match each early moving firm with its respective follower firm based on a content analysis of industry activity. For example, if Mutual Fund A entered the large

blend category first, I would have coded the next fund that entered as the first imitator (i.e., second mover) and so on. Then, I would have measured the performance of the early movers over a short time frame (i.e., within 3 to 5 days of imitation) using event history methodology (Lee et al., 2000). However, even with a matched sample design, I would have needed to make significant assumptions about whether or not the second mover entered the fund category based on frequency, trait or outcome-based factors. As a result, the results from a matched sample design would have been difficult to interpret.

In retrospect, I should have done two things differently: (1) I should have used a larger segment of the mutual fund industry to test the hypothesis in this study and (2) I should have used the imitation measures at the dyad level of analysis. With a larger sample, I could have measured the “early” entrants as the initial two or three market entrants in each fund category (instead of the first fifty percent in each fund category). In so doing, I would have had a more precise operationalization of early market entrants, which could have improved the predictive validity of the model. Further, by employing the measures of imitation at the dyad level of analysis, I would have avoided the confounding issues associated with the current model design. Unlike the existing work on imitation (Haunschild & Miner, 1997; Henisz & Delios, 2001; Korn & Baum, 1999; Williamson & Cable, 2003), my model uses the characteristics of the focal firm to predict its own subsequent performance rather than using the characteristics of the focal firm to predict the behavior of another firm. With my model, it is difficult to determine whether the three types of imitation are actually occurring and influencing the performance of the early moving firm despite the fact that the measures of imitation are valid. In other

words, although the measures imitation are appropriate, their application in the context of this study is less than ideal. Hence, the results of the model are insignificant and warrant more extensive methodological investigation.

Finally, in addition to the methodological issues discussed above, the findings in this study are further limited by the operationalization of the dependent variable and outcome-based imitation. The dependent variable (i.e., total net assets) and outcome-based imitation (i.e, the expense ratio) reflect measures of fund performance. However, I argue that one measure of fund performance (the expense ratio) determines imitation, but the other measure of fund performance (total net assets) indicates the fund's success. Ideally, there should be a better matching of the construct of the performance in the model to eliminate any confounding issues in the results.

DISSERTATION CONCLUSION

Collectively, the three essays point to the complexities of market entry timing. Study I shows how firm level factors, such as prior performance, slack resources and prior experience can influence a timing decisions as firms consider entry into a new product market. Study II demonstrates that when firms consider entry into a country, cultural attitudes and values can also shape timing decisions for single firms and teams of firms. Moreover, although Study III yielded null results, the theoretical arguments presented in the study reflect an aspect of the relationship between early market entry and firm performance that may be worthy of further consideration with more sophisticated methodological approaches.

All three studies demonstrate the flexibility of market entry as an area of study. Because market entry is a phenomenon that occurs in diverse marketplaces and at multiple levels of analysis, it is an area of research that can be examined through numerous theoretical perspectives. I use the behavioral theory of the firm (Cyert & March, 1963), national culture (Hofstede, 1980, 2001; House et al., 2004) and arguments from institutional theory (DiMaggio & Powell, 1983) to explain and predict different aspects of market entry. All three perspectives yielded a set of arguments that brought further insights into market entry behavior. Other theories and perspectives from the management literature, such as the resource-based view, corporate governance or social networks, could also be used to test various facets of market entry, and thus provide a different understanding of this phenomenon.

Finally, the three studies underscore the contribution of Austrian economics and the work of Joseph Schumpeter to the study of organizations. Austrian economics and the concept of “creative destruction” propose that innovative firm behaviors are the basis of superior firm profits (Jacobson, 1992; Schumpeter, 1934). Over the past several decades, this perspective has yielded a rich field of study in strategic management and marketing that has added to the understanding of what drives certain firm actions and the consequences of those actions for the firm and its stakeholders. The studies in this dissertation add to this body of work and suggest that even more knowledge about organizations can be gained from this important research stream.

APPENDICES

Appendix A: Mutual Fund Category Titles

Asset allocation

Convertibles

Emerging markets

Large blend

Large growth

Large value

Long short

Mid-cap blend

Mid-cap growth

Mid-cap value

Small blend

Small growth

Small value

Specialty-financial

Specialty-health

Specialty-natural resources

Specialty-precious metals

Specialty-real estate

Specialty-technology

Specialty-utilities

Target date

Appendix B: Project Finance Countries

Algeria

Argentina

Bangladesh

Brazil

Bulgaria

Chile

China

Colombia

Costa Rica

Croatia

Czech Republic

Dominican Republic

Ecuador

Egypt

El Salvador

Ghana

Guatemala

Hungary

India

Indonesia

Appendix B: Project Finance Countries (cont'd)

Iran

Jamaica

Lithuania

Malaysia

Mexico

Morocco

Mozambique

Nigeria

Pakistan

Panama

Peru

Philippines

Poland

Romania

Russian Federation

Slovak Rep

South Africa

Sri Lanka

Taiwan

Tanzania

Appendix B: Project Finance Countries (cont'd)

Thailand

Trinidad & Tobago

Turkey

Uganda

Venezuela

Vietnam

Zambia

Zimbabwe

Appendix C: Factor Analysis Details

A principal components factor analysis of the five economic variables revealed the following results.

Factor	Eigenvalue	Difference	Proportion	Cumulative
Factor 1	1.43	0.41	0.28	0.28
Factor 2	1.02	0.03	0.20	0.49
Factor 3	0.99	0.15	0.19	0.69
Factor 4	0.83	0.13	0.16	0.85
Factor 5	0.70	.	0.14	1.00

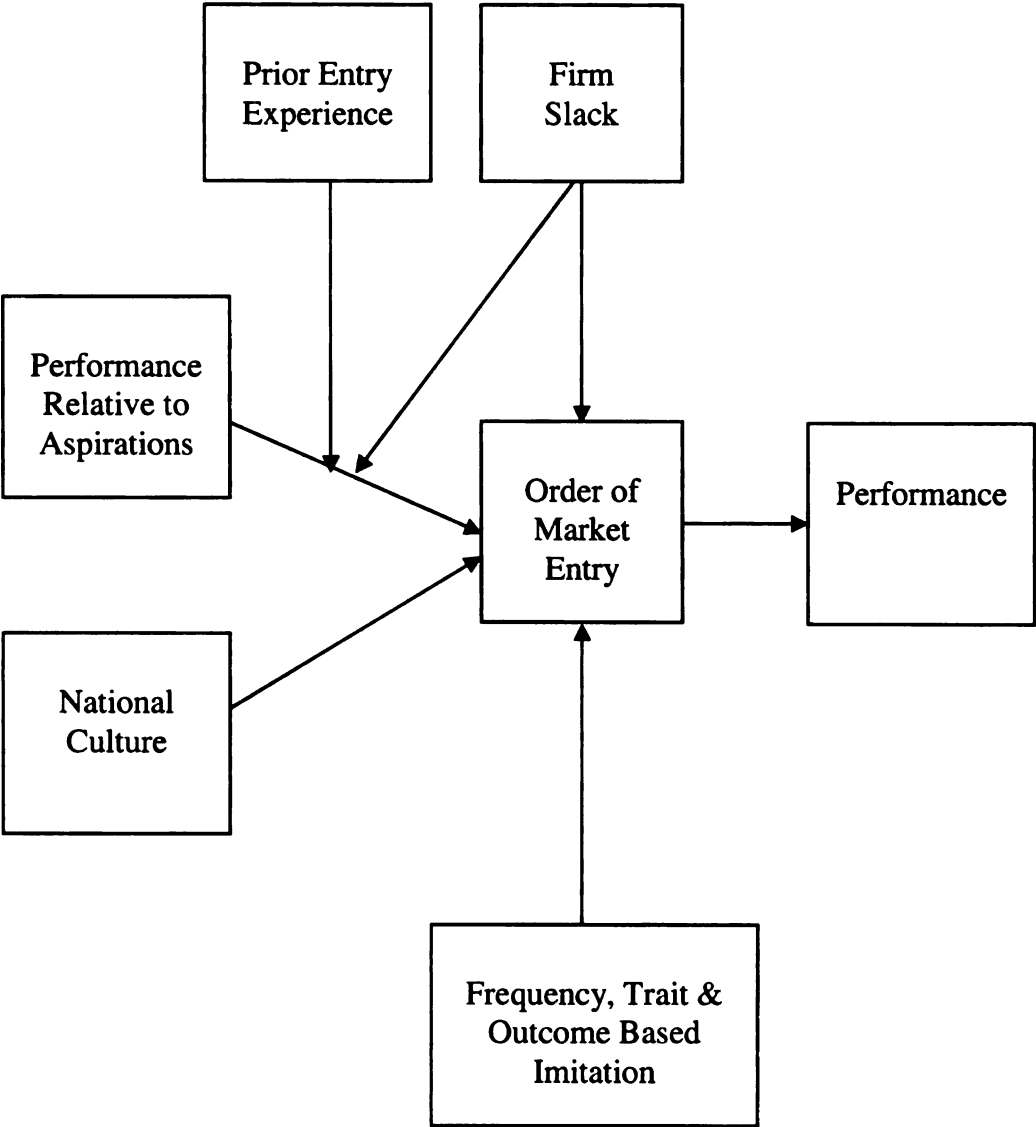
Traditionally, management scholars would retain factors with eigenvalues greater than one for further analysis. Based on the results above, this would mean that I would reduce the five economic variables to two factors. However, recent work suggests that this cutoff rule, which is also known as the Kaiser's Criteria or the K1 rule (Kaiser, 1960), severely overestimates the number of factors to be retained (Lance, Butts, & Michels, 2006). Instead, organizational research methodologists recommend parallel analysis. Parallel analysis (Horn, 1965) creates a random dataset with the same number of observations and variables as the original data. A correlation matrix is computed from the randomly generated dataset and then eigenvalues of the correlation matrix are computed. The parallel analysis of the five economic variables (based on 100 replications) is provided below.

Appendix C: Factor Analysis Details (cont'd)

Factor	Principal Components	Parallel Analysis
Factor 1	1.43	1.08
Factor 2	1.02	1.04
Factor 3	0.99	1.00
Factor 4	0.83	0.95
Factor 5	0.70	0.91

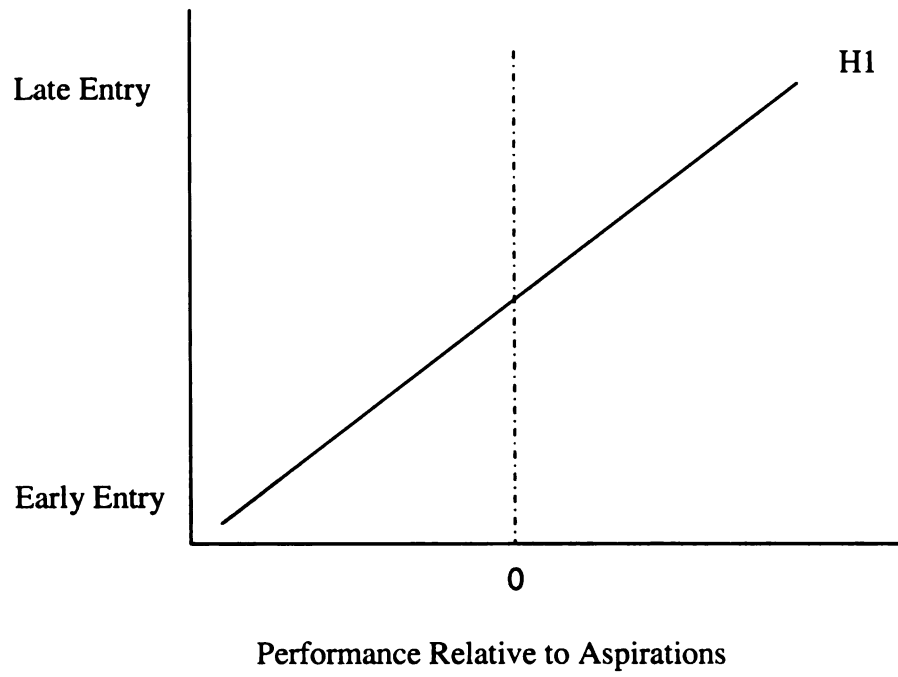
Based on the parallel analysis, I retained only one factor because only one factor in the principal components analysis has an eigenvalue greater than any of the eigenvalues from the parallel analysis (Hayton, Allen, & Scarpello, 2004). Therefore, I standardized the five economic values and summed them to create a single factor.

Figure 1



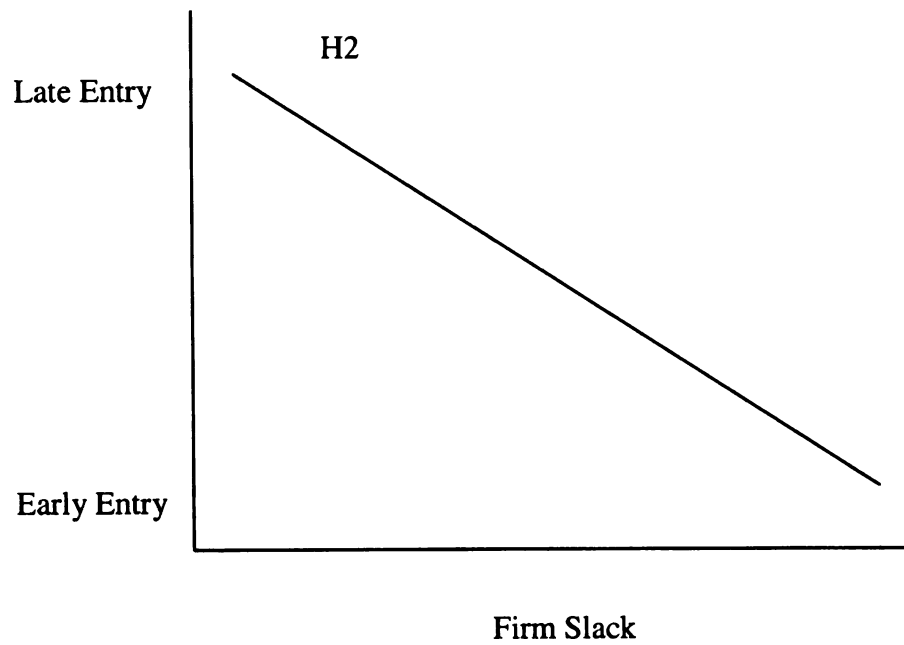
Full Model

Figure 2



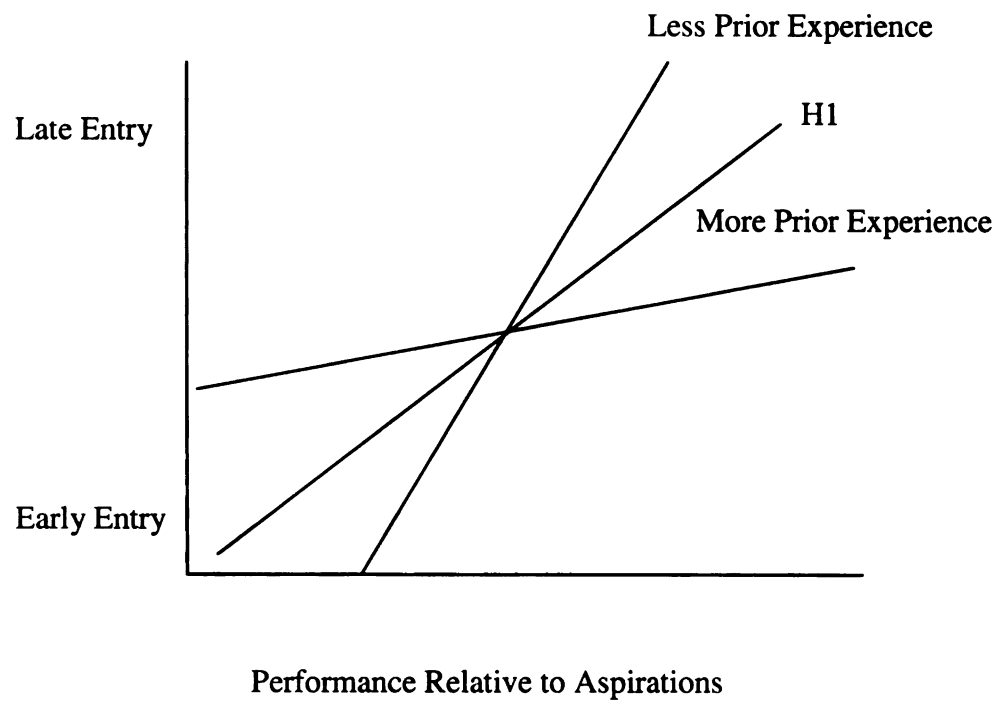
Hypothesis 1

Figure 3



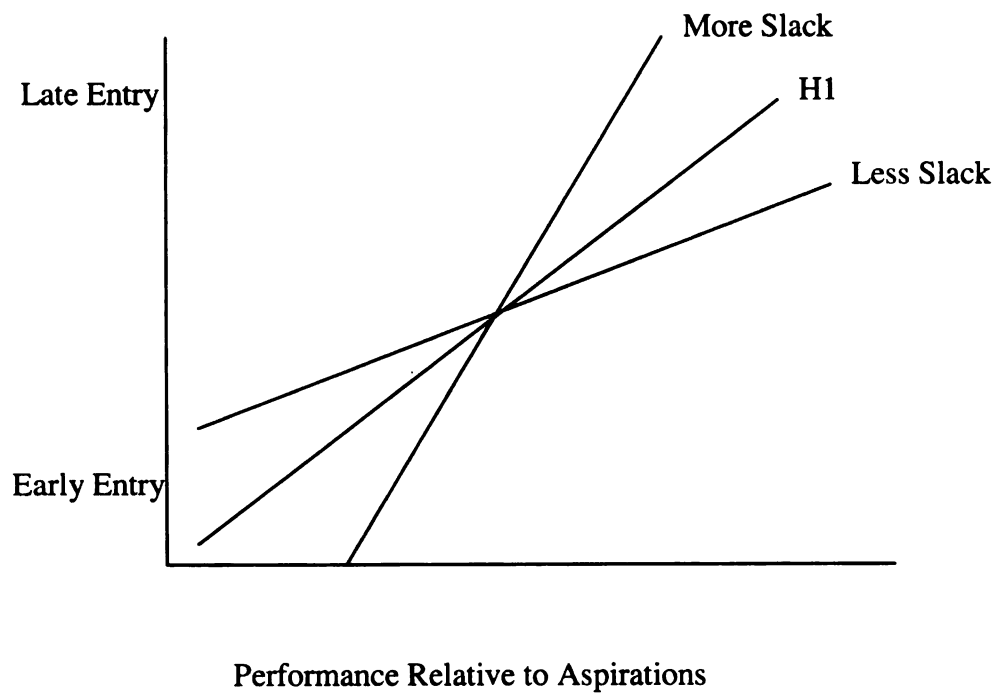
Hypothesis 2

Figure 4



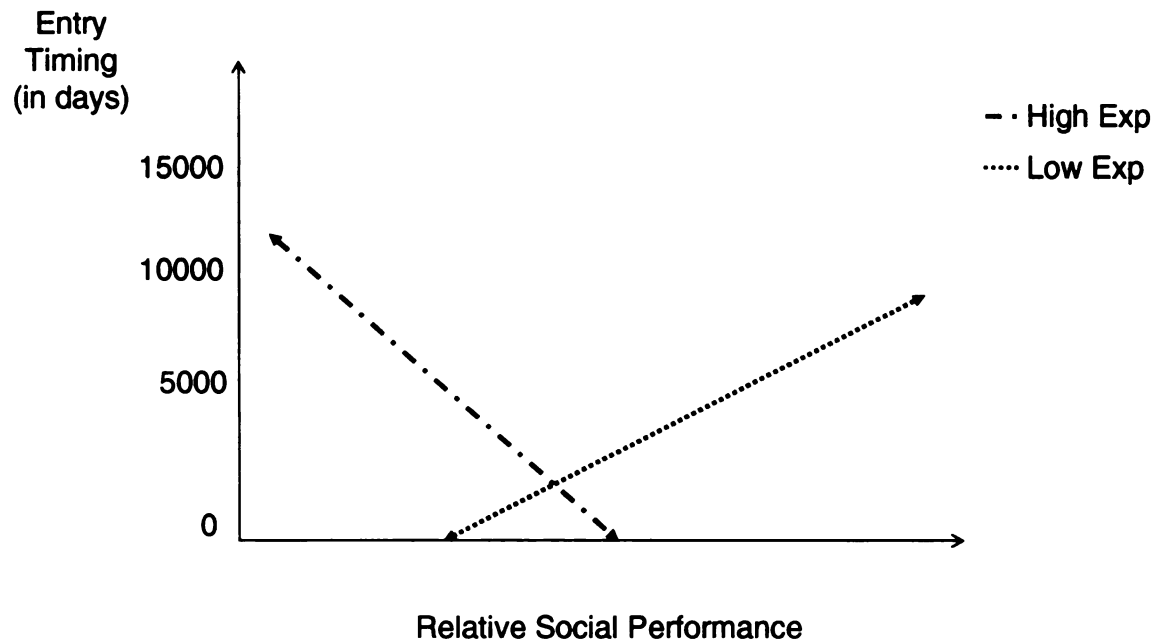
Hypothesis 3

Figure 5



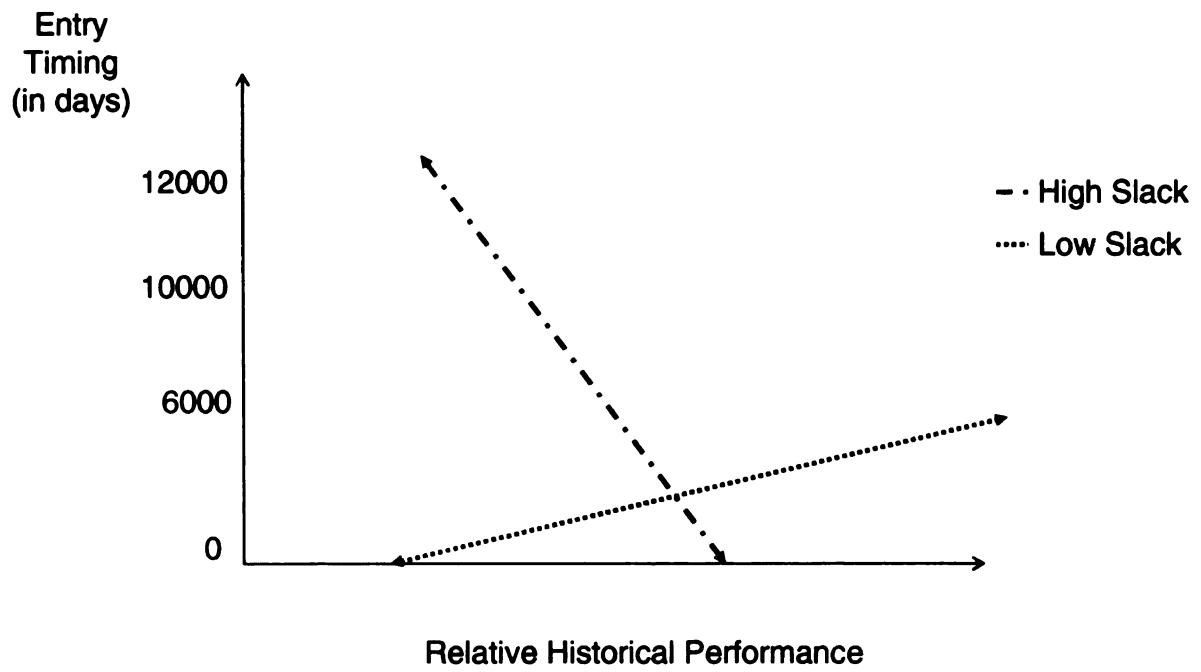
Hypothesis 4

Figure 6



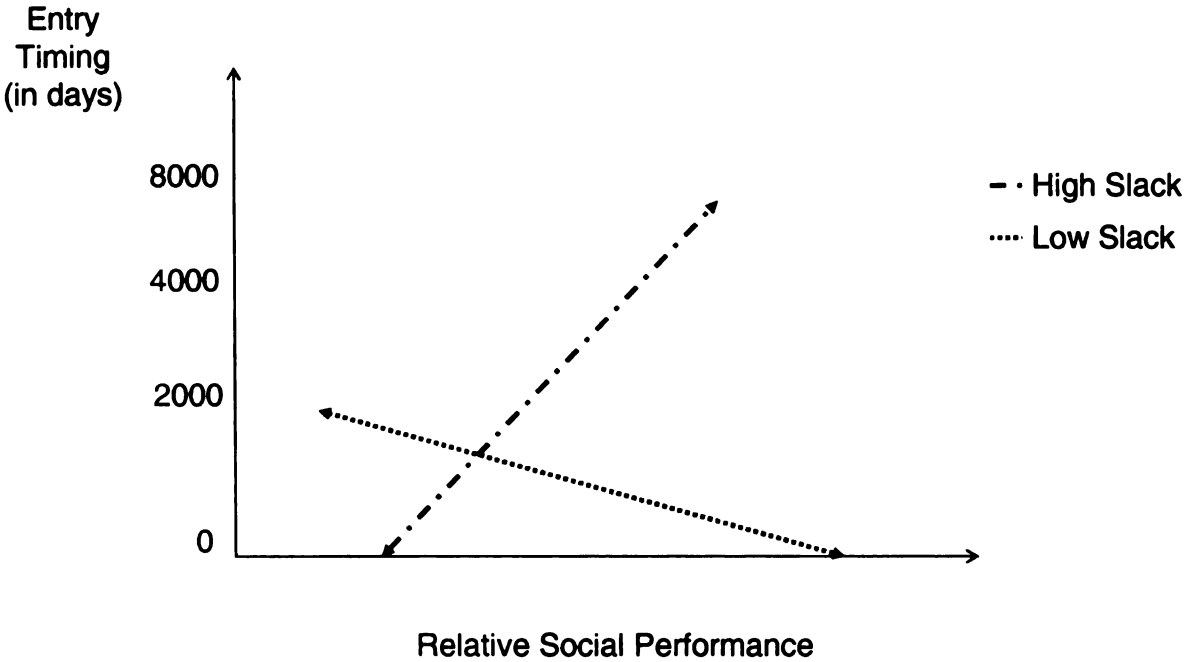
Interaction between experience and social relative performance

Figure 7



Interaction between slack and historical relative performance

Figure 8



Interaction between slack and social relative performance

REFERENCES

- Abrahamson, E., & Rosenkopf, L. (1993). Institutional and Competitive Bandwagons: Using Mathematical Modeling as a Tool to Explore Innovation Diffusion. *Academy of Management Review*, 18(3), 487-517.
- Adams, J. S. (1965). Inequity in Social Exchange. In L. Berkowitz (Ed.), *Advances in Experimental Social Psychology* (Vol. 2, pp. 267-299). New York: Academic Press.
- Agarwal, S., & Ramasswami, S. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internalization Factors. *Journal of International Business Studies*, 23, 1-27.
- Amburgey, T., & Miner, A. (1992). Strategic Momentum: The Effects of Repetitive, Positional and Contextual Momentum on Merger Activity. *Strategic Management Journal*, 13, 335-348.
- Ancona, D., & Caldwell, D. (1992). Demography and Design: Predictors of New Product Team Performance. *Organization Science*, 3(3), 321-341.
- Anderson, E., & Gatignon, H. (1986). Modes of Foreign Entry: A Transaction Cost Analysis and Propositions. *Journal of International Business Studies*, 17(3), 1-26.
- Ansoff, I. (1980). Strategic Issue Management. *Strategic Management Journal*, 1, 131-148.
- Audia, P., & Greve, H. (2006). Less Likely to Fail: Low Performance, Firm Size and Factory Expansion in the Shipbuilding Industry. *Management Science*, 52(1), 83-94.
- Austin, J. (1990). *Managing in Developing Countries: Strategic Analysis and Operating Techniques*. New York, NY: The Free Press.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99-120.
- Baron, R., & Kenny, D. (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic and statistical considerations. *Journal of Personality and Social Psychology*, 51, 1173-1182.

- Baucus, M., & Near, J. (1991). Can Illegal Corporate Behavior Be Predicted? An Event History Analysis. *Academy of Management Journal*, 34(1), 9-36.
- Baum, J., & Dahlin, K. (2007). Aspiration Performance and Railroads' Patterns of Learning from Train Wrecks and Crashes. *Organization Science*, 18(3), 368-385.
- Baum, J., Li, S., & Usher, J. (2000). Making the Next Move: How Experiential Learning and Vicarious Learning Shape the Locations of Chains' Acquisitions. *Administrative Science Quarterly*, 45, 766-801.
- Baum, J., Rowley, T., Shipilov, A., & Chuang, Y. (2005). Dancing with Strangers: Aspiration Performance and the Search for Syndicate Partners. *Administrative Science Quarterly*, 50, 536-575.
- Baum, J., & Wally, S. (2003). Strategic Decision Speed and Firm Performance. *Strategic Management Journal*, 24, 1107-1129.
- Blake, C., & Morey, M. (2000). Morningstar Ratings and Mutual Fund Performance. *Journal of Financial and Quantitative Analysis*, 35(3), 451-483.
- Bolton, M. (1993). Organizational Innovation and Substandard Performance: When Is Necessity the Mother of Innovation? *Organization Science*, 4(1), 57-75.
- Bourgeois, L. J. (1981). On the Measurement of Organizational Slack. *Academy of Management Review*, 6(1), 29-39.
- Bourgeois, L. J., & Singh, J. (1983). Organizational Slack and Political Behavior Among Top Management Teams. *Academy of Management Proceedings*, 43-47.
- Boyacigiller, N., & Adler, N. (1991). The Parochial Dinosaur: Organizational Science in a Global Context. *Academy of Management Review*, 16(2), 262-290.
- Brett, J., Tinsley, C., Janssens, M., Barsness, Z., & Lytle, A. (1997). New Approaches to the Study of Culture in Industrial/Organizational Psychology. In P. C. E. a. M. Erez (Ed.), *New Approaches to Intercultural and international industrial/organizational Psychology* (pp. 75-129). San Francisco: New Lexington.

- Bromiley, P. (1991). Testing a Causal Model of Corporate Risk Taking and Performance. *Academy of Management Journal*, 34(1), 37-59.
- Bromiley, P. (2005). *The Behavioral Foundations of Strategic Management*. Malden, MA: Blackwell Publishing.
- Bromiley, P., & Harris, J. (2008). A Comparison of Aspiration Models Using Evidence from Financial Misrepresentation. *Working Paper*.
- Burns, L., & Wholey, D. (1993). Adoption and Abandonment of Matrix Management Programs: Effects of Organizational Characteristics and Interorganizational Networks. *Academy of Management Journal*, 36(1), 106-138.
- Carow, K., Heron, R., & Saxton, T. (2004). Do Early Birds Get the Returns? An Empirical Investigation of Early-Mover Advantages in Acquisitions. *Strategic Management Journal*, 25, 563-585.
- Carpenter, M., Geletkanycz, M., & Sanders, W. (2004). Upper Echelons Research Revisited: Antecedents, Elements and Consequences of Top Management Team Composition. *Journal of Management*, 30(6), 749-778.
- Carroll, G., & Hannan, M. (1989). On Using Institutional Theory in Studying Organizational Populations. *American Sociological Review*, 54, 545-548.
- Carroll, G., & Hannan, M. (2000). *The Demography of Corporations and Industries*. Princeton, NJ: Princeton University Press.
- Chen, M. & Hambrick, D. (1995). Speed, Stealth and Selective Attack: How Small Firms Differ from Large Firms in Competitive Behavior. *Academy of Management Journal*, 38, 453-482.
- Chen, W. & Miller, K. (2007). Situational and Institutional Determinants of Firms' R&D Search Intensity. *Strategic Management Journal*, 28, 369-381.
- Cho, D., Kim, D., & Rhee, D. (1998). Latecomer Strategies: Evidence from the Semiconductor Industry in Japan and Korea. *Organization Science*, 9(4), 489-505.

- Chui, A., & Kwok, C. (2008). National Culture and Life Insurance Consumption. *Journal of International Business Studies*, 39(1), 88-101.
- Chui, A., Lloyd, A., & Kwok, C. (2002). The Determination of Capital Structure: Is National Culture a Missing Piece to the Puzzle? *Journal of International Business Studies*, 33(1), 99-127.
- Coeurderoy, R., & Durand, R. (2004). Leveraging the Advantage of Early Entry: Proprietary Technologies versus Cost Leadership. *Journal of Business Research*, 57, 583-590.
- Cohen, J., Cohen, P., West, S., & Aiken, L. (2003). *Applied Multiple Regression/Correlation Analysis for the Behavioral Sciences*. Mahwah, New Jersey: Lawrence Erlbaum Associates.
- Cox, T., Lobel, S., & McLeod, P. (1991). Effects of Ethnic Group Cultural Differences on Cooperative and Competitive Behavior on a Group Task. *Academy of Management Journal*, 34(4), 827-847.
- Cyert, R., & March, J. (1963). *A Behavioral Theory of the Firm*. Englewood Cliffs, NJ: Prentice-Hall.
- Dalton, D., & Kesner, I. (1985). Organizational Performance As An Antecedent of Inside/Outside Chief Executive Succession: An Empirical Assessment. *Academy of Management Journal*, 28(4), 749-762.
- Darr, E., Argote, L., & Eppler, D. (1995). The Acquisition Transfer and Depreciation of Knowledge in Service Organizations: Productivity in Franchises. *Management Science*, 42, 1750-1762.
- Davidson, W. (1980). The Location of Foreign Direct Investment Activity: Country Characteristics and Experience Effects. *Journal of International Business Studies*, 11, 9-22.
- Davis, G. (1991). Agents without Principles? The Spread of the Poison Pill through the Intercompany Network. *Administrative Science Quarterly*, 36, 583-613.
- Davis, G. & Greve, H. (1997). Corporate Elite Networks and Governance Changes in the 1980s. *American Journal of Sociology*, 103(1), 1-37.

- Davis, J., Schoorman, F., & Donaldson, L. (1997). Toward a Stewardship Theory of Management. *Academy of Management Review*, 22(1), 20-47.
- Demsetz, H. (1982). Barriers to Entry. *American Economic Review*, 72(1), 47-57.
- Denevow, A., & Welch, I. (1996). Rational Herding in Financial Economics. *European Economic Review*, 40, 603-615.
- Dess, G., & Beard, D. (1984). Dimensions of Organizational Task Environments. *Administrative Science Quarterly*, 29, 52-73.
- DiMaggio, P., & Powell, W. (1983). The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields. *American Sociological Review*, 48, 147-160.
- Donaldson, L. (2001). *The Contingency Theory of Organizations*. Thousand Oaks, CA: Sage Publications, Inc.
- Dos Santos, B., & Peffers, K. (1995). Rewards to Investors in Innovative Information Technology Applications: First Movers and Early Followers in ATMs. *Organization Science*, 6(3), 241-259.
- Durand, R., & Coeurderoy, R. (2001). Age, Order of Entry, Strategic Orientation and Organizational Performance. *Journal of Business Venturing*, 16, 471-494.
- EBRI. (2005). *History of 401(k) Plans: An Update*. Washington, DC: Employee Benefit Research Institute.
- Edelman, R. (2006). Watch Out for Five-Star Mutual Funds. *Inside Personal Finance*, 12, 1.
- Egelhoff, W. G. (1982). Strategy and Structure in Multinational Corporations: An Information Processing Approach. *Administrative Science Quarterly*, 17, 313-327.
- Esty, B. (2002). Returns on Project-Financed Investments: Evolution and Managerial Implications. *Journal of Applied Corporate Finance*, 15(1), 71-86.

- Esty, B. (2004). Why Study Large Projects? An Introduction to Research on Project Finance. *European Financial Management*, 10(2), 213-224.
- Esty, B., & Sesia, A. (2005). An Overview of Project Finance-2004 Update. *Harvard Business School Case # 9-205-065*.
- Faris, E. (1926). The Concept of Imitation. *American Journal of Sociology*, 32(3), 367-378.
- Feldman, M., & Pentland, B. (2003). Reconceptualizing Organizational Routines as a Source of Flexibility and Change. *Administrative Science Quarterly*, 48, 94-118.
- Fernando, D., Klapper, L., Sulla, V., & Vittas, D. (2003). The Global Growth of Mutual Funds. *The World Bank Development Group Policy Research Working Paper # 3055*.
- Ferrier, W. (2001). Navigating the Competitive Landscape: The Drivers and Consequences of Competitive Aggressiveness. *Academy of Management Journal*, 44(4), 858-877.
- Festinger, L. (1954). A Theory of Social Comparison Processes. *Human Relations*, 7, 117-140.
- Fiegenbaum, A., & Thomas, H. (1988). Attitudes toward Risk and the Risk-Return Paradox: Prospect Theory Explanations. *Academy of Management Journal*, 31(1), 85-106.
- Finnerty, J. D. (1996). *Project Financing: Asset-Based Financial Engineering*. New York, NY: John Wiley & Sons, Inc.
- Fiol, C. M., & O'Connor, E. (2003). Waking Up! Mindfulness in the Face of Bandwagons. *Academy of Management Review*, 28(1), 54-70.
- Fligstein, N. (1985). The Spread of the Multidivisional Form among Large Firms. *American Sociological Review*, 50, 377-391.
- Fombrun, C., & Shanley, M. (1990). What's in a Name? Reputation Building and Corporate Strategy. *Academy of Management Journal*, 33(2), 233-258.

- Franke, R., Hofstede, G., & Bond, M. (1991). Cultural Roots of Economic Performance: A Research Note. *Strategic Management Journal*, 12, 165-173.
- Frynas, J., Mellahi, K., & Pigman, G. (2006). First Mover Advantages in International Business and Firm-Specific Resources. *Strategic Management Journal*, 27, 321-345.
- Fuentelsaz, L., Gomez, J., & Polo, Y. (2002). Followers' Entry Timing: Evidence From The Spanish Banking Sector After Deregulation. *Strategic Management Journal*, 23, 245-264.
- Gatignon, H., Eliashberg, J., & Robertson, T. (1989). Modeling Multinational Diffusion Patterns: An Efficient Methodology. *Marketing Science*, 8(3), 231-247.
- Geletkanycz, M. (1997). The Salience of 'Culture's Consequences': The Effects of Cultural Values on Top Executive Commitment to the Status Quo. *Strategic Management Journal*, 18(8), 615-634.
- Geroski, P. (1995). What Do We Know About Entry? *International Journal of Industrial Organization*, 13, 421-440.
- Gimeno, J., Hoskisson, R., Beal, B., & Wan, W. (2005). Explaining the Clustering of International Expansion Moves: A Critical Test in the U.S. Telecommunications Industry. *Academy of Management Journal*, 48(2), 297-319.
- Golder, P., & Tellis, G. (1993). Pioneer Advantage: Marketing Logic or Marketing Legend? *Journal of Marketing Research*, 30, 158-170.
- Grant, R. (1996). Toward a Knowledge-Based Theory of the Firm. *Strategic Management Journal*, 17(Winter Special Issue), 109-122.
- Greene, W. H. (1993). *Econometric Analysis* (2nd ed.). New York: Macmillan.
- Greve, H. (1996). Patterns of Competition: The Diffusion of a Market Position in Radio Broadcasting. *Administrative Science Quarterly*, 41, 29-60.
- Greve, H. (1998). Performance, Aspirations and Risky Organizational Change. *Administrative Science Quarterly*, 43, 58-86.

- Greve, H. (2003a). A Behavioral Theory of R&D Expenditures and Innovations: Evidence from Shipbuilding. *Academy of Management Journal*, 46(6), 685-702.
- Greve, H. (2003b). *Organizational Learning from Performance Feedback*. Cambridge: Cambridge University Press.
- Greve, H. (2008). A Behavioral Theory of Firm Growth: Sequential Attention to Size and Performance Goals. *Academy of Management Journal*, 51(3), 476-494.
- Guillen, M. (2002). Structural Inertia, Imitation and Foreign Expansion: South Korean Firms and Business Groups in China, 1987-95. *Academy of Management Journal*, 45(3), 509-525.
- Hall, E. T. (1959). *The Silent Language*. Garden City, NY: Doubleday & Company, Inc.
- Hannan, M., & Freeman, J. (1977). The Population Ecology of Organizations. *American Journal of Sociology*, 82(5), 929-964.
- Hannan, M., & Freeman, J. (1984). Structural Inertia and Organizational Change. *American Sociological Review*, 49, 149-164.
- Harris, J., & Bromiley, P. (2007). Incentives to Cheat: The Influence of Executive Compensation and Firm Performance on Financial Misrepresentation. *Organization Science*, 18(3), 350-367.
- Haslem, J. (2003). *Mutual Funds: Risk and Performance Analysis for Decision Making*. Malden, MA: Blackwell Publishing.
- Haunschild, P. (1993). Interorganizational Imitation: The Impact of Interlocks on Corporate Acquisition Activity. *Administrative Science Quarterly*, 38(4), 564-592.
- Haunschild, P., & Miner, A. (1997). Modes of Interorganizational Imitation: The Effects of Outcome Salience and Uncertainty. *Administrative Science Quarterly*, 42, 472-500.
- Haveman, H. (1993a). Follow the Leader: Mimetic Isomorphism and Entry into New Markets. *Administrative Science Quarterly*, 38, 593-627.

- Haveman, H. (1993b). Organizational Size and Change: Diversification in the Savings and Loan Industry After Deregulation. *Administrative Science Quarterly*, 38(1), 20-50.
- Hayton, J., Allen, D., & Scarpello, V. (2004). Factor Retention Decisions in Exploratory Factor Analysis: A Tutorial on Parallel Analysis. *Organizational Research Methods*, 7(2), 191-205.
- Henisz, W., & Delios, A. (2001). Uncertainty, Imitation and Plant Location: Japanese Multinational Corporations, 1990-1996. *Administrative Science Quarterly*, 46, 443-475.
- Hennart, J.-F., & Larimo, J. (1998). The Impact of Culture on the Strategy of Multinational Enterprises: Does National Origin Affect Ownership Decisions? *Journal of International Business Studies*, 29(3), 515-538.
- Hitt, M., Dacin, M. T., Tyler, B., & Park, D. (1997). Understanding the Differences in Korean and U.S. Executives' Strategic Orientations. *Strategic Management Journal*, 18(2), 159-167.
- Hofmann, D. (1997). An Overview of the Logic and Rationale of Hierarchical Linear Models. *Journal of Management*, 23(6), 723-744.
- Hofstede, G. (1980). Motivation, Leadership and Organization: Do American Theories Apply Abroad? *Organizational Dynamics*, 9, 42-63.
- Hofstede, G. (1980, 2001). *Culture's Consequences: International Differences in Work-Related Values*. Beverly Hills, CA: Sage.
- Hofstede, G. (1983). The Cultural Relativity of Organizational Practices and Theories. *Journal of International Business Studies*, 14(2), 75-89.
- Hofstede, G. (1991). Cultural Constraints in Management Theories. *Academy of Management Executive*, 7(1), 81-94.
- Hofstede, G. (1998). *Masculinity and Femininity: The Taboo Dimension of National Cultures*. Thousand Oaks, CA: Sage Publications.

- Hofstede, G. (2006). What did Globe really measure? Researchers' minds versus respondents' minds. *Journal of International Business Studies*, 37(6), 882-896.
- Horn, J. (1965). A Rationale and Test for the Number of Factors in Factor Analysis. *Psychometrika*, 30, 179-185.
- Horwitz, S., & Horwitz, I. (2007). The Effects of Team Diversity on Team Outcomes: A Meta-Analytic Review of Team Demography. *Journal of Management*, 33(6), 987-1015.
- Hoskisson, R., Eden, L., Lau, C., & Wright, M. (2000). Strategy in Emerging Economies. *Academy of Management Journal*, 43(3), 249-267.
- House, R. J., Hanges, P., Javidan, M., Dorfman, P., & Gupta, V. (2004). *Culture, Leadership and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA: Sage.
- House, R. J., Hanges, P., Ruiz-Quintanilla, S., Dorfman, P., Javidan, M., Dickson, M., et al. (1999). Cultural Influences on Leadership and Organizations: Project Globe. In W. Mobley, M. Gessner & V. Arnold (Eds.), *Advances in Global Leadership* (Vol. 1, pp. 171-233). Greenwich, CT: JAI Press.
- Hymer, S. H. (1976). *The International Operations of National Firms: A Study of Direct Investment*. Cambridge, MA: MIT Press.
- ICI. (1999). *Mutual Fund Costs, 1980-1998*. Washington, DC: Investment Company Institute.
- ICI. (2000). *The 1990s: A Decade of Expansion and Change in the U.S. Mutual Fund Industry*. Washington, DC: Investment Company Institute.
- ICI. (2005). *Mutual Fund Fact Book*. Washington, DC: Investment Company Institute.
- IFC. (1996). *Investment Funds in Emerging Markets*. Washington, DC: International Finance Corporation.
- Jacobson, R. (1992). The "Austrian" School of Strategy. *Academy of Management Review*, 17(4), 782-807.

- Javidan, M., House, R., Dorfman, P., Hanges, P., & de Luque, M. (2006). Conceptualizing and Measuring cultures and their consequences: a comparative review of Globe's and Hofstede's approaches. *Journal of International Business Studies*, 37(6), 897-914.
- Jehn, K., Northcraft, G., & Neale, M. (1999). Why Differences Make a Difference: A Field Study of Diversity, Conflict and Performance in Workgroups. *Administrative Science Quarterly*, 44(4), 741-763.
- Jensen, M. (1986). Agency Costs of Free Cash Flow, Corporate Finance and Takeovers. *American Economic Review*, 76(2), 323-329.
- Jensen, M., & Meckling, W. (1976). Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, 3, 305-360.
- Johanson, J., & Vahlne, J. (1977). The Internationalization Process of the Firm-A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), 23-32.
- Kahneman, D., & Tversky, A. (1979). Prospect Theory: Analysis of Decision under Risk. *Econometrica*, 47, 263-291.
- Kaiser, H. (1960). The Application of Electronic Computers to Factor Analysis. *Educational and Psychological Measurement*, 20, 141-151.
- Kaminsky, G., Lyons, R., & Schmukler, S. (2001). Mutual Fund Investment in Emerging Markets. *The World Bank Development Group Policy Research Working Paper # 2529*.
- Kennedy, R. (2002). Strategy Fads and Competitive Convergence and Empirical Test for Herd Behavior in Prime-Time Television Programming. *Journal of Industrial Economics*, 50(1), 57-84.
- Kensinger, J., & Martin, J. (1988). Project Finance: Raising Money the Old-Fashioned Way. *Journal of Applied Corporate Finance*, 1(3), 69-81.
- Kerin, R., Varadarajan, P., & Peterson, R. (1992). First-Mover Advantage: A Synthesis, Conceptual Framework and Research Propositions. *Journal of Marketing*, 56, 33-52.

- Ketchen, D., & Palmer, T. (1999). Strategic Responses to Poor Organizational Performance: A Test of Competing Perspectives. *Journal of Management*, 25(5), 683-706.
- Khatri, N., Tsang, E., & Begley, T. (2006). Cronyism: A Cross-Cultural Analysis. *Journal of International Business Studies*, 37, 61-75.
- Kim, E., & Singal, V. (1997). Are Open Markets Good for Foreign Investors and Emerging Nations? *Journal of Applied Corporate Finance*, 10(3), 18-33.
- King, A., & Tucci, C. (2002). Incumbent Entry into New Market Niches: The Role of Experience and Managerial Choice in the Creation of Dynamic Capabilities. *Management Science*, 48(2), 171-186.
- Kirkman, B., Lowe, K., & Gibson, C. (2006). A Quarter Century of Culture's Consequences: A Review of Empirical Research incorporating Hofstede's Cultural Values Framework. *Journal of International Business Studies*, 37, 285-320.
- Kleimeier, S., & Megginson, W. (2000). Are Project Finance Loans Different from Other Syndicated Credits? *Journal of Applied Corporate Finance*, 13(1), 75-87.
- Klepper, S., & Simons, K. (2000). Dominance by Birthright: Entry of Prior Radio Producers and Competitive Ramifications in the U.S. Television Receiver Industry. *Strategic Management Journal*, 21, 997-1016.
- Kogut, B., & Singh, H. (1988). The Effect of National Culture on the Choice of Entry Mode. *Journal of International Business Studies*, 19, 411-432.
- Kogut, B., & Zander, U. (1992). Knowledge of the Firm, Competitive Capabilities and the Replication of Technology. *Organization Science*, 3(3), 383-397.
- Kostova, T., & Zaheer, S. (1999). Organizational Legitimacy under Conditions of Complexity: The Case of the Multinational Enterprise. *Academy of Management Review*, 24(1), 64-81.
- Kraatz, M. (1998). Learning by Association? Interorganizational Networks and Adaptation to Environmental Change. *Academy of Management Journal*, 41(6), 621-643.

- Kwok, C., & Tadesse, S. (2006). National Culture and Financial Systems. *Journal of International Business Studies*, 37, 227-247.
- Lance, C., Butts, M., & Michels, L. (2006). The Sources of Four Commonly Report Cutoff Criteria: What Did They Really Say? *Organizational Research Methods*, 9(2), 202-2220.
- Lant, T. (1992). Aspiration Level Adaptation: An Empirical Exploration. *Management Science*, 38(5), 623-644.
- Lee, H., Smith, K., Grimm, C., & Schomburg, A. (2000). Timing, Order and Durability of New Product Advantages with Imitation. *Strategic Management Journal*, 21, 23-30.
- Leonard, S., & Caudill, A. (1996). *The Mutual Fund Handbook*. Cincinnati, OH: The National Underwriter Co.
- Levinthal, D., & March, J. (1993). The Myopia of Learning. *Strategic Management Journal*, 14, 95-112.
- Levinthal, D., & Myatt, J. (1994). Co-Evolution of Capabilities and Industry: The Evolution of Mutual Fund Processing. *Strategic Management Journal*, 15, 45-62.
- Levitt, B., & March, J. (1988). Organizational Learning. *Annual Review of Sociology*, 14, 319-340.
- Li, & Guisinger, S. (1992). The Globalization of Service Multinationals in the Triad Regions: Japan, Western Europe and North America. *Journal of International Business Studies*, 23(4), 675-696.
- Li, & Rowley, T. (2002). Inertia and Evaluation Mechanisms in Interorganizational Partner Selection: Syndicate Formation Among U.S. Investment Banks. *Academy of Management Journal*, 45(6), 1104-1119.
- Lieberman, M. (2007). Did First-Mover Advantage Survive the Dot-Com Crash? *Working Paper*.

- Lieberman, M., & Montgomery, D. (1988). First-Mover Advantages. *Strategic Management Journal*, 9, 41-58.
- Lieberman, M., & Montgomery, D. (1998). First-Mover (Dis)Advantages: Retrospective and Link with the Resource-Based View. *Strategic Management Journal*, 19, 1111-1125.
- Lincoln, J., Hanada, M., & McBride, K. (1986). Organizational Structures in Japanese and U.S. Manufacturing. *Administrative Science Quarterly*, 31, 338-364.
- Lippman, S., & Rumelt, R. (1982). Uncertain Imitability: An Analysis of Interfirm Differences in Efficiency under Competition. *Bell Journal of Economics*, 13(2), 418-438.
- Lu, J. (2002). Intra and Inter-Organizational Imitative Behavior: Institutional Influences on Japanese Firms' Entry Mode Choice. *Journal of International Business Studies*, 33(1), 19-37.
- Maddala, G. (1987). Limited Dependent Variable Models Using Panel Data. *Journal of Human Resources*, 22(3), 307-338.
- Makadok, R. (1998). Can First-Mover and Early-Mover Advantages Be Sustained in an Industry with Low Barriers to Entry/Imitation? *Strategic Management Journal*, 19, 683-696.
- Makino, S., Isobe, T., & Chan, C. (2004). Does Country Matter? *Strategic Management Journal*, 25, 1027-1043.
- Mansfield, E. (1963). Size of firm, market structure and innovation. *Journal of Political Economy*, 71(6), 556-576.
- Mansfield, E., Schwartz, M., & Wagner, S. (1981). Imitation Costs and Patents: An Empirical Study. *The Economic Journal*, 91, 907-918.
- March, J. (1988). Variable Risk Preferences and Adaptive Aspirations. *Journal of Economic Behavior and Organization*, 9(1), 5-24.

- March, J. (1991). Exploration and Exploitation in Organizational Learning. *Organization Science*, 2(1), 71-87.
- March, J., & Shapira, Z. (1987). Managerial Perspectives on Risk and Risk Taking. *Management Science*, 33, 1404-1418.
- March, J., & Shapira, Z. (1992). Variable Risk Preferences and the Focus of Attention. *Psychological Review*, 99(1), 172-183.
- March, J., & Simon, H. (1958). *Organizations*. New York, NY: John Wiley & Sons.
- Masson, P. (2001). Globalization: Facts and Figures. *International Monetary Fund Policy Paper # 01/4*.
- McClave, J., & Benson, P. (1985). *Statistics for Business and Economics* (Third ed.). San Francisco: Dellen Publishing Company.
- McGuire, J., Sundgren, A., & Schneeweis, T. (1988). Corporate Social Responsibility and Firm Financial Performance. *Academy of Management Journal*, 31(4), 854-872.
- McNamara, G., Haleblan, J., & Dykes, B. (2008). The Performance Implications of Participating in an Acquisition Wave: Early Mover Advantages, Bandwagon Effects and the Moderating Influence of Industry. *Academy of Management Journal*, 51(1), 113-130.
- McNamara, G., & Vaaler, P. (2000). The Influence of Competitive Positioning and Rivalry On Emerging Market Risk Assessment. *Journal of International Business Studies*, 31(2), 337-347.
- Meyer, J., & Rowan, B. (1977). Institutional Organizations: Formal Structure as Myth and Ceremony. *American Journal of Sociology*, 80, 340-363.
- Mezias, S., Chen, Y.-R., & Murphy, P. (2002). Aspiration-Level Adaptation in an American Financial Services Organization: A Field Study. *Management Science*, 48(10), 1285-1300.

- Miller, K. (1992). A Framework for Integrated Risk Management for International Business. *Journal of International Business Studies*, 23(2), 311-331.
- Miller, S. & Parkhe, A. (2002). Is There a Liability of Foreignness in Global Banking? An Empirical Test of Banks' X-Efficiency. *Strategic Management Journal*, 23(1), 55-73.
- Mishina, Y., Dykes, B., Block, E., & Pollock, T. (2008). Why "Good" Firms Do Bad Things: The Effects of High Aspirations, Performance, Prominence and Favorability on the Incidence of Corporate Illegality. *Working Paper-Michigan State University*.
- Moschis, G. (1976). Social Comparison and Informal Group Influence. *Journal of Marketing Research*, 13, 237-244.
- Nakata, C., & Sivakumar, K. (1996). National Culture and New Product Development: An Integrative Review. *Journal of Marketing*, 60(1), 61-72.
- Nardon, L., & Steers, R. (In Press). The Culture Theory Jungle: Divergence and Convergence in Models of National Culture. In R. Bhagat & R. Steers (Eds.), *Cambridge Handbook of Culture, Organization and Work*. Cambridge, U.K.: Cambridge University Press.
- Nelson, R., & Winter, S. (1982). *An Evolutionary Theory of Economic Change*. Cambridge, MA: Harvard University.
- Nohria, N., & Gulati, R. (1996). Is Slack Good or Bad for Innovation? *Academy of Management Journal*, 39(5), 1245-1264.
- O'Neill, H., Pouder, R., & Buchholtz, A. (1998). Patterns in the Diffusion of Strategies Across Organizations: Insights From The Innovation Diffusion Literature. *Academy of Management Review*, 23(1), 98-114.
- O'Reilly, C., Main, B., & Crystal, G. (1988). CEO Compensation as Tournament and Social Comparison: A Tale of Two Theories. *Administrative Science Quarterly*, 33, 257-274.
- Palley, T. (1995). Safety in Numbers: A Model of Managerial Herd Behavior. *Journal of Economic Behavior and Organization*, 28, 443-450.

- Park, D. (1998). The Meaning of Competition: A Graphical Exposition. *Journal of Economic Education*, 29(4), 347-357.
- Pelled, L., Eisenhardt, K., & Xin, K. (1999). Exploring the Black Box: An Analysis of Work Group Diversity, Conflict and Performance. *Administrative Science Quarterly*, 44(1), 1-28.
- Penrose, E. (1959). *The Theory of the Growth of the Firm*. New York, NY: Wiley.
- Peteraf, M. (1993). The Cornerstones of Competitive Advantage: A Resource-Based View. *Strategic Management Journal*, 14, 179-191.
- Pfeffer, J., & Salancik, G. R. (1978). *The External Control of Organizations*. New York: Harper & Row.
- Pfeffer, J., Salancik, G. R., & Leblebici, H. (1976). The Effect of Uncertainty on the Use of Social Influence in Organizational Decision Making. *Administrative Science Quarterly*, 21, 227-245.
- Porter, M. (1981). The Contributions of Industrial Organization to Strategic Management. *Academy of Management Review*, 6(4), 609-620.
- Porter, M. (1990). *The Competitive Advantage of Nations*. New York: Free Press.
- Rao, H., Greve, H., & Davis, G. (2001). Fool's Gold: Social Proof in the Initiation and Abandonment of Coverage by Wall Street Analysts. *Administrative Science Quarterly*, 46, 502-526.
- Raudenbush, S., & Bryk, A. (2002). *Hierarchical Linear Models: Applications and Data Analysis Methods* (Second ed.). Thousand Oaks, CA: Sage.
- Reed, R., & DeFillippi, R. (1990). Casual Ambiguity, Barriers to Imitation and Sustainable Competitive Advantage. *Academy of Management Review*, 15(1), 88-102.
- Rhee, M., Kim, Y.-C., & Han, J. (2006). Confidence in Imitation: Niche-Width Strategy in the UK Automobile Industry. *Management Science*, 52(4), 501-513.

- Roberts, K., & Boyacigiller, N. (1984). Cross-National Organizational Research: The Grasp of the Blind Man. In B. Staw & L. Cummings (Eds.), *Research in Organizational Behavior* (Vol. 6, pp. 423-475). Stamford, CT: JAI Press.
- Robinson, W. T., & Chiang, J. (2002). Product Development Strategies for Established Market Pioneers, Early Followers and Late Entrants. *Strategic Management Journal*, 23, 855-866.
- Robinson, W. T., & Fornell, C. (1985). Sources of Market Pioneer Advantages in Consumer Goods Industries. *Journal of Marketing Research*, 22(3), 305-317.
- Robinson, W. T., Fornell, C., & Sullivan, M. (1992). Are Market Pioneers Intrinsically Stronger than Later Entrants? *Strategic Management Journal*, 13(8), 609-624.
- Rodriquez, P., Uhlenbruck, K., & Eden, L. (2005). Government Corruption and the Entry Strategies of Multinationals. *Academy of Management Review*, 30(2), 383-396.
- Rogers, E. (2003). *Diffusion of Innovations*. New York: The Free Press.
- Scharfstein, D., & Stein, J. (1990). Herd Behavior and Investment. *The American Economic Review*, 80(3), 465-479.
- Schneider, S., & De Meyer, A. (1991). Interpreting and Responding to Strategic Issues: The Impact of National Culture. *Strategic Management Journal*, 12, 307-320.
- Schoenecker, T., & Cooper, A. (1998). The Role of Firm Resources and Organizational Attributes in Determining Entry Timing: A Cross-Industry Study. *Strategic Management Journal*, 19, 1127-1143.
- Schuler, R., & Rogovsky, N. (1998). Understanding Compensation Practice Variations Across Firms: The Impact of National Culture. *Journal of International Business Studies*, 29(1), 159-177.
- Schumpeter, J. A. (1934). *The Theory of Economic Development*. Cambridge, MA: Harvard University Press.
- Schumpeter, J. A. (1950). *Capitalism, Socialism and Democracy* (Third ed.). New York: Harper & Row.

- Schumpeter, J. A. (1986). The Process of Creative Destruction. In J. B. B. a. W. G. Ouchi (Ed.), *Organizational Economics* (pp. 408-413). San Francisco: Jossey-Bass.
- Schwartz, S. (1994). Beyond Individualism/Collectivism: New Cultural Dimensions of Values. In U. Kim, H. C. Triandis, C. Kagitcibasi, S.-C. Choi & G. Yoon (Eds.), *Individualism and Collectivism: Theory, Method and Applications*. Thousand Oaks, CA: Sage Publications.
- Scott, W. R. (2003). *Organizations: Rational, Natural and Open Systems* (5th ed.). Upper Saddle River, NJ: Prentice Hall.
- Shamsie, J. (2003). The Context of Dominance: An Industry-Driven Framework for Exploiting Reputation. *Strategic Management Journal*, 24, 199-215.
- Shamsie, J., Phelps, C., & Kuperman, J. (2004). Better Late Than Never: A Study of Late Entrants in Household Electrical Equipment. *Strategic Management Journal*, 25, 69-84.
- Shane, S. (1994). The Effect of National Culture on the Choice Between Licensing and Direct Foreign Investment. *Strategic Management Journal*, 15, 627-642.
- Shane, S., Venkataraman, S., & MacMillan, I. (1995). Cultural Differences in Innovation Championing Strategies. *Journal of Management*, 21(5), 931-952.
- Sharfman, M., Wolf, G., Chase, R., & Tansik, D. (1988). Antecedents of Organizational Slack. *Academy of Management Review*, 13(4), 601-614.
- Simon, M., & Houghton, S. (2003). The Relationship between Overconfidence and the Introduction of Risky Products: Evidence from a Field Study. *Academy of Management Journal*, 46(2), 139-149.
- Singh, J. (1986). Performance, Slack and Risk Taking in Organizational Decision Making. *Academy of Management Journal*, 29(3), 562-585.
- Sinha, R., & Noble, C. (1997). The Performance Consequences of Subfield Entry. *Strategic Management Journal*, 18(6), 465-481.

- Slater, S., & Narver, J. (1995). Market Orientation and the Learning Organization. *Journal of Marketing*, 59, 63-74.
- Smith, P. (2002). Culture's Consequences: Something Old and Something New. *Human Relations*, 55(1), 119-135.
- Smith, R., & Walter, I. (1997). Risks and Rewards in Emerging Market Investments. *Journal of Applied Corporate Finance*, 10(3), 8-17.
- Snijders, T., & Bosker, R. (1999). *Multilevel Analysis: An introduction to basic and advanced multilevel modeling*. London: Sage.
- Song, X. M., Di Benedetto, C. A., & Zhao, Y. Z. L. (1999). Pioneering Advantages in Manufacturing and Service Industries: Empirical Evidence from Nine Countries. *Strategic Management Journal*, 20, 811-836.
- Spector, P. E., Cooper, C., Sparks, K., Bernin, P., & Bussing, A. (2001). An International Study of the Psychometric Properties of Hofstede Values Survey Module 1994: A Comparison of Individual and Country/Province Level Results. *Applied Psychology: An International Review*, 50(2), 269-281.
- Staw, B., Sanderlands, L., & Dutton, J. (1981). Threat-Rigidity Effects in Organizational Behavior: A Multilevel Analysis. *Administrative Science Quarterly*, 26, 501-524.
- Steensma, H. K., Marino, L., Weaver, K., & Dickson, P. (2000). The Influence of National Culture on the Formation of Technological Alliances by Entrepreneurial Firms. *Academy of Management Journal*, 43(5), 951-973.
- Strang, D., & Soule, S. (1998). Diffusion in Organizations and Social Movements: From Hybrid Corn to Poison Pills. *Annual Review of Sociology*, 24, 265-290.
- Suchman, M. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571-610.
- Szymanski, D., Troy, L., & Bharadwaj, S. (1995). Order of Entry and Business Performance: An Empirical Synthesis and Reexamination. *Journal of Marketing*, 59, 17-33.

- Tang, L., & Koveos, P. (2008). A Framework to Update Hofstede's Cultural Value Indices: Economic Dynamics and Institutional Stability. *Journal of International Business Studies*, 39(6), 1045-1063.
- Teece, D., Pisano, G., & Shuen, A. (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7), 509-533.
- Thompson, J. (1967). *Organizations in Action*. New York, NY: McGraw Hill.
- Tosi, H., & Greckhamer, T. (2004). Culture and CEO Compensation. *Organization Science*, 15(6), 657-670.
- Triandis, H. C. (1990). *Individualism and Collectivism*. Boulder, CO: Westview.
- Tse, D., Lee, K., Vertinsky, I., & Wehrung, D. (1988). Does Culture Matter? A Cross-Cultural Study of Executives' Choice, Decisiveness and Risk Adjustment in International Marketing. *Journal of Marketing*, 52, 81-95.
- Tushman, M., & Nadler, D. (1978). Information Processing as an Integrating Concept in Organizational Design. *Academy of Management Review*, 3(3), 613-624.
- Vaaler, P., & McNamara, G. (2004). Crisis and Competition in Expert Organizational Decision Making: Credit-Rating Agencies and Their Response to Turbulence in Emerging Economies. *Organization Science*, 15(6), 687-703.
- Vanderwerf, P., & Mahon, J. (1997). Meta-Analysis of the Impact of Research Methods on Findings in First-Mover Advantages. *Management Science*, 43, 1510-1519.
- Voss, G., Sirdeshmukh, D., & Voss, Z. (2008). The Effects of Slack Resources and Environment Threat on Product Exploration and Exploitation. *Academy of Management Journal*, 51(1), 147-164.
- Watson, W., Kumar, K., & Michaelsen, L. (1993). Cultural Diversity's Impact on Interaction Process and Performance: Comparing Homogeneous and Diverse Task Groups. *Academy of Management Journal*, 36(3), 590-602.
- WB. (2000). *World Development Report 2000/2001*. Washington, DC: The World Bank Group.

- Weber, Y., Shenkar, O., & Raveh, A. (1996). National and Corporate Cultural Fit in Mergers/Acquisitions: An Exploratory Study. *Management Science*, 42(8), 1215-1227.
- Weick, K. (1979). *The Social Psychology of Organizing*. New York, NY: Random House.
- Wernerfelt, B. (1984). A Resource-Based View of the Firm. *Strategic Management Journal*, 5, 171-180.
- Westney, D. E. (1997). Organization Theory Perspectives and International Business. In B. a. N. Toyne, D. (Ed.), *International Business: An Emerging Vision*. Columbia, SC: University of South Carolina Press.
- Williams, K., & O'Reilly, C. (1998). Demography and Diversity in Organizations. In B. Staw & R. Sutton (Eds.), *Research in Organizational Behavior* (Vol. 20, pp. 77-140). Stamford, CT: JAI.
- Williamson, O. (1963). A Model of Rational Managerial Behavior. In R. Cyert & J. March (Eds.), *A Behavioral Theory of the Firm* (pp. 237-252). Englewood Cliffs, NJ: Prentice-Hall.
- Williamson, O., & Cable, D. (2003). Organizational Hiring Patterns, Interfirm Network Ties and Interorganizational Imitation. *Academy of Management Journal*, 46(3), 349-358.
- Wilson, D., & Purushothaman, R. (2003). Dreaming with the BRICS: The Path to 2050. *Goldman Sachs Global Economics Paper #99*.
- Yelle, L. (1979). The Learning Curve: Historical Review and Comprehensive Survey. *Decision Sciences*, 10, 302-328.
- Yescombe, E. R. (2002). *Principles of Project Finance*. Amsterdam: Academic Press.
- Zaheer, S. (1995). Overcoming the Liability of Foreignness. *Academy of Management Journal*, 38(2), 341-363.

Zaheer, S., & Zaheer, A. (1997). Country Effects on Information Seeking in Global Electronic Networks. *Journal of International Business Studies*, 28(1), 77-100.

Zajac, E., & Bazerman, M. (1991). Blind Spots in Industry and Competitor Analysis: Implications of Interfirm (Mis)Perceptions for Strategic Decisions. *Academy of Management Review*, 16(1), 37-56.

Zucker, L. (1987). Institutional Theories of Organization. *Annual Review of Sociology*, 13, 443-464.

MICHIGAN STATE UNIVERSITY LIBRARIES



3 1293 03062 8253