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The impact of culture on market entry strategies: Acquisitions vs. Joint Ventures

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ABSTRACT

When a company wants to move to a foreign market, it has to understand how to deal with that market's particular culture. A country's culture can consist of its language, religion, norms and other aspects. A company needs to consider many different entry ways and factors when moving to a foreign market because they might be riskier than others. If for example a French company wants to expand to Norway, there might not be as many cultural differences, but if the new market was South America, then certain questions regarding cultural differences should be considered. The purpose of this thesis is to find out more about problems and barriers with cultural differences in emerging markets. Cultural dimensions by Geert Hofstede provide important information about the access into new markets, taking into account the behavior of consumers and the impact of a new marketing strategy. Many economists, sociologists, and psychologists have attempted to clarify the cultural influences in society and business organizations. Psychologist Geert Hofstede proposes questions that deal with the subject matter such as: How to understand cultural differences across countries, whether we are forced to learn from their mistakes, and are there some general guidelines, that should be followed?

ABSTRAKT

Wenn ein Unternehmen einen ausländischen Markt für sich erschließen möchte, muss es lernen, mit der besonderen Kultur dieses Marktes umzugehen. Die Kultur eines Landes kann seine Sprache, Religion, Normen und andere Aspekte beinhalten. Ein Unternehmen muss viele verschiedene Faktoren berücksichtigen, wenn es auf einen ausländischen Markt erschließt und bestimmte Märkte sind riskanter als andere. Möchte zum Beispiel ein französisches Unternehmen nach Norwegen expandieren, würde es wahrscheinlich viel mehr kulturelle Gemeinsamkeiten als Unterschiede feststellen, aber wenn der neue Markt beispielsweise Südafrika ist, dann würden bestimmte Fragen bezüglich kultureller Unterschiede aufkommen. Ziel dieser Masterarbeit ist es, mehr über die Probleme von Unternehmen mit kulturellen Unterschieden in Schwellenländern zu erfahren. Grundlegende kulturelle Dimensionen von Geert Hofstede oder die Anwendung des "kulturellen 5D-Modells" liefern wichtige Erkenntnisse für den Zugang zu neuen Märkten unter Berücksichtigung des Verhaltens der Verbraucher und der Auswirkungen einer neuen Marketingstrategie. Viele Ökonomen, Soziologen und Psychologen haben versucht, die kulturellen Einflüsse in der Gesellschaft und in Wirtschaftsorganisationen zu klären. Der Psychologe Dr. Geert Hofstede beschäftigt sich diesbezüglich mit Fragen, wie etwa: Wie kann man kulturelle Unterschiede zwischen Ländern verstehen und sind wir gezwungen, aus ihren Fehlern zu lernen, und gibt es einige allgemeine Richtlinien, die wir verwenden sollten?

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Abbreviations

CD – Cultural Dimensions

FDI – Foreign Direct Investment

IB - International Business

IDV – Individualism

IJV - International Joint Venture

LTO – Long Term Orientation

M&A – Mergers &Acquisition

MAS - Masculinity

MNC – Multinational Company

MNE – Multi National Enterprise

PDI – Power Distance

UAI – Uncertainty/ Avoidance Index

WOS - Wholly Owned Subsidiaries

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1. Introduction

Culture being the core characteristic of each nation, strongly influences and shapes of any individual, a group or society in general. In the business world, the presence of the culture can be felt through values and beliefs ingrained in the organizational culture. Contemporary society has been increasingly paying attention to the culture, such as cultural values and different elements of culture. Accordingly, it is imperative that an entity should have apt understanding of the other nation's culture, in order to sustain its operations at the global level (Tabellini, G. 2010). When a company chooses to enter a new market, it is confronted with numerous issues such as, cultural differences. This is why it is hard to understand the foreign culture. For a company, to enter a new market, it has to consider cultural differences, such as languages, religions, social standards, and demographics, etc. If the company has enough available information and knowledge, needed for the market participation, then entering a new market with cultural influences will be less painful (Hall, 1990; pp. 404-407).

This thesis has been done in the areas of emerging markets, cultural dimensions and two modes of entry, by authors such as: Hofstede, Adair, Marieke de Mooij, Hall, Keaney, Weber, Brothers, in addition to several others. The main issues and ideas of this thesis are the cultural differences and their effect on the companies entering strategy. We are focusing on the explanation what the countries take as their concerns regarding cultural differences, when entering foreign markets. And what's their plan for solving potential issues that come up from those cultural differences. Many authors agree that during the last decades firms have increasingly committed themselves to global markets (Barkema, Harry, Bell & Pennings, 1996, pp. 151-166).
According to Kogut and Singh (1988) in times of globalization, western firms faced strong competition from other firms, however, they managed themselves by adapting to the frequent changes in the market. Considering the newly emerging international economic landscape, the

global businesses responded effectively through external growth and adopting various other ways. Choosing to diversify beyond the national borders, firms have to adjust to a foreign national culture. In addition, whenever firms decide to draw other organizations through a Joint Venture or Acquisition, they must face national as well as corporate culture of the new market (Johanson & Vahlne, 1977, pp. 23-32).

However, over time, firms may learn from previous globalization efforts by reducing the barriers and save themselves the time and extra costs. Experts have developed theories and hypotheses about the motives of Joint Ventures and Acquisition, while other researchers also conducted empirical studies. Based on these theories and hypotheses, these earlier studies analyzed how cultural barriers had influenced the market entry modes (Kogut & Singh,1988, pp.411-432).

In contrast, the contemporary study examines the persistence of different modes and cultural dimensions. It has also provided a review of existing studies and new data in order to establish current theoretical and empirical direction by having an impact on the implementation of this type of market entry. Contemporary business conditions, volatility and a complex business environment create the need for continuous adjustment of market participants in the emerging circumstances. Improving the qualitative aspect of the competitive position of the company, demands applying an adequate, modern growth strategy. And with the impact of the globalization of the market there is the need to expand business out of national borders. Thus, inspiring companies to choose the right external growth strategies meaning the right market entry strategy (Evenett, 2004, pp.411-469.).

1.1. Problem Statement

Once companies have decided to locate their subsidiary in a specific foreign country, they have to make the important strategic choice between establishing it through certain market entry mode. “Drawing on transaction cost and organization learning theories, extant studies have shown that this choice depends on the amount of proprietary technological knowledge, cultural knowledge and on the amount of market knowledge, the parent company that has gained from prior foreign ventures, among others” (Brouthers, 2000, p.89).

Bruce and Harbir propose that the characteristics of national culture dimensions have a big influence on the selection of market entry modes (Kogut, 1988, pp. 319-332.). According to Hofstede (1980, pp.15-41), “Cultural dimensions measure the cultural distance between a home and a host country”. Dimensions that influence entry mode decision making are: ‘power distance’ and ‘uncertainty avoidance’ (Kogut, 1988, pp.411-432)). Characteristics that influence entry mode decision-making for company or country, are divided in 5 groups:

1. Internal factors
2. Product
3. Desired more characteristics
4. Transaction specific factors
5. External factors

Entry mode choice is a vital and of very important matter for companies, as well as the best entry mode, which will be used for a specific market. The cultural differences are important for success of a company and the effect culture has on companies’ entering strategies as well and their choice of mode of entering (Kogut, 1988, pp.411-432)). This thesis is focused on summarizing theories and opinions from numerous authors, while taking in consideration that literature in the area of Joint Ventures is rather small and need further research. Focusing on the main concerns regarding cultural dimensions when companies enter foreign markets and how they solve issues that emerged from cultural differences is the main objective of this study. This thesis aims to research which issues, in general, companies have to deal with, when entering new markets and how they solved them. By developing a theoretical argument, this thesis will investigate why and how culture dimensions influence the entry choice. Theoretical support for all provided questions, possible statement problems and the effect of cultural dimensions on entry modes is found in the literature.

1.2. Aim of the Thesis, Limitation and research question

While knowledge exchange requires verbal communication between markets participants, extant establishment studies have not paid enough attention on cultural dimensions during negotiations along with other specific barriers to it. The aim of the thesis was to find, explain and fill the gap by testing the cultural dimension in Acquisition and Joint Venture market entry strategies.
Specifically, this work addresses the following research question:
How Acquisitions vs. Joint Venture, as a market entry strategy, have been influenced by cultural dimensions?

In this thesis, we decided to limit our research and to focus only on the European markets instead of all emerging markets. We limited our research to examine European companies' behavior on the emerging markets. The focus is on the cultural aspects and the possible issues for the company when entering a new market with the different culture. The European market has growth fast over the years and this was one of the reasons that we choose to be merely focused on European way of doing business, as we believe it is an interesting market. According to the many predications, European market, especially Easter European market will most certainly be an important marketplace for companies in the future. Due to this reason, we believe European markets are worth studying more closely.

1.3. Methodology

The thesis is built up on theoretical research. The sources of this thesis consist of papers published in numerous scientific journals, books, etc. Our research relies on secondary data, which can be taken as an disadvantage of this work. We are dealing with the opinions of other scholars instead of facts based on empirical research which can always bring some new knowledge and information. Therefore, we collected high quality literature, which will be used to increase the reliability and credibility of the thesis. This thesis explains observations on differences among countries in their propensities to Joint Venture and Acquisition and laid out systematically, how cultural differences influence entry choice in provided large-sample literature evidence.

The literature review is a type of the research method with idea to address the issue about less literature in the area, in this case, of the cultural influences on the entry modes. The need for the articles review is supported by importance of the cultural dimensions and entry modes, in today's business activities, and relevance of the characteristics of national cultures that have frequently been claimed to influence the selection of entry modes. The integrative literature review is an appropriate way to address the problem of less discussed and researched issues in the area of Joint Ventures and Acquisition. In addition, the notion of a need for a literature review on this topic derives from a condition in which author is interested in learning more about connections between culture and entry modes, thus, we have undertaken a review of the literature on this topic.

2. Culture Dimensions

The topic of culture and cultural dimensions is widely researched and in depth analyzed. The reason behind it is that there is probably not a company in the world that have never during their lifetime cooperated with foreign countries and have to deal with possible cultural barriers during the entry to the new market. The phenomenon of culture can be traced to the time of the first human community, which shows just how much history there is behind it. But what is the reason for wanting to leave the boarders of the local market, and how culture is a part of that? The scholars offer many different answers to this question and in the following chapter we have examined the definition of the culture and the research background, cultural distance and high/low context of the culture, as well as 5 cultural dimensions, explaining differences in thinking and behavior.

2.1. Definition and Research Background

Culture is important for all things we do. Culture is a notoriously difficult term to define. In order to understand the role of culture in market entry modes (Joint Ventures and Acquisition), we consider how culture has been defined. Schein defines culture in managerial terms as: "How people feel about the organization, the authority system and the degree of employee involvement and commitment" (Schein, 1990, p.29).

He continues, adding that culture can be viewed as a widely held, shared set of values, beliefs and ideas. Culture refers to society defined as a set of values, beliefs or learned behaviors that we constantly share with other participants in society. According to Hall (1976), to understand the culture of some country and to be able to communicate

with the people there becomes very important in order to interact with individuals form the different region (Hall, 1976, pp. 106-110).
Hofstede further adds three basics components of culture, namely: what people think, what they do, and the material products they produce (Hofstede, 1980, pp.15-41). All culture forms has a unique ways and value systems that affect individuals in their perception and reaction to life circumstances. Hofstede defines culture as a: “Collective programming of the mind, that distinguishes one members or categories of people from others” (Hofstede, 2004, p.5, 6), while under the category implies: religion, nationality, organization, etc. Also, Hofstede defines culture as: “The unwritten rules of the game” (Hofstede, 2004, p.6).

From the point of view of one sociologists and anthropologist named Kluckhohn culture is defined in terms of patterns. Kluckhohn concluded that:” Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly by symbols, constituting the distinctive achievements of human groups, including their embodiment in artifacts, the essential core of culture consists of traditional ideas and especially their attached values” (Kluckhohn, 1951; p.86). These definitions, while reflecting some differences in terms and perspectives, are united by common themes. Actually, many barriers are cultural for many countries. Today, in order to build and maintain mutually beneficial relationship in business, it is necessary to be culturally sensitive especially if we talk about market entry decisions.

In the past three decades, according to (Buckley & Casson, 1976; Johanson & Vahlne, 1977) the concept of Internationalization has evolved in multiple frameworks. Johanson and Vahlne (1977, pp. 23-32) discussed: “Internationalization” as a dynamic concept that emphasizes the increasing involvement of firms in international operations”. The theories of internationalization, internalization, the rational action, and the real options are all connected and guide international market entry decisions (Buckley & Casson, 2009, pp. 1563–1580). Market entry decisions are the most important strategic choices for the companies on the market. Market entry research clearly shows that in order to advertise in a specific market, the first step needs to be the examination of local, regional and especially national culture, and most importantly the behavior of targeted consumers. The rising operations of the companies in the foreign markets along with globalization of businesses has increased the number of Joint venture and Acquisition in the world. Further, managers are now concerned about the influence of specific cultural characteristics on the processes of the company (Goodnow & Hansz, 1972, 33-50). Whether it's cooperation or communication within the company itself or company relationship with key stakeholders (shareholders, state, financial institutions, clients, etc.) the process of transferring key values within a company, motivation, planning and decision-making will be under significant influence of culture environment in which the company operates (Kogut, 1988, pp.411-432).

Considering that the culture of the region represents an important factor in the environment in which companies operate, and that the adoption of strategic and business decisions is the way on which companies adapt to the business environment. There is a clear influence of culture on the process of planning and managing companies, as well as, on the financial results. Modern economic trends are characterized by the globalization of the market that is reflected through market modes (Joint Venture and Acquisitions), as restructuring processes of companies. The main reason for implementing such strategies is the importance of cultural diversity, and the need for inclusion of national cultural norms into the strategic plans of market entry, in order to establish a conductive market entry strategy (Kogut, 1988, 411-432).

Weber propose that the process of restructuring brings better market positions and provides numerous ways of market entry strategies (Weber, 1996, pp. 1215-1227). Companies should adapt quickly to changes and be able to anticipate them. However, when a company wants to move aggressively, entering a new market, it can be faced with a different regulation. Cultural dimensions, complementary to the goals of the researched marked entry strategies, in this case Joint Ventures and Acquisitions, can represent significant advantages, but also a major risk factor (Hofstede, 1980, pp.15-41). Extensive literature research indicates that cultural distance is an important determinant of organizational actions performance in its own market. Cultural distance:" is a measure of the similarity of difference between two cultural groups or nations", explained by Hofstede (1980, pp.15-41). The overview of the influence of culture on country activities on the market is shown through the works of Geert Hofstede and many other researchers. He defined six model dimensions of national cultures, and briefly describes the idea of Power Distance, Uncertainty Avoidance, Individualism/Collectivism, Masculinity/Femininity, Long/Short Term Orientation, and Indulgence/Restraint (Hofstede, 1980, pp.15-41).

At the year 2002, Hofstede G. together with his associates, questioned 116,000 participants from 70 countries in the period from 1967 to 1973, which is considered to be the largest number of respondents in a management research study. He later expanded the study to another 50 countries and 3 regions (Hofstede,2002, p.98). At the year 1984, Hofstede present that all differences are based on culture, what he proved in his study. Culture is very hard to define, but Hofstede's theory defines it as follows:" Culture is the collective programming of the mind which distinguishes the member of one human group from another" (Hofstede, 1997; p.300-434).

According to Hofstede (1980, pp.15-41.), culture includes systems of value, and value among the building blocks of culture. In today's world, the cultural distance plays an important role in choosing the right way of negotiation in the business market that is why during the research we investigate this by developing a theoretical argument for why culture influences the choice of entry. When it comes to the performance of companies in foreign markets, it is important to pay attention to the influence of specific cultural characteristics on the business process in different environments, especially as there is an increasing number of multinational companies. If we realize the significance of culture influence on time, the process of planning and running the company, and choosing the right entry strategy can result in success. This topic is relevant due to characteristics of national cultures that have frequently been claimed to influence the selection of entry modes (Weber, 1996, pp. 1215-1227).

2.2. Cultural Distance

Cultural distance represent the distance between the national cultures. Cultural distance is explained as a different cultural value among countries, organizations, companies (Kogut, 1988, pp.319-332).
Also, distance represent the differences in communication between the individuals or groups. On the market, MNE's are affected by different types of distance in different ways. One of the most important distance dimension is cultural distance, most researched by Kogut & Singh (1988, pp.411-432). They created K-S index for cultural distance which is used for measuring the cultural distance between MNEs home country and the target country, and the index is based on Hofstedes (1980) national culture dimensions. In the last few decades, international business (IB) research started to use concept of national cultural distance in order to explain behavior and success of multinational enterprises (MNEs) (Shenkar,2001, pp.519-535). Definition for the culture, Hofstede proposed as following: "Culture is the collective programming of the mind, which distinguishes the members of one human group from another... Culture, in this sense, includes systems of values; and values are among the building blocks of culture" (Hofstede, 1980, pp. 15-41). Consumers from different cultural backgrounds will not behave the same way because the product will be viewed from different perspectives. It has been proven that the cultural environment has a significant impact on the international advertising strategy (Shenkar, 2001, pp. 519-535). In the researched literature we have found examples provided by different researchers, with the point

that traditional cultural values influence the choice of advertising and cultural distance. If we look at the Hofstede empirical study's, we can recognize similarities as an emphasized in the value structure of the countries, for example England, France and Germany: "Which influence the use of a standardized advertising strategy with possible small modifications in advertising messages or complete absence of differences" (Hofstede, 1984, pp. 81-99). On the other side we have an effect of "cultural distance", examining cultural differences between the United States and Germany in one hand, and United States and Japan other.

According to Andersson and Svensson (1994) cultural distance is defined as: "The difference between senders and recipients advertising messages" (Andersson & Svensson, 1994, pp. 551-560). Hall discussed about standardized messages, which have been found to be more probable when cultural differences are less. Accordingly: "Standardized messages were more typical for commercials exchanged between, for example the US and Germany than between the US and Japan" (Hall, E., 1976, p. 106).

Placing the new product on the market, means achieving a business co-operation or the possibility to negotiate. Negotiation represent difficult process, especially when the cultural dimensions are involved. Negotiator have to be prepared to meet a different type of person on the other side of the table and to be a real expert to be able to achieve what he wants (Shenkar, 2001, pp. 519-535). Negotiation to be success, must recognize important cultural signs, and barriers, overcome them and apply skillfully to achieve the goal of the company. Hall considers that for their: "Successful business cooperation with foreign business partners, it is necessary to know their culture, differences and values that are established in this business culture" (Hall, 1976,p.140).

As noted above, we should be more focused on recognizing cultural differences. Each nation has its own pattern of behavior, a pattern of management enterprise, and its motto based on the observation of the environment or the world around it. For example, according to, Hofstede (1996), US culture is based on the perception that time is money, in France's culture, we can recognize through accuracy and high formalities, and Japan's culture is based on respectability patterns and authority (Hofstede, 1996, pp. 189-198).

When entering new market, it is of the big importance knowing the differences in cultural behavior around the world. There are several dimensions founded by well-known researchers and cultural science experts like Geert Hofstede and Shalom Schwartz, who measure to which extent cultures, behave similar. All these distinctions can be explained by simply trying to understand people’s behavior; for this reason, scientists showed that it no longer makes sense to cluster countries based on geographical closeness but to rather group them according to their cultural closeness (Marieke de Mooij, 2011, pp.181-190).

Knowing these cross--cultural differences can also explain how people negotiate and which strategies and information -sharing tactics are used. Moreover, it is from tremendous importance to know whether the negotiation partner is from a high or low context culture to understand the negotiation process, which can be completely mystifying for an out stander, at least at the beginning (Adair, Brett et al., 2004, pp. 87-111). There were particularly five different countries selected by Adair Brett (2004): France, Russia, Japan, U.S.A., Brazil and Hong Kong Chinese, to demonstrate how negotiators behave and how several strategies concerning information sharing and use of power are used.

The biggest problems when we deal with the cultural differences involve different languages, different values and attitudes (Harris & Moran, 1991, p.231) For doing business in a foreign market, the main tool is communication. The business negotiation depends a lot on the good communication, expression of the emotions about the business and possible misunderstanding, which are based on cultural differences (Adair, 2004, pp. 87-111).

A new market's culture can affect a company's strategy in many ways, because of that it is very important to develop an appropriate strategy when it comes to doing business on the cultural "colorful" map of the world. There is a large number of "failed" business, because it did not care about cultural dimensions, and did not pay attention to Hofstede's "5D cultural model" (Hofstede Insights, 2018).

Zhang, Zigang and Liu (2007) examine the issue about impact of cultural differences on the market entry, in the article "Choice of entry modes in sequential FDI in an emerging economy". The issue is that many companies hesitate when it comes to entering a new market, because it is seems like a big risk. As stated bay authors, if there is any differences between countries culture which are collaborating, may cause significant problems for companies when entering a new market (Zhang & Liu, 2007, pp.749-772).

2.2.1. High/Low Context Cultures

Edward Hall with his book "Beyond Culture" from 1976 was first who discussed high and low context countries. He stated that the paradox of cultures is the language, which is possible to make all communications. Hall describes language as a system for organizing information. All cultures are extraordinarily complex and each of them has its own functioning system. It cannot be said that one system is better than the other one, because they are all different in the way of representing the culture and consistent with everything else (Hall, 1976, p.45). In high--context cultures, most of the information is part of the physical context and little part of them is an explicit type of messaging (Hall, 1976, p.45). Therefore, information is transmitted indirectly or implicitly. Japan is a very good example for a high--context country which can be for an unknowing observer from a low-context country completely mystifying as "yes" does not has to mean "yes" and symbols play an important role during negotiations. Furthermore, a high context culture can be defined as inaccessible to outsiders who are not used to symbolism and indirect verbal expressions (Marieke de Mooij, 2011, pp.181-190).

Low-context countries like the United States, Germany and Switzerland prefer direct communication, which is known to be action oriented, and solution –minded (Adair, 2004, pp.87-111.). People from these cultures do not mind talking about preferences and priorities and react explicitly to offers and proposals (Adair, 2004). Hall gave a great example for low--context countries: "Talking down to someone is low-contexting him, telling him more than he needs to know" (Hall, 1976, p.150). As the ladder gets up, it is more and more important to be able to read the indirect communication from your negotiation partner. The particularities concerning high and low context cultures bring also differences in information sharing and power strategies in negotiations with them. A direct way of negotiating is making an offer like: "I prefer a company car to a company phone", whereas an indirect way would be an offer like: "I would consider a salary of $70,000 and a bonus of $10,000" and later admitting that the salary is more important than the signing bonus by saying "$75,000 and no signing bonus" (Adair, 2004, pp.87-111).

It is interesting to read, that U.S and Japanese negotiators are known to have a similar behavior concerning information sharing, even though both cultures negotiated in their own way and score different on the six dimensions by Geert Hofstede. Japanese businesspersons embraced indirect information sharing strategies whereas U.S negotiators used direct information, but both managed to show their partner their preferences and priorities (Adair, 2004). The researches therefore suppose that there are no differences in high or low context negotiation strategies regarding the high of the joint gains, they just recommend every culture to stay at their well-known tactic.

2.2.2. Hofstede's dimensions of National Culture

The Dutch expert for cultural sciences Geert Hofstede developed more than 45 years ago a framework about differences in cultural values to explain the behavior of people around the world (Marieke de Mooij 2011). His five dimensions have been refined ever since. In 2010, Hofstede added a sixth dimension called indulgence which shows clearly that the model is still developing due to the many differences which make every culture so special (Hofstede, 1991). The six current dimensions are called the following:

1. *Power Distance (PDI)* - The degree of authority distancing is the extent to which it is less influential community members accept and expect that authority is unequally distributed. This dimension shows the degree of inequality, but it is defined from the aspect of those who have less power, means "from below" and emphasis is placed on the fact that inequality is equally in consciousness and those that are at the top of the hierarchy and those on the rankings of the authority are on a lower level (Hofstede, 1997, pp.60-86).

2. *Individualism/Collectivism (IDV)* - Contrary to collectivism, individualism is a degree in which individuals are integrated into communities. In individualistic cultures, the individual cares primarily about his own interest, while in the collectivist prevalent "we" way of thinking. In cultures with a greater degree of individualism, the personality of an individual, his work, and leisure and privacy, as well as the expression of individual attitudes, are more respected. In cultures of such companies, emphasis is placed on harmony, greater respect for tradition, as well as older and more experienced employees, greater consensus in decision making, which leads to slower introduction of changes to society, so that collectivism will be preferred (Hofstede, 1997, pp.90-133).

3. *Masculinity (MAS)* - In order to be divided cultures into "men" or "women", it is important to distinguish their characteristics. One culture is "masculine" if characteristics are recognized, such as: the need to prove, aggression, materialism, competitive spirit, power and importance of individual achievements (which is characteristic for east Asian, Anglo-Saxon and Central Europe). "Women" cultures are characterized by calmness and care. In "female" cultures, the closeness between the values shared by men and women is higher, while in "masculine" cultures, although women have a greater tendency to prove, there is, however, a greater difference between male and female concepts (Middle East, Western and Nordic countries) (Hofstede, 1997, pp.138-146).

4. *Uncertainty/ Avoidance Index (UAI*) - This is about the degree of risk (vulnerability) that the members of society feel in uncertain, unclear or changing circumstances. Characteristics In national cultures with high DACIs, people do not like changes, risks and uncertainty, tolerance as if it were not. Because of this, it is preferred formalization, standardization, as well as the hierarchy that needs to be provided in the society stability and regulation. Every new change is perceived as a threat, and not a chance to improve the existing situation. In societies with a high Avoiding risk and uncertainty is also a high degree of aggression and anxiety. Serbia with its record of even 92 for this Hofstede's dimension, represents a country with very high UIA. Countries with a characteristic high avoidance of risks and uncertainties, rigid rules, beliefs are kept and behaviors, and are intolerant to unusual behavior and ideas. U These cultures have an emotional need for rules (even if they always do not work), time is money, people have an inner need to be. Busy and hard work, norms are precision and accuracy. Safety is important element, and according to innovations can be resistance (Hofstede, 1997, pp.188-233).

5. *Long Term Orientation (LTO)* - Here is the difference between the fastest Western and slow, traditional, Eastern culture, where attention is paid to value. This fifth dimension Hofstede added in 1990, when he

noticed that there was Asian countries with strong impact were "saving and fetching knee" (Hofstede, 1997, pp.236-274).

The primary importance of the classification of national cultures is avoidance misunderstandings and misinterpretations between people from different countries. The "5D cultural model", or Hofstede's theory, explains the basic dimensions and illuminates differences in thinking and behavior, used by advertisers and media planners when preparing campaigns. So, as already mentioned, it is essential to know whom you are speaking to when you perform on the new market because of traditional cultural values, which affect the choice of advertising messages.

3. International Market Entry

The topic of International market entry is widely researched and analyzed, because internationalization represent a long demanding journey for each company which is fights for their place on the new market beyond the borders. There are numerous differences between the domestic and foreign market, such as language, culture, etc.

For that reason this chapter will look at market entry viewpoints explained by Porter (1980) and Barney (1991). Illustrate the Comprehensive Model of foreign market entries, in order to be able to answer on the questions about entry: where, when, how? It will deal with the different international strategies for two market entry modes: Acquisitions and Joint Venture. In different literature reviews, disagreements exist on "whether the Acquisition or a Joint Venture implies the failure of its activities" (Csath, 1997, pp. 117-118).

According to this book review, Acquisition or Internalization by one of the partners, may represent the realization of an investment option.

This type of interpretation of entry modes in one way suggests that a Joint Venture provides a strategic option in the course of growth that cushions the downside risk of future investments (Csath, 1997, pp. 117-118). “Acquisition may reflect mutual satisfaction with a venture's having both partners' meeting their goals, Acquisition can also provide a broader interpretation of Joint Venture performance” (Kogut, 1988, pp. 411-432). Interestingly, we found that in most cases the optimal entry mode is affected by the competitors and their intensity on the market. When markets are intermediate competitive the great value has Acquisition, but the finite life of Joint Ventures also presents an interesting dimension.

3.1. Market Entry Viewpoints: Industrial/Resource/ Institution Based View

International business (IB), success and failure in them are one of the main questions which Peng (2008) in his work about institution-based views of international business strategy’s, explored. He shows two traditional perspectives for addressing this questions and potential problems.

- Industry-based view, which is represented by Porter (1980).

He proposed that: “The industry structure has a strong influence in determining the competitive rules of the game as well as the strategies potentially available to the firm” (Porter, M. E.,1980, p.3). Also, a big attention has been directed at defining the relevant industry as an important step for every company in order to build good competitive strategy.

- Resourced- based view, which is exemplified by Barney (1991)

Where he suggesting the kinds of empirical questions in order to understand whether or not a particular firm resource is a source of competitive advantage, is it valuable (Barney,1991, p.115).

When the answer for internationalize is yes, it is then necessary to make decisions regarding the location, region and mode of entry, known as the where, when and how ("2W1H") aspects (Peng, M., 2006, p.157). Every decision is a package of strategic considerations drawn from the three leading perspectives, with comprehensive model (Figure 1).

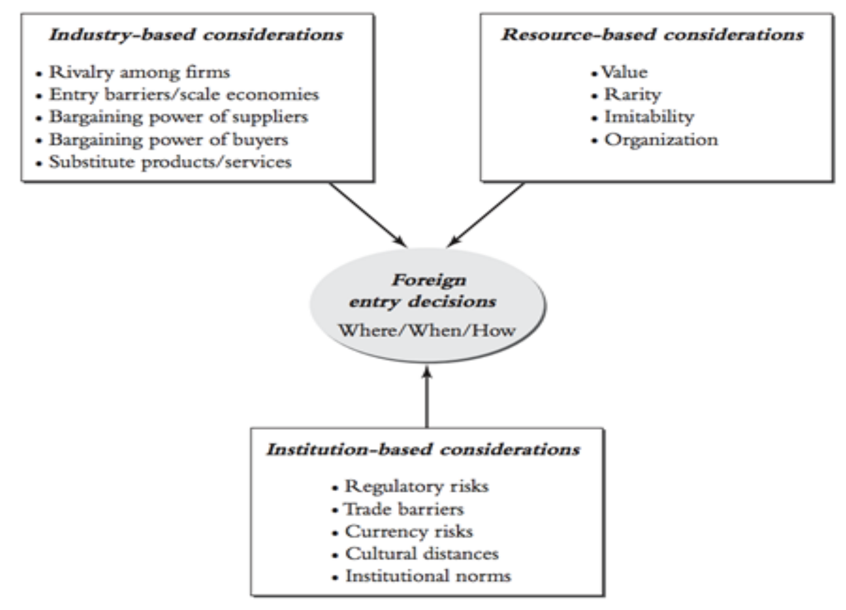

Figure 1: Comprehensive Model of Foreign Market Entries; Sourced from; Peng, M. (2006, pp.157)

Comprehensive Model depends on 3 types of considerations:

1. Industry-Based Consideration

According to Peng, M. (2006, pp.158) competition among established firms is the situation of matching each other in foreign entries. Entry barriers for the intense firms represent the attempt for them to compete abroad and bargaining power include multiple stages if the value chain. Overall," how an industry is structured and how its five forces are played out significantly affect foreign entry decision" (Elango, 2004, pp.107).

2. Resource-Based Considerations

According to Berry H. entry modes are focused on the value, rarity, imitability and organization aspects. Value play a key role behind decisions to internationalize. Potential rarity of the company, leads them to use such assets in the foreign market. For example, patents, brands and trademarks are the important values which protect rarity of the certain product features on the new market. This view, present an important set of information for future preparation of the right entering strategy of some company, willing to join foreign market (Berry,2006, pp.20).

3. Institution-Based Considerations

"Overall, the value of the core proposition of the institution-based perspective on strategy, Institutions matter, is magnified in foreign entry decisions. Rushing abroad without a solid understanding of institutional differences can be hazardous and even disastrous" (Peng, M.,2006, pp.163).

3.2. International Strategies for Market Entry

The selection of market entry modes is one of the most researching topics in the area of International Business. According to Anne Harzing the selection of different market entry modes become one of the most researching topics in the area of International Business, considering nearly 100 studies identified on this topic in the past three decades (Harzing, 2003, pp. 75-127).

One of the areas in which results from mentioned research are impressive is the impact of cultural dimensions on entry-mode choice. At the year of 1988 together with Kogut and Sing, cultural distance becomes prominent, then in earlier studies and they start to develop and become an important part of the number of publications (Kogut, 1988, pp. 411-432). According to Shenkar at the year 2001, cultural dimension has been used as a key variable in strategy, management and organization behavior. Shenkar (2001) proposed that the FDI represent the most interesting area for applying cultural dimensions, saying the following: “Most often in the form if an index compiled by Kogut and Singh (1988) from Hofstede’s (1980) cultural dimensions” (Shenkar, 2001, p.520). The entry-mode choice area with the largest number of publications founded was interesting for this research.

The first thing for every company on the market is do figure out first step to determinate whether to pursue equity or Non-equity mode of entry. According to that, we recognize on the market MNE’s (which choose equity mode to use) and non-MNE’s (using non-equity mode). Scale of entry represent key dimension in foreign market and the first step to the equity and Non-equity mode. Entry decision is very complex and the important key variables. For this reason, we decided to include “A Decision Model” explained by Peng M. (2006, p.168).

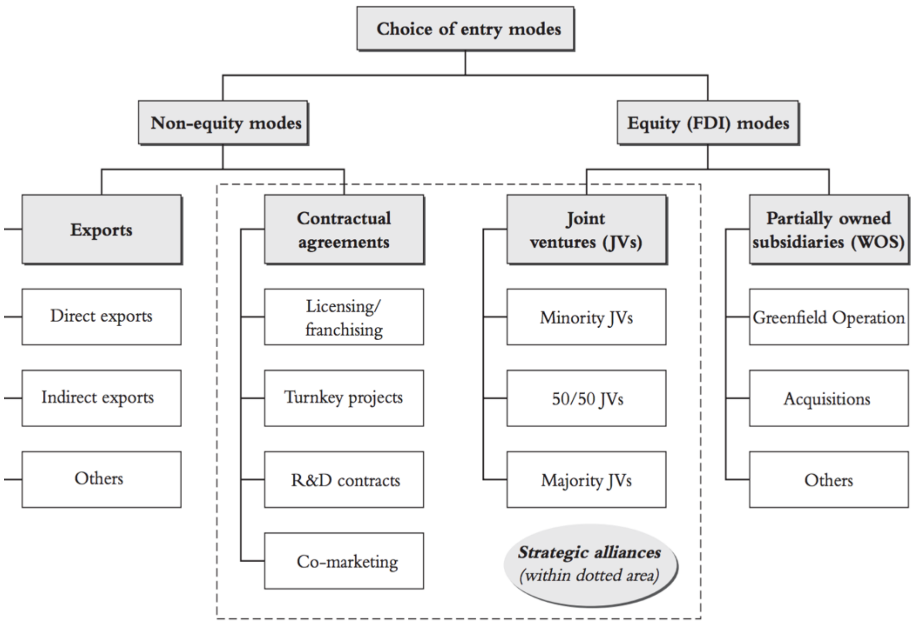

Figure 2: The Choice of Entry Modes: Decision Model; Sourced: Adapted from Y. Pan & D. Tse, 2000, The hierarchical model of market entry modes (p. 538), Journal of International Business Studies 31: 535—554, quoted by Peng M.(2006,p.169).

According to Peng (2006), he proposed that Non-equity modes are:" Modes of foreign market entries which do not involve the use of equity". He explained in details advantages and disadvantages all non and equity modes, considering that for small- and large-scale entries usually the issue is about the equity (ownership).

Non-equity modes: (exports and contractual agreements) "tend to reflect relatively smaller commitment to overseas"(Peng, 2006, p.170). Second step in selecting modes of entry, are definitely variables which leads to modes for entering the foreign market.

According to Lu J. (2001) we can recognize three broad non-equity entry modes for entering to the foreign market:

- direct exports/ indirect export
- licensing/franchising, turnkey projects, R&D, co-marketing
- foreign direct investment (FDI) (Lu, 2001, pp.565–586).

Export is one of the fastest and easiest ways to enter the foreign market. For most companies, especially smaller ones, it represents the first step toward internationalization. Also, the most basic mode. “Direct exports entail the sale of products made by entrepreneurial firms in their home country to customers in other countries. This strategy is attractive because entrepreneurial firms are able to reach foreign customers directly” (Peng, M., 2006, pp.139). Another export strategy is *indirect exports*, which enjoys the economies of scale in domestic production.

In the next group of non-equity entry modes, we can find contractual agreements in the way of licensing/franchising, turnkey projects, R&D contracts and co-marketing (Peng, 2006, p.171)

Licensing/franchising as a second way to enter international market. This type of enter is usually used in the area of service industry, for example fast food, or furniture store, but the most used area for franchising mode is gastronomy. Licensing, such as exports, falls into less complex methods of engaging in international marketing. "The licensor or a domestic company, under a license agreement, issues a license to a foreign company to use the production process, trademark, patent, business secret or some other value. The licensee for these rights to the home company pays royalties or royalties” (Pearce, 2003, pp. 218). According to Barkema, Bell, and Pennings we can conclude that the international franchise is a special form of license, that is, business cooperation between franchisees, affiliated international companies and franchisees, which is made up of several smaller companies from different countries (Barkema, Bell, 1996, pp. 151-166). As franchisee users, small and medium-sized enterprises usually appear in the market to see their survival in cooperation with an international company. The biggest problem with franchising is the preservation of product or service standards (Peng, M., 2006, pp.163).

FDI (foreign direct investment) is a third entry mode and the most complex form of inclusion on the foreign market. This strategy for the company bears the biggest risk and requires a great investment. Companies that opt for this business move may form their own production, that is, they set up their own company in a foreign country or acquire majority or full ownership of a company operating on a foreign market (Peng, M., 2006, p. 168). In general, “the level of complexity and required resources increases from direct exports to licensing/franchising and to FDI” (Peng, 2006, p.171). Harzing nicely explained that the language and institutional differences, economic, political differences represent all country differences that might be of big importance and can affect entry mode decisions (Harzing, 2003, pp. 75-127).

Equity modes (FDI): (JV and wholly owned subsidiaries)” Modes of foreign market entry which involve the use of equity and they are indicative of relatively larger and harder to reverse commitments” (Peng, 2006, p.170). According to Harzing (2003) we recognize two broad equity (FDI) modes for entering to the foreign market:

- *Joint Ventures* (JVs)
- Partially owned subsidiaries (WOS): Greenfield operation and *Acquisitions* (Harzing, 2003, p.77).

In his study he investigated the impact of cultural dimensions on the choice between equity and non-equity entry modes. Harzing (2003) concluded that in most cases cultural dimensions leads to the preferences for non-equity entry mode and that the companies will use, one the start, “slow-commitment entry modes (such as exporting and licensing)” and when they learn about the country they willing to enter, they will choose equity entry modes, for example subsidiaries (Harzing, 2003, p.88). In correlation with proposals from Peng (2006) and Lu J. (2001), we can conclude that cultural dimensions and country differences “do have an impact on entry-mode choice” (Harzing, 2003, p.89).

According to Shenkar (2001) the first time that cultural dimension was used in the FDI literature was in the area where firm has decided to invest in a foreign country: “Arguing that firm were less likely to invest in culturally distant markets” (Shenkar, 2001, p.522). He explained that larger CD between home and host market rather encouraged FDI as a way of overcoming transactional and market failures and that the Japan's CD are a big contrast to the Japanese FDI. In addition, that US investment in UK have some similarity (Davidson, 1980, pp.9-22).

According to Freeman (1987), connecting the Transaction cost theory with the cultural dimensions, we got some answers: "Higher the CD, the more control MNE is likely to maintain over its foreign operations" (Freeman, 1987, p.385). Shenkar (2001) mentioned control as a variable which was formulated as an important:" Between licensing and FDI and more often between the wholly owned subsidiary" and partially controlled IJ, "but loosing of control in this entry modes in culturally distant location was seen as a way of reducing uncertainty and information cost" (Shenkar, 2001, p. 521). The group of equity modes make: Joint Venture "as a corporate child" (Peng, 2006, p. 172). On the other side there are wholly owned subsidiaries (WOSs), which can be establish through Greenfield and Acquisitions.

3.3. Joint Venture

This literature review attempts to present the research related to the way in which companies and countries adopt to enter the foreign market. Presently, the widely used strategy to enter new market is largely through Acquisitions and (less) Joint Venture. The literature review also attempted to clarify the relationship of cultural decision and its impact on the choice of entry into the market. While we were searching for culture relevant literature, we found substantial about of written material about cultural differences between the partners. The interesting part was the material about national and organizational cultures, because we found comparatively less research on the formation of a new culture lead by the cultural differences. After reviewing all the materials, we select, we chose important theories and concepts that will eventually assist us in evaluating our research problem. This chapter explores the option of Joint Ventures and

Acquisition and their correlation with cultural dimensions. Later discussion considers some of the practical considerations when setting up a Joint Venture/ Acquisition and cultural influence.

3.3.1. Joint Venture Concept

The concept of Joint Venture covers a wide range of situations that arise from the market involvement of different entities and possible legal forms, engagement, types of activities and objectives that are the purpose of such a concept of business association. Therefore, the differences in determining the notion of Joint Venture as a business concept and marketing strategy are provide from understanding of the concept of Joint Venture in the context of similar forms of business linking (McConnell and Nantell, 1985, pp. 519-536.).
According to Michael Paul Lyons (1991), Joint Ventures have become popular in the year of 1990s. In his literature review about Joint Ventures as a strategic choice, he used Michael Porter (2013) "Five forces model" in order to explain why Joint Ventures are proliferating and why some industries are consistently profitable, and why others usually experience cyclical variation. This chapter provides a critical review of existing studies and new data in order to establish current theoretical and empirical directions. Joint Ventures are the most common form of strategic alliances and alternative to Acquisitions, contracting and internal development (Makino and Neupert, 2000, pp. 705-713.). Various authors and researchers in detail discussed Joint Venture.

According to Williamson (1985, pp.30-38), structure and process of exchange are concepts, most notably of international Joint Ventures, which involve highly idiosyncratic assets under cross-cultural conditions. One of the interest types of Joint Venture is domestic and International Joint Venture. Where Joint Ventures created by merging companies from two or more countries are called International Joint

Ventures (IJVs). They are considerably more complicated than domestic Joint Ventures due to regulatory, political and cultural differences. Since International Joint Ventures are often formed between companies from different continents, in such cases they are also referred to as overseas Joint Ventures (Das and Teng, 1999, 50-61). In the case of high performance risk, Das and Teng (1999) concluded that: “There is a concern that one’s knowledge in combination with other resources, may not result in acceptable alliance performance”, which means, in order to deal with this risk firm needs to be focused on their knowledge productivity and punctuality, and on how they should use the knowledge they have, in order to achieve good results (Das and Teng, 1999, pp. 50-61). Because of cultural differences, partner firms often do not often work efficiently. According to Dan and Teng (1999) we can conclude that firms need to figure out ways to expeditiously integrate these intangible elements of their systems for every negotiation and decisions for the market activities (Das and Teng, 1999, p.56).

3.3.2. Motives for Joint Venture as strategic choice

Motives for International Joint Ventures can be divided into those who motivate companies to enter International Joint Ventures abroad and those who motivate companies to enter into International Joint Ventures in their own country. The greatest contribution to the research about Joint Ventures is in the field of motivation for selecting this organizational form of business, concluded Glaister (1996), while many others segments till today remain neglected, especially when it comes to accounting and financial valuation of Joint Ventures. The motives of forming Joint Ventures are numerous, as are the number of their own classification. Still, according to Glaister (1996) the most common motives for Joint Ventures can be selected into three categories: expense reduction, risk reduction and resource Acquisition (Glaister, 1996, pp. 301-332).

According to Glaister (1996) and Kogut (1988), motives for forming Joint Ventures are explained by various theories, where the number is still not specified. All the theories that are used to explain the emergence of a Joint Venture actually explain the reasons why companies choose such an organizational form of cooperation. Although none of the theories covers all the motives, which are the reason for establishing common venture, exist about two theories: transaction cost theory (TC) and resource-based theory (RB) (Hennart, 1988). According to Harrigan (1986) the main question regarding Joint Venture is, if managers are willing to use Joint Venture effectively, they need to find the way to assess the best partners for their firms, as well as good guidelines on how to manage relationships with their venture from different countries (Harrigan, 1986, p.6).

Most effective way for doing Joint Venture is cooperative relationships with the partners, such that managers can make some kind of chemistry between partners and venture. If we get back to the work of Adair and Brett (2004), who have been discussing about cultural influences in the international negotiations and simply trying to understand people's behaviour, not judging them for who they are, but to rather aiming to understand their culture and where they come from. Knowing cultural differences can be helpful to understand how people negotiate and which strategies and information sharing tactics they are using. Moreover, it is from tremendous importance to know whether the negotiating partner is from a high or low context culture, in order to understand the negotiation process (Adair, Brett et al., 2004).
Edward Hall in his book "Beyond Culture" discussed high and low context countries. He stated that the paradox of cultures is the language, which is possible to make all communications. All cultures are extraordinarily complex and each of them has its own functioning system. In high--context cultures, most of the information is part of the physical context and little part of them is an explicit type of messaging (Hall, E. 1976). These are some "rules" which shown us that if we want

to choose the best option for our market entry, it is very important to understand cultural dimensions and take them seriously.

3.3.3. Cultural influence in Joint Ventures

According to Hofstede (2002), among all dimensions of national culture, on our opinion or perception of organizations, most affect have hierarchical distance and uncertainty avoidance. Namely, organizing always requires answers to the questions: "Who has the power to make decisions" and "which rules and procedures will be respected in order to achieve the desired goals in the organization" (Hofstede, Hofstede, & Pedersen, 2002, pp.29-169)?
According to them, the answer on the first question would be, that the decisions making are influenced by the cultural dimension of hierarchical distance, while the answer on the second question is, in order to achieve the goals, the participant will try to avoid uncertainty. The rest of cultural dimensions (individualism-collectivism and masculinity-femininity), have been affecting more our way of thinking about people in organization than thinking about organization on its own (Hofstede, 2004, p.242).

Conceptual definitions of organizational culture are different, and the term as such is very complex as well, so that, it's hard to place it in strict frames. One of the twenty definitions referred to Hofstede, is following: "Culture is, when it comes to organizations, a general pattern of behavior, common beliefs and values of their members. It can be inferred from what people are saying, and what they do and think within organizational environment. Includes learning and knowledge transferring, beliefs and patterns of behavior over a period of time, which makes it quite stable and does not change quickly" (Hofstede, 2004, p.242). According to Hofstede (1997) organizational culture is best described as the appropriate synthesis of beliefs, behavioral style and action, which is used as a medium by which the behavior of organizations members is directed. By adopting a system of values that is imposed by adopting norms of behavior, along with cultivating certain customs and traditions, members of the organization participate in the creation of organizational climate in the company. In short, it represents the way of life and work of the organization (Hofstede, 1997, pp.300-434).

3.3.4. Joint Venture in relation to Cultural Distance

Park and Ungson proposed that: "Although the fundamental tenet of a cross-border Joint Venture is that the economic and organizational transactions that will occur within it are variable, the nationalities of the partners are a given" (Park & Ungson, 1997, pp.279-307). It is known that participants in cross-border Joint Ventures represent the value and institutions of the markets which are defined by nationality (Geringer & Hebert, 1991, 249-263). Studies by Kogut, (1991) have shown that national culture have an effect on the behavior of the managers, and on that way moderates the relationship between structural variables and the performance of Joint Ventures.

There have been numerous discourses on the effects of cross-cultural differences on management practice (e.g., Hofstede, 1980, 1994). Even so, relating partner nationality to Joint Venture failure defined by Kogut (1991) and to forms of Joint partnership defined by Barkema, Bell and Pennings (1996) is relatively recent (Park & Ungson, 1997, pp.279-307). Because the relationship between partner nationality and dissolution was not necessarily the focal point in prior studies (e.g., Hofstede, 1994), and because the related effects of organizational and economic variables have not been systematically investigated, what is known about the dissolution of cross-border Joint Ventures is fragmented and not systematically integrated (Park & Ungson, 1997, pp.279-307). "The case against cross-border Joint Ventures (and for national ventures) is generally based on the simple proposition that similar cultural values can reduce misunderstanding between partners and that culturally distant Joint Ventures experience greater difficulty in their interactions" (Harrigan, 1988, pp.141-158). The more culturally distant two firms are, the greater the differences in their organizational and administrative practices, employee expectations, and interpretation of and response to strategic issues.

3.4. Mergers & Acquisitions

The advent of globalization on the back of opportunities provided by industrial revolution has provided countless opportunities in every aspect of life. The business community and its investments has heralded a new dawn on the world horizon. One of the several developments during this era was the production of steam engine and after that it new and improve variants have increase the interconnectedness of the world (Caves and Mehra, 1986, pp.449 - 481). Moreover, the availability of high-speed Internet and progressively new models of transport vehicles and airplane have made the journey a pleasant experience. Owing to the factors mentioned above, the businesses started to operate in different countries largely in order to save costs related to transportation and other inputs. Thus, there are various advantages and drawbacks for the companies that want to move their production facilities to the developing countries. As the standard of living is not at par with the developed world, the developing world has lower cost for inputs that are required for the business or any corporation to commence its operations (Caves and Mehra, 1986, pp.449 - 481).

The labor is one of the key resources for any commercial enterprise. Although there are advantages in terms of cost, the quality of labor is sub-standard. This is because of the two reasons: the high education institutions cater much smaller number of population and even the existing institutions' quality of output in terms of research cannot be compared with that of the developed world (Eurostat statistics explained, 2018).

Therefore, keeping the factors related to cost and expense into consideration, the entities typically move their manufacturing facilities into the developing world but retain their research and development operations in their host countries. For example, all research and development of the iPhone is undertaken in the United States whereas its production operations are in China (Kabin, 2013). Due to the dearth of highly qualified labor or employees, the foreign firms had to train the existing labor to the standards that are required by the organization. In this way, both the organization and the country benefits and the quality of labor improves. When the production facilities are shifted to the developing countries. Lower cost of operations results in higher profit for the firms. In this way, these foreign firms can aptly compete against their rivals. Moreover, more monetary resources enable these firms to increase their research and development expenditure and expand their product portfolio. As foreign firms move abroad for their production, they develop a capability of getting things done in the foreign environment. Such instances, build their intellectual capital, which can be used for expanding operations in other countries and areas (Caves and Mehra, 1986, pp.449 - 481).

3.4.1. Motives for Acquisition

The developed countries are more concerned about the laws and regulations pertaining to preservation of their natural environment. Therefore, the manufacturing companies have to install special machinery and incorporate additional measures to ensure that the hazardous waste is properly disposed. Such measures increase the cost of per unit production for the company. Thus, due to laxity of regulations related to pollution in the developing economies, the firms shift their production facilities into the developing nations (Boeri, 2008, pp.1-19).

However, lack of implementation of laws in the developing world can also be a bane for the firms in the developed world. For instance, software firms such as Microsoft complain about the sale of their pirated products in the developing markets. Moreover, rampant smuggling in the developing countries also hurt the revenues of the foreign firms. The foreign firms, sometimes, "expand their operations in the developing world" in order to increase their global market share for their products. For instance, companies are moving their operations to other countries, primarily because of two reasons (Caves and Mehra, 1986, pp.449 - 481). Firstly, cost saving and secondly the proximity of operations near the target market. Thus, raising their revenues and eventually providing higher value to their shareholders. For instance, the large smart phone companies are in competition with each other at a global level in order to take as much share as possible from the developed and developing world (Boeri, 2008, pp.1-19). Foreign firms can transfer their technology and help the country to develop its industry. For instance, the advent of tech-giants like Microsoft in Pakistan has resulted in the setup of computer labs in different universities of Pakistan such as NUST (Microsoft, 2018).

These computer labs serve two main purposes. They impart computer and programming knowledge to the student. Secondly, they are also used as an incubator for the newly created tech start-ups. Further, the western oil companies in the Arab world has provided the technical know-how regarding the extraction of oil from the oil field. This germinated into the huge wealth for the countries, especially those who are part of Gulf Corporation Council (GCC) (Asian Bonds Online- Asian Development Bank, 2017).

In this way, both the firms and the government benefitted. Thus, resulting in the economic gains for both the parties. There are some countries in which the multinational cannot repatriate all of its profits to its headquarters. A certain percentage is allowed to be transferred. Such countries have strong protectionist policies. However, on the flip side, multi-national firms' repatriation of profits can be a bane for the country like Pakistan. This is because, such countries already suffer from chronic balance of payment deficit and the repatriation of profits worsen the situation (source: Asian Bonds Online- Asian Development Bank, 2017).

Developing countries generally have more inflation than the developed ones. Such situation typically results in gradual depreciation of developing country's currency over time. The profits earned by the foreign firms in the developing countries are also affected in the negative way. Thus, profits in real terms are reduced by a certain percentage when they reach their home country. Nevertheless, the company also faces risk of drastic depreciation of a currency after it invests in the developing country. In this way, the value of assets falls sharply (Boeri, 2008, pp.1-19).

3.4.2. Economic effect in the Host Countries

Developing nations generally have their trade account deficit. This means that they import more goods and services and export less. Thus, in order to bridge the gap between the receipts and payments, foreign direct investments play critical role in it. Foreign direct investments (FDI) assist the developing countries to balance their current account deficit. Apart from that, FDI also brings a new technology into the developing country and through the stimulation of economic activity, the GDP of the developing country grows and this produces a positive dividend to the rest of the population at large (Buono, & Bowditch, 1989, pp. 7-80).). Multinational firms are also threat to the local businesses. This is largely due to the abundance of their resources at their disposal. For example: the onset of German retail chain in Islamabad, Pakistan has resulted in financial difficulties for the small retailers located in the same area.

This results in a loss of fortunes for them (Caves and Mehra, 1986, pp.449 - 481). As suggested in Economic Watch (2010), if the multinational organization starts to eliminate its competition through its sheer force of state-of-the art technology and other modern resources, then surely it will destroy the competitive structure of the industry. In this way, the monopoly can be formed (Economy Watch, 2010).
Foreign firms also bring their core values such as women empowerment, equal opportunity of employments and so on. Such trends have multitude of responses from the public of the foreign country. However, typically the firms adopt the values, norms and belief system of the public. For instance, in Ramadan, the foreign brands in the Muslim world bring their advertisements in line with the Islamic theme (Caves and Mehra, 1986, pp.449 - 481).

Further, some multinational companies have proactive social effects in the society. Take the example of child labor and Nike. Nike was condemned all over the industrialized world over the issue of child labor as its manufacturing facilities are located in those countries where child labor was rampant. There were frequent occurrences in which child labor was employed at the lower wages in the Nike production facilities. However, owing to the international backlash, Nike stopped the employment of minors and developed schooling facilities for them in these countries. Thus, in this way, the practice of child labor in such areas began to dwindle (Aftab H., 2016, pp.325-334).

There are myriad of political effects on the foreign firms. The biggest one is the prevailing policies of the government. These policies are related to taxation, incentives and so on. Therefore, the political environment is important for businesses. For instance, the government decisions can create a political unrest in the country. Such political unrests could have adverse effect on the economy and the security of the country (Aftab H., 2016, pp. 325-334.). Nevertheless, the rising size of multinational has also become a cause of concern, especially for the smaller markets. For instance, Walmart has the revenue that surpasses GDP of most of the smaller counties in the world. Such power make the global firms such as Samsung, Apple and Facebook, to have the higher lobbying power in which they can influence the economic policies of the smaller economies. The recent trade war between United States (the world's largest economy) and China (the world's second largest economy) has repeatedly increased the importance of political decisions in the economic arena. Further, there are reports that US companies operating in China were being harassed by the government officials and the similar treatment is reciprocated to their Chinese counterparts in United States (Aftab H., 2016, pp. 325-334.).

The free flow of capital resources around the world would ultimately result in efficient manufacturing or production of goods and services. This means that a nation or a state will produce and export those items in which they specialize. However, in reality such situation does not exist. World Trade Organization (WTO) is on the forefront in lobbying the gradual removal of tariffs and non-tariff barriers between the trading nations in the world (Hofstede, G., 1997, pp.300-434). Multinational firms to some extend increase the capital resource mobility all over the world. In this way, through private foreign investments, impoverished areas of the world are developed (Caves and Mehra, 1986, pp.449 - 481).

3.4.3. Cultural influence in Acquisitions

In the light of the shareholder model of managing companies of cultures gets another important place, leaving a mark on the overall corporate responsibility and company appearance. Part of the lack of mergers and acquisitions of the company can be explained precisely because of insufficient attention to cultural differences, which "field" have significantly greater influence than they have initial awareness when planning and implementing such processes (Weber, Shenkar & Raveh, 1996, 1215-1227).

Stopford (1972) was of the view that the firms are more likely to use Acquisition or Greenfield strategy relative to the Joint Venture. These researchers also proposed that if the product belongs to the core of the business then the firm could easily acquire experience in the foreign market and opt for Greenfield investment. Further, they also found that the greater intensity the firm has in the area of marketing, advertisement and research and development, the more it will use the Acquisition as a strategy to enter the foreign market (Stopford, 1972, pp. 411-432).

Dubin, (1975) examined the determinants of the foreign Acquisition and found out that the tendency to acquire the foreign firm decreases with an increase in the size of the target firm, the magnitude of cultural differences between or among the nations whether the target country is

LDC. In his findings, he also urged that the lower cultural and physical barriers would increase the use of acquisitions as preferred mode to enter into the foreign market. Thus, the firms have more experience in the foreign market. Goodnow identified three patterns after tracing the establishment of foreign companies. First, those firms are more likely to invest in a country where they or their competitors are established. Secondly, he said that similar cultures provide impetus to the foreign investment into the country. Lastly, when a firm has adequate experience in a country where it has previously invested, then the likelihood of the Acquisition or Greenfield is greater (Goodnow, 1972, pp. 33-50).

In the three above mentioned studies revealed that the entry mode for a foreign or domestic is largely explained by cultural differences and firm experiences. Furthermore, according to (Kogut, 1988, pp. 319-332) cultural distance is directly related to the mode of entry by a foreign firm and perceived ability to learn across cultural barriers. However, there are studies that have outright rejected the idea of firm experience. Such idea has significantly influenced the foreign investors. In regard to this Wilson (1980) was also of the view that the experience had not influenced the foreign investors to adopt a particular mode to enter and invest in a foreign country by a Greenfield investment or by acquisition. Further, Caves and Mehra propounded that the decision of a foreign firm to enter into a country is not influenced by the previous investments in the country (Caves and Mehra, 1986, pp.449 - 481).

However, they found that size of the foreign firm, diversity of its product portfolio and the degree of multinationalism in the country positively and materially affect the decision to go for acquisition. Moreover, industries that produce durable goods are more likely to be taken over through acquisition. This is because the durable goods have to be tailored according to the local requirements. Thus, the Acquisition strategy is poised to capture the local skill and talent. This would not be possible, if the firm had used the strategy of Greenfield investment. It is pertinent to mention that in Acquisition the firm is acquiring an organization that has its own culture and work environment. Such amenities are not available in the Greenfield investment (Caves and Mehra, 1896).

This is largely because in Greenfield investment there is no prior organizational culture. In addition, if the foreign investor brings his own management staff from his home country. Then there will be no change in the culture of the entity. Thus, due to monotonous culture, the firm will not be able to leverage the unique creativity from the employees. According to Kogut B. (1988) and Hofstede (1980) cultural difference means the difference of the culture between the source country and the targeted country. Cultural distance is calculated in terms of differences in work related values using Kogut and Singh (1988, pp. 319-332) index. It is argued that the cultural differences among the employees can reduce or increase the effectiveness of the management. According to the association of culture differences, it is reported that countries with high level of cultural differences will be perceived as a greater country risk. Thus, the preferred method to enter that country is through Acquisition strategy. Whereas countries with lower cultural differences will be perceived as low risk countries (Hofstede, 1980, pp.15-41).

“The cultural distance is directly related to the mode of entry by a foreign firm and perceived ability to manage foreign operations” (Hofstede, 1980, p.35). However it is believed that cultural distance is one of the major impediments in the post –Acquisition integration benefits. On the other side, cross-border Acquisitions are complicated due to the informers who can tip the cops for any illegal activity. Further, cross border acquisitions are difficult due to the differences in national and organizational culture. The organizational need to be combined with the national culture and values pose additional problem for a successful integration (Hofstede, 1980, pp.15-41).

Moving on to the discussion about the way cultural differences are formed, in this regard, Harzing (2003) wrote that the cultural distance is unrelated or positively related to Acquisition performance. He also pointed out that national cultural differences are usually confounded in the language and institutional differences as well as economic, legal and political differences (Harzing, 2003, pp.75-127). However, Schweiger (2000) the concern that deserve attentions was that in the post-Acquisition integration outcome are not only brought forward by cultural differences but also by professional, functional and industry cultures. At the center of these theories related to the field of corporate finance, Johanson and Vahlne (1977) developed the theory of internationalization. In this theory, he argued that there is: "the evolutionary process through which foreign firms were making their footprint in the foreign markets" (Johanson and Vahlne, 1977, pp. 23-32).

According to the researcher, firms do not establish the whole subsidiary at the first instance. Therefore, the process was the gradual one. He explained that the interested investors in a particular market go for indirect imports to the target country. Then with the passage of time, the firm moves to the next stage of direct exports where they have the whole network of distributers and retailers of their product. Thus, in the last stage, the firm has the wholly controlled subsidiary where the production of goods and services take place. A point worth noting that there is no conclusive research about whether Acquisition or Greenfield investment is better (Johanson and Vahlne, 1977).
Transaction cost theory aims at identifying a myriad of factors, including both firm-related factors and the host-country related factors that could influence the benefits and costs associated with alternative establishment modes (Hennart, 1988, 361-374).

However, there has never been any attempt to extend the firm's choice between Greenfield investment and acquisitions (Padmanabhan P. K., 1999). Transaction cost theory gives a transaction cost explanation of international market entry modes lie in transfer or use of firm specific advantages in cross border operations, Transaction cost economies suggest that the firm specificity is the important factor in MNE's entry mode decision. This is because such assets can be deployed for alternative use without sacrificing the current production levels. It is pertinent to mention that cultural differences are not the sole reason or factor that explains the success and failure of Mergers and Acquisitions. However, other number of variables have been proposed to influence the financial performance of the firms that are engaged in M&A activities (Buono & Bowditch, 1989).

Furthermore, it is projected that predicting M&A outcomes are going to be reliable as the increase in the number of links in the causal chain decreases (Csath, M., 1997). Almost all of the research studies are being distinguished between two different types of international strategies. First is global and the second one is multinational. When information asymmetry is high, then the investor's opt for Greenfield investment (Görg, H., 2000). Whereas, when the information asymmetry is low, Yip (1982) proposed that investor's follow Acquisition strategy, and many researchers argue that the degree of relatedness between the firm's new product and existing products significantly affect the firm's choice of entry into the new market poised that relatedness reduces the cost of entry to the firms (Yip, 1982, pp.331-345).

When a firm entered via internal development, and leverage its resource base to overcome the barriers to entry. In contrast, it is also suggested that relatedness does not always reduces the cost of entry, especially when the firm is bought through acquisition. Therefore, the firm is likely to enter related market via internal development but may enter into the unrelated markets through acquisition. There are two streams for studies regarding an Acquisition vs. alternative entry mode choice in the foreign market. The first stream of studies explores the choice of Acquisition vs. Greenfield investments but it is oblivious to the possibility of partial Acquisition (Görg, H., 2000, pp.165-181).

However, the second stream of studies combine literature for acquisitions versus green field investment and for Joint Ventures to the wholly owned subsidiaries in order to explore the choice of partial

Acquisition and staged Acquisitions. Studies undertaken to understand the choice of Acquisition verses Greenfield investments consist of several theoretical frameworks. There are five theories that explain the foreign Acquisitions and the reason behind such endeavors. The theories are: transaction cost internalization theory; resource base theory; information economics theory, industrial organization perspective and organization learning perspective (Harris, & Moran,1991, p.216).

The transaction cost internalization theory suggests that the choice regarding the Acquisition is influenced by the strategic motives by the parent MNE. This is largely because the MNE is seeking proprietary technological knowledge in order to improve the competitiveness of the company. The information economies are based on real options theory. Further, information economies discuss how information affects the economic decisions of the firm (Dubin, 1975,). Moreover, the efficacy of decisions is predicated on the type of information influences decisions in transactions if there is a rise in the information asymmetry, the firm will opt for Greenfield investments. However, lower information asymmetry calls for the firm to choose Acquisitions as the buyer will have enough material to understand and valuate the existing firm.

The industrial organization theory proposes that the decision is made considering the current conditions of the market. Further, the organization learning perspective suggests that the learning continues to contribute to the propensity to develop knowledge. This learning perspective advocates that experience and learning are key variable that influence the Acquisition decision (Williamson, 2002, pp. 171-195.).

3.4.4. Acquisition in relation to cultural distance

Ten studies in our research have investigated the impact of CD on the choice between Acquisitions and Greenfield. In the studies, which have investigated the impact of cultural dimensions on the company's choice between Acquisitions and Greenfield, we found two opposite theoretical arguments. According to Harzing (2003) we can distinguish that "CD makes integration of existing management difficult and so motivate MNC's to establish new ventures to allow easy application of management practices development at home" (Harzing, 2003, 75-127).

About this case as we already discussed, when companies establishing subsidiaries in new culturally distant countries, firms usually do not have necessary knowledge about the local political, cultural and societal norms, for what they should be ready, and for this reason they have problems to adapt to the new market. The good option for this problem, if they are not prepared for the market, is to involve a local partner via Joint Venture or Acquisition, what will reduce the initial barrier. As indicated by Brouthers (2000, pp.89-97.): "MNCs entering culturally similar countries argued to use Greenfield ventures to maximize firm-specific advantages, while MNCs entering culturally distant countries perceived high levels of country risk and used therefore to reduce acquisitions to reduce these risks" (Harzing, 2003, 75-127).

Few studies that have investigated the relationship between CD and the choice between Acquisition and Greenfields predicted the first relationship where cultural dimension usually lead to preference for Greenfields, as a market entry mode (Harzing, 2003, 75-127). Studies Anand & Delios, (1997) and Brouthers (2000, pp.89-97.) predicted the opposite, they concluded that cultural dimensions will lead to Acquisitions as a market entry mode (Harzing, 2003, 75-127).

Kogut (1988, pp.319-332) and Harzing (2002, pp.211-227) showed positive relationship between cultural dimensions and wish for Greenfield investment over Acquisitions. In all four studies that found a significant positive relationship, the cultural dimension effect is equally likely to be a home-country effect concluded by Kogut & Singh, (1988) or a host-country effect concluded by Barkema & Vermeulen (1998) (Harzing, 2003, pp.75-127). We can conclude that British and Canadian companies have preference for Acquisitions, while Japanese companies prefer Greenfields. These preferences are stable and not host-country-dependent. When dummy variables are included to reflect the differences between developed and less-developed host countries, this was concluded by Cho & Padmanabhan (1995) (Harzing, 2003, pp.75-127). According to Broutheres (2000, 89-97).) when host countries are limited to countries that are similar in economic and political terms the effect of cultural dimension is absent as well (Brouthers, 2000, pp.89-97). Summarize all conclusions from listed authors, we can sad that that none of these studies has provided conclusive evidence of a relationship between cultural dimensions and entry-mode choice.

4. Summary and Literature search strategy

In order to provide a review of entry mode and cultural dimensions, the author searched online databases and article references lists to identify all literature published in the area of entry modes and culture in the year range between 1976-2016. We decided to use this timeframe because entry mode and culture research saw rapid growth in the beginning of the 1980. We decided to restrict our review to published scientific studies during this time, because we found it most relevant for the future use. Moreover, we can focus on using very helpful theoretical and methodological applications in literature, online database, published master dissertation and article reference lists. Our theoretical approach highlighted the theories and opinions commonly used. Relevant papers reflecting the methods used for influence of cultural dimensions on the market entry decisions were identified from following main databases: Hofstede G. (1980, 2004, 1984, 2001, and 1991) with the focus on managing 6 cultural dimensions and cultural consequences, Adair W., Marieke de Mooij, etc.

The search strategy used, aimed to identify articles with "cultural consequences on the market entry decisions", "cultural dimensions" and their influence in different countries, "culture and behavior", "entry modes and strategies", as main subject headings or text words in titles and abstracts. This was matched with "cultural comparison", "language and behavior", "market behavior", as main subject headings or text words. Papers published from the year of 1990 were extremely important and interesting in the area of Joint Venture examples and researches. The literature review identified several publications in the field of sociology and corporate global culture addressing the methodology of cultural adaptation. We have developed guidelines to evaluate the influence of cultural dimensions and results after using it.

This system was based on theoretical findings extracted from the literature.

4.1. Selection of articles for review

From the 130 selected references, we decided to include only those which gave contained a description of the topics which this thesis should cover. We haven't used the papers when they presented only results of cultural comparisons, or simply mentioned the use market entry modes in different countries, without specified attention on the Joint Venture and Acquisition, or without describing the influence of the cultural dimensions on the market entry decisions. Selection of the relevant references on a given topic quoted in this thesis, was used to conduct supplementary papers in the area of cultural influences. From 1976 to 2016, some of the papers met the inclusion criteria for review.

Some other papers were rejected during the review process as they didn't meet the original selection criteria, i.e. they were not dealing especially with two entry modes which we have analyzed. Of the remaining 12, 2 were excluded, because we restricted our review to English language papers only. Thus, the review of 10 studies was completed until the end. There is only one type of data that we used in our research, secondary data. Firstly, we started our theoretical research by first obtaining a list of Joint Venture and Acquisition papers in the area with defining the present cultural dimensions. The main analyzing method for this work was a qualitative content analysis. According to Hsieh & Shannon, content analysis is a widely used qualitative research technique (Hsieh, & Shannon,2005). "Rather than being a single method, current applications of content analysis show three distinct approaches: conventional, directed or summative" (Hsieh & Shannon, 2005, pp. 1277-1288).

All three approaches are used to interpret meaning from the content of text data and, hence, adhere to the naturalistic paradigm. As a qualitative researcher, we choose to use a directed approach to content analysis. According to Hsieh, & Shannon (2005), the goal of a direct approach in the content analysis is to validate or extend conceptually a theoretical framework or theory. The idea is to use the existing theory or research, which will help us to explain a main research question in the thesis. This type of analysis can provide predictions about the variables of interest or about the relationships among variables (Hsieh & Shannon, 2005, pp. 1277-1288).

The qualitative content analysis has been suggested as a useful tool for research and testing, and is an approach yields a rich detail of activities no available without questionnaires. A number of important theories have been supported through different research (see, for example, the several studies listed by Hofstede, 1980, 1984, etc.). The objectives of this study were to document and analyze the impact of a cultural dimension on Joint Ventures and Acquisition entry strategies, through using observations, documentary analysis, comparing previous research, scientific works, opinions and developed theories.

4.2. Joint Venture and Acquisition Values

As we provided an overview of definitions of the two selective entry modes, we found it interesting to provide basic values of these models. We have looked for the value considerations for market entry modes, Joint Venture and Acquisition, separately, in order to understand and meet the reasons, which can be correlated with the culture dimensions, as a main driver for discussion.

According to researchers McConnell and Nantell (1985), Koh and Venkatraman (1991) they have treated market reaction to Joint Venture announcement as a forward-looking measure. Joint Venture tends to be announced in times of deteriorating performance and usually when the parent firms are not doing so well. Well in the stock market and their accounting performance are declining. In these situations, the stock market favorably reacts to Joint Venture announcements with significant positive returns, because this is a chance for the company to take a better position (Mohanram & Nanda, 1998, pp.7-29).

If we consider other influencing factors such as: strategic consideration, signaling information and managerial misalignment as an expecting reaction for Joint Venture on the market, then we know that strategic consideration is underlie for formation of Joint Venture. Increasing market power with access to complementary capabilities can create value (McConnell and Nantell, 1985, pp.7-29). In the case of signaling, we have an important information about the parent companies that with Joint Ventures conveys to the market (Koh and Venkatraman, 1991). According to McConnell (1985) three factors influence the returns the companies that are poised to for Joint Venture. Hennart (1988), Nanda and Williamson (1995b) believe that market power is the main driver of value in Joint Venture. Apart from these three drivers, Joint Venture might have differential value across different industries. It is suggested that whereas some kinds of Joint Ventures are value creating, others can be value diminishing (Mohanram & Nanda, 1998, pp.7-29).

According to Mohanram and Nanda (1998): "Joint Ventures create value if they help firms to overcome market failure in accessing complementary assets" (Mohanram and Nanda, 1998, pp.7-29). Continuously, according to many studies about Joint Venture it has been shown that external uncertainty can usually lead firms to abolish Joint Ventures and alliances by Acquisition in order to capitalize on the growth options (Folta & Miller, 2002; Kogut, 1991). Additionally, Folta (1998) concluded that the firm's initial decisions are usually to undertake Joint Ventures rather than alternative governance forms (Folta, 1998, pp.1007-1028). However, despite their importance, existing studies have not yet provided direct evidence of whether firms actually capture growth option value from their investments in Joint

Ventures (Trigeorgis,1996, pp.20-35). On the other side, we analyzed the studies, which have provided a conceptual framework and an empirical methodology that have attention to assess the importance of potential important sources of value creation in Acquisitions. The most important side of Acquisition as a market entry mode is that a numerous empirical evidence testifies about Acquisitions effect on creation of economic value (Folta, 1998, pp.1007-1028).

Acquisitions usually reduce shareholder value, is researched by many critics and the reason for this is driven by motives of increasing managerial welfare. According to this, the appropriate valuation techniques it's very important in order to catch the strategic consideration for supporting Joint Ventures or Acquisitions. Differences in cultural values and norms for information sharing, represent the most important thing for participation on the market (Adair, 2001, pp.371-385). The literature on cross-cultural communication suggests that different cultures may have different information-sharing strategies in negotiation (Hall, 1976, pp.105-213), what we will discuss in the further chapters.

4.2.1. Joint Venture value

According to several authors Pfeffer and Nowak, (1976, pp.398-418) and Ferguson (1981) they explain that Joint Venture have been there since antiquity, but interest in this type of market entry has enjoyed a renaissance since the mid-1970s. Since 1978, the number of Joint Ventures has grown and the number of economic activities with this type of market entry shown the increase in many industries, but by 1986 Joint Venture had become an important method of supplementing strengths and covering weaknesses (Kogut, 1988, pp.319-332).

According to Kogut (1988) Joint Venture is defined as a partnership where each partner contributes some assets to an entity while mutually sharing the benefits and costs. In this market entry type owners are separate entities, if we compare with Merger or Acquisition, there is no transfer of ownership from one owner to the other (Kogut, 1988, pp.319-332). In Joint Venture, alliance can be highly flexible, and Joint Venture typically have a finite life. According to Harrigan (1988), Joint Ventures are business agreements where two or more owners create a separate entity. However, if we consider a definition from Kogut who describes: "Joint Venture occurs when two or more firms pool a portion of their resources within a common legal organization" (Kogut, 1988, pp.319-332).

Conceptually, he said that the Joint Venture is a selection among alternative modes by which two or more firms can transact. Thus, a theory of Joint Ventures must explain why this particular mode of transacting is chosen over such alternatives as Acquisition, supply contract, licensing, or spot market purchases. In order to have a clear picture about the choice of Joint Venture, we will include the background of Joint Venture theoretical and empirical perspectives. In 1988, Bruce Kogut, in his interesting talks, explains the comparison of the different perspectives of transaction costs and strategic behavior as motivation for Joint Venture (Kogut, 1988, pp.319-332).

There are three theoretical approaches, which are relevant in the way to explain the motivation and choice of Joint Venture. On the first place, Williamson (1975, p.26) developed theory of transaction costs in order to perform avenue of approach. The second approach concentrate on strategic motivation and on the models, which describe competitive behavior. A third approach is derived from organizational theories, according to Berg and Friedman (1980); they have not been fully developed in terms of explaining the choice of Joint Venture (Kogut, 1988, pp.319-332). For the first approach Williamson (1975, p.17) makes clear that:" Transaction cost theory must explain what discriminates a Joint Venture from a contract, and in what transactional situations a Joint Venture is best suited". On the other side, the motivation reasons for Joint Venture are numerous. Strategic behavior, as it was selected such a second approach; predicate how competitive positioning influences the asset value of the firm. More generally, Harrigan (1986, p.13) sees Joint Ventures as a type of protective investment by which companies make barriers against strategic uncertainty, one of the cultural dimensions which are influencing decision making (Hofstede, 1980, pp.15-41). The third approach is on the knowledge basis, derived from organizational theories, and it has a view on the Joint Venture in the way on which the companies learn or cast about keeping their capabilities. These three theoretical approaches provide evident and sometimes overlapping clarification for Joint Venture.

4.2.2. Acquisition value

According to Weber, Oded and Adi (1996) and their exploratory study we know that: „Mergers and Acquisitions (MAs) have been the dominant mode of internationalization during the last decade" (Weber, 1996, pp.1215-1227). The restructuring process of companies relates to a large number of activities that the company alters the existing structure, business strategy, in order to increase profitability and efficiency of implementation in order to maintain or increase competitiveness on the market. Acquisitions are one of the ways of restructuring the company through the change of ownership structures, the organizational structure and the capital structure, which has a big influence on the financial result of the company's performance (Wang, 2012). In addition, they represent ways of transforming companies to get a better position on the market and adjust to opportunities in the immediate environment (Brouthers, 2000, pp.89-97).

According to Andersson and Svensson (1994, pp.551-560), Acquisitions are preferred, they let a firm quickly obtain market share and take advantage of current opportunities. Acquisitions are defined as a form of foreign direct investments and represent a mechanism of the corporate control market, which companies seeking to consolidate, protect, and improve their competitive position within a relatively short period of time (Wang, 2012). It is easy to understand why an executive of the company thinking about this type of deal option, because the Acquisition is situation of buying another business, what a lot is easier than coming up with a new, bestselling product. Furthermore, being the acquirer is far more appealing than being the prey. The tendency for dominance in the market is characteristic of all big and a successful company in acquisitions as a form of international funding.

Hitt (2009) indicate that the Acquisitions reduce the transaction costs of entering new markets, but at the same time there is still a high level of transaction costs that are related to the process of adapting to the new market from location, cultural and regulatory aspects (Hitt, 2009, pp.523-529). Wang (2012) examines the motives of international Acquisitions and concludes that they are the subject of numerous scientific studies and research. The motive for the realization of Acquisition is defined by the degree of efficiency of the capital market or the rationality of the decision-maker. They agreed that from one aspect Acquisition is a form of operationalization of the company's strategic development plan, and on the other side is the result of the company passive response to changes in the environment or irrational behavior of the decision-maker (Wang, 2012). In any case, a number of theories explaining the motives of this external growth of companies as well as the interest of the professional public in further research of this phenomenon, points to the complexity, importance and inevitability of Acquisition in global market environment (Hitt, 2009, pp.523-529).

When we talk about international Acquisitions, they as an external strategy, which represent the growth of a company beyond the borders of a country, concluded by Shimizu (2004, pp.307-353). In a situation where inclusion in global flows is a prerequisite for successful business and market survival, and the time is the most significant limiting factor, it is a logical decision to acquire companies that through a merger and Acquisition in a short period of time need to enter foreign markets.

Unlike Greenfield investment that involve investments in the leeward, Acquisitions involve the takeover of control over existing enterprises. If we take into consideration the studies from early 1990s, from numerous researchers: Kogut and Chang, (1991); Anand and Kogut, (1997), Morck and Yeung (1991) and many others, there have been a lot of analysis about the samples of Acquisitions in order to identify the asset-seeking motive for this type of marked mode. All above-mentioned researchers have look for the Acquisition motives and they have noticed that cross-border Acquisition have been increased rapidly starting from the year of 1980s.

Anand and Delios (2002) in the great article about determinants for international Acquisitions, shows the example for rapidly increasing Acquisition: "U.S. Department of Commerce data that in the 1980s more than half of all the FDI into the U.S. was made in the form of acquisitions, a share which continued to rise in the 1990s" (Anand and Delios, 2002, pp.119–134.). They have asserted following: "The Acquisitions are some kind of mechanism which is used to exchange capabilities that are not possible to efficiently redeploy" (Anand and Delios, 2002, pp.119–134).

Adair, Okumura and Brett (2001) studied the influence of cultural distance on the choice between Greenfield investment, Acquisition and Joint Venture. The more the culture distance between the country of the investor and the country in which they want to enter, it is obvious that the firm will choose a Joint Venture or a Greenfield investment over Acquisition (Adair, 2001, pp. 371-385). Caves and Mehra (1986) and Zejan (1990) in their work find evidence that large and diversified companies usually preferred Acquisition as a market entry mode. In their work, they tested a different hypothesis for the CEE countries and their entry modes, and found that entry into fast growing industries takes place via wholly owned Greenfield investments and not via Acquisition (Caves and Mehra, 1986, pp.449 – 481).

This represent the contrast to the argument that a speedy entry on the market used in the fast-growing industries, can be achieved by Acquisition, but not via Greenfield investment. Increasing the investment cost of Greenfield entry obviously makes Acquisition more attractive. It is suggested that while national culture forms one's values through early socialization, corporate culture involves the subsequent Acquisition of organizational practices and symbols in the firm. Thus, the authors found considerable differences in practices among people holding similar values, and proposed that national and corporate cultures are distinctive, if related, constructs (Schweiger & Goulet, 2000, pp. 51-82).

4.3. Cultural dimensions that influence entry modes

- Power Range / Power / Distance (PDI)

Hofstede developed cultural dimension which represent the degree of authority distancing is the extent to which it is less influential community members accept and expect that authority is unequally distributed. This dimension shows the degree of inequality, but it is defined from the aspect of those who have less power, means "from below" and emphasis is placed on the fact that inequality is equally in consciousness and those that are at the top of the hierarchy and those on the rankings of the authority are on a lower level (Hofstede, 1984). According to the official website of Geert Hofstede, the analysis shows that the degree of authority distancing is significantly higher in Asian, African and South American communities, and then the eastern and central part of Europe to make this degree was the smallest in Anglo-Saxon and Nordic culture, and culture Australia (Hofstede Insights, 2018).

Considering Erramilli (1996) who argues that: “power distance measures the distribution of power in organizations between the employer and employee” (Erramilli, 1996, p.225-248). Where in low power distance society’s employees tend to feel equal and close to each other in their daily activities. For that reason, it is easy to speak to higher ranked people can be distributed throughout the hierarchy of the company. This is the part, which has a connection with the market entry decisions and negotiations between different individuals, of which depends the result. Considering that, the power range is one of the dimensions that influence entry mode decision making.

- Avoidance of risk and uncertainty / Uncertainty / Avoidance Index (DACI)

This dimension is about the degree of risk that the members of society feel in uncertain, unclear or changing circumstances. Characteristics in national cultures with high DACI, people do not like change, risk and uncertainty, and tolerance as if it were not. Therefore, preferred formalization, standardization, as well as hierarchies need to be ensured in the society stability and regulation. According to Adair (2004) each new change is perceived as a threat, and not a chance to improve the existing situation. In societies with a high Avoiding risk and uncertainty is also a high degree of aggression and anxiety (Hofstede, 1997, pp. 300-434).

Countries with a high risk of avoidance of risk and uncertainty stick to rigid rules, beliefs and behaviors, and are intolerant to unusual behaviors and ideas. In these cultures, there is an emotional need for rules (even if they do not always work), time is money, people have inner need to be busy and work hard, and norms are precision and accuracy. Security is an important element, and according to innovations there can be resistance. Serbia (CEE country) with its record of even 92 for this Hofstede's dimension represents a country with very high DACI. Countries with a characteristic of high-risk avoidance and uncertainty, respecting the rules, beliefs and behaviours that is why they are intolerant of unusual behavior and ideas (Pinto, Serra & Ferreira, 2014, pp. 340-363).

According to Hofstede (1997):" The largest difference between the two countries, however, is on a fourth dimension, labeled uncertainty avoidance" (Hofstede,1997, p.189). The term uncertainty avoidance has been borrowed from American organization sociology, in particular from the work of James G. March. March and his colleagues are recognized it in American organizations. Ways of handling uncertainty, of course, are part of any human institution in any country" (Hofstede, 1997, p.188-189).

Adair (2004) in his work proposed that people have to be ready for not knowing what will happen tomorrow and Hofstede (1997) defined nice:" The future is uncertain, but we have to live with it anyway". "Religion helps followers to accept the uncertainties against which one cannot defend oneself, and some religions offer the ultimate certainty of a life after death or of victory over one's opponents". (Hofstede, 1997, p.189).

5. Conclusion

National culture is one of the central concepts of international business research. The bibliometric analysis (Pinto, 2014, pp. 340-363) of the seven largest international journals dealing with international business has shown that in the past three decades have published more than five hundred works on the topic of culture. Most of these works are focused on Hofstede's model of value-dimensions of national culture. A large number of empirical works have shown that national culture affects many economic phenomena. National innovation, productivity, competitiveness and economic development generally show significant correlation with the various combinations of the cultural dimensions. Commonly accepted value dimensions, by which was usually measured national cultures, were often subject of criticism. Despite the above-mentioned methodological shortcomings, the structure of national culture remains one of the most researched phenomena in international business. Scientists should, in the future turn to discovering and studying new dimensions of national culture and new methodological ways of studying cultural phenomena (Harzing, 2003, pp.75-127.).

Finally, let us conclude by saying that we are delighted that the concepts of cultural dimension and culture have found their way into an FDI literature, focused on “hard data” and “soft issues” such as culture. However, we would argue that researchers in order to include cultural dimensions in their analyses, it seems that they have blinded themselves for other, country-related influences on entry-mode choice and they paid little attention on the culture. We could argue that, the inclusion of culture and cultural dimensions has become very popular in areas as different as the investigation of national innovation patterns and the transfer of human resources practice. According to Shimizu, Hitt, Vaidyanat, & Pisano (2004, pp.307-353) few studies recognize that institutional factors such as government restrictions, legal frameworks, ownership structures could be as important as cultural factors. We certainly do not wish to advise researchers to give up the culturalist approach but feel that an intelligent integration of culturalist and institutionalist approaches is more likely to capture the complexity of the phenomena under investigation (Harzing, 2003, pp.75-127.).

This thesis shed light on the important fact that organizations in this information age are bound to plan their expansions in other countries. Nevertheless, in order to enter the market of another country, an organization has to negotiate numerous hurdles. These hurdles manifest into different forms. However, the selection of any mode of entry together with the prevailing culture of the respective country are imperative for the success of any organization. The mode of entries varies with the change of strategies adopted by the upper management of the company (Harzing, 2003, pp.75-127.). In this thesis, we highlighted the criticality of such decision making and its resultant impact on the future of an organization. Further, we also explored that in this globalized world, further research into this aspect of organization decision making is pivotal. This is due to the fact that there are numerous cultural elements that are affecting the organization.

Additionally, there is a need to further examine the impact of national culture on the processes of the company. This is because the national culture has indelible influence on the functioning of an organization. In this context of external environment, it is imperative to analyze the way organizations deal with the local issues and the steps taken by them to resolve such disputes. There is no doubt that the culture has major role in every aspect of the organization. Therefore, when the cultural distance is greater, the entities usually adopt sequential approach: starting from exports to establishing fully owned independent subsidiary. However, it is pertinent to note that such sequential approach is not applicable to all foreign countries. For instance, European organizations are much more confident in establishing their operations in Eastern Europe than in South Asia. In this way, the relative cultural distance plays an important part in assigning risk premium to the investment of the entity.

6. Recommendations for future research

Kirkman (2006) in their literature review analyzing more than 180 papers dealing with national culture provide a series of proposals for future research in the field of national culture. The first suggestion is that scientists should try to explore the cultural dimensions not including those of Hofstede (Kirkman, 2006, pp.285-320). In addition, they highlighted the importance of distinguishing the effects of land and culture. Most works use the national culture of a country as a substitute for all the exogenous effects of the observed phenomenon, but in such models, it would be necessary to keep more accounts on other external factors. One of the recommendations for future research on national culture is the use of other measures, for example, surveys "World Values Survey" instead of old data used in Hofstede, Schwartz or GLOBE (Javidan, 2006, pp.897-914).

The purpose of using most recent measures, is to monitor changes in culture over time. One of the ideas for improving the research of national culture is the creation of empirical cultural profiles, and not the dimensions of culture that are limited by using a combination of qualitative and quantitative methods. In a recent review of literature in the field of national culture, Kim (2017) provides a series of proposals for conducting future research. There is a need for more research which are dealing with the similarities and differences of the effects of culture at different levels (individual, team, organization) because research often shows that something that is valid at one level does not apply to the other. Research materials, dealing with the question of culture, usually do not include enough mediation and moderator variables. Gibson (2009) have theorized that cultural effects will be moderated by individual characteristics (personality, exposure to other cultures), group characteristics (homogeneity, polarization and cohesion) as well as situational characteristics (economic uncertainty, political volatility and technology). However, that is not empirically tested (Gibson, 2009, pp. 46-70.)

To be able to advance scientific knowledge, researchers should explore and evaluate alternative explanations on the important topics. We have argued that researchers in the area of entry mode choice have neglected this recommendation where it concerns the impact of cultural dimensions. In every study we have discussed, cultural dimensions would seem to offer at least an equally plausible, explanation for any differences in entry mode choice (Kirkman, 2006, pp.285-320). Most articles have characterized flaws in the measurement of cultural dimensions or sample design. We have found some suggestions and the ways in which future research in this area could be improved.

This require a willingness of researchers in this area to have a mechanic view of cultural dimensions and a preference for working with secondary data. Till now researchers in the area of entry mode choice seem to ignored other development in the field that take a sophisticated view of the impact of culture on management, as well as ignoring the field of comparative sociology/management (founded in Harzing, 2003, pp.75-127) (Harzing,2003; Maurice and Sorge, 2000; Whitely and Hull Kristensen, 1996). Finally, perspectives from the field of institutional economics theory and subsidiary roles have been ignored in the entry mode choice literature (Harzing, 2003, pp.94).

According to Harzing (2003, pp.75-127) strongly recommendation for the researchers in the field of entry mode choice are: seriously investigate variables such as culture and other country-related differences. In addition, we would like to repeat Harzing’s in a year of 2002 recommendation for more attention on the management of entry modes, because the field of entry-mode studies has a strong focus on factors influencing the choice of entry (Harzing, 2003, pp.75-127). In a more recent review of literature in the field of national culture, Kirkman (2017) provide a set of proposals for carrying out future research:

1. More research is needed to deal with the similarities and differences in the effects of culture at different levels (individual, team, organization), as research often shows that something that is valid at one level is not valid on the other. In the analysis of Taras (2009) shows that the power of the prediction of cultural variables is at the level of observation. The reason is probably that the aggregation of data leads to a reduction in the measurement error. In measuring the culture, in any case, mistakes should be avoided (allocating values from higher levels to lower levels) and atomic nature (assigning values from lower higher levels). According to Kirkman, in order to avoid mistakes of an ecological nature, it is recommended to use hierarchical linear programming, and to avoid errors of the atomistic nature of the compilation method (Kirkman, 2017, pp.12-29)

2. A small number of researches observes that the same levels of values of individual cultural dimensions have completely different impacts on the same variables of outcomes in different countries and seek to find a theoretical explanation for this. It is recommended that qualitative methods are used more in the future in order to consider local specificities (Kirkman, 2017, pp.12-29).

3. Research in the study of culture does not usually involve sufficient mediator and moderator variables. Gibson et al. (2009) have theorized that cultural effects will be moderated by individual characteristics (personality, exposure to other cultures), group characteristics (homogeneity, polarization and cohesion), situational characteristics (economic insecurity, political volatility and technology), but this has not been empirically tested (Kirkman, 2017, pp.12-29).

4. It is also recommended that the national culture be further explored as a predictor and a criterion variable.

5. Investigate theoretically relevant interactions between identified cultural dimensions.

In addition, the authors give general recommendations for carrying out research dealing with national culture. First of all, whenever possible use primary data, test cultural values as mediators, look at the equivalence of structure, measure and sample, and consider the size of the effect, since culture is surely important, but the question is how important (Kirkman, 2017, pp.12-29).

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