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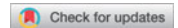
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Cultural Fit and the Choice of International Market Entry Scale of Chinese Firms

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ABSTRACT

Previous research on how cultural distance impacts the choice of entry mode shows contradictory findings. This study uses a strategic fit perspective to examine the impact of distinct cultural factors as predictors of equity entry scale of Chinese firms. Findings from a sample of 667 Chinese firms demonstrate that the effects of cultural fit on equity entry scale vary across cultural dimensions. Whereas a collectivism cultural fit motivates Chinese investors to secure a high-equity entry scale in foreign firms, a lower power distance cultural fit ("misfit") leads to higher entry involvement.

Introduction

Since the early 2000s, international market entry through foreign direct investment (FDI) by Chinese firms has been critical to achieve cross-country capacity expansion and market diversification in host countries. The vast global expansion of Chinese firms is well-documented (e.g., Buckley et al., 2007; Wei, 2010). After record high growth for 13 consecutive years, China's foreign market stock rose to $1 trillion in 2015 (Ministry of Commerce, People's Republic of China, 2016). The flow of fresh capital contributes to the economic growth of host countries and opens opportunities for knowledge spillover across nations. Nonetheless, considerable uncertainty and loss of investments often accompany potential opportunities achieved through Chinese firms' international market entry. With the increasing impact of Chinese firms in the international marketplace, both academia and practitioners demonstrate strong interest in understanding which factors influence international market entry strategies of Chinese firms (e.g., Cui & Jiang, 2009; Hertenstein, Sutherland, & Anderson, 2017; Liu, Tang, Chen, & Poznanska, 2017; Wang, Hong, Kafouros, & Boateng, 2012; Wei, 2010).

Previous empirical research on international market entry strategies focuses on entry modes, such as wholly owned subsidiaries and joint ventures (e.g., Drogendijk & Slangen, 2006; Gollnhofer & Turkina, 2015; Lin, 2000; López-Duarte & Vidal-Súarez, 2013;

Samiee, 2013), and their impact on firm post-entry performance, while factors that impact entry scale decisions of Chinese firms have been largely overlooked. Equity entry scale reflects the proportion of equity stakes that a Chinese firm holds in host country firms (Chen, Maung, Shi, & Wilson, 2014; Xie, 2017). Equity entry scale captures not just type of investment, but level of investment, ranging from 1% of foreign firm ownership to 100% of foreign firm ownership. The use of equity entry scale as the key dependent variable has important implications for Chinese firms, since different levels of equity scale in host-country firms represent different strategic advantages (e.g., Rodríguez-Pinto, Gutiérrez-Cillán, & Rodriguez-Escudero, 2007; Xie, 2017). For example, high-equity entry scale in host country firms represents a stronger strategic commitment, higher economic gains, and higher levels of managerial control by Chinese firms. On the other hand, low-equity entry scale reduces investment risks and allows flexibility in foreign market acculturation and competence building.

In addition to potential opportunities that accompany firm international market entry, Chinese firms in host countries often face considerable environmental uncertainty and possible investment losses. Due to the uncertainty and potential irreversibility of investments, decisions about equity scale of international market entry can be complicated (Ahi, Baronchelli, Kuivalainen, & Paintoni, 2017). According to the

strategic fit perspective in international marketing, firms that seek to enter foreign markets with a high strategic "fit" can minimize potential market risks, enhance strategic flexibility, and reduce transaction costs (e.g., Cui & Jiang, 2009; Qiu, 2014). This theoretical perspective contends that firms strive to achieve a high degree of congruency between strategic decisions and external environment threats and opportunities when exploring potential foreign markets.

Drawing on a strategic fit framework, we explore how host country cultural dimensions impact international market entry scale of Chinese firms. The current international market entry literature is dominated by studies with an aggregated cultural distance index. While it is well-established that cultural distance impacts entry mode, empirical research that argues in favor of either high cultural distance or low cultural distance for entry mode with a single (aggregated) measure focus often leads to contradictory findings that support different theoretical perspectives (e.g., transaction cost theory, a contingency approach, a resource dependency perspective) (Gollnhofer & Turkina, 2015). In response, the study addresses this gap in international market entry literature by exploring the impact of individual cultural dimensions on Chinese FDI equity scale. We argue that host country cultural dimensions, including power distance, individualism (versus collectivism), masculinity (versus femininity), and uncertainty avoidance, are critical in developing an effective strategic fit, and significantly impact equity entry scale of Chinese firms.

Analyzing longitudinal data of 667 firm-year observations in 98 countries for the period between 2005 and 2016 with hierarchical linear modeling techniques, our empirical findings show that nature of the relationship between cultural distance and equity entry scale varies across cultural dimensions. Specifically, while cultural distance for the power distance dimension positively impacts entry scale, the relationship between individualism cultural distance and entry scale is negative. Further moderation analysis demonstrates that the purchasing power parity of the host country significantly moderates the impact of the power distance valence scale on equity entry scale of Chinese firms.

This article is organized as follows. First, we present a summary of the literature relevant to our key constructs, as illustrated in Figure 1. Our primary focus is on the impact of cultural dimensions on market entry scale and thus, we next present our guiding hypotheses along with supporting theoretical arguments. The methodology and analytical techniques used to test those hypotheses are then described, followed by our empirical findings. Lastly, the general discussion includes the theoretical and practical contributions of our findings.

Background, theoretical foundation, and hypotheses

Past research on determinants of Chinese firm market entry scale

International market entry through FDI of Chinese firms has attracted much attention in the literature. Readers are referred to Wei (2010) for a comprehensive literature review of earlier research that deals with Chinese international market entry through FDI and to Cui and Jiang (2009) for a review of the different perspectives and frameworks used in previous studies of entry mode decisions. More recently, Wang et al. (2012) show that government support and the Chinese industrial structure are crucial in predicting international market entry of Chinese firms, but technological and advertising resources are less important as driving forces. Clegg, Lin, Voss, Yen, and Shih (2016) examine how multinationality strategy, home political influence, and host-country risk explain the performance consequences of outward FDI (OFDI) patterns of Chinese firms. In a study on the dark-side of OFDI, Huang, Xie, Li, and Reddy (2017) argue that state ownership creates dependence of state-owned enterprises (SOEs) on their home governments, which may undermine manufacturing SOEs' willingness to conduct OFDI, autonomy and market orientation, and legitimacy in overseas markets. Liu et al. (2017) show that Chinese FDI in One Belt One Road (OBOR) countries is highly sensitive to exchange rate level, market potential, openness, and infrastructure facilities of host countries. Evidence also shows that strong business networks are an important mechanism that impacts global investment decisions (e.g., geographic location choices, entry mode decisions) in the Chinese auto component industry (Hertenstein et al., 2017).

In summary, considerable empirical evidence explores various determinants of Chinese FDI, but the relative role of culture in the equation has been neglected.
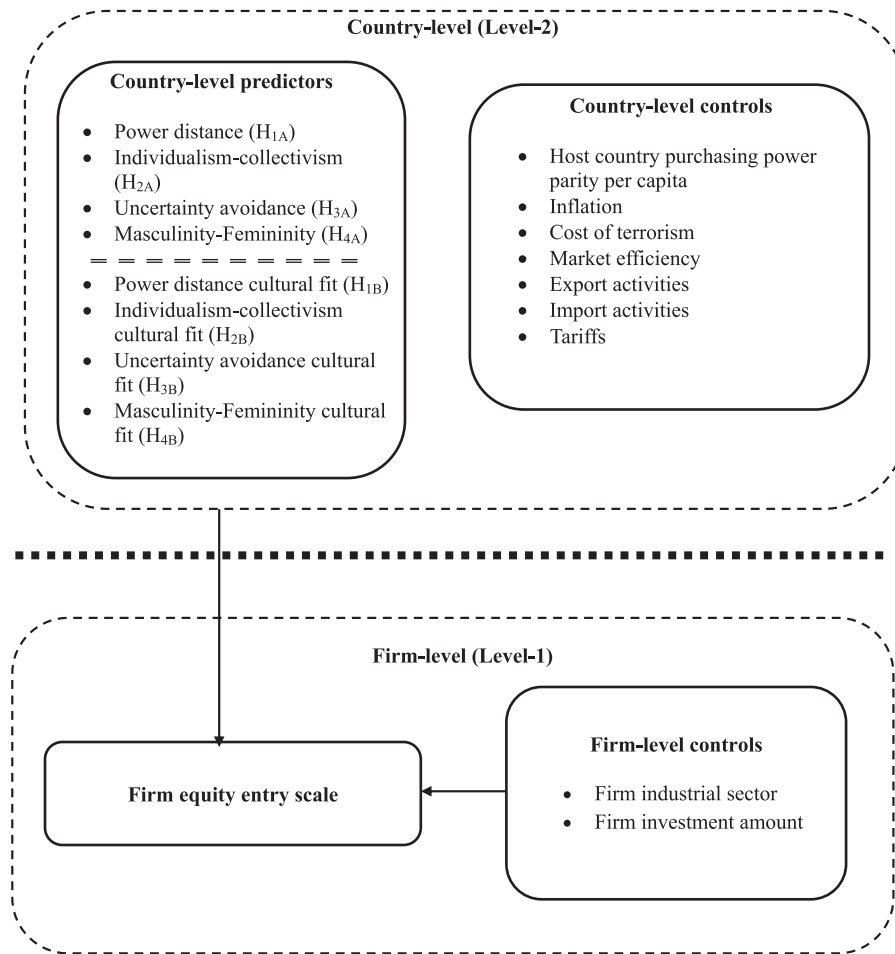
Figure 1. Hierarchical linear model of cultural fit and the choice of international market entry scale of Chinese firms.

Culture and Chinese firm equity entry scale

The strategic fit perspective in the international marketing literature (e.g., Cui & Jiang, 2009; Qiu, 2014) emphasizes that strategic decisions made by a firm that take into consideration the proper "fit" between firm resources and external environmental opportunities and threats can help reduce market risks and achieve strategic flexibility. Two strategic fit motives underlying international market entry are salient in previous literature. First, the "fit" between resources of home countries and host countries suggests that home countries seek both natural resource and proprietary resource compatibility when making market entry decisions in host countries (e.g., Amighini, Rabellotti, & Sanfilippo, 2013; Jiang & Cui, 2010). The second motive behind a strategic fit perspective focuses on managerial efficiency through a cultural fit between home countries and host countries (e.g., Bauer & Matzler, 2014; Moon & Park, 2011; Qiu, 2014).

While resource fit has been widely discussed as an influencer of firm market entry strategies (e.g., Tseng, Tansuhaj, Hallagan, & McCullough, 2007; Cui, Calantone, & Griffith, 2011), the role of cultural fit has received less empirical attention in the literature. (See López-Duarte, Vidal-Súarez, and González-Diaz (2015) for a review of the literature on cultural distance and entry mode.) One exception (Kogut & Singh, 1988) examines the impact of cultural distance between the US and host countries on entry mode choice (e.g., acquisition, joint venture). Another study of a French retailer (Carrefour) suggests a positive relationship between a resource commitment, entry mode strategy, and cultural distance (Gollnhofer & Turkina, 2015). Arslan and Wang (2015) report that high cultural distance (cf. Kogut & Singh, 1988) is positively related with choice of full acquisitions by Nordic multinational enterprises. A qualitative analysis of Spanish investments in the European Union shows a preference for full entry modes in high cultural distant contexts

(López-Duarte et al., 2015). Most recently, a comparison between Chinese and Indian firms based on 832 OFDIs draws on institutional theory to argue and support that the negative impact of cultural distance and political risk on location decisions is lower for Chinese than Indian multinational enterprises (Quer, Claver, & Rienda, 2017).

Despite these efforts, previous research has mainly focused on how cultural distance, as measured by a single construct, impacts the choice of entry mode, resulting in findings that are ambiguous or even contradictory (Gollnhofer & Turkina, 2015). In contrast to past examinations of the effect of an aggregated cultural distance index on the choice of entry mode, our study focuses on how individual cultural alignment (fit) and cultural valence impact equity entry scale of Chinese firms.

Hofstede's culture framework

"The business of international business is culture" (Hofstede, 1994, p. 1). National culture is about values and reflects collective beliefs and ways of life among a group of people, as widely used across multiple disciplines, including sociology, psychology, and organizational behavior. Culture as a construct has received wide attention in the social science literatures, but most efforts focus on examining culture at the individual level. For example, Schwartz's cultural value types (e.g., Schwartz, 1990) examines individual-level cultural values, and the World Wide Survey (e.g., Inglehart, 1997) focuses on explaining culture through individuals' sociodemographic information, beliefs, values, and attitudes. The more recent Global Leadership and Organizational Behavior Effectiveness project (Tung & Verbeke, 2010) proposes nine cultural dimensions to better understand leadership styles. In contrast, Hofstede's (1983) typology examines cultural dimension indices at the country level, judged by some as "the best known cross-cultural study" (House, Hanges, Javidan, Dorfman, & Gupta, 2004, p. 239).

In recent years, Hofstede's culture framework has come under scrutiny. For example, a comprehensive measurement assessment of the uncertainty avoidance (UA) dimension reports poor internal construct consistency at the individual level among the three underlying UA variables (stress, rule orientation, and employment stability) (Messner, 2016). While the items seem to form a UA acceptable scale at the aggregate level, which is our level of analysis, the lack of internal consistency at the individual level reduces the meaning of the resultant country level scores (Messner, 2016, p. 308). However, Messner's (2016) study has a strong European focus (2010 European Social Survey data) that relies on a reduced three-item UA construct scale (versus the seven-item scale adopted here). In addition, there is no published empirical evidence that the UA internal consistency issues reported by Messner (2016) exist for the other three cultural dimensions studied here.

In summary, we favor Hofstede's macro-level cultural framework for three reasons. First, Hofstede's cultural framework is built on primary data collected through years of study of IBM's international employees across a wide collection of countries and later validated by others (see Hofstede, Hofstede, & Minkov, 2010). Currently, no replication studies have been conducted that match the scale and depth of that body of research. Second, Hofstede's cultural framework provides the best fit for our research questions and is most relevant in studying international marketing practices. Recent evidence also shows that Hofstede's country-pair cultural differences are relatively stable over time (Buegetsdijk, Maseland, & van Hoorn, 2015). As the most prominent macro-level framework in the field of international marketing, the four dimensions have been shown to impact a vast variety of marketing decisions, such as product diversification strategy (Qiu, 2014), the duration of the international alliance (Malik & Zhao, 2013), and service offshoring location selection (Hahn & Bunyaratavej, 2010). Third, Hofstede's framework provides clarity and parsimony in understanding macro-level cultural dimensions.

Hofstede's (1983) original framework identifies four major cultural dimensions: (a) power distance, which examines how less powerful individuals perceive unequal distribution of power in the society; (b) individualism-collectivism, which reflects whether people in a society expect tightly integrated relationships with their immediate groups; (c) masculinity-femininity, which addresses a society's focus on achievement, assertiveness or cooperation, and caring for the quality of life; and (d) uncertainty avoidance, which deals with a society's tolerance towards uncertainty and ambiguity. Hofstede et al. (2010) present the relative positions of 76 countries on

these four independent dimensions on a 0–100 scale. In the present study, we argue that these four cultural dimensions, representing shared attitudes and values in host country societies, have important implications for understanding equity entry scale of Chinese firm, as measured on a percent scale.

Power distance

Power distance refers to the extent that less powerful members of societies accept the role of authority and authoritarian control (e.g., Hofstede, 1983; 2011). Unequal distribution of power is less tolerant in small power distance cultures, while large power distance cultures embrace unequal distribution of power as social norms. The power distance cultural dimension has been widely studied in managerial practices in human resource management and international business. For example, recent research suggests that power distance significantly impacts interpersonal citizenship behaviors (Mahajan & Toh, 2017), expatriate deployment (Brock, Shenkar, Shoham, & Siscovick, 2008), and product diversification strategy (Qiu, 2017).

According to Hofstedecentre.com, China ranks high in power distance due to China's longstanding emphasis on the individual's role in the hierarchy of social relationships. Chinese people believe that observing one's role in the hierarchical system is a foundation to the smooth functioning of society. When entering high-power distance host countries, Chinese firms respect the power hierarchy in host-country firms and tend not to challenge the power hierarchy of host-country firms, leading to a relatively low-equity entry scale. The low-equity entry mode is expected to contribute to the smooth functioning of cross-border cooperation in high-power distance countries since low-equity entry scale reflects less control and a subordinate role for Chinese firms in their relationships with host-country firms. Maintaining the existing power hierarchy in high-power distance host countries can reduce managerial conflict between Chinese firms and the invested firms.

In contrast, because firms in small-power distance cultures tend to have a more consultative culture, we argue that firms in host countries with small-power distance cultures have a more inviting managerial environment for Chinese firms investment. Specifically, high-equity entry scale represents a significant resource commitment in host-country firms. To reduce transaction costs and ensure the success of such

significant high-equity entry scale, Chinese firms will seek host countries with small-power distance cultures that allow Chinese firms to actively participate in cross-country firm managerial activities. Past research also demonstrates that firms in small-power distance cultures have bottom-up internal control structures and decentralized decision-making processes (Curtis, Conover, & Chui, 2012). The bottom-up internal control structures in small-power distance cultures facilitate information sharing and ensures the active participation of Chinese firms in managerial activities of host-country firms.

In summary, we argue that power distance in host countries negatively impacts equity entry scale of Chinese firms. In terms of cultural fit, the choice of high-equity entry scale will be higher when there is a weaker "fit" between China's power distance and the host country's power distance. That is, Chinese firms are attracted to small-power distance countries, different from their own high-power distance cultural orientation.

H1A: Power distance negatively impacts equity entry scale of Chinese firms.

H1B: Equity entry scale of Chinese firms is higher when there is a low-power distance cultural fit.

Individualism-collectivism

Individualism-collectivism is a one-dimensional construct, here measured as an individualism-collectivism scale (cf. Hofstede et al., 2010). This cultural dimension, studied extensively across social science disciplines (e.g., Schwartz, 1990; Triandis, 1989), is prominent in understanding group dynamics. Individualistic cultures emphasize autonomy, individual needs, and self-expression, while collectivist cultures cherish social interdependence, conformity, and harmony. China scores low on Hofstede's scale (Hofstede et al., 2010), indicating that it is a collective-oriented society. Past research shows that individualism-collectivism strongly influences managers' earnings (Han, Kang, Salter, & Yong, 2010), normative commitment (Fischer & Mansell, 2009), cooperative decision making (Chen & Li, 2005), and mergers and acquisitions (Chan & Cheung, 2016).

We argue that individualism-collectivism influences business relationships and cooperation between Chinese and foreign firms. High-equity entry scale is more feasible and has a higher success rate in collective host-country cultures where firms place more value

on collective goals and organization unity. High-equity entry scale in collective cultures gives Chinese firms more control in cross-border firm relationships and enables them to develop closely linked relationships with firms in host countries. Host-country firms in collectivist cultures tend to follow norms and rules prescribed by majority shareholders, and business relationships focus more on relationship reciprocity and harmony.

In addition, companies in collective cultures care about fostering harmonious relationships with Chinese firms while safeguarding the balance of investment and return when Chinese firms make a major investment in their operations. When business relationship conflicts arise, firms in collective host-country cultures tend to protect the unity of the organization and maximize group interests by subordinating their goals to the collective goals. This ensures Chinese firm FDI security and supports the smooth operation of cross-border business relationships. In contrast, business relationships in individualist cultures are loosely linked and are more calculative. The competition and independence in individualist host-country cultures may create conflict in cross-border business relationships that jeopardizes investments, suggesting a negative relationship between individualism and equity entry scale of Chinese firms. In addition, Chinese firms seek a "collective mindset fit" with host-country firms and are attracted to investment opportunities in countries with a similar collective-oriented culture. Thus, we propose that:

H2A: Individualism (collectivism) negatively (positively) impacts equity entry scale of Chinese firms.

H2B: Equity entry scale of Chinese firms increases in the presence of a high collectivism cultural fit.

Uncertainty avoidance

Uncertainty avoidance deals with society's tolerance for ambiguity and uncertainty (e.g., Hofstede, 2011), but it is not the same as risk avoidance. Individuals in strong uncertainty avoidance cultures have a need for structure and, thus, they rely on strict codes of behaviors to avoid ambiguous and unknown situations. In contrast, individuals in weak uncertainty avoidance cultures have a more relaxed attitude towards unstructured situations. Uncertainty avoidance has been a prominent variable in past examinations of business strategic decisions, such as supply chain collaboration

(Qu & Yang, 2015) and corporate loyalty relationship (Bartikowski, Walsh, & Beatty, 2011).

The Chinese society has a low score on Hofstede's uncertainty avoidance scale, which has important implications for Chinese firm international market entry strategy as international market entry is a strategic move into an unknown and uncertain new environment. Facing the unknown new environment, we argue that Chinese firms will invest more in (similar) low uncertainty avoidance host countries, those with a high cultural uncertainty avoidance fit, for two primary reasons. First, host-country firms in weak uncertainty avoidance cultures are less concerned with predicting outcomes (López-Duarte et al., 2015) and have a more relaxed attitude towards Chinese firm FDI, which encourages Chinese firms to make a higher equity scale of investment in host-country firms. Second, to ensure stability and to reduce risks for host-country firms, government regulations in strong uncertainty avoidance cultures tend not to favor a higher-equity entry scale by Chinese firms that are subject to their own restrictive government regulations. In addition to an uncertainty avoidance cultural fit, we predict that the strict government regulations in strong uncertainty avoidance countries will limit equity entry scale of Chinese firms.

H3A: Foreign country uncertainty avoidance negatively impacts equity entry scale of Chinese firms.

H3B: Equity entry scale of Chinese firms will increase when there is a high uncertainty avoidance cultural fit.

Masculinity-femininity

The masculinity-femininity cultural dimension captures the society's values through the dominant gender roles. Masculine cultures have distinct gender roles and are dominated by values of achievement, success, and material reward for success, while gender roles overlap in feminine cultures and are dominated by values of cooperation, serving others, and quality of life (e.g., Hofstede, 1983; Moon, 2011). On the masculinity-femininity scale, China is most accurately considered a masculine society that is success oriented and achievement driven (Hofstedecentre.com). The need to ensure success can be exemplified by the fact that many Chinese will sacrifice family and leisure priorities to work. For example, migrant farmer workers will leave their families behind in faraway places to obtain better work and pay in the cities. Consistent

with a masculine orientation, Chinese students view class rank and grades (e.g., GPA) as the main criteria to achieve success.

The masculinity-femininity cultural dimension has received considerable attention in explaining cross-cultural managerial behaviors and organizational outcomes, such as corporate social responsibility (Halkos & Skouloudis, 2017), information technology use (Cyr, Gefen, & Walczuch, 2017), and dispute resolution strategies (Tsai & Chi, 2009). In contrast, Hahn and Bunyaratavej (2010) find that masculinity-femininity is not a predictor of offshoring location choices. We test if the masculine-feminine dimension and masculinity cultural fit serve as meaningful predictors of Chinese firm entry scale.

Equity-based shared ownership requires that Chinese firms participate in the joint control of host-country firms. The joint control poses potential management problems due to the different interests, goals, and managerial styles between Chinese firms and host-country firms. In feminine cultures, host-country firms value relationship management and care for relationship partners, while, in masculine cultures, host-country firms are driven by ego-goal achievement and independent decision making. Managers in feminine host-country cultures value business harmony and tend to adopt a more collaborative approach in joint control relationship with managers from Chinese firms. In contrast, managers in masculine host-country cultures are more driven by host-country firm growth. When conflicts of interest arise between host-country firms and Chinese firms, managers from host-country firms may sacrifice investment firms' interests to maximize their own interests. Such a competitive relationship may put Chinese firm FDI at risk. Therefore, Chinese firms will be more cautious in investing in masculine cultures than feminine cultures, leading us to expect to find a low-equity scale in masculine cultures.

Unlike other preferences for cultural fit predicted earlier, Chinese firms may not be attracted to foreign firms in countries with a similar masculine orientation (i.e., where there is a high masculinity cultural fit), as they wish to maintain control and to limit competition—to be more "masculine" than their investment partners. Furthermore, in this context, differences in this dimension may be an asset and not a problem (Hofstede, 1989), as concern for people (feminine orientation) and concern for performance

(masculine orientation) are both necessary for success (e.g., López-Duarte et al., 2015).

> H4A: Masculinity (femininity) negatively (positively) impacts equity entry scale of Chinese firms.

> H4B: Equity entry scale of Chinese firms and masculinity cultural fit are not related.

Methodology

Sample and data sources

Our sample includes Chinese firm global investment activity in 98 countries between 2005 and 2016. This study includes data from multiple secondary sources, merged into a single data set. First, we collected the data on Chinese firm global investment activity from the China Global Investment Tracker. This comprehensive data set includes not only Chinese firm FDI in various sectors, such as entertainment, energy, and agriculture, but also information on the host country to which Chinese firm FDI flows. The Hofstede national index scores for the four host-country cultural dimensions are taken from the Hofstede Cultural Database. In addition, we capture host-country market, trade, and resource data from multiple secondary sources such as the World Economic Outlook Database and the World Economic Forum (Schwab, 2014). The aggregated data set contains 2238 firm-year observations in 146 countries for the period between 2005 and 2016. The final sample consists of the firms appearing in the China Global Investment Tracker database for which data on all key firm-level variables were available. Specifically, after omitting the firms with missing equity entry scale data, the final sample contains 667 firm-year observations across 12 industrial sectors in 98 countries for the period 2005 through 2016.

The 667 firm-year observations cover FDI activities of 284 Chinese firms over the period, and the investment amount of each Chinese firm ranges from $100 million to $12.8 billion. Equity entry scale is distributed as follows: 183 firms have less than 30% equity entry scale; 95 firms' equity entry scale ranges from 30%–50%; 184 firms show equity entry scale of 50%–80%; and 205 firms' equity entry scale exceeds 80%. Twelve industrial sectors are represented in the data; most notable are the 211 energy sector firms, followed by 92 metals sector firms, and 85 transportation sector firms. In addition, the sample includes 56 technology firms, 54 finance firms, 51 real estate firms, 31

agriculture firms, 23 entertainment firms, 21 tourism firms, four utility firms, three chemical firms, and 36 "other" industry firms. The data are diverse in terms of investment region, including 98 host countries. Specifically, 176 firms are based in Europe, 100 firms in the US, 86 firms in East Asia, 78 firms in Australia, 68 firms in West Asia, 55 firms in Sub-Saharan Africa, 41 firms in North America, 41 firms in South America, and 22 firms in the Middle East and North Africa.

Measures

We measure equity entry scale as the percentage of equity shares in host-country firms held by Chinese firms. We obtained the data for Chinese firm percentage of shares in host-country firms from the China Global Investment Tracker. The logarithmic value of Chinese firm percentage of shares in host-country firms is used in model testing.

Data for both China and host-country cultural dimension indices are from the Hofstede cultural database. The cultural dimension scores range between 1 and 100. These scores are used to test H1A, H2A, H3A, and H4A.

We used two methods to measure cultural fit between China and host countries (H1B, H2B, H3B, H4B). First, we calculated four cultural-fit scores as the absolute value of the difference on each cultural dimension between China and the host country. Second, we adapted the cultural distance index proposed by Kogut and Singh (1988), which represents a composite index that arithmetically averages the sum of deviation of each of the four cultural dimensions from the focal country over its variance. Since our research focuses on examining the impact of each individual cultural dimension, we derived four cultural dimension fit indices for each country calculated as the deviation of each dimension from China over its variance, as opposed to Kogut and Singh's (1988) overall fit index that masks individual cultural dimension effects. A low fit score means that China and the host country are similar, whereas a large fit score means that the two countries are different for a given cultural dimension. Specifically, the cultural fit index for each cultural dimension is calculated as follows:

$$CF_j = (I_{ij} - I_{ic})^2 / V_i$$

where I_{ij} represents ith cultural dimension index of country j. V_i is the variance of the index of the ith

dimension of all countries, c stands for China, and CF_j is the cultural fit between the jth country and China.

Control variables

Since previous research shows that firm international market entry strategy is related to various market, trade and resource factors, such as market size, market efficiency, host-country standard of living, and Chinese exports to and imports from the host countries, we include stringent market, trade, and resource variables as control variables in the model testing. At the firm level, we control two variables in predicting equity entry scale of Chinese firms: (a) the industrial sector for each Chinese FDI firm; and (b) firm investment amount (obtained from the China Global Investment Tracker). Wang et al. (2012)) find that government support significantly impacts Chinese outward FDI when government support is treated as a dummy variable that distinguishes between firms that operate in "encouraged" sectors from those that do not. Since Chinese government support varies by industrial sector, we extend Wang et al.'s (2012) study by specifying 12 industrial sectors to control the effect of government support in hypothesis testing.

We use the logarithmic value of Chinese firm investment amount in model testing (e.g., Sharma, Davcik, & Pillai, 2016; Shi, Sridhar, Grewal, & Lilien, 2017). The logarithmic transformation adjusts skewed distributions and improves interpretability of the findings. At the country level, we control host country purchasing power parity per capita (PPP), inflation, the business cost of terrorism, market efficiency, export and import activities, and tariffs. PPP and inflation data come from the World Economic Outlook Database. The PPP index has been widely used by the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD) as an index of country standard of living for developing economic policies. It reflects the gross domestic product valued at purchasing power parity. Following tradition, the logarithmic value of PPP is used here to capture host-country standard of living (e.g., Qiu, 2014). It is preferable to GDP per capita in measuring a country's standard of living, as PPP takes into account the actual cost of living.

The stability of the macroeconomic environment in host countries is important for the economic return of Chinese firm FDI, and has significant potential

meaning for Chinese firm investment decisions. We use inflation to capture the stability of the macroeconomic environment in host countries, measured by the annual percentage change in the consumer price index (year average) in host countries. The business cost of terrorism variable captures social stability in host countries. The data were collected through an item—"In your country, to what extent does the threat of terrorism impose costs on businesses?"—collected in an Executive Opinion survey conducted by the World Economic Forum. The question is anchored by a 7-point Likert-type scale, where 1 represents "to a great extent" and 7 represents "not at all." Data on host country trade activities, including tariffs, export, and import, come from the World Economic Forum. Tariffs reflect the trade-weighted average tariff rate of host countries. Data on exports and imports reflect exports as a percentage of GDP and imports as a percentage of GDP, transformed as their logarithmic value in model tests. Finally, we control host-country market efficiency with data from the World Economic Forum. The market efficiency variable is an aggregate index that reflects whether the country has an efficient environment for the exchange of goods. For example, a low index reflects that the host-country government has a higher level of intervention through burdensome taxes or restrictive rules on FDI that impede market efficiency.

Analysis and results

We use a multi-level model with hierarchical linear modeling (HLM) technique to test our hypotheses, as HLM allows the testing of Chinese firm entry scale strategies within and between firm and country levels. As depicted in Figure 1, the HLM model involves two levels, where level 1 represents firm level and level 2 represents country level. Table 1 details the descriptive statistics and correlations among level 1 and level 2 variables.

We assessed the significance between-group variance in equity entry scale with a null model before we tested the models. The null model contains no predictors and is an intercept-only model. The between-country variance in equity entry scale is calculated to be .017, the τ^2 in equity entry scale is calculated to be .017, and the variance between firms in the same country (δ^2) is .20. Therefore, the intraclass correlation coefficient ($\frac{\tau^2}{\tau^2+\delta^2}$) is found be .081, indicating that 8.1% of variance in equity entry scale resides between countries.

We created three sets of linear mixed equations to test the effect of cultural dimensions on equity entry scale of Chinese firm FDI. The first set tests the impact of host-country cultural dimensions (measured as valence scales) on Chinese form FDI equity entry

Table 1. (Part I). Descriptive statistics and correlations among Level 1 and Level 2 study variables.

	Mean	S.D.	1	2	3	4	5	6	7	8	9	10
Level 1 Variables												
1. Equity entry scale (EES)	1.59	.46										
2. Investment amount (IA)	2.67	.47	.05									
Level 2 variables												
3. Power distance (PD)	51.96	19.60	−.07	.10**								
4. Individualism (IDV)	62.92	27.88	−.05	−.06	−.79**							
5. Masculinity (MAS)	54.40	13.66	−.04	−.09*	−.40**	.46**						
6. Uncertainty avoidance (UA)	57.28	19.98	−.11**	.03	.31**	−.29**	−.16**					
7. Power distance fit 1 (PD1)	30.18	16.11	.06	−.07	−.93**	.40**	−.28**					
8. Individualism fit 1 (IDV1)	43.74	26.56	−.04	−.06	−.80**	1.00**	.47**	−.30**	.81**			
9. Masculinity fit 1 (MAS1)	12.74	12.61	.06	.08	.43**	−.52**	−.88**	.29**	−.44**	−.53**		
10. Uncertainty avoidance fit 1 (UA1)	28.56	18.09	−.11**	.03	.42**	−.43**	−.21**	.93**	−.41**	−.44**	.35**	
11. Power distance fit 2 (PD2)	2.75	2.11	.08*	−.07	−.90**	.74**	3.56**	−.31**	.96**	.74**	−.40**	−.43**
12. Individualism fit 2 (IDV2)	5.62	4.43	−.03	−.06	−.77**	.97**	.46**	−.40**	.78**	.98**	−.54**	−.53**
13. Masculinity fit2 (MAS2)	.99	1.84	.07	.06	.19**	−.28**	−.81**	.17**	−.19**	−.30**	.90**	.19**
14. Uncertainty avoidance fit2(UA2)	2.52	2.93	−.11**	.04	.45**	−.43**	−.23**	.90**	−.42**	−.44**	.37**	.96**
Control Variables												
15. Purchase Power Parity (PPP)	2.90	1.42	−.15**	.07	.13**	−.18**	−.07	.12*	−.13**	−.18**	.10*	.16**
16. Exports (EX)	2.00	1.24	−.06	−.03	−.22**	.36**	.19**	−.28**	.23**	.36**	−.25**	−.29**
17. Imports (IM)	1.40	.38	.01	.02	.31**	−.48**	−.28**	−.00	−.31**	−.50**	.32**	.15**
18. Inflation (IN)	6.25	11.49	.04	−.08	.12**	−.01	.02	−.12**	−.15**	.00	−.10*	−.17**
19. Tariffs (TF)	6.73	6.65	.03	−.03	.03	.09	.03	−.08	−.02	.10*	−.09*	−.16**
20. Costs of terrorism (CT)	5.17	.81	.03	.05	.02	−.09	−.04	.18**	−.03	−.11*	.10*	.22**
21. Market efficiency (ME)	4.67	.60	.00	−.03	−.52	.55**	.29**	−.59**	.56**	.54**	−.32**	−.54**

*$p < .05$
**$p < .01$

Table 1. (Part II). Descriptive statistics and correlations among Level 1 and Level 2 study variables.

	Mean	S.D.	11	12	13	14	15	16	17	18	19	20
12. Individualism fit 2 (IDV2)	5.62	4.43	.71**									
13. Masculinity fit2 (MAS2)	.99	1.84	− .17**	− .33**								
14. Uncertainty avoidance fit 2 (UA2)	2.52	2.93	− .44**	− .52**	.21**							
Control Variables												
15. Purchase Power Parity (PPP)	2.90	1.42	− .11*	− .22**	.06	.14**						
16. Exports (EX)	2.00	1.24	.19*	.43**	− .17**	− .28**	− .59**					
17. Imports (IM)	1.40	.38	− .24*	− .53**	.24**	.17**	.41**	− .61**				
18. Inflation (IN)	6.25	11.49	− .17**	.07	− .13**	− .15**	− .18**	.24**	− .21**			
19. Tariffs (TF)	6.73	6.65	− .07	.16**	− .11*	− .17**	− .45**	.54**	− .67**	.35**		
20. Costs of terrorism (CT)	5.17	.81	− .01	.18**	.10*	.18**	.30**	− .49**	.47**	− .18**	− .57**	
21. Market efficiency (ME)	4.67	.60	.54**	.59**	− .16**	− .54**	.02	.40**	− .03	− .17**	− .18**	− .07

*$p < .05$ **$p < .01$

scale, while the second and third sets test two different measures of cultural fit between China and the host countries.

Within each set, there are three models. Model A is used to examine the effects of each cultural dimension/cultural fit score on equity entry scale. Model B includes control variables: Chinese firm industrial sector, Chinese firm FDI amount, host country PPP, terrorism, market efficiency, exports, imports, and tariffs. Model C tests possible interactions between each cultural dimension/cultural fit index and the control variables. Multicollinearity among the three sets of cultural indices is not an issue, as we tested these three cultural perspectives across three different sets of models independently.

Table 2 summarizes the parameter estimate γ's and the global fit statistics (−2 loglike and Akaike Information criterion [AIC]) for each model.

Model findings for cultural valence scales

The first set of models test the effect of host-country cultural dimensions on equity entry scale of Chinese firms. The findings from Model 1A, where the effects of only four cultural dimensions were tested, show that host-country power distance cultural dimension has a significant negative impact on equity entry scale of Chinese firms ($\gamma = −.006$, $p < .01$) (H1A). Per H2A, the findings also show that host country individualism–collectivism has a negative impact on equity entry

Table 2. Results of hierarchical linear modeling tests.

	Model 1A	Model 1B	Model 1C	Model 2A	Model 2B	Model 3A	Model 3B
				Fixed Effects γ's			
Step 1							
PD/PD1/PD2	− .006 (.002)[b]	− .005 (.002)[b]	− .015 (.004)[b]	0.007 (.002)[b]	.006 (.002)[a]	.039 (.013)[b]	.037 (.016)[a]
IDV/IDV1/IDV2	− .004 (.001)[b]	− .005 (.001)[b]	− .005 (.001)[b]	− .005 (.001)[b]	− .005 (.002)[b]	− .023 (.007)[b]	− .028 (.010)[b]
MAS/MAS1/MAS2	− .001 (.002)	− .003 (.002)	− .003 (.002)	.003 (.002)	.003 (.002)	.016 (.011)	.019 (.013)
UA/UA1/UA2	− .003 (.001)[b]	− .000 (.001)	− .000 (.001)	− .004 (.001)[b]	− .001 (.002)	− .027 (.007)[b]	− .006 (.010)
Step 2							
IA		.053 (.047)	0.063 (.047)		.045 (.047)		.049 (.047)
PPP		− .097 (.021)[b]	− .270 (.058)[b]		− .093 (.021)[b]		− .096 (.021)[b]
EX		− .143 (.039)[b]	− .171 (.039)[b]		− .139 (.040)[b]		− .140 (.040)[b]
IM		− .18 (.12)	− .122 (.119)		− .185 (.120)		− .153 (.118)
IN		− .178 (.119)	.022 (.119)		.013 (.008)		.014 (.008)
TF		.005 (.007)	.005(.007)		.004 (.007)		.005 (.007)
CT		.053 (.033)	.052 (.034)		.050 (.034)		.042 (.034)
ME		.231 (.075)[b]	.232 (.074)[b]		.206 (.072)[b]		.221 (.074)[b]
Step 3							
PD/PD1/PD2 x PPP			.003 (.001)[b]				
IDV/IDV1/IDV2 x PPP							
				Fit Statistics			
−2 loglike	833.6	653.1	655.0	831.6	654.0	818.5	640.8
AIC	837.6	655.1	657.0	835.6	656.0	822.5	642.8

[a]$p < .05$, [b]$p < .01$

scale of Chinese firms ($\gamma=-.004$, $p < .01$). Results for Model 1B that include all the control variables reveal: (a) a similar significant negative relationship between host-country power distance and equity entry scale of Chinese firms ($\gamma=-.005$, $p < .01$); and (b) a similar significant negative relationship between host-country individualism-collectivism and equity entry scale of Chinese firms ($\gamma=-.005$, $p < .01$). The findings demonstrate that Chinese firms tend to have a higher level of equity entry scale in small-power distance and collective host-country cultures than in larger power distance and individualistic host-country cultures, supporting H1A and H2A. Interestingly, the findings show that the remaining two host-country cultural dimensions—uncertainty avoidance and masculinity-femininity—have no significant relationship with equity entry scale of Chinese firms. Therefore, H3A and H4A are not supported by the data.

Further moderation analysis demonstrates that host-country purchasing power parity (PPP) significantly moderates the relationship between the power distance cultural dimension and equity entry scale of Chinese firms. That is, the effect of host-country power distance on equity entry scale of Chinese firms depends on the level of host-country PPP. Specifically, a higher level of PPP enhances the negative relationship between host-country power distance and equity entry scale of Chinese firms.

Model findings for cultural fit

The second set of models test the effects of the four dimensions of cultural fit as measured by the absolute value of cultural differences on equity entry scale of Chinese firms. We predicted that equity entry scale of Chinese firms increases in the presence of a low-power distance and a high-collectivism cultural fit. The findings from Model 2A, where only the cultural fit effects are tested, confirm the significant positive impact of power distance cultural fit ($\gamma = .007$, $p < .05$) and collectivism cultural fit ($\gamma = -.005$, $p < .01$; reverse coded scale) on equity entry scale of Chinese firms. [As calculated, recall that a high cultural fit index means that there is low fit. In addition, a low individualism-collectivism score reflects collectivism.] Chinese firms are attracted to firms with small-power distance and high-collectivist orientations. Model 2B, which includes all of the control variables, shows similar results. In summary, H1B and H2B are supported

by both models where cultural fit is measured by the absolute value of cultural differences. The insignificant effect for masculinity-femininity fit is as predicted (H4B). As per our earlier findings, these results indicate that the remaining host-country cultural fit index—uncertainty avoidance—has no significant relationship with equity entry scale of Chinese firms. Therefore, H3B is not supported.

Model findings for Kogut and Singh's (1988) cultural fit indices

The third set of models tests the effects of the four dimensions of cultural fit on equity entry scale of Chinese firms using Kogut and Singh (1988)'s method to estimate cultural fit. The findings from Model 3A are consistent with Model 2A results. We again find that power distance cultural fit ($\gamma = .039$, $p < .01$) and collectivism cultural fit ($\gamma = -.023$, $p < .01$) impact equity entry scale of Chinese firms. Findings for Model 3B, where all control variables are included, are similar to those of Model 2B. Both models again support H1B and H2B, demonstrating that host-country power distance cultural fit and collectivism cultural fit have a significant impact on equity entry scale of Chinese firms across multiple measures of cultural fit. As per the earlier findings for Model 2A and Model 2B, Model 3A and Model 3B results show that the other two host-country cultural fit dimensions—masculinity-femininity and uncertainty avoidance—have no significant relationship with equity entry scale of Chinese firms.

Control variable effects

In addition to the main effects reported earlier, we also find consistent significant effects for three control variables: host-country PPP, export activities, and market efficiency. Host-country PPP has a consistent negative impact on equity entry scale of Chinese firms in all models, indicating that Chinese firms tend to invest heavily and gain a higher level of ownership control in firms that reside in countries with lower standards of living. In addition, Chinese firms tend to invest heavily and gain a higher level of ownership control in firms that reside in host countries where exports as a percentage of GDP are low. We also find that Chinese firm equity entry scale decisions depend on host-country market efficiency; i.e., Chinese firms are attracted to host-country markets where goods are

efficiency exchanged without government intervention through burdensome taxes or restrictive rules.

The firm-level control variable, firm industrial sectors, and the country-level control variables (host country inflation, business cost of terrorism, import activities, and tariffs) do not have a significant impact on entry scale of Chinese firms.

The global fit statistics indicate that Model 3B has a slightly better fit than Model 1B and Model 2B (AIC = 642.8). In addition, cultural fit, as measured by Kogut and Singh (1988), is the most powerful predictor of equity entry scale of Chinese firms.

Discussion

We examine the impact of four cultural dimensions on equity entry scale by 667 Chinese firms over a 12-year time frame, across 98 countries and 12 industrial sectors. Our findings show that individualism-collectivism and power distance have a negative impact on equity entry scale of Chinese firms, after controlling for important macroeconomic and trade factors. More specifically, Chinese firms tend to seek high-equity entry scale in small-power distance and collectivist host country cultures than in larger power distance and individualistic host-country cultures. In addition, using two operationalizations of cultural fit, the data confirm that Chinese firms show a preference for investing in host countries with a similar collectivist cultural fit. Interestingly, Chinese investors appear to seek out markets with a low-power distance cultural fit. Our findings have both theoretical and practical implications.

Theoretical contribution

Our study makes important theoretical contributions to the international marketing entry strategy and culture literatures. First, unlike previous research on cultural distance as measured with an aggregated index (e.g., Gollnhofer & Turkina, 2015; López-Duarte & Vidal-Súarez, 2013; Samiee, 2013), our study shows differential effects of individual cultural alignment (fit) and cultural valence on firm equity entry strategies. Specifically, our findings reveal that individualism-collectivism and power distance show consistent effects on equity entry scale of Chinese firms, after controlling for powerful and important macroeconomic and trade factors. These findings suggest that

international market entry by Chinese firms, which is substantial, is partly influenced by cultural characteristics, most notably individualism and power distance. More specifically, Chinese firms obtain a high-equity entry scale in firms that reside in small-power distance and collectivist cultures. The findings highlight the importance of consultative and cooperative culture in attracting Chinese investment and show that a decentralized internal control structure is conducive for promoting entry scale of Chinese firms. Firms in small-power distance and collectivist cultures provide a strategic fit environment for lowering investment risks and increasing management efficiency.

The lack of effects for masculinity-femininity and uncertainty avoidance is not entirely surprising. Past research also reports that masculinity-femininity does not influence offshoring location choices (Hahn et al., 2010), and the lack of a UA effect may be, in part, measurement based (cf. Messner, 2016). One speculation for the insignificant findings is that the two cultural dimensions have conflicting effects on firm entry scale decisions. Specifically, entry scale decisions are driven by returns. While a strong uncertainty avoidance culture can better safeguard the investment, at the same time, that type of cultural environment tends to lower return prospects.

The significant findings provide strong support for studying cultural distance through a dimensional perspective versus the aggregated approach that dominates past research (e.g., Arslan & Wang, 2015; Kogut & Singh, 1988; Quer et al., 2017; Xie, 2017). Kogut and Singh's (1988) cultural distance index aggregates the cultural dimensions where each dimension has equal weight. While it may be valuable for researchers to obtain an overall distance index between home and host countries, this approach fails to capture the unique and relative value of each cultural dimension. It is also problematic when the cultural distance of different cultural dimensions each works against the other, as we find in our examination of equity entry scale. Thus, we also contribute to the foreign investment strategy and culture research literatures with our measurement approach that enables examination of the impact of individual culture dimensions.

Second, our study extends the existing literature on market entry mode choices and reveals notable findings on how culture fit impacts equity entry scale. Unlike entry modes widely discussed in previous literature (e.g., Gollnhofer & Turkina, 2015; López-Duarte

& Vidal-Súarez, 2013; Samiee, 2013), equity entry scale reflects the level of investment and better captures strategic commitment of market entry. As predicted, in the presence of a high-collectivism cultural fit, Chinese investors are motivated to secure a high-equity entry scale in foreign firms. In contrast, our findings also show that high cultural fit does not always have a positive impact on the equity entry scale. In terms of power distance cultural fit, a lower cultural fit ("misfit") leads to higher entry involvement. We argue, and our data supports, that the bottom-up internal control structure in small-power distance cultures facilitates information sharing and enables active participation of Chinese firms in managerial activities of host-country firms. As predicted, a masculinity-femininity cultural fit is also of limited value, supporting that Chinese investors prefer to maintain more control—to be more "masculine" than their international market partners. A masculine host-country culture driven by aggressiveness and goal achievement may be attractive for Chinese investors who would like to achieve high returns for their investment. However, a masculine host-country culture may also constrain investors' resource commitment, since a lack of cooperation in a masculine host-country culture can cause conflicts in post-investment relationship management that, in turn, hamper investment returns.

Finally and most importantly, our findings provide important insight into the theoretical development and enhanced interpretation of a strategic fit framework in international marketing. Previous research that follows different theoretical perspectives (e.g., transaction cost theory, a contingency approach, a resource dependency perspective) to explain entry mode strategies often leads to contradictory findings (e.g., Gollnhofer & Turkina, 2015; Malhotra, 2003). Our findings show that firm market entry strategies can be best explained via a strategic fit perspective. While a cultural fit may be ideal in some instances, host-country firms do not always need to share similarities with their investor firms. A strategic fit framework is flexible as it allows for complementarity through a "misfit," where each party in the relationship brings different resources and skills to the table which serve to facilitate goal achievement. A low level of cultural fit for certain cultural dimensions, such as power distance, can be desirable for firm market entry commitment, as long as it is consistent with the firm's strategic initiative.

Practical contribution

From a more practical standpoint, the cultural effects reported here suggest that Chinese companies should devote time and resources to understanding individual cultural values and business practices in the international marketplace. At the same time, nations and foreign firms that seek investment from Chinese firms must be proactive and work to convey and promote that their own individual cultural values "fit" with those of potential Chinese firms. We are not suggesting that countries try to change their cultural values, but they need to convince potential Chinese investors that their specific cultural values can benefit the working relationship. It should be possible to have an effective working relationship in spite of cultural differences, as long as the cultural differences fit the strategic initiatives of Chinese investors.

Within the dimensional model, cultures can change their relative position on a given dimension. However, recall that country scores do not provide absolute country positions, but only their positions relative to other sampled countries. Changes such as new technologies tend to impact all countries without necessarily altering the countries' relative positions. And only if a country "leapfrogs over others will the validity of the original scores be reduced" (Hofstede, 2011, p. 22). Hofstede (2011) acknowledges that China may be a rare exception, where, after a long period of relative isolation, there have been decades of unmatched double-digit economic development accompanied by rapid global exposure. These environmental changes may lead to cultural shifts, especially among the young, all of which are yet to be examined empirically. However, such events may be less impactful than some assume, based on recent evidence that shows that Hofstede's country-pair cultural differences are relatively stable over time (Buegetsdijk et al., 2015).

Some also argue that new technologies and globalization, in general, will make societies more and more similar. Such looming changes will take a long period of time—cultural values are enduring and tend to change slowly over time as society adapts to various environmental influences. The enduring nature of culture, along with Beugelsdijk et al.'s (2015) empirical findings of the long-term stability of Hofstede's cultural differences, supports the concept that the cultural effects reported here, robust across multiple models and cultural measures, are noteworthy.

Furthermore, although the study reveals the significant findings of two national cultural dimensions, managers need to note that a conscious effort to foster a consultative and collective firm culture may be equally important to promote firm entry scale. Although national cultures are external factors that are beyond a firm's control, organizational culture can be developed to provide an attractive "fit" if attracting foreign firm investment is part of the firm's strategic agenda (e.g., Zhang, Knight, & Tansuhaj, 2014).

It is also noteworthy that Chinese firms tend to invest heavily and gain a higher level of equity control in firms that reside in countries with lower standards of living, where exports as a percentage of GDP are low. To the extent that market entry of Chinese firms contributes to the development of such economically disadvantaged nations, this may be beneficial for the global economy. Our findings are consistent with China's recent international market entry development strategy: The Belt and Road Initiative, also known as the One Belt One Road (OBOR) Initiative. That initiative focuses on Chinese firm market entry in countries that are along the land-based "Silk Road Economic Belt" and Oceangoing "Maritime Silk Road," while most of the countries along the Belt and Road Initiative are developing countries, which have comparatively low standards of living and export strength. Recent research supports that Chinese FDI varies for OBOR versus non-OBOR countries (Liu et al., 2017). According to our data, Chinese firms are also attracted to host-country markets where goods are efficiency exchanged without government intervention through burdensome taxes or restrictive rules. These findings are consistent with a recent study of outward flows of Chinese FDI in Canada (Dobson, 2017), which concludes that China's regimes governing FDI and SOEs are becoming more transparent and market oriented. To attract firm investment and promote entry scale, host-country governments need to be sensitive to market entry policies and develop reasonable measures to reduce market entry risks.

Limitations

We acknowledge that our study has some limitations. First, we are limited by data availability; i.e., ideally, we would have data for more countries, more sectors, and more control factors. In addition, strict governmental controls and restrictions in China may bias some

results. For example, some Chinese industries are prohibited from entering abroad (e.g., manufacturing of green tea; Wang et al., 2012). Our examination of Chinese firm entry scale controls for market efficiency in host countries, but we neglect to account for how Chinese firm international market entry is regulated by the government. With the new Belt and Road Initiative adopted in China in 2013, Chinese firms are playing a bigger role in the global marketplace and, thus, Chinese government intervention cannot be neglected. Further research needs to incorporate political perspectives from both home and host countries to study Chinese international market entry strategies.

As noted earlier, the literature addresses methodological issues in cross-cultural research (e.g., van de Vijver & Leung, 2000). In response to internal consistency issues, we support Messner's (2016) plea for the development of a valid UA construct, and future research into that dimension. Concerns about the possible outdatedness of Hofstede's scores appear to be deflated by the previously mentioned recent evidence that Hofstede's country-pair cultural differences are relatively stable over time (Buegetsdijk et al., 2015).

Finally, the study reveals the critical role of cultural dimensions in equity entry scale choices, but there is still a lack of understanding regarding how equity entry scale choices impact post-investment performance. Do high resource commitment and equity control bring better economic returns for investors in a strategic fit environment? Or, do the economic outcomes depend on other contingency factors, such as managerial efficiency or environmental uncertainty? It will be interesting to examine performance effects in a longitudinal study that tracks the increases and decreases in firm investments over time. Future research in this direction will undoubtedly shed new light on these and other important questions related to Chinese international market entry.

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