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

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Foreign Market Entry as Network Entry: A Relational-Structuration Perspective on Internationalization in Television Content Production

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Abstract

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

Keywords: Foreign market entry; Nordic international business research; structuration theory; organizational fields; (collective) network entry; network learning; television industry

Introduction

Growth rates in the world's two largest domestic markets for television content production, the United States and Germany, have declined over the last few years, while the cost of production has risen significantly and the scope for financing prestigious event-television projects has narrowed considerably. Because the marginal cost of additional broadcasting via television or the Internet is close to zero, an increasing number of television production firms have entered foreign markets in recent years. They have used a variety of internationalization strategies, including exporting, joint production, licensing, and foreign acquisition (Hickethier, 1999). Because there are often substantial "cultural discounts" on television programs (Hoskins and Mirus, 1988), the "liability of foreignness" (Hymer, 1976) is likely to matter in this industry even more than it does in others. Access to locally embedded resources is thus critical, regardless of which entry strategy is chosen (Preston and Kerr, 2001). In those cases where local television audiences have a strong preference for specific locations, type-casting, and story lines to reflect local traditions and cultural tastes, local content is particularly valuable. The question is, how can such local content be produced by foreign firms that are not familiar with the historical, cultural, and institutional nuances of local contexts in which knowledge evolves? In this paper, we argue that under these conditions the most suitable entry mode is a strategy that helps firms tap into existing local inter-organizational networks or create new ones.

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

Despite these complexities, international business researchers have often employed a narrow structuralist network approach. In this paper we complement and extend this approach in two ways. First, we suggest that new insights can be obtained by taking into account the different modes of governance in the organizational field that firms adjust when entering a foreign market. While distinguishing in this respect between market, hierarchy, and network modes of actual field governance, we find in the industry under investigation here that firms entering a foreign market tend to transform existing networks or create new ones. To accomplish this, they employ the network and organizational (hierarchical) governance mode and, to a somewhat lesser extent, also the market mode. Second, we suggest that an explanation of foreign market entry requires attention to process and practice, rather than structure alone. Foreign "market" entry can be understood as a relational-structuration process, reflecting the recursive interplay of structure and agency with respect to the cognitive, normative, and power elements that are inherent in any kind of social practice (e.g., Sydow and Windeler, 1998). Our emphasis on process and the practices that firms engage in when they *enter* a foreign market departs from the perspective normally used in international business research, which treats entry strategies as an isolated feature, disconnected from the structural aspects of networks, fields, and society. We suggest that Giddens' (1984) theory of structuration helps to better understand business internationalization strategies by highlighting not only process, without neglecting structure, but also the recursiveness of social life in general.

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

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

Conceptualizing foreign market entry as network entry

Questions of business internationalization in general, and of foreign market entry in particular, have been addressed from a variety of perspectives (for reviews, see Brouthers and Hennart, 2007; Canabal and White, 2008; Meyer et al., 2009). Of the three research streams identified by Forsgren (2004) in a recent review of relational theories of international business, the leading approach with respect to the role of networks is, without doubt, the "Nordic school of internationalization business research" (e.g., Håkansson and Snehota, 1989; Björkman and Forsgren, 2000; Andersson et al., 2002; Forsgren et al., 2005; Mainela and Puhakka, 2008; Ojala, 2009). The Nordic school builds on a variety of intellectual roots that include the foundational findings of the Uppsala model of internationalization (Johanson and Wiedersheim, 1975), the critical appreciation of this model (Melin, 1992), and the interactionist approach in industrial marketing (Håkansson and Snehota, 1989). While otherwise quite diverse, the various authors who may be subsumed under the Nordic school label share a common focus on intra- and inter-organizational network relations.

Nordic school researchers view international firms as entities that are embedded in a web of relationships linking resource interdependent organizations and units in domestic and foreign markets (Forsgren et al., 2005). Studies have shown that in many cases the organizational configuration of the multinational corporation (MNC) and its subsidiaries is determined by decisions made in a far-reaching network of internal and external stakeholders (Forsgren and Johanson, 1992), suggesting that one consider the reach and diversity of actors and resources in MNCs' internal *and* external environments. Network building is conceived as an incremental process in which knowledge about the foreign market can be accessed only through the direct involvement of a diverse set of actors (Forsgren et al., 2005; Blankenburg 1995; Johanson and Vahlne, 1992). Based on this view, entry into a foreign market is best characterized as *network* entry in the sense that a broad array of interpersonal and inter-organizational relationships, both at home and abroad, must be nurtured to meet the specific demands of local environments. Several studies have highlighted formal and informal networks as a mechanism to facilitate entry into a foreign market, by inducing firms to either follow existing relationships or to build new ones (e.g., Andersson et al., 2002).

There is some debate concerning the influence of network relationships on firms' choice of markets and modes of entry (Ojala, 2009). While firms' positioning during the early stages of internationalization tends to reduce the range of options for strategic manoevering in later stages (Forsgren et al., 2005), new opportunities may develop over time as network structures and resource dependencies evolve. Cultural differences between markets are an important structural constraint, requiring "institutional experience" (Eriksson et al., 1997) regarding knowledge about country-specific rules, regulations, and cultural mindsets (Forsgren et al., 2005: 68). Building institutional experience is seen as critical for overcoming cultural discount barriers, which requires extensive and appropriately structured and "processed" networks. Given the manifold resource dependencies and the range of actors that must be dealt with in foreign market entry, the Nordic school's use of the relational network perspective is well suited for research on industries in which both regional and international networks play a prominent role, as in television content production.

However, the Nordic approach to foreign market entry is limited in two ways. First, although networks may be important in many organizational fields, not all exchange relationships are governed through the network mode. Researchers working from the relational perspective tend to not distinguish clearly between different modes of governance, especially when foreign "market" entry is conceptualized as network entry – conceiving of networks as sets of interpersonal and inter-organizational relationships. While networks surely matter in all forms of governance, network governance indicates a special form of coordination. Even if this form of coordination is of central importance in a field as complex and volatile as television content production (e.g., Windeler and Sydow, 2001), this field also involves price-based market relationships as well as organizational rule-based and hierarchical relationships. The hierarchical mode of governance, for instance, is evident particularly in media conglomerates that have expanded internationally in the recent wake of mergers and acquisitions (for the United States, see Dizard, 2000; for Germany, see Pätzold and Röper, 2006).

A second limitation of the Nordic school is its focus on structural network aspects such as rules, resources, and positions, while downplaying agency. Nordic school scholars have tended to ignore or, at best, have taken an implicit view on the recursive interplay between action and structure. We suggest that action and structure are recursively related and mutually condition one another so thoroughly that it is virtually impossible to conceive of one without the other. Actors refer in their social practices to the sets of rules and resources for engaging in practices as structures. Structures serve to orient the activities of actors, at the same time that the actors produce and reproduce these structures through their activities. This recursive interplay of action and structure describes also foreign market entry, where the ability of firms to successfully penetrate foreign markets hinges on the kinds of actions they can take within existing structures and where local structures co-evolve with the logics and practices of firms responding to them. We think that knowledge about the relationship between action and structure is critical to understanding the process of all forms of market entry. In order to better conceptualize foreign market entry as *network* entry, we thus extend the insights from the Nordic school with arguments from the structuration perspective.

The relational-structuration view on foreign market entry

Structuration theory, originally developed by Giddens (1984) as a social theory, offers a unique processual perspective on the dynamic interplay between actors, structure, and control. We emphasize two distinctive features of this perspective that we find useful for understanding foreign market entry. First, all actors are considered "knowledgeable agents" (Giddens, 1984), in the sense that they understand actions, consequences, and contexts, and are able to use this understanding in their activities. Managers involved in business internationalization are seen as individuals who monitor their task environment continuously and rationalize their own actions, the actions of others, and the contexts in which actions are embedded. This, however, does not mean that they *fully* understand all conditions and consequences of their actions. Second, Giddens' (1984) "stratification model of the agent" provides a unique understanding of social embeddedness. Contrary to Granovetter's (1985) account, embeddedness is not restricted to interpersonal relations at the micro-level but also includes individuals' connections to social systems and considers the structural properties of systems to which agents refer in their daily interactions. Structuration theory treats the relationship between action and structure as a duality, rather than a dualism, in the sense that action and structure are constitutive of each other (Giddens, 1984). With respect to business internationalization in general, and foreign market entry in particular, this means that the actions of managers and other stakeholders shape and are shaped by the structures of all social systems in which they operate. In the case we study below, these systems include (1) the organization and its subunits (MNC headquarters and subsidiaries), (2) the inter-organizational network, and (3) the larger organizational field in which the network is embedded.

The structures of these systems are evident in rules of signification and legitimation as well as resources of domination (Giddens, 1984). The structuration approach focuses on the interplay of these structures and on the way individual and collective actors draw upon them in their social interaction as they communicate, apply sanctions, and exercise power, respectively. The actors make sense of behaviors and events through communication, thus reproducing or transforming rules of signification. For example, talking repeatedly about a particular foreign country as involving huge investment risks is likely to increase the probability that this country is perceived this way. As a result of such sense-making communication, which leads to specific rules of signification, managers may come to prefer, as an entry strategy, exporting or alliancing over direct investments, partly irrespective of the "true" degree of uncertainty in the targeted country. By sanctioning certain behaviors, managers reproduce or change rules of legitimation. And by using resources, they reproduce or change the system's structure of domination. International managers thus shape reflexively social practices, such as the "market" entry strategy they employ or the routines they use when coordinating the activities of foreign subsidiaries.

Structuration theory not only provides a more comprehensive understanding of the social embeddedness of economic actors, as well as their strategies and activities, including those related to foreign market entry. Structuration theory also offers guidance for examining the ways in which individuals and organizations enact and reproduce, or transform the rules and resources available in organizational fields, which include suppliers, consumers, regulatory agencies, and other organizations in the same and related industries (DiMaggio and Powell, 1983: 148). For example, Discovery Inc., the globally active producer of high-quality documentaries, changed the rules and resources for producing documentaries significantly when it entered the German market as a field, conceived here as a field for strategic agency, which may be governed by either market, hierarchical, or network relations, or a combination of these modes.

Researchers within the Nordic school framework have tended to use a relational network perspective to describe *any* kind of social and economic relationship within organizational fields. In the present study, we use the relational-structuration approach to examine networks as a *particular* form of system governance, characterized by rather long-term and multiplex collaborative relations and based on norms of reciprocity (Powell, 1990; Sydow and Windeler, 1998). This form of governance is typical – albeit not without alternatives, as we have indicated above and will show in greater detail below – in television content production, where economic activities are organized mostly in form of projects and project networks (Starkey et al., 2000; Windeler and Sydow, 2001). Project networks are an organizational form of economic activity that, on the one hand, function like “temporary organizations” (Lundin and Söderlund, 1995) with projects having a defined beginning and end. On the other hand, they also have enduring features, emerging out of previous experiences of collaboration and with a view to the “shadow of the future” (Axelrod, 1984), often involving the same project participants. Project networks in film production represent an extremely “lean” organizational form (Ferriani et al., 2005) in that all the important tasks of finding, recruiting, training, and re-training human resources are “outsourced” to other organizations and individuals in the field. This organizational form of production requires networks for coordination, creating both opportunities and constraints for the internationalizing firm as well as the local cluster of organizations with which the firm interacts.

Implications for foreign market entry in television content production

The relational-structuration framework has at least two important implications for understanding foreign market entry in television content production. First, conceiving of foreign market entry as entry into an organizational field means that managers should be viewed as agents who choose from a repertoire of entry strategies, in a context that requires more or less intensive interaction with a variety of individuals, organizations, and institutions. Firms can thereby enter a foreign market in a *market-like* fashion, which requires very limited interaction with foreign "partners", as they seek to obtain information predominantly through the price mechanism. In television production, one can find this type of entry in form of "output deals," where the output for a given period is sold to the customer in advance. Alternatively, firms can use the *network* form of entry through, for example, co-productions, licensing agreements, and piggybacking arrangements (Terpstra and Yu, 1990), all of which put a premium on close inter-organizational coordination. When firms employ a foreign direct investment strategy, both greenfield and acquisition, they use predominantly the *hierarchical* entry strategy, which has more clout when the direct investment involves a majority stake.

A second implication of the relational-structuration view is that it draws attention to the mix of governance modes used in organizational fields, in interaction with the different strategies firms use to enter fields. Market, network, and hierarchical forms are not mutually exclusive but may co-exist in the same field. While the organizational field of German television content production is coordinated predominantly in a network-like fashion, the producers also rely on market or hierarchical relationships (Windeler and Sydow, 2001). For instance, production firms are partly owned by broadcasters (e.g., Bavaria Film is owned by several public broadcasters) or by media groups (e.g., Grundy UFA is owned by Fremantle Media, which is a member of the RTL-group owned by the Bertelsmann AG), but they coordinate relationships with authors, directors, and other artistic agents in content-production projects in a network-like manner. By contrast, the relationships with some non-artistic agents like service providers (primarily, studios) are organized in a more market-like fashion. The specifics of the mix of governance modes and entry strategies tend to vary with the nature of organizational fields, such as their diversity and maturity, which firms take into account when choosing a particular market entry strategy.

< Table 1 about here >

Table 1 summarizes the key differences between the Nordic school and the relational-structuration approach to internationalization. We use the relational-structuration perspective to modify and extend the arguments from the Nordic school concerning the role of networks in foreign market entry. In particular, we suggest that the relational-structuration perspective provides a more balanced conceptualization of action and structure, as well as a more explicit understanding of the interplay of cognitive, normative, and power elements in foreign market entry. To illustrate the usefulness of this perspective, we present data from an in-depth case study of Soapy, a leading German production firm. We complement the analysis with empirical data on the market entry strategies of other German production firms, as well as U.S. production companies that have entered the German television market in recent years.

Research Setting and Methodology

Most of the empirical data concerning foreign "market" entry in the field of TV production were obtained through 20 semi-structured interviews with representatives from German and American television companies which had internationalized their production in recent years. The study focused on these two countries since they represent the largest TV markets in the world. One would expect that firms in these markets practice a variety of foreign "market" entry strategies and that they reflect on their experience with these strategies.

< Table 2 about here >

Table 2 provides an overview of the companies and individuals who were interviewed between 2000 and 2002. The interviews, which lasted on average more than two hours and were recorded and transcribed, focused on firms' experience with market entry strategies and organizational forms of production in an international context. Additional field interviews, the last one of which was conducted in 2009, were used to update the information. The interviews were coded and analyzed with respect to the central arguments and concepts of structuration theory, as applied to foreign market entry. We focus on some of the rules and resources that characterized the field of entry, as well as the practices stemming from and reproducing or transforming these structures. We followed the grounded theory approach (Glaser and Strauss, 1967) insofar as we developed interpretations of our observations through multiple iterations between concepts and data until a reasonable saturation level was achieved (Suddaby, 2006). However, we deviate sharply from the grounded theory approach because in this study we did not aim to build a theoretical framework that would provide a comprehensive explanation of internationalization strategies from scratch. Rather, our intention was to use the (admittedly broad) categories of the relational-structuration framework as a "sensitizing device" (Giddens, 1984) that would prove useful for understanding how the interviewees interpreted and employed in the internationalization process particular rules of legitimation and signification, as well as resources of domination.

In order to triangulate our analysis of the interview data obtained from firms that had internationalized their operations, we also interviewed about 60 representatives of production companies, broadcasters, media funding institutions, trade unions, consultants, and other industry experts. These interviews provided us with a wealth of information and a more complete picture of the organizational field and the current environment that motivates many television content producers to internationalize their activities. In addition, we studied numerous publications of associations (e.g., the German association of private TV stations, VPRT), public institutions (e.g., Medienboard Berlin-Brandenburg), and major players in the industry (e.g., all German broadcasters and those German and U.S. production firms that have to report publicly). We also discussed our main conclusions with selected representatives from this industry. The available data show that foreign market entry in television content production is executed, in most cases, as network entry, and in some cases, as collective network entry.

Case study: Soapy entering the Hungarian organizational field

Starting from basis ideas of the Nordic school with regard to the importance of networks, we use the refined relational-structuration perspective on foreign market entry to draw attention to the multi-level processes connecting individual and collective actors and organizational fields in different countries. The case of Soapy offers several interesting insights concerning processes occurring at these different levels, in particular inter-organizational processes related to knowledge transfer, interactive learning, and field maturation. Most importantly, the findings show that internationalization involves more than ensuring that actors at global and local levels are *linked* (Vang and Chaminade, 2007); they also highlight the recursive relationship between structure and action, which gives *movement* to the network linkages.

Background: Fields, actors, and resources

At the time of data collection, Soapy, owned by a leading German media group and with 600 hours of content per year being the largest European producer, was active in the production of fictional content, in particular the mass production of soap operas and telenovelas. The production system of soap operas is industrial in the sense that there is a deep division of labor and close coordination between the various units. Although the producers of soap operas are vertically significantly more integrated than television producers of other content, they also draw heavily on the resources provided in a rather broad organizational field. Managing relationships in this diverse field effectively, so that that the resources are accessible (Grant and Baden-Fuller, 2004) and interpretable (Staber, 2006), is particularly critical for successful foreign market entry.

Even more so than in television production in the United States, the organizational field of German television constitutes a "network-driven market" (head of business affairs 2) in which broadcasters act as strategic actors in the private and public domain. The fact that very few television channels commission a large volume of fictional content puts them in a powerful position vis-à-vis production firms. The larger producers are part of powerful media groups, creating a near-oligopolistic situation, which our interviewees referred to as "block-building" (managing director 5; head of business affairs 4; managing director 6). Production, especially of soap operas, occurs in form of project networks that are controlled by members of media groups. Regional institutions such as film funding agencies, film academies, and film festivals support the production of feature films and television movies financially and symbolically, and they act as brokers in media regions, connecting television stations and production companies as well as other institutions in the organizational field (Sydow and Staber, 2002; Scott, 2005). Similar to the U.S. organizational field, the German field may be considered rather mature because of institutionalized professional practices in content production, the use of highly advanced production technologies, the high level of government regulation, and viewer tastes that are strongly embedded in distinct regional cultures and traditions (Heinrich, 1999).

The Hungarian market, by contrast, had not yet reached maturity at the time when our first data were collected in 2000 (Szekfü, 2001). Despite industry privatization, the number of television stations and production firms had remained small. One of the private television stations owned by foreign companies belongs to the media group which owns Soapy. Local content regulation requires that TV stations owned by foreign media groups produce or commission significant levels of content in Hungary. This regulatory strategy creates substantial challenges for domestic production firms because Hungarian TV channels air mostly foreign content. As a result, the local production community is not well developed in Hungary. The common practice is to employ available labor only if there is demand from Hollywood majors, but this demand is very unstable, given the "runaway production" strategy of the majors (Vang and Chaminade, 2007). The main strategy is to profit from significantly lower remuneration and even longer working hours as well as subsidies and cheap studios in rather immature fields. A consequence of this strategy is a work force in Hungary that is not familiar with the highly specific practices in soap opera production. The Hungarian field, at the time of our investigation, also lacked modern technology to produce soap operas, as well as a good understanding of the necessary division of labor in screen writing and soap opera production. Given the structure of the organizational field in Hungary, the question concerns the type of market entry strategy that is most appropriate for a company like Soapy. Our data suggest that, in this *immature* organizational field, a network entry strategy, and more specifically, a *collective* network entry strategy, is the preferred entry mode.

Foreign market entry as (collective) network entry

Soapy controls within its organizational boundaries all the essential resources required for internationalization. These include foremost the abundant financial support provided by a leading media group of which Soapy is a member. Soapy's substantial and long term experience in television production, especially in soap opera production, as well as its ability to spin off other products from television content production (e.g., merchandising products, internet content, games) ensures access to television channels and important service providers such as theatres, chartered accountants, and law firms. These connections are in themselves an important resource in that the knowledge contained in these ties constitutes a "promise of good work" (managing director 5) that can be exploited in the process of entering the foreign market. Necessary know-how is transferred to the workforce and to contractors in Hungary by Soapy's so-called "flying producers".

The media group uses at least three important organizational rules and resources in its relationship with the television station it owns. One type of rule relates to the practice within the media group to intentionally use relationships for purposes of business expansion. Our interviewees enacted this rule in daily social practice foremost as a rule of signification. They used this to make sense of the context in which they operate and to communicate to other actors in the field their views on particular practices. The interviewees saw these rules as enabling rather than constraining interaction in the field. A second type of rule relates to the understanding that "all business is local" (head of business affairs 4). Production companies used this rule mostly to legitimize the development of business relationships in the host country *and* at home. Legitimation rules thus underlie the practice of recruiting screen actors and writers in Hungary and integrating them into the project networks. Both rules of signification and legitimation are buttressed by the knowledge (interpreted as an immaterial resource) that content-production is subject to a cultural discount. On the whole, the media group employed this set of rules and resources as part of a deliberate strategy to realize financial resources under conditions of cultural discount. While "there are excellent screen writers [and] an outstanding writing culture" (managing director 5) in Hungary, as well as a large number of good screen actors available at low fees, the organizational field is structured such that there are only limited opportunities for screen writers to utilize their skills. The skill-gap is filled by producers with on-the-job trainees, a practice that introduces new rules for professional screenwriting for soap operas.

Given these conditions in 2000, when Soapy explored new markets, it chose to enter the Hungarian field collectively, i.e., in close cooperation with other organizations at home and in Hungary. To accomplish this, Soapy drew on its position of power in the field. It employed a Hungarian-speaking freelance producer who had experience in soap opera production in the U.S., in order to transfer these skills to Hungary. It also proved very helpful for the selection of the freelance producer that the parent company of Soapy operated an office in Los Angeles which was well staffed with experienced American producers. The fact that these producers were members of the American Motion Picture Association gave Soapy access to important individuals and organizations in the U.S. production community. In an effort to overcome the constraints of inadequate studio technology in Hungary, Soapy also used its power, albeit in line with the prevailing rules of signification and legitimation in business collaboration, to obtain the support of a studio provider in Germany and several East European countries. Soapy was able to activate its latent relationship with this studio provider in Germany by exploiting its position as a "preferred partner" (head of business affairs 4) and by adopting the entry strategy of "following the client" (Blomstermo and Sharma, 2004). In doing this, Soapy imported this connection into the network in Hungary, planning to enter other Eastern European television content production networks in the same way.

The process of market entry in Hungary is coordinated through linkages with other actors known from production in the domestic market in Germany (e.g., law firms, script writers). To the extent that coordination is based on norms of reciprocity established in previous projects (Ferriani et al., 2005), this form of foreign market entry may be considered a *collective* network entry. Network entry is collective if an organization not only mobilizes its own web of relationships at home but enacts the entry process collaboratively through a network of partners who, based on experience from previous exchange relations, are considered trustworthy. In the case of Soapy, some of the relationships enacted in collective network entry originated within the media group which controls many of the project networks. However, these relational resources could be enacted effectively only to the extent that they were supported by appropriate rules of signification and legitimation, especially those rules that enabled the firm to manage the cultural discount.

A firm that enters a foreign market using a (collective) network strategy does not normally overcome the cultural discount by simply adapting the product to local conditions. Rather, it also needs to demonstrate its ability to actively and reflexively work with the rules existing in the local organizational field. It does this by developing new scripts and story lines based on features that fit or even appeal to actors in the local field. The rule of "all business is local" means that the necessary resources are acquired through locally embedded project networks. As one producer commented, "without stories, without directors, without screen actors, we cannot survive" (head of business affairs 4). Close relations with local artistic service providers such as screen writers and directors are crucial, as are relationships with educational institutions providing the necessary human capital. "The relationships to theatres are especially close because we get the best actors from them" (head of business affairs 4). Through the process of developing networks in the organizational field in Hungary, Soapy and its subsidiary unit are changing the existing rules and resources, thus transforming the field into a more networked and mature organizational community. This transformation helps to reduce the "liability of foreignness" for projects developed in a culturally distant setting.

As managers at Soapy told us, they view the way the company embeds itself in the organizational field in Hungary as a model for foreign market entry in general: "We will do this in other markets as well" (managing director 5). Interestingly, despite the emphasis on learning through local relationships, Soapy maintains its leading role in the network by concentrating strategic decision-making in the parent company. For example, the entry into additional markets in Eastern Europe is planned and implemented at Soapy headquarters in

Germany where the company controls relationships with accounting and law firms for the media group as a whole. This creates a situation where, despite the importance of access to *locally* available knowledge, the Hungarian subsidiary is dependent on the business affairs department located in Germany. Its role as an active agent is limited considerably to that of overcoming cultural discounts, by using its local network connections. This situation contradicts to some extent the Nordic school argument that local subsidiaries retain, or even gain autonomy in the process of entering a foreign market (Forsgren et al., 2005).

Effects of the (collective) network entry on the field

The Soapy case shows that the entry mode that is appropriate for *immature* markets is not only a network entry but a *collective* network entry. At the time of this writing, Soapy had completed its (collective) entry into the Hungarian organizational field, having achieved a substantial market presence there. Since our first interviews in the field, new opportunities have emerged as a result of competing television channels developing an interest in broadcasting soap operas. As a consequence, Soapy's Hungarian subsidiary is now the largest producer in the field, which has brought about significant changes. The constellation of actors in Hungary, as in several other formerly immature foreign markets, includes now a larger number of actors and a more complex and diverse network of relations. Also, new technologies and knowledge have spread throughout the industry, and up-to-date production and screenwriting practices have become institutionalized. Media group controlled project networks are now the dominant form of governance, and the viewing preferences of audiences have shifted in the direction of locally produced contents. The effect of this was to intensify competition not only between private television channels but also between studio and other service providers. In other words, the Hungarian field has matured. This, in turn, has given Soapy's subsidiary the opportunity to negotiate lower prices with suppliers. While these developments have not transformed the network into a pure market-like arrangement, because "you don't change a studio provider like a shirt" (head of business affairs 4), the relationship between the production firm and the studio provider in Hungary now resembles more that in Germany. Far more competition is introduced reflexively in the network connecting production companies and studio providers, similar to the situation in Germany. In some cases these connections even turn into mostly market relationships.

Soapy's entry strategy has produced major changes in the field of content production in Hungary and in Soapy's own production network, although some relationships have remained stable (e.g., Soapy's relations with theatres and accounting firms). These changes have led to situation where Soapy's network is now co-evolving with the organizational field. The activities of television stations in the field played a major role in these changes, creating a TV-network driven market with two private media groups (as in Germany) and rather unimportant public broadcasters (different from Germany). The landscape of production has become similar to that in Germany, now also being characterized by "block-building". The "flagship" (media group 1) television station, for instance, partly controls the activities within the production division of the media group. This is a practice already known from Germany where Soapy introduced a soap opera in a competing television station in close cooperation with the flagship TV-station of its media group. These examples show that the practices in the networked organizational fields in Germany and Hungary are becoming increasingly isomorphic due to the activities of internationally active media groups linking organizational fields (Westney, 1993). This is also caused by the fact that knowledge gained in the Hungarian market is fed back to the field of television content production in Germany, thus supporting the argument that foreign market entry via networks has the effect of linking fields.

Is (collective) network entry the rule? Evidence from U.S. majors and other German companies

Because Soapy's entry into the Hungarian television market is not only about accessing an originally immature market but is also oriented to the production of soap operas, a product which requires a very distinct technology and promises increasing returns, it is useful to put our findings in a larger international context. Our data on U.S. majors which have entered the mature German market, and on other German firms having entered other foreign markets than Hungary, support the finding that the network-focused entry strategy is the preferred mode for most firms, although this does not mean that it is the only mode of entry.

Our interview data in Germany and the United States, as well as reports in trade journals suggest that quite a few U.S. majors entering the German organizational field are using the *market* mode. This is well illustrated by the fact that the output deals Crusaders Inc. (as well as other U.S. majors active in output deals) signed with (TV stations of) the former Kirch Group or RTL-Group which were governed mainly by the price mechanism and an unwillingness to exchange information. This has led to a knowledge gap for the U.S. majors active in Germany and other European markets, especially those covered by the former Kirch Group. Given their lack of understanding of regional tastes and cultural discounts, they tended to be locked out of these markets.

U.S. majors entering the German organizational field also use the *network* strategy, as does the former Kirch Group. Top Gun Inc., for example, participates in international co-productions in the event-television segment. It negotiates content with its German counterpart to meet the specific needs and tastes in both markets. In these "*true* collaborations" (head of business affairs 3), project firms and freelancers combine the resources available in different organizational fields worldwide to build networks with organizations in Germany and the United States based on their joint understanding of subsidy regulations and other kinds of resources required for international co-productions. They use the negotiation process to adapt television content to local circumstances and try to create pools of organizations able to meet international professional production standards. Because this requires resource intensive coordination (Hoskins et al., 1995), the volume of content produced through these collaborative projects has remained quite low.

In an attempt to meet all the challenges of entry into the German market, U.S. majors also use the hierarchical *organizational* entry strategy in form of direct investment in foreign greenfield sites or through acquisitions. Companies like Superman Inc. have set up their own subsidiaries abroad, as well as negotiated output deals. In this particular case, all attempts to produce content for the market in Germany failed because the firm lacked the necessary understanding of viewer tastes and the operations of television stations; despite the assumption that an acquisition strategy is more likely to provide access to relevant local knowledge (Meyer et al., 2009). Efforts to adapt contents (flourishing in the U.S.) to the requirements of the German market were not successful, not even when the firm collaborated with a German subcontractor. It failed due to lack of familiarity with existing rules of signification and legitimation, as well as resources of domination. Following its disastrous start in the German market, Superman Inc. changed its approach dramatically. It hired a new manager who, as a former head of department at a private television station, had extensive connections to the "production community" (head of business affairs 1), and intimate knowledge of the operation of television stations in Germany. Since then, Superman's subsidiary in Germany has been acting very much like an "independent producer" (head of business affairs 1) of content for public and private television channels. Today, this firm has achieved strong market presence in television production in Germany. Through its new network connections, it is now even able to export to other foreign television markets content formats produced in Germany.

The other U.S. companies still have no clear strategy. They are experimenting with various entry modes, without apparent success so far. They are forming market-like relationships through output deals, relying on network connections to sell home-produced formats to firms abroad, and using hierarchical structures in an attempt to bring these formats to the market. The experience of many producers shows also that profits tend to decline and that even powerful firms like U.S. majors begin to lose clout if the strategy of foreign market entry does not match the structure of the organizational field.

Figure 1 summarizes our empirical findings concerning the entry of U.S. production firms into the German field. We categorize the firms in terms of different combinations of entry strategy and field governance. The figure shows that different firms employ different entry strategies. What is more important, however, is that most of the strategies seem to be network-focused, providing the production firms in predominantly networked fields with the resources necessary to overcome cultural discounts. In turn, one may expect that the application of network and, in particular, organization entry strategies will strengthen the network character of organizational fields.

< Figure 1 about here >

Implications for managing foreign market entry as well as for internationalization theory

The empirical findings highlight the importance of business *relationships* in general, and of inter-organizational *networks* in particular, for firms entering a foreign market. Television production firms conquering such markets tend to use a network-focused strategy, especially if the field – as in television production and many other service industries – is governed primarily in a network mode. In this regard, our findings are fully consistent with the central arguments from the Nordic school concerning the role of networks in internationalization.

However, when viewed from the relational-structuration perspective, these findings also add important detail, which leads to somewhat different conclusions with regard to the theory and practice of foreign "market" entry, in at least four key aspects.

First, it is analytically important to distinguish between market, network and hierarchical entry strategies and modes of field governance. This allows for a more detailed analysis of entry practices which may become increasingly important, since in fields as volatile as creative industries some firms may reflexively combine different strategies of market entry. Nevertheless, firms tend to find a collective network strategy particularly useful in immature fields. The structure of fields creates important contextual conditions that have to be captured by any theory of foreign "market" entry.

Second, understanding the process by which firms enter a foreign market calls for a multi-level approach that explains the recursive interplay of structures and actions connecting individuals, organizations, networks, organizational fields, and even societal institutions. Linked organizational fields co-evolve through the networked activities of firms as they enter and transform the fields. Agents' reflexive capabilities are central in this process, suggesting that the development of a field *could* have followed a different path. Equifinality is, in this case, not sufficient to explain the existence of different trajectories. The theoretical explanation needs to be enriched with a concern for the form that agency takes in structuring relationships in specific circumstances.

Third, the relational-structuration approach offers a perspective that is useful for the analysis of foreign market entry processes and practices not only as a multi-level but also as a multidimensional sensitizing device. This includes the thorough analysis not only of resources of domination, but also of cognitive and normative structures, including their interplay across different levels. Our empirical findings suggest that these structures are as important as the capability of agents to enact them, not least in creative industries where effective management of cultural discounts is critical to firms' and fields' economic performance.

Fourth, all cases investigated in this study show that television production firms require access to locally embedded resources as well as a close understanding of these resources and (the actions of) resource providers. The relational-structuration perspective draws attention to the social embeddedness of practices and to the institutional context in which practices are enacted and reproduced. Contextual features are related recursively to practices in the foreign market entry process. Legitimization and signification rules are crucial for gaining access to resources of domination, especially in areas where cultural discounts are substantial. The television content industry may differ in this respect from the situation faced by firms in more globalized creative industries such as popular music, musical theatre productions, book publishing, or the computer game industry, where cultural discounts are less constraining.

Given our concern for agency, it is appropriate to conclude this paper with propositions that managers in television content production might find useful. If supported by further research, these propositions may guide managers' decision-making in creative industries, and possibly in other industries as well:

- *Cultural discount*. In an industry or field characterized by substantial cultural discounts, the organizational and network-focused entry strategies appear to be most effective, by providing additional control in fields in which networks are dominant.
- *Entry strategy-field relationship*. Regardless of the entry strategy chosen, the structuration of the organizational field is important, in particular with respect to the dominant mode of field governance. For example, a (collective) network entry will overcome cultural discounts only if it is adapted to the dominant mode of governance.

- *Field dynamics*. Foreign market entry has the potential of transforming the targeted field, which means that managers should take field dynamics into account. In volatile settings, such as creative industries, changes in rules of signification and legitimization as well as in resources of domination need to be monitored reflexively at several levels of analysis.
- *Field feedback*. Appreciating the structuration of an organizational field requires that potential feedback effects on the market entry strategy be taken into account. "Embeddedness" of firms in a field means more than the mere presence of networks. Network relations need to be interpreted and acted upon, in light of what other actors in the field are doing.

We are fully aware that the relational-structuration approach we outlined in this study does not account for all contingencies that, like local institutions, influence market entry strategies (cf. Meyer et al., 2009). Furthermore, the empirical findings reported here are based on a rather limited number of interviews with representatives of major television production firms as well as service providers and industry experts. The available interview data, although cross-validated with other information, can only give a glimpse of the actual practices and developments taking place over time in an industry as dynamic and complex as television content production. In particular, they only indicate some of the factors involved in the recursive interplay of the signification, legitimation, and resource dimensions of entry practices, and how these practices evolve over time. Longitudinal studies based on panel interviews, and supported by ethnographic observations, would add further insights into the subtle interplay in the process of internationalization between action and structure with respect to these three dimensions at the level of organizations, inter-organizational networks, and organizational fields. Obviously, a comprehensive analysis of all mechanisms driving this process requires considerable methodological sophistication, but we think that the potential insights gained from such an analysis would be well worth the effort.

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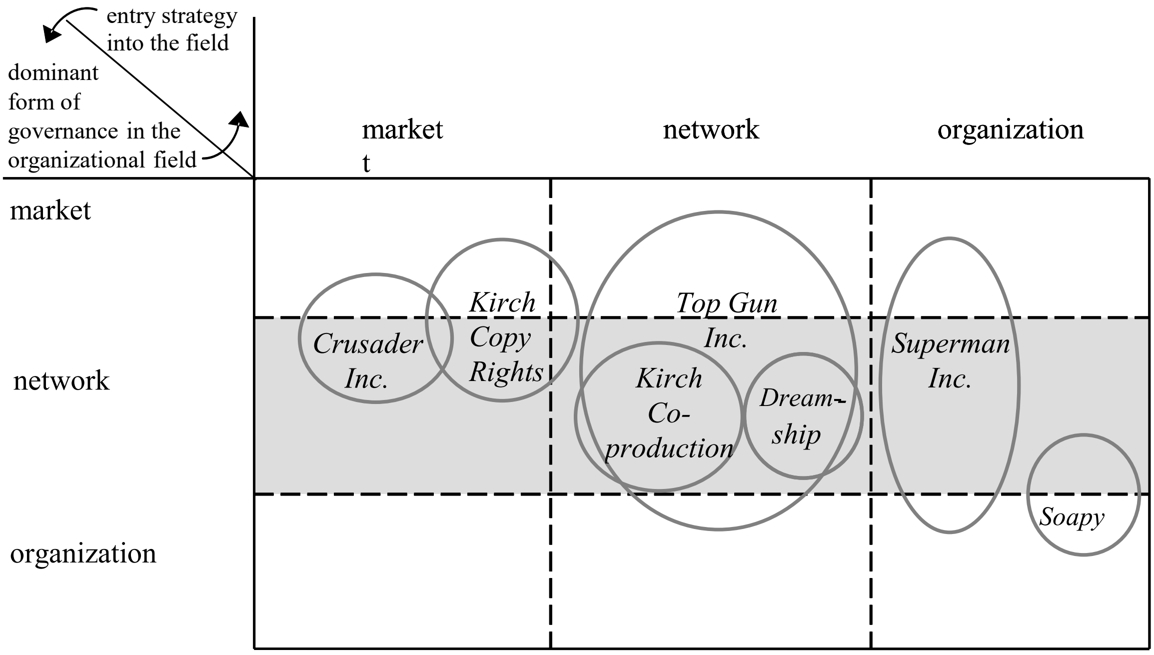
Table 1: Differences between the Nordic school and the relational-structuration approach to internationalization

	Nordic internationalization business research	*Relational-structuration approach*
Conception of actors	No explicit model	Stratification model of the agent
Processes and structures	Incremental adaptation approach to understanding processes. Structures are conceived mainly in terms of relationships.	Structuration by knowledgeable agents referring recursively to structures implicated in social practices.
Analytical dimensions	Focus on resources	Focus on rules *and* resources; Balanced analysis of cognitive, normative, and resource-based aspects (duality of structure).
Power concept	Resource dependency	Relational concept of power (dialectic of control), based on resources in their recursive interplay with rules of signification and legitimation.
Levels of analysis	Mostly firms and their (business) network relationships	Multi-level perspective ranging from interpersonal relations to society-wide institutional relations. The focus here is mainly on organizations, networks, and fields.
Role of contexts	Contexts are seen as given. Organizations normally respond to changes and take a predominantly reactive stance towards contextual conditions.	Contexts are co-produced and re-produced in interaction with individuals and organizations on different levels. More or less powerful agents try to influence contexts based on self-interest.
Relevance of different forms of governance	Focus on networks of relationships. They are typically not considered a form of governance.	Market-like, network-like, and hierarchical relations are considered alternative modes of governance. Whether any one mode predominates is a context-dependent question.

Table 2: Interviews conducted

Number	*Company*	*Country*	*Position/Code*
1	Cologne Company	Germany	Producer 1
2	Public television station	Germany	Editor 1
3	Dreamship	Germany	Managing director 1
4	Superman Inc.	Germany	Managing director 2
5	Dreamship	Germany	International affairs 1
6	Superman Inc.	Germany	Head of business affairs 1
7	Kirch copy rights	Germany	Manging director 3
8	Soapy group	US	Managing director 4
9	Gladiator Inc.	US	International affairs 2
10	Crusader Inc.	US	Head of creative affairs 1
11	Crusader Inc.	US	Head of business affairs 2
12	Top Gun Inc.	US	Head of business affairs 3
13	Soapy group	Germany	Managing director 5
14	Soapy group	Germany	Head of business affairs 4
15	Cologne Company	Germany	Managing director 6
16	Superman Inc.	US	Producer 2
17	Soapy group	Germany	Head of business affairs 5
18	Dreamship	Germany	International sales 1
19	Private television station	Germany	Managing director 6
20	Soapy group	Germany	Producer 3
21	Media group	Luxemburg	Media group 1

Figure 1: Entry modes and dominant forms of coordination in the organizational field[1]



[1] The circles indicate the firms' predominant entry strategy and their organizational size.