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Article abstract

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RESEARCH ARTICLE

The Moderating Influence of Cultural Tightness on the International Diversification–Firm Performance Relationship: A Meta-analysis

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ABSTRACT

The relationship between international diversification (ID) and firm performance (FP) is among the best-researched topics in international business. However, the findings on the role of firms' home-country culture remain mixed, leading to repeated calls for broader cultural perspectives. We introduce the construct of cultural tightness–looseness and advance the conversation on the role of the tightness of a firm's cultural origin. Drawing on 490 primary studies, we provide meta-analytic evidence that cultural tightness negatively moderates the ID–FP relationship.

Key Words: International diversification; internationalization; firm performance; meta-analysis; national culture; informal institutions

INTRODUCTION

For over four decades, researchers have investigated the impact of cultural differences on the relationship between international diversification (ID) and firm performance (FP), with an extensive body of literature accumulating on this topic (Beugelsdijk et al., 2018; Hitt et al., 2006; Kirkman et al., 2006; Marano et al., 2016). However, while the distance scores used to measure these differences are among the most frequently used constructs in international business (IB), their appropriateness is increasingly questioned (Shenkar, 2012; Tihanyi et al., 2005; Williams & Grégoire, 2015). In essence, the criticism is that the cultural distance literature pays less attention to the imprinting effect of a firm's home-country culture on its corporate culture and how it might affect the ID–FP relationship (Brouthers, 2013; Cuervo-Cazurra et al., 2007; Estrin et al., 2016; Marano et al., 2016; Yeganeh et al., 2004). More specifically, the flexibility or receptiveness of a company's culture to a foreign context could be more important than the actual cultural distance between two countries, but this cultural facet remains underexplored (Caprar et al., 2015; Leung et al., 2005; Tung & Verbeke, 2010).

The comparatively new construct of cultural tightness–looseness explicitly addresses this aspect. Cultural tightness–looseness captures how clear and pervasive norms and values are within societies and how much tolerance there is for deviance from these (Gelfand et al., 2006, 2011). Thus, firms operating in home countries with looser cultures are less subject to pressures to conform their activities,

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strategies, and cultures to prevailing norms and values than those operating in tighter countries (DiMaggio & Powell, 1983; Gelfand et al., 2006, 2011; Hannan & Freeman, 1984). This suggests that firms from looser countries may be more flexible in adapting to the culture of the countries to which they internationalize. However, while cultural tightness–looseness has been identified as an influential moderator variable in areas such as cross-cultural organizational behavior and expatriate management (e.g., Rabl et al., 2014; Shin et al., 2017; Taras et al., 2010), its specific influence on the ID–FP relationship remains underexplored. In the present meta-analysis, we draw on 508 independent samples from 490 primary studies spanning 38 countries to analyze the effect of cultural tightness in a company's home country on the ID–FP relationship (Chacar et al., 2010; Meyer et al., 2011; Shenkar, 2001). Meta-analysis is the statistical method of choice to synthesize empirical findings from primary studies to resolve inconsistencies in the field and draw general conclusions beyond the scope of a single study (Cooper et al., 2009; Hedges & Olkin, 1985). In doing this, we aim to contribute to ongoing debates on the role of a firm's home-country environment in the IB literature in two important ways.

First, we introduce cultural tightness–looseness to the field of ID, theorize, and empirically show how the cultural tightness of a firm's home country moderates the ID–FP relationship. With that, we aim to offer valuable insight into how home-country culture matters and contribute to our understanding of why some firms might be better able to appropriate value from their internationalization activities than others (Tung & Verbeke, 2010). This is insightful for practitioners, as it may not only be the cultural distance or dissimilarity affecting the performance of ID but also one's cultural openness and adaptability to a foreign context could be more relevant.

Second, by using the cultural tightness–looseness construct, we can examine the influence of the cultural environment of a firm's home country on its IB performance. Scholars are increasingly criticizing the neglect of a firm's home-country environment in its ability to capture value from its international operations in favor of studying distance effects between home and host countries (Brouthers, 2013; Estrin et al., 2016; Salomon & Wu, 2012). Moreover, the few studies that consider the home-country environment primarily focus on regulations and policies because it is much more difficult to be precise about culture (Cuervo-Cazurra, 2011; Hitt et al., 2006; Sartor & Beamish, 2014). Therefore, we aim to contribute to the IB literature by taking a step back and meta-analytically examining how a firm's cultural origin may moderate the ID–FP relationship.

THEORETICAL BACKGROUND AND HYPOTHESIS

ID is "a strategy through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets" (Hitt et al., 2006, p. 251). The impact of international activities on performance is a well-studied area in the IB literature, with numerous mechanisms proposed to explain why ID is positively associated with FP, e.g., operating beyond domestic markets opens up economies of scale and scope, access to a broader and previously inaccessible set of resources, the transfer and bundling of knowledge from various locations, overcoming local demand insufficiencies, and exposure to heterogeneous market conditions and opportunities (Amit & Schoemaker, 1993; Cardinal et al., 2011; Hennart, 2011; Singh & Aftab, 2023; Wiersema & Bowen, 2011). However, it is also widely acknowledged that ID also incurs costs of doing business abroad, such as liabilities of foreignness and coordination complexities (Hartman & Elahee, 2013). The following section will focus on the development of theory regarding the moderating effect of cultural tightness, as previous meta-analyses have already well-established the positive direct relationship between ID and FP (Bausch & Krist, 2007; Kirca et al., 2011; Marano et al., 2016; Yang & Driffield, 2012).

Institutions are socially constructed constraints that establish the parameters of acceptable conduct in society and influence human behavior (North, 1990). While formal institutions (e.g., regulations, policies, laws, and property rights) establish rules and sanctions, informal institutions (e.g., customs, traditions, and codes of conduct) are unwritten and determine socially appropriate behaviors that are often taken for granted (North, 1990; Scott, 2013). In contrast to formal institutions, which can be deliberately changed through policies, informal institutions are deeply rooted in culture. Therefore, informal institutions evolve gradually over time, are not necessarily efficient, are difficult to observe, and vary across countries (Eden & Miller, 2004; Hofstede, 2001; Kostova, 1999; Sledge & Miles, 2012; Xu & Shenkar, 2002). The institutional environment exerts an isomorphic pressure on companies, forcing them to develop specific cultures, structures, and practices in order to be considered legitimate and to operate efficiently in that environment (Cuervo-Cazurra et al., 2007; DiMaggio & Powell, 1983; Hannan & Freeman, 1984; Jiao & Hardie, 2009; Kirkman et al., 2006). Therefore, when companies internationalize to a foreign country, they must engage in extensive learning activities to understand how to operate in that country (Eden & Miller, 2004; Zaheer, 2002). In this learning process, understanding the local cultural norms and values is typically slow but a key success

factor (Meyer et al., 2011; Zaheer, 1995). To overcome these liabilities of foreignness, however, companies must not only learn and understand the cultural norms and values of their host countries but must be flexible enough to adapt to them, as a failure to do so can adversely affect a company's performance (Xu & Shenkar, 2002).

The pervasiveness and heterogeneity of cultural norms and values in a firm's home country could positively affect how well it can adapt to foreign contexts (Gelfand et al., 2006; Tung & Verbeke, 2010). Gelfand and colleagues operationalized this aspect of national culture as the degree of cultural tightness–looseness. For example, a country's level of tightness reflects "the strength of social norms, or how clear and pervasive norms are within societies, and the strength of sanctioning, or how much tolerance there is for deviance from norms within societies" (Gelfand et al., 2006, p. 1226). Considering that companies reflect the degree of cultural tightness–looseness of their country, companies in tight countries face more substantial conformity pressures, which results in a much narrower range of organizational forms and the development of organizational cultures of high constraint (Gelfand et al., 2006). On the one hand, such tight organizational cultures provide firms with stability, predictability, and the capacity to operate efficiently but, on the other hand, also render them less flexible and more resistant to change. In contrast, firms from looser countries grant their employees more latitude and allow for more comprehensive ranges of behavior, which is associated with higher levels of organizational creativity, openness toward change, experimentation, and risk-taking (Cox et al., 1991; Gelfand et al., 2006). For instance, there are differences in recruitment practices. Whereas companies in tighter cultures prioritize a candidate's cultural fit with the organization, companies in looser cultures prioritize necessary skills and abilities. In short, organizational cultures vary in their emphasis on rules and predictability vs. flexibility and experimentation (see Gelfand et al. 2006 for a more extensive discussion and additional examples).

Given that the degree of cultural tightness–looseness determines an organization's openness to change, tolerance for diverse perspectives, and flexibility, it is reasonable to assume that it influences a firm's capacity to manage the challenges and demands of ID effectively, e.g., acculturation, the transfer and adaptation of practices, and the development of complementary resources. In that vein, Orr and Scott (2008) argue that the active search for local knowledge is the behavioral outcome of a firm's open-mindedness toward divergent views. Being open-minded is more characteristic for firms from looser countries, giving them a potential learning advantage over their tighter counterparts. The ability of firms to acquire, comprehend, and assimilate knowledge from external sources has been empirically studied in a vast number of studies and shown to stimulate innovation, reduce the costs associated with ID, and thus be beneficial for the ID–FP relationship (Barkema et al., 1996; Johanson & Vahlne, 1977; Lane et al., 2001; Lu & Beamish, 2001; Zahra & Hayton, 2008). The acceptance of broader ranges of behavior and tolerance for variation within organizational practices, together with a general openness to change, should make it easier for firms from looser home countries to adapt to the cultural context of foreign countries (Kostova & Roth, 2002; Xu & Shenkar, 2002). Therefore, firms from culturally looser home countries should have learning and flexibility advantages over firms from tighter home countries. As a result, they should be better able to overcome the liabilities of foreignness and may be better equipped to appropriate value from ID. Thus, our argument is as follows:

H1: Cultural tightness negatively moderates the positive ID–FP relationship.

METHODOLOGY

Literature Search

We used a set of screening and selection procedures suitable for meta-analysis (Cooper et al., 2009). First, we derived the following keywords from previous review articles on ID (e.g., Hennart, 2011; Hitt et al., 2006): "globalization AND firm performance", "internationalization AND firm performance", "international diversification AND firm performance", "geographic diversification AND firm performance", "multinationality AND firm performance", and "international expansion AND firm performance". Second, we used these keywords to search in three relevant databases (EBSCOhost, ScienceDirect, and ISI Web of Knowledge) without defining a cut-off year or journal scope. Third, we reviewed the lists of included studies of existing meta-analyses (Bausch & Krist, 2007; Kirca et al., 2011; Kirca et al., 2012a, 2012b; Marano et al., 2016), and we searched for unpublished studies and books.

In order to qualify for inclusion in our meta-analysis, studies had to meet the following criteria: (1) Studies had to use either scale (e.g., foreign sales to total sales, foreign assets to total assets, foreign employees to total employees, and foreign subsidiaries to total subsidiaries), scope (e.g., the number of countries, number of geographic regions, and dispersion across countries), composite measures (e.g., degree of internationalization), or internationalization dummies to capture ID; (2) Studies had to report a Pearson correlation coefficient for the ID–FP relationship or provide sufficient statistical information to compute a correlation coefficient with the formulas provided by Borenstein et al. (2009); (3) Studies had to report a sample size. If studies only reported firm-year

observations, the sample size has been calculated as the annual average. Whenever studies reported different sample sizes, we calculated the mean to determine the overall sample size; (4) Studies that measured FP only before a firm's internationalization have been excluded due to causality issues (Antonakis et al., 2010).

Upon completing this process in early 2017, we identified 490 studies (including 29 working papers and 1 book) reporting 508 independent samples from 38 countries. Overall, this is a sufficiently large number of studies to conduct a meta-analysis (Aguinis et al., 2011; Schmidt & Hunter, 2015) which also exceeds the number of studies included in existing ID–FP meta-analyses (e.g., Bausch & Krist, 2007; Kirca et al., 2011; Kirca et al., 2012a, 2012b; Marano et al., 2016). Effect sizes of the ID–FP relationship range from −0.47 (Musuva-Musimba, 2013) to 0.78 (Jung, 1991), and sample sizes range from 7 (Rose & Ito, 2008) to 114,398 (Xiao et al., 2013). Table 1 summarizes the distribution of countries in the sample. We developed a comprehensive coding manual to extract and document the studies' details relevant to our meta-analysis (Cooper et al., 2009). The author and a student assistant coded all studies, and differences were resolved through discussion with a subject matter expert.

TABLE 1 Distribution of Countries in the Overall Sample

Country	Total	Country	Total
United States	120	Israel	3
Mixed sample	107	Malaysia	3
China	53	Norway	3
Taiwan	39	Belgium	1
Japan	26	Chile	1
India	20	Democratic Republic of the Congo	1
South Korea	19	Hong Kong	1
Spain	16	Hungary	1
Germany	15	Italy	1
Australia	8	Kenya	1
United Kingdom	8	Mexico	1
Brazil	6	New Zealand	1
Singapore	6	Pakistan	1
Finland	5	Portugal	1
Switzerland	5	Slovenia	1
Canada	4	Thailand	1
France	4	Turkey	1
Netherlands	4	Uruguay	1
Sweden	4	Vietnam	1
Greece	3		

Coding Procedure

We used a comprehensive coding sheet to extract the studies' details relevant to our meta-analysis and reduce potential coding errors (Cooper et al., 2009).

Independent variable – ID

Following Sullivan (1994) and Thomas and Eden (2004), we grouped ID variables into four broad categories: (1) the scale (depth) of internationalization refers to the strategic significance that a firm assigns to serving foreign markets (e.g., foreign sales to total sales); (2) scope (breadth) of internationalization captures the heterogeneity of countries a firm is entering (e.g., number of countries); (3) composite measures that combine scale and scope measures; and (4) internationalization dummies simply take the value of 1 if the firm has an international presence and 0 otherwise. We computed an overall ID value if studies reported multiple ID measures of the same type or various measures.

Dependent variable – FP

We differentiated into four broad performance dimensions (Hitt et al., 2006): (1) accounting-based measures (e.g., return on assets, return on equity, return on sales, return on investment, and profitability); (2) market-based measures (e.g., market to book value, Tobin's Q, excess market value, earnings per share, and market value); (3) sales growth; and (4) subjective or perceived performance (e.g., in comparison to key competitors). We computed an overall FP value if a study reported multiple FP measures.

Cultural tightness–looseness

Cultural tightness–looseness scores are available for 26 out of 38 countries in our sample (Gelfand et al., 2011). Thirty-nine of the included studies use a sample from Taiwan, and to include those in our analyses, we assign them with the tightness score of China. According to Project GLOBE, China and Taiwan belong to the same cultural cluster and are very similar in cultural practices (House et al., 2004). Figure 1 shows the distribution of countries in our sample with their respective tightness scores.

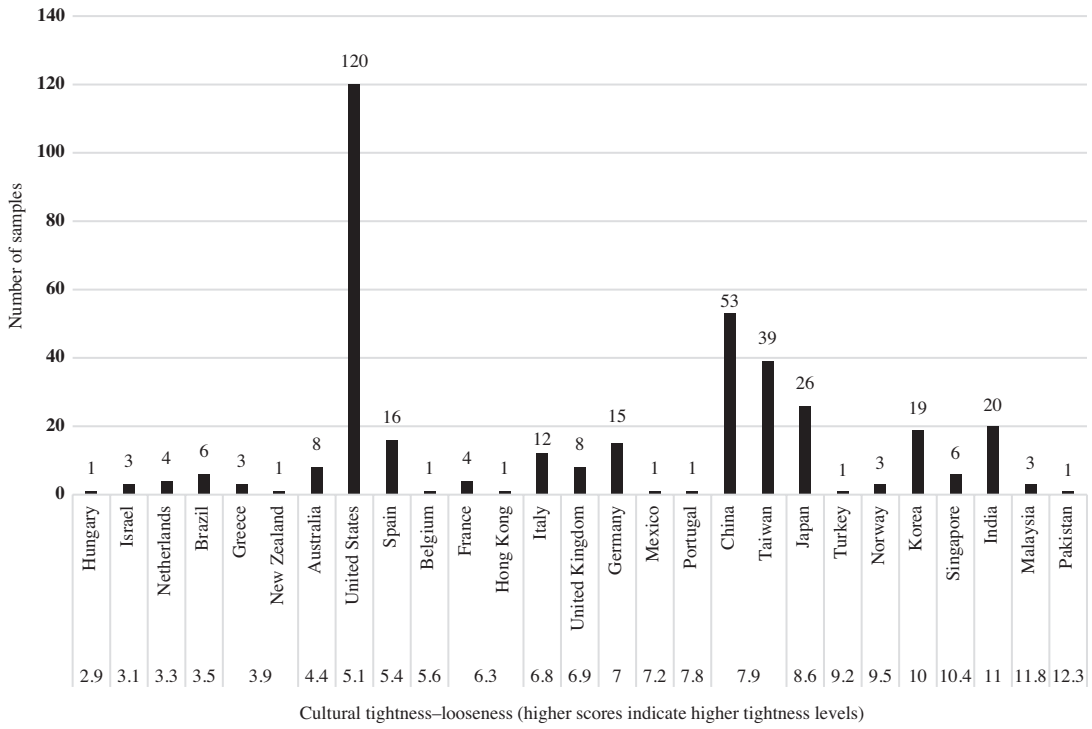

FIGURE 1 Distribution of Countries in the Cultural Tightness–Looseness Subsample

Control variables

We control for the nine cultural dimensions of Project GLOBE using the practice ("as is") measures to determine whether the tightness–looseness construct is distinct from these cultural values. We chose the GLOBE study over Hofstede's (2001) culture scores because GLOBE provides more recent and detailed classifications of 62 countries (House et al., 2004). Whenever the GLOBE study reports separate scores for a single country (e.g., former East and West Germany), we computed the average value for that country. Due to missing values, we had to drop 8 countries, removing 10 samples from our meta-regression.

Additionally, we investigated whether the relationship between ID and FP is stable over time by controlling for the median year of the sampling window or the year of data collection. To control for study quality, we dummy coded if studies used cross-sectional (coded as 0) or longitudinal samples (coded as 1); checked if studies controlled for endogeneity (1) or not (0); assessed whether studies controlled for industry effects (1) or not (0); assessed if studies controlled for year effects (1) or not (0); and we controlled for the 5-year impact factor. Furthermore, we also controlled for various industry and country effects using the World Development Indicators database: the natural logarithm of a home country's total Gross Domestic Product (GDP) in billions of US-dollars to account for the size of the home country's economy and a country's inward (outward) foreign direct investment (FDI) as a proportion of its GDP to account for the effects of inward FDI influences on local competition and the country's incentives to foreign trade (Hutzschenreuter & Gröne, 2009). We classified a sample as 'high-tech' (1) when it consists of high- or medium-high-technology industries (according to the OECD technology intensity definition). Medium-low and low-technology industries were coded as low-tech (2), and studies with mixed samples as "mixed industries" (reference level). Finally, we controlled for various firm-level covariates: Firm age as the number of years since inception, firm size (fewer than 500 employees are coded as 1 and more employees as 0), R&D and advertising intensity (e.g., selling and general administrative expenses as a proportion of total sales), financial leverage (e.g., the ratio of debt to equity, total debt to total assets, or total liabilities to total assets), business diversification (i.e., the managerial decisions regarding what activities, business segments, and technologies the company should target for investment), and international experience (subtract the year a company was established from the year its products were first sold overseas).

Meta-analytical Procedure

Meta-analysis is the method of choice to combine and summarize evidence from primary studies to draw general conclusions (Cooper et al., 2009; Hedges & Olkin, 1985).

First, we use a standard Hedges and Olkin style random effects meta-analysis to compute the average overall correlation between ID and FP and different ID and FP measures (Borenstein et al., 2009). Random effect models are appropriate when studies are conducted by different researchers in different settings (Aguinis et al., 2011). Second, to control for the hierarchical structure of our data, we nest effect sizes in countries (Konstantopoulos, 2011; Raudenbush & Bryk, 2002). At this stage, we had to exclude 107 out of the 508 samples because they used mixed-country samples. We used restricted maximum-likelihood estimators to estimate the variance parameters, which is preferable for continuous data (Veroniki et al., 2016). We calculated 95% confidence intervals, and to identify heterogeneity, we performed a Cochran's Q test of heterogeneity and calculated I^2 values (Higgins & Thompson, 2002).

All analyses were performed using the statistics software R 4.1.0 (R Core Team, 2023) and the "metafor" meta-analysis package (Viechtbauer, 2010). We control the ID–FP correlations for publication bias and outliers to control for potential biases. To test for publication bias, we followed the recommendations of Rothstein et al. (2005) and applied various tests: funnel plot analysis, the Egger test, and the Trim and Fill method. The publication bias assessments indicated that such a bias is not affecting our analyses. We used several diagnostic measures to identify influential studies, e.g., externally standardized residuals, DFFITS values, Cook's distances, covariance ratios, and DFBETAS values (Viechtbauer & Cheung, 2010). We identified four potential influential studies and followed the outlier handling recommendations of Aguinis et al. (2013). We could not identify any substantive reasons warranting excluding these studies, and they do not skew results.

RESULTS

In the first step, we conducted a standard random effects meta-analysis on all 508 independent samples (Borenstein et al., 2009; Hedges & Olkin, 1985). We then split the independent samples by ID and performance measures and performed separate analyses. Second, to assess how cultural tightness–looseness moderates the ID–FP relationship, we employed a multilevel meta-regression in which we nested the independent samples in the reported home countries. We excluded samples with mixed-country data. First, we individually tested cultural tightness–looseness and the nine dimensions of Project GLOBE as moderators. Then, we always tested cultural tightness–looseness in conjunction with one of the GLOBE dimensions to control for explanatory overlap. In the last step, we examined cultural tightness–looseness in the light of different control variable groups.

Meta-analysis

The results of our random effects meta-analyses are presented in Table 2, and the mean effect size between ID and FP ($\bar{r} = 0.06$; $p<0.001$) is comparable to the mean effect sizes reported in other meta-analyses (e.g., Kirca et al., 2012b; Marano et al., 2016). Noticeably, the estimated mean effect between ID and subjective performance is significantly stronger than the ID relationships with other performance categories. Given the potential biases of self-report measures, we are neither surprised nor concerned with this finding.

Meta-regression

Next, we investigated whether cultural tightness–looseness moderates the ID–FP relationship by conducting a series of multilevel meta-regressions. First, we entered cultural tightness and the nine culture dimensions of Project GLOBE one after another as moderators on the ID–FP relationship. The results are reported in Table 3 and show that cultural tightness has a small but statistically significant negative effect on the ID–FP relationship ($B = -0.01$; $p<0.01$). Considering the noisy and heterogeneous nature of the ID–FP relationship, which is unsurprising given the wide variety of influencing factors that may be at play, the moderating effect of cultural tightness–looseness is comparable to that of other important institutional factors (e.g., see Marano et al., 2016). Hence, our hypothesis is supported, indicating that firms from looser home countries appear to be better able to appropriate value from their IB activities than firms from tighter home countries. In contrast, all nine GLOBE dimensions have no significant effect on the ID–FP relationship, suggesting that cultural flexibility and adaptability seem more important than cultural values. As shown in Table 4, the moderating effect of cultural tightness remains significant when controlling successively for all nine globe dimensions. This finding suggests that the effect of cultural tightness–looseness covers a unique and important facet of national culture. However, it is little surprising that when cultural tightness is assessed with all nine GLOBE dimensions simultaneously, none of the variables significantly moderates the ID–FP relationship.

Table 5 reports the results of our control variable assessment. We initially planned to divide the control variables into four main categories. However, due to insufficient reporting overlap across studies, we had to divide them into six subcategories. Within the group for methodological and quality controls ($k = 273$), only the cross-sectional vs. longitudinal dummy variable is significant ($B = -0.65$; $p<0.01$), and cultural tightness remained non-significant. This shows that cross-sectional studies report larger effect sizes than longitudinal studies. Turning toward country-level controls ($k = 333$), FDI outflow ($B = 0.01$; $p<0.05$) and cultural tightness ($B = 0.01$; $p<0.10$) moderate the ID–FP relationship.

TABLE 2 Random Effects Meta-analysis Results

ID–FP	*K*	*N*	$\bar{r}$	*p* Value	SE	95% CI (LB–UB)		*Q* Test (*p* Value)	$\tilde{\tau}^2$	I^2
ID → overall	508	380,142	0.06	0.00***	0.001	0.04	0.07	0.00***	0.017	93.27%
Scale → overall	305	278,251	0.06	0.00***	0.001	0.04	0.08	0.00***	0.018	94.28%
Scope → overall	192	93,030	0.06	0.00***	0.002	0.04	0.09	0.00***	0.128	90.56%
Composite → overall	71	29,376	0.07	0.00***	0.004	0.03	0.11	0.00***	0.024	92.00%
Dummy → overall	21	11,983	0.05	0.03*	0.004	0.00	0.10	0.00***	0.009	85.40%
ID → accounting PF	398	338,005	0.05	0.00***	0.001	0.03	0.06	0.00***	0.016	93.43%
ID → sales growth	51	21,617	0.06	0.00***	0.004	0.02	0.10	0.00***	0.016	92.18%
ID → market PF	122	70,858	0.06	0.00***	0.002	0.04	0.08	0.00***	0.014	92.50%
ID → subjective PF	48	12,286	0.15	0.00***	0.008	0.09	0.20	0.00***	0.033	90.61%

$\tilde{\tau}^2$, estimated between-study heterogeneity; 95% CI, 95% confidence interval; LB, lower bound of the 95% CI; UB, upper bound of the 95% CI; FP, firm performance; PF, performance; I^2, proportion of total variation that is due to between-study heterogeneity; ID, international diversification; *k*, number of independent samples; *n*, sample size; *p* value, *p* value of the weighted mean correlation; *Q* test, test for residual variance with k-1 degrees of freedom; $\bar{r}$, inverse variance weighted mean correlation; SE, sampling error.
†*p*<0.10; *p<0.05; **p<0.01; ***p<0.001 (two-tailed).

TABLE 3 Multilevel Meta-regression Results

Moderator	*k*	$N_{countries}$	*B* (*p* Value)	*t*	95% CI (LB–UB)		SE	QE (*p* Value)	$\tilde{\tau}^2_{Study}$	$\tilde{\tau}^2_{Country}$	I^2_{Study}	$I^2_{Country}$
Cultural tightness	376	27	−0.01 (0.00**)	−2.91	−0.02	−0.00	0.031	0.00***	0.017	0.000	92.52%	00.65%
Assertiveness	391	30	0.00 (0.78)	0.02	−0.09	0.10	0.050	0.00***	0.017	0.004	73.60%	20.31%
Power distance	391	30	−0.05 (0.35)	−0.92	−0.16	0.05	0.057	0.00***	0.017	0.004	74.02%	20.24%
In-group collectivism	391	30	−0.03 (0.12)	−1.52	−0.08	0.01	0.023	0.00***	0.017	0.003	76.30%	17.24%
Institutional collectivism	391	30	−0.00 (0.81)	−0.22	−0.08	0.06	0.037	0.00***	0.017	0.004	74.54%	19.61%
Humane orientation	391	30	0.00 (0.84)	0.19	−0.07	0.09	0.045	0.00***	0.017	0.004	73.58%	20.54%
Performance orientation	391	30	−0.03 (0.48)	−0.70	−0.13	0.06	0.049	0.00***	0.017	0.004	76.62%	17.54%
Uncertainty avoidance	391	30	0.02 (0.41)	0.81	−0.03	0.08	0.032	0.00***	0.017	0.004	73.66%	20.09%
Future orientation	391	30	0.02 (0.66)	0.51	−0.06	0.11	0.045	0.00***	0.017	0.004	73.73%	20.16%
Gender egalitarianism	391	30	−0.14 (0.38)	1.26	−0.03	0.16	0.050	0.00***	0.017	0.003	77.69%	16.29%

$\tilde{\tau}^2$, estimated variance between studies within countries and between countries; *B*, unstandardized regression coefficient; 95% CI, 95% confidence interval; LB, lower bound of the 95% CI; UB, upper bound of the 95% CI; I^2, proportion of residual variation due to between-study heterogeneity within countries and between-country heterogeneity; *k*, number of independent samples; $N_{countries}$, number of countries; QE, *p* value of Cochran's test statistic for residual variance with *k*−1 df; SE, standard error; *t*, t statistic.
†*p*<0.10; *p<0.05; **p<0.01; ***p<0.001 (two-tailed).

TABLE 4 Pairwise Multilevel Meta-regression (Tightness–Looseness with One Culture Variable at a Time)

Variable	*B* (*p* Value)										
Cultural tightness	−0.01 (0.00**)	−0.01 (0.00**)	−0.01 (0.09†)	−0.00 (0.05†)	−0.01 (0.02*)	−0.01 (0.01*)	−0.01 (0.01*)	−0.01 (0.01*)	−0.01 (0.03*)		−0.01 (0.51)
Assertiveness	0.00 (0.76)									−0.02 (0.81)	−0.11 (0.32)
Power distance		0.01 (0.62)								−0.04 (0.65)	−0.02 (0.83)
In-group collectivism			−0.00 (0.76)							−0.03 (0.47)	−0.02 (0.62)
Institutional collectivism				−0.02 (0.36)						−0.01 (0.82)	0.00 (0.97)
Humane orientation					−0.01 (0.51)					−0.01 (0.89)	−0.09 (0.26)
Performance orientation						−0.03 (0.39)				−0.04 (0.65)	−0.06 (0.62)
Uncertainty avoidance							−0.00 (0.89)			0.01 (0.84)	0.02 (0.72)
Future orientation								0.00 (0.88)		0.00 (0.96)	0.03 (0.75)
Gender egalitarianism									0.00 (0.95)	−0.00 (0.96)	−0.06 (0.45)
K	371	371	371	371	371	371	371	371	371	391	371
$N_{countries}$	24	24	24	24	24	24	24	24	24	30	24
QE (*p* value)	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***
$\tilde{\tau}^2$ *country*	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.010	0.006
$\tilde{\tau}^2$ *study*	0.018	0.018	0.017	0.018	0.017	0.017	0.017	0.017	0.018	0.017	0.017
$\tilde{\tau}^2$ *baseline*	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.018	0.021	0.018
I^2 *country*	1.16%	1.08%	1.51%	0.05%	1.97%	1.13%	1.41%	1.43%	1.21%	35.33%	24.13%
I^2 *study* (%)	91.69%	91.98%	91.08%	92.68%	91.11%	92.12%	91.20%	91.45%	92.07%	58.97%	69.46%
F statistic (*p* value)	8.48 (0.00**)	3.55 (0.02*)	3.12 (0.04*)	4.55 (0.01*)	3.03 (0.04*)	0.03 (0.84)	3.16 (0.04*)	3.15 (0.04*)	3.31 (0.03*)	0.26 (0.98)	0.41 (0.93)

Note: The table shows estimated unstandardized coefficients and *p* values in parentheses.
$\tilde{\tau}^2$ *baseline*, estimated subset variance without covariates; $\tilde{\tau}^2$ *study* & $\tilde{\tau}^2$ *country*, estimated residual variance between studies within countries and between countries; *B*, unstandardized regression coefficient; I^2, proportion of residual variation due to between-study heterogeneity within and between countries; $N_{countries}$, number of countries; *k*, number of independent samples; QE, *p* value of Cochran's test statistic for residual variance with *k*–1 df.
†*p*<0.10; **p*<0.05; ***p*<0.01; ****p*<0.001 (two-tailed).

TABLE 5 (Part 1 of 2) Multilevel Meta-regression with Control Variables

Variable	*B* (*p* Value)									
Cultural tightness		−0.00 (0.49)	−0.01 (0.06†)	−0.01 (0.00**)	−0.01 (0.07†)	−0.00 (0.31)	−0.01 (0.22)	−0.00 (0.07†)	−0.04 (0.02*)	−0.01 (0.02*)
Methodological and quality controls										
Industry control dummy	−0.00 (0.66)	0.00 (0.68)								
Median sampling window	−0.00 (0.78)	−0.00 (0.41)								
Year control dummy	−0.01 (0.51)	−0.02 (0.24)								
Endogeneity check dummy	−0.01 (0.45)	−0.01 (0.48)								
Five-year impact factor	−0.00 (0.31)	−0.00 (0.15)								
Cross-sectional dummy	−0.06 (0.00**)	−0.06 (0.00**)								
Country level										
Ln GDP (bn. $US)			0.00 (0.85)	0.00 (0.85)						
FDI inflow			0.00 (0.91)	−0.00 (0.19)						
FDI outflow			0.00 (0.39)	0.01 (0.02*)						
EFI 2017			0.00 (0.91)	−0.00 (0.30)						
Industry level										
High-tech					0.04 (0.02*)	0.03 (0.14)				
Low-tech					0.00 (0.91)	−0.00 (0.68)				

TABLE 5 (Part 2 of 2) Multilevel Meta-regression with Control Variables

Variable	*B* (*p* Value)																	
Firm level																		
Firm size							−0.03 (0.32)	−0.05 (0.21)										
Firm age							−0.00 (0.36)	−0.00 (0.40)										
R&D intensity									−0.00 (0.62)	−0.00 (0.63)								
Advertising intensity											0.00 (0.94)	0.00 (0.68)						
Financial leverage													−0.00 (0.11)	−0.00 (0.06†)				
International experience															−0.00 (0.77)	0.00 (0.54)		
Business diversification																	−0.00 (0.62)	−0.00 (0.59)
K	363	273	355	333	508	376	71	54	172	141	86	68	202	163	51	37	152	118
$N_{countries}$	31	23	32	24	39	27	23	18	20	16	22	17	31	23	18	13	22	17
QE (*p* value)	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***	0.00***
$\tilde{\tau}^2$ *country*	0.002	0.001	0.008	0.000	0.003	0.000	0.001	0.000	0.001	0.000	0.004	0.005	0.000	0.000	0.033	0.011	0.000	0.000
$\tilde{\tau}^2$ *study*	1.015	0.017	0.017	0.017	0.015	0.017	0.014	0.019	0.009	0.008	0.009	0.008	0.011	0.011	0.015	0.019	0.010	0.011
$\tilde{\tau}^2$ *baseline*	0.018	0.020	0.023	0.019	0.019	0.018	0.015	0.019	0.010	0.009	0.013	0.013	0.012	0.011	0.047	0.047	0.031	0.011
I^2 *country* (%)	10.48	8.25	31.38	1.42	18.66	1.10	6.06	0.10	13.54%	8.88%	31.20%	35.38%	6.38%	1.86%	64.21%	32.55%	1.66%	0.00%
I^2 *study* (%)	81.80	83.97	62.71	90.68	74.45	91.13	85.81	92.09	78.42%	82.74%	59.13%	54.82%	80.48%	82.78%	29.07%	57.17%	40.97%	88.26%
F statistic (*p* value)	2.74 (0.01*)	2.11 (0.04*)	1.31 (0.26)	2.66 (0.02*)	2.77 (0.06†)	3.50 (0.01*)	0.76 (0.46)	1.42 (0.24)	0.24 (0.46)	0.59 (0.55)	0.00 (0.94)	1.02 (0.36)	2.56 (0.11)	3.24 (0.04*)	0.08 (0.77)	3.59 (0.03*)	0.24 (0.62)	2.69 (0.07†)

Note: The table shows estimated unstandardized coefficients and *p* values in parentheses.
$\tilde{\tau}^2$ *baseline*, estimated subset variance without covariates; $\tilde{\tau}^2$ *study* & $\tilde{\tau}^2$ *country*, estimated residual variance between studies and between countries; *B*, unstandardized regression coefficient; I^2, proportion of residual variation that is due to between-study heterogeneity within countries and between-country heterogeneity; *k*, number of independent samples; $N_{countries}$, number of countries; QE, *p* value of Cochran's test statistic for residual variance with *k*−1 df.
†*p*<0.10; *p<0.05; **p<0.01; ***p<0.001 (two-tailed).

This might show that firms from looser home countries more readily invest abroad. Within the industry-level group (k = 376), none of the control variables were significant, but cultural tightness (B = −0.01; p<0.01) still negatively moderates the ID–FP relationship. Focusing on the seven firm-level subgroups, only financial leverage significantly affects the ID–FP relationship (B = −0.00; p<0.10), indicating that stronger forms of financial leverage harm the performance of a firm's international activities. The negative moderating effect of cultural tightness on ID–FP is consistent across four of the six subgroups. Only in the R&D intensity and advertising intensity subset does cultural tightness not yield a meaningful moderating effect. This suggests that the moderating effect of cultural tightness–looseness appears to be relatively robust and can be observed in much smaller subsamples with different control variables.

DISCUSSION

In an overall effort to contribute to evidence-based research in IB, global strategy, and cross-cultural organizational behavior, the present study answers recent calls for a richer understanding of how and when culture affects IB activities of firms by assessing the moderating role of cultural tightness–looseness on the ID–FP relationship. We complement and advance previous meta-analyses on cultural values and the moderating role of home-country institutions on the ID–FP relationship (e.g., Marano et al., 2016; Taras et al., 2010).

Our theoretical arguments and empirical findings indicate that the construct of tightness–looseness, a largely neglected facet of national culture in the IB and global strategy literature, is important in broadening our understanding of how cultural flexibility or adaptability in terms of prevailing norms and values moderate the ID–FP relationship. In organizational behavior and cross-cultural psychology, scholars have urged to move beyond cultural values and incorporate a more comprehensive array of cultural facets (Gelfand et al., 2006; Kirkman et al., 2006; Tsui et al., 2007).

Turning to our first and second contribution, research on the ID–FP relationship is extensive, and although previous meta-analyses report a positive net effect of ID on FP (e.g., Kirca et al., 2011, 2012a; Marano et al., 2016), the relationship remains to be very heterogeneous, and our understanding of important moderator variables limited. When doing business abroad, firms are confronted with various contexts, and researchers predominantly rely on various institutional distance measures to capture cultural differences between countries (Beugelsdijk et al., 2018; Tihanyi et al., 2005). However, this line of research produced inconsistent results and is repeatedly criticized for falling short of capturing the complexities of how the national culture of home countries affects the internationalization activities of firms (Beugelsdijk et al., 2018; Estrin et al., 2016; Hitt et al., 2006; Shenkar, 2001; Tung & Verbeke, 2010).

Contributing to this debate, we provide cumulative evidence that a firm's home-country tightness negatively moderates the ID–FP relationship, supporting the hypothesis that firms from tight countries may be disadvantaged when engaging in ID. That is, companies originating from culturally tighter countries may need, or find it more difficult, to adapt their practices to the customs and preferences of host countries (Deckert & Schomaker, 2022). Moreover, by showing that the cultural dimensions of Project GLOBE do not moderate the ID–FP relationship, we find support for the argument of Gelfand et al. (2006), who emphasized that cultural tightness–looseness captures an aspect of culture that is distinct from cultural values. This is relevant for both research and practice because it appears that cultural values do not, per se, impede any company's performance when expanding internationally, but rather the adaptability and flexibility of its cultural norms and values. Hence, while it is often argued that firms from countries with a specific cultural value profile should enjoy performance advantages when engaging in ID (Marano et al., 2016), this does not appear to be the case. Thus, when engaging in ID, it is not only the institutional similarity or dissimilarity across cultural values between countries that may affect performance but also the flexibility, openness, and tolerance for deviance of a firm's culture based on its home country.

This opens up several interesting avenues for future research. Specifically, focusing on the interplay of cultural attractiveness and cultural tightness–looseness between home and host countries could be insightful toward disentangling the complex role of national culture in IB and global strategy research. For example, the studies by Shin et al. (2017) and Li et al. (2017) offer interesting first insights. First, Shin et al. (2017) investigated the role of cultural distance and tightness–looseness in expatriate staffing decisions in subsidiaries of Japanese multinational enterprises. Japan is a culturally very tight country, and their results show a U-shaped picture for expatriate staffing in subsidiaries in tight host countries. If the cultural distance to these tight countries is very low, greater reliance is placed on expatriates; if it is medium, greater emphasis is placed on local hires to better overcome and learn about dissimilarities; if it is high, greater reliance is placed on expatriates to coordinate and control the local workforce. On the other hand, subsidiaries in looser host countries show the opposite pattern, with an inverted U-shaped effect. These findings suggest that expatriate staffing decisions based on cultural distance alone may not fully capture the multifaceted nature of cultural influences

and that even when tightness–looseness scores are similar, cultural differences can be pronounced. Second, an important caveat is that cultural differences are not necessarily dysfunctional and can be complementary and conducive to performance. Li et al. (2017) propose cultural attractiveness as a more appropriate measure than cultural distance and show that, for example, the US culture seems more attractive to Germans than the German culture to Americans.

Last, our results indicate that the overall effect between ID and FP is positive and robust across 508 independent samples from 490 studies spanning 38 countries. This effect is consistent with mean effects reported in previous meta-analyses, e.g., Marano et al. (2016) report a mean effect of $\bar{r} = 0.06$. Given the long tradition of research on the ID–FP relationship, it is evident that the ID–FP relationship is a complex phenomenon, consisting of various mechanisms through which ID is related to FP and covariates that affect these relationships (e.g., for a review, see Hitt et al., 2006). Hence, when viewed in aggregate, it is unsurprising that the estimated mean effect is relatively small and heterogeneous. Moreover, considering the complexity of the relationship and the plethora of potential moderators, we think it is not surprising that no single covariate, or a small bundle thereof, possesses enough explanatory power to account for considerable portions of heterogeneity. Finally, we concur with Marano et al. (2016) that we need more studies on specific national environments that help us to examine sources of heterogeneity and fewer studies on the ID–FP relationship itself.

To conclude, we provide evidence that despite operating in an increasingly globalized world with eroding differences between countries, the strength of norms and degree of sanctioning within a firm's home-country environment is powerful enough to induce differences in the ID–FP relationship across countries.

LIMITATIONS AND FUTURE RESEARCH AVENUES

Our meta-analysis has, of course, some limitations, which can in part be attributed to the limitations of the underlying primary studies, but these offer fruitful avenues for future research.

First, the studies in our sample do not provide information on the specific countries to which firms are internationalizing, e.g., we requested this information from 90 corresponding authors, but they were unable to provide it. This is partly due to firms refusing to disclose or report this information and how ID is measured. Thus, host-country information is largely unavailable. However, only with this information can we model the dyadic home–host relationships and assess how the interplay between the degree of tightness of the firm's home country and the tightness of the host country affects the ID–FP relationship. Hence, we require primary studies that provide this information (e.g., see Shin et al., 2017). Moreover, it would be desirable if future studies contribute to our understanding of how different aspects of national culture and their interplay affect the internationalization activities of firms, e.g., when do members of one culture view another culture as desirable or attractive (Li et al., 2017; Shin et al., 2017).

Second, 107 primary studies in our database use samples from mixed home countries. What might be beneficial for the robustness of effects across countries makes it impossible to include these studies in our analysis. This, in turn, might exclude valuable effect sizes from our meta-regression analysis. Furthermore, tightness scores and GLOBE values are unavailable for all countries in our sample. The availability of these scores for a broader set of countries would be desirable.

Third, we only had two or three samples for some of the 26 countries in our sample, whereas samples from the US, China, Japan, and South Korea are overrepresented. Moreover, considering that we barely have samples from Eastern Europe, the Middle East, South America, and Africa in our database, it would be desirable if future ID studies cover a more diverse range of countries, which would benefit the generalizability of meta-analytic findings.

Finally, performing meta-regression analysis on all covariates and control variables together would reduce the sample size to 23 independent effects, making it impossible to derive statistically meaningful results. Hence, it would be desirable if future ID studies would include more uniform sets of variables.

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CONFLICTING INTEREST DISCLOSURES

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