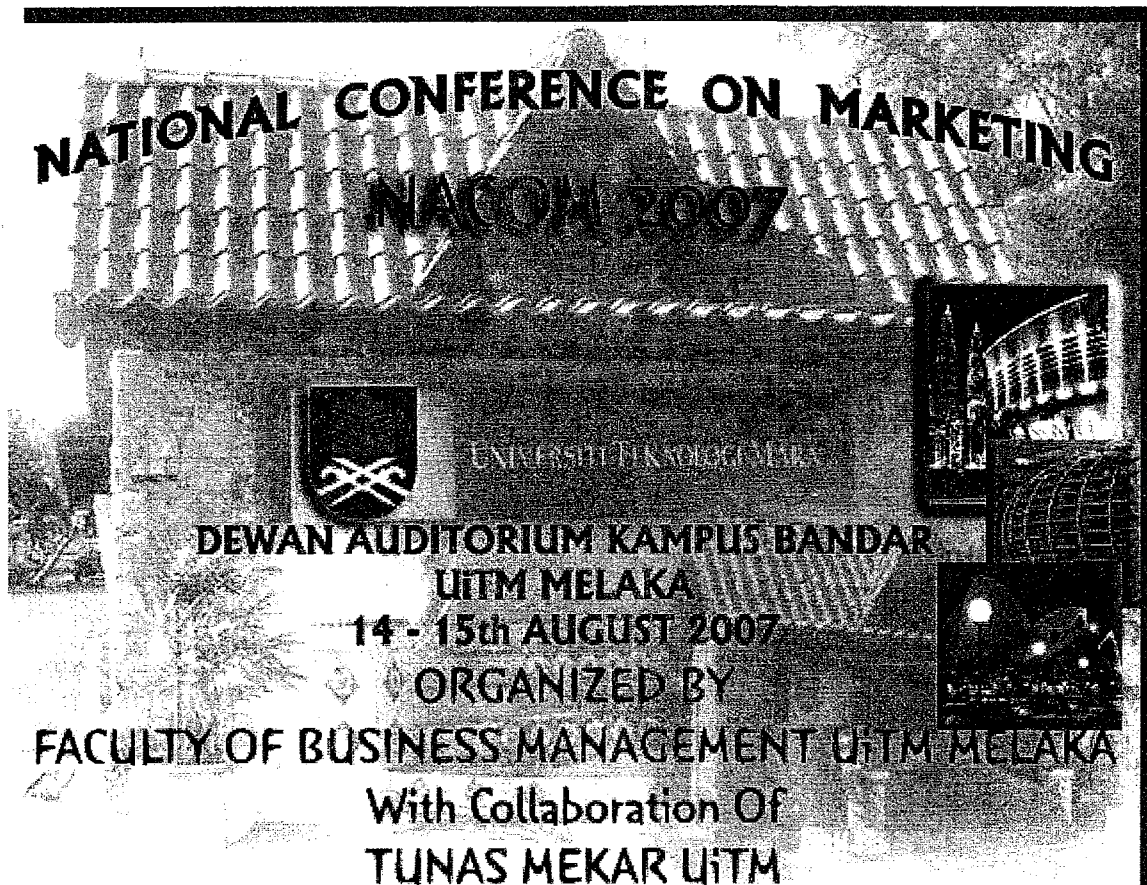


NATIONAL CONFERENCE ON MARKETING
NACOM 2007

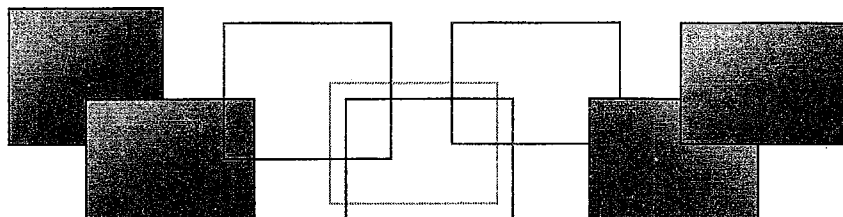
DEWAN AUDITORIUM KAMPUS BANDAR
UiTM MELAKA
14-15 OGOS AUGUST 2007

ORGANIZED BY:
FACULTY OF BUSINESS MANAGEMENT, UiTM MELAKA
WITH COLLABORATION OF:
TUNAS MEKAR UiTM

**Foreign Market Entry Modes:
A Discussion Of The Alternatives,
Opportunities And Challenges To Malaysian
Firms Planning To Enter The Foreign Markets**



By
Md. Shariff bin M. Haniff
Dr. Hj. Mahmud Sabri
Dr. Norizan bin Mat Saad
Baharom bin Abdul Rahman



**FOREIGN MARKET ENTRY MODES:
A DISCUSSION OF THE ALTERNATIVES, OPPORTUNITIES AND
CHALLENGES TO MALAYSIAN FIRMS PLANNING TO ENTER THE
FOREIGN MARKETS**

**By
Md. Shariff bin M. Haniff
Lecturer in Marketing
Faculty of Business and Management
Mara University of Technology
Melaka Campus
Melaka**

**Dr. Hj. Mahmod Sabri
Dr. Norizan bin Mat Saad
Faculty of Management
Universiti Sains Malaysia
Pulau Pinang**

**Baharom bin Abdul Rahman
Faculty of Office Management
Mara University of Technology
Terengganu**

14th August 2007

**FOREIGN MARKET ENTRY MODES:
A DISCUSSION OF THE ALTERNATIVES, OPPORTUNITIES AND
CHALLENGES TO MALAYSIAN FIRMS PLANNING TO ENTER THE FOREIGN
MARKETS**

Abstract

This paper will discuss the alternatives and opportunities available and challenges to Malaysian firms planning to enter the foreign markets.

To choose the most workable and effective entry mode, however, is one of the most difficult tasks and complex decision facing Malaysian firms planning to enter a foreign market. Each of the alternative strategies has its own inherent advantages and disadvantages, with the choice of strategy being influenced by a range of often conflicting forces.

Upon deciding to enter a foreign market, a firm has to determine the appropriate mode for organizing its foreign business activities. Each of the modes of entry has different implications for the degree of control that a firm can exercise over the foreign operation, the resources it must commit to the foreign operation, and the risks that it must bear to expand into the foreign country.

Thus, identifying the appropriate entry mode in a given context is necessarily a difficult and complex task. The choice, however, is a critical determinant of the likely success of the foreign operation.

It is important to note that the discussion in this paper will be an attempt to disaggregate the many variables that have been found to have an impact on selection of market entry method in foreign markets to Malaysian firms. However, it has become clear that this decision is made as a result of a combination of variables, rather than as a result of individual variables operating independently. For example, information about or knowledge of a market will be enhanced by a company's experience of that market; a company's perceptions (of the risk of investment, of the degree of psychic distance, of country environment and government attitude) will be affected by the level of its information and knowledge; the size of a company will affect the resources available to it to enhance its knowledge. Equally, firm size a variable appears to interact with the type of industry - specifically, size appears to be of greater relevance for manufacturing rather than service firms (although both may operate in the industrial sector) in determining the market entry mode, which is, in turn, affected by the market potential.

There is no, one single universal 'best' strategy of market entry mode to be used by Malaysian firms going to the foreign market. Malaysian firm should consider all alternative channel strategies when entering each market. The best strategy will be the one which is situationally best, it is optimal in that it satisfies with regard to

the conflicting pressure of the foreign and domestic operating environments-industry structure at home and abroad, and company marketing strategy.

This discussion of entry modes will convince anyone that the entry decision process cannot be reduced to a formula, set of rules, or even a complex computer model.

Choosing an entry mode into international markets is a critical decision facing Malaysian managers. The substantial and often lasting impact of the mode decision on the success or failure of international business operations dictates that the decision should be carefully considered. Many firms have discovered that an ill-judged mode selection in the initial stages of a firm's internationalisation can cripple the firm's future market entry and expansion activities.

Since it is not uncommon for firms to have their initial mode choice institutionalised over time as new products are sold through the same, established channels, and new markets entered using the same entry method, a problematic initial entry mode choice can be perpetuated through the institutionalisation of this mode.

In relation to subsequent international development, firms generally not inclined to change from their preferred entry mode as they developed new markets. Exporting, directly or indirectly is the dominant method for most Malaysian firms in all their principal markets.

Finally, regardless of the preferred choice of strategy, the company must be pragmatic, since entry mode will be affected by government policy in the target market.

However, most recent research has proven that there is considerable evidence to suggest that given the dynamics of and strong economic growth in Asia and Malaysia in particular, traditional market entry theory may require a revision.

A better understanding of the process of the foreign market entry strategies will be obtained by building upon all previous research in the area. Eventually internationalization theories may need some adjustments, as many of their fundamental tenets are no longer applicable.

1. INTRODUCTION :

Foreign market entry is a central problem in international business analysis (Johanson and Vahlne 1992). Much research effort has also been spent on studies of the foreign market entry decision (Anderson and Gatignon 1986; Hill et al. 1990; Root 1987; Young et al. 1989).

Once a company has decided to select a certain group of countries for further market development, the company will then be confronted with market entry decisions. In this phase, a company will face a series of options as to how it wants to enter the selected country (Agarwal 1990; Anderson and Gatignon 1986; Anderson and Coughlan 1987; Bell 1995; Buckley et al. 1993; Erramilli 1990; Erramilli and Rao 1990; Gannon 1993; Goodnow 1985; Kogut and Harbir 1988; ~ Paliwoda 1987; Root 1987; Young et al. 1989).

The options range from a very low level of involvement and investment, such as various forms of exporting, to more involved and investment intensive forms of entry, such as a company owned sales subsidiary or even a manufacturing base (Bilkey and Tesar 1977; Czinkota 1982; Czinkota and Ronkainen 1988; Dalli 1994; Root 1987; Young et al. (1989). Other forms of market entry modes could also be franchising, acquisition and licensing (Root 1987; Young et al. 1989; Paliwoda and Ryans 1995).

According to Young et al. (1989) the foreign mode entry strategy chosen can have a major impact on a company's performance in foreign markets, because of the costs, revenue, risk and control implications of the various alternatives.

To choose the most workable and effective entry mode, however, is one of the most difficult tasks and complex decisions facing firms planning to enter a foreign market. Each of the alternative strategies has its own inherent advantages and disadvantages, with the choice of strategy being influenced by a range of often conflicting forces (Young et al. 1989).

According to Jeannett and Hennessey (1992), international companies must determine the type of presence they expect to maintain in every market where they compete. One major choice concerns the method of entering the selected market. A company may want to export to the new market or it may prefer to produce locally. A second major choice involves the amount of direct ownership desired. The company may strive for full ownership of its local operation or may prefer a joint venture.

These initial decisions on market entry tend to be of medium -to long-term importance, leaving little room for change once a commitment has been made.

Therefore, it is important to treat these decisions with the utmost care. Not only is the financial return to the company at stake, but the extent to which the company's marketing strategy can be employed in the new market also depends on these decisions.

This paper will discuss the different modes of entry to international market elaborates different characteristics of the entry modes methods available, and examines the possible influences and/ or variables on market entry mode choices.

2. A PREFATORY NOTE ON TERMINOLOGY

It is important at the outset to define terminology. According to Calof (1993), modes are institutional arrangements that allow firms to use their product(s) or services in a country. Mode forms include licence/franchise, indirect export, direct export, sales subsidiary, joint venture, and wholly owned, production subsidiary.

To Agarwal (1990), choice of an entry mode for foreign markets is a crucial decision facing firms that want to commit resources and assume risks in foreign markets. According to Agarwal (1990), entry modes can be classified into three categories: (1) export entry modes, (2) contractual entry modes, and (3) investment entry modes (including sole venture and joint venture). Any classification of entry modes is bound to be contentious because the basis for the classification entry modes is the group to which any particular entry mode is placed, but there are some similarities among the different classifications of, for example, Anderson and Gatignon (1986); Root (1987); Young et al. (1989) to support the three 'generic' groups.

With export entry modes, a firm's products are manufactured in the domestic market or a third country, and then transferred either directly or indirectly to the host market. Export entry modes can be expanded to include several cases, for example indirect exporting, direct exporting through agent or distributor, direct exporting through branch or subsidiary, and so forth. Direct exports usually involve the firm handling documentation, physical delivery, and pricing policies, for example, with the product either being sold direct to the customer or by agents, distributors, or overseas sales affiliates. Indirect export modes, by contrast, generally involve the use of intermediaries such as export houses or trading companies to perform these activities, often without the firm's involvement in the foreign sales of their product (Bilkey and Tesar 1977; Root 1987; Young et al. 1989).

According to Root (1987), contractual entry modes include a variety of arrangements such as licensing, franchising, management contracts, turnkey contracts, non-equity joint ventures, and technical know-how or co-production arrangements. Contractual arrangements generally take place when firms possessing some sort of competitive advantage are unable to exploit this advantage because of resource constraints, for instance, but are able to transfer the advantage to another party. The arrangements often entail long-term relationships between partner firms and typically are designed to transfer intermediate goods such as knowledge and/or skills between firms in different countries (Ali & Mirza 1996). Often there is limited equity investment and little direct participation by the firm in the production and marketing of the product in the international market, although, as Burton and Cross (1993, 1995) contend, this is not always the case. Franchising, they argue, can be thought of as a direct form of international involvement and one, which can comprise substantial equity investments.

The final group of entry modes is investment modes. According to Buckley et al. (1993) direct foreign investment in a market is the most risky form of entry because it carries the highest capital risk. However, it has long been recognised that direct foreign investment is the best way to defend a market share (Aliber, 1970 and Davidson, 1980). The alternatives, exporting and licensing, do not allow on the spot, controlled reactions to competitors' moves, nor do they allow the firm to gauge

precisely the market's needs as an investment presence does (Buckley and Casson, 1985). In the current context of globalisation of markets, more and more firms are feeling the strategic necessity for a triangular presence in the world's leading economic centres: USA, Europe and Japan (Buckley, 1988).

According to Agarwal (1992), investment entry modes typically include some form of ownership by the firm of production facilities in the host market. These facilities range in nature from assembly to manufacturing plants, and necessitate sizeable equity investments by the firm in the host market. Investments may be made through acquisitions, mergers or greenfield (start-up) investments (Davidson 1980; Davidson and McFetridge 1985). Acquisitions refer to the purchase of stock in an existing company in an amount sufficient to confer control (Zejan 1990 and Kotler 1994). Acquisitions allow firms to establish themselves quickly in an international market and gain access to an already developed international network (Zejan 1990).

A joint venture is the pooling of assets in a common ownership and separate organisation by two or more firms who share joint ownership and control over the use and fruits of these assets (Kogut and Singh 1988). Joint ventures thus often can be a short route to establishing a market presence. It is a vehicle by which to share complementary but distinct knowledge, which could not otherwise be shared, or to co-ordinate a limited set of activities to influence the competitive positioning of the firm.

Conceptually, it could well be argued that joint ventures are not merely a matter of equity control, but represent a set of governance characteristics appropriate for certain strategic or transaction cost motivations or for the transfer of tacit organisational knowledge (Kogut 1987).

Finally a greenfield investment is a start-up investment in new facilities. Such an investment can be wholly owned or a joint venture. Joint venture may involve two or more parties. Start-ups can be costly and time consuming to initiate (Kogut and Singh, 1988).

3. LITERATURE REVIEW.

According to Goodnow (1985), the theories pertaining to the selection of an international mode of entry (i.e. the selection of a specific channel for export, technology transfer or direct investment) can be described as: the firm is trying to optimise a set of goals related to a target return on investment and/ or market share which are constrained by relative costs, relative production efficiencies, product characteristics, competition and relative risks versus opportunities in the economic, legal/political and socio/cultural environments the firm may encounter and the firm is constrained by its own policies, strengths and weaknesses as well as those of its international marketing channel partners.

According to Root (1987), entry strategy for international markets is a comprehensive plan. It sets forth the objectives, goals, resources and policies that will guide a company's international business operations over a future period long enough to achieve sustainable growth in world markets.

According to Anderson & Gatignon (1986), a firm seeking to perform a business function (e.g., production management, distribution) outside its domestic market must choose the best "mode of entry" (institutional arrangement) for the foreign market. The would-be-entrant faces a large array of choices, including: a

wholly-owned subsidiary, a joint venture (in which the entrant could be majority, equal, or minority partner), or a nonequity arrangement such as licensing or a contractual joint venture.

According to Ali & Mirza (1996), in terms of different entry strategies, many firms choose low risk methods such as exporting, use of agents, and joint ventures, apparently confirming international market entry strategy theory. However, once experience had been gained, they re-evaluated their options and re-assured the risk/rewards potential of their business and made deeper commitment to the country by forming majority joint venture and setting-up wholly-owned subsidiaries. The significant factor is that change of mode occurred within a narrow timeframe, much shorter than predicted by established market entry theory.

In a study by Ali and Mirza (1996) on the entry mode and performance in Hungary and Poland: The case of British Firms; "about 40% of the firms entered the Polish market via wholly-owned subsidiaries (22% for Hungary), there is considerable evidence to suggest that given the dynamics of Central and Eastern Europe in general and Hungary in particular, traditional market entry theory may require a revision."

Bell and Young (1996) explore the underlying assumptions inherent in many of the best-known internationalisation "stage" theories and contend that such theories can no longer be accepted as many of their fundamental tenets are fatally flawed.

However, Bridgewater et al. (1996) in their studies on forty-five small, high technology, venture capital-funded firms found that both the simultaneous and incremental models are seen to have some explanatory power. They found that new, small firms internationalise faster than longer established firms. Most firms use low risk modes of international operation initially (Bridgewater et al., 1996).

4. DESCRIPTION OF ENTRY MODES CHARACTERISTICS

The portrayal of alternative methods of modes entry assumes some implicit spectrum of incoherent from exporting to wholly owned subsidiaries. Each of the modes is consistent with a different level of control, resource commitment, resources transferred, risk, motivation and other dimensions.

The purpose of this section is to discuss the various attributes and characteristics of market entry modes in order to aid the best judgement when it comes to the stage of selecting the modes.

a. Entry modes and control

Different entry modes imply a different level of control over the foreign operation (Anderson and Gatignon 1986; Caves 1982; Davidson 1985; Root 1987; Young et al. 1989).

According to Anderson and Gatignon (1986), control is the ability to influence systems, methods, and decision and has a strong repercussion towards the progress or regress of a foreign enterprise. A firm might face more difficulties to co-ordinate actions and to implement strategies without control. Without control the firm will also be in a worse situation when disputes occur between two parties pursuing their own interest (Davidson, 1980).

Control means authority over operational and strategic decision-making (Anderson and Coughlan, 1987). The level of control is lowest in the case of licensing and highest in the case of a wholly owned subsidiary (Anderson and Gatignon 1986; Anderson and Coughlan 1987). In the case of licensing, control over operations and strategy is granted to the licensee in exchange for a lump sum payment, a per-unit royalty fee, and a commitment to abide by any terms set out in the licensing contract (Gohanson and Vahlne, 1990). In the case of wholly owned subsidiary, control over day-to-day operations and certain strategic decisions may be delegated to the foreign subsidiary, but ultimate control always resides at the firm's corporate office (Kim and Hwang, 1992). In the case of a joint venture, the level of control is dependent on the ownership split and the number of parties involved (Kim and Hwang 1992; Zejan 1990). In any event, control must be shared with venture partners. Thus, the level of control will fall somewhere between that consistent with licensing and that consistent with a wholly owned subsidiary.

Control, while obviously desirable, carries a high price (Vernon, 1983). To take control is also a way to obtain a higher return. Control leads to commitment of resources, including high overhead costs. This will create switching costs, reducing the firm's ability to change its institutional arrangement should the choice of foreign market entry mode happen to be less favourable. Resource commitment also increases the firm's exposure, i.e., the possibility of losses due to currency changes (Davidson, 1985). Thus, to assume control is also to assume some forms of risk.

b. Entry modes and resource commitment

Many researchers have suggested that different entry modes require different resource commitments. Among the first to outline a relationship between resource commitments and international business growth were Daniels (1970) and Vernon (1983). Anderson and Gatignon (1986) developed a transaction cost model that considered the trade-off between the costs of mode control and the costs of mode resource commitment. Hill et al. (1990) elaborated on this idea of resource commitment when they differentiated between licensing, joint ventures and wholly owned entry modes. Vernon (1983), defined resources as "dedicated assets that cannot be re-deployed to alternative uses without cost". Resources in this context could be either tangible resources such as plant and capital, or intangible resources such as market or operational know-how (Woodcock et al., 1994).

Vernon (1983) continues by saying that each entry mode also faces different phenomena of resource commitment. By "dedicated assets that cannot be redeployed to alternative uses without cost" he means that these assets may be tangible (e.g. physical plant) or intangible (e.g. management know-how). By its very nature, most foreign production involves some degree of investment in dedicated assets.

It is important to note that resource commitments constitute an exit barrier and serve to limit the strategic flexibility of the firm (Harrigan 1981). When resource commitments are extensive the firm cannot exit from a foreign market without incurring substantial sunk costs. Of course, from a purely economic perspective sunk costs are an 'irrational' exit barrier (by definition sunk costs cannot be recovered and should not influence future decision-making). However, theories of escalating commitment suggest that sunk costs constitute a very real perceptual exit barrier and inhibit the firm's ability to respond to environmental change (Stopford et al.,

1972). The implication is that strategic flexibility is greatest in the case of licensing, and lowest in the case of a wholly owned subsidiary.

For a firm not having the resources, and wishing to share the risks associated with having such resources is, thus, compelled to enter the market through a joint venture. Other entry mode studies have empirically corroborated the above resource-dependent relationship using non-ownership proxy measures for resource commitment.

Erramilli (1991) and Erramilli and Rao (1990, 1993) used market knowledge to explain why firms use specific entry modes, and Davidson (1985) found that firms having lower market knowledge tended to reduce the strategic risk by entering these markets through licensing agreements or joint venture rather than wholly owned modes. Table 1 describes the various entry methods placed on the level on involvement scale. The scale is self-explanatory and is composed of entry modes ranked according to the extent and market-specificity of the associated resource commitment. Wholly owned subsidiary (started from scratch) represents the highest level of involvement, and contractual entry (licensing/ franchising) represents the lowest.

TABLE 1. The level of foreign market involvement scale.

Foreign Market Entry Mode	Resources required for Commitment	Market Specificity of Commitment	Level of Involvement
1. Wholly Owned Subsidiary / Branch Started from Scratch	Very High	High	9 (Highest)
2. Wholly Owned Subsidiary Acquired	High	High	8
3. Majority Joint Venture	Moderate to High	High	7
4. 50-50 Joint Venture	Moderate	High	6
5. Minority Joint Venture	Moderate	High	5
6. Export Subsidiary	Moderate	Moderate	4
7. Direct to Customer Exports	Low to Moderate	Low	3
8. Agent / Distributor Exports	Low	Low	2
9. Licensing /Franchising	Very Low	Very Low	1

Source: Erramili & Rao (1990)

c. Entry modes and dissemination risk

Dissemination risk refers to the risk that firm-specific advantages in know-how will be expropriated by a licensing or joint venture partner (Hill and Kim,1988). Technological and marketing know-how constitutes the basis of the competitive advantage of many firms (Casson 1982; Caves 1982; Davidson and McFetridge 1985; Dunning 1985). If a firm grants a licence to a foreign enterprise to use firm-specific know-how to manufacture or market a product, it runs a significant risk of the licensee, or an employee of the licensee, disseminating that know-how, or using it for purposes other than those originally intended (Hill and Kim, 1988).

Teece (1977) defined firm-specific know-how as the knowledge that is proprietary to a given firm. Tacit know-how involves non-codified knowledge not embodied in physical items such as capital goods, equipment, and blueprints. Teece (1977) continues by saying that:

"rather, firm-specific know-how is the information that must be obtained typically via consulting or advisory

services for physical equipment or "hardware" to be absorbed and utilised effectively by the firm.'

A similar argument can be made with reference to joint ventures, although it seems reasonable to propose that the risks of dissemination are not as great as in the licensing case. The difference is that in a joint venture the firm's ownership stake may give it greater control over its partner's utilisation of firm-specific know-how.

According to Erramilli and Rao (1990), the risk of dissemination of know-how is likely to be lowest of all in the case of a wholly owned subsidiary. One reason for this is that internal organisation fosters an 'atmosphere' conducive to a congruence of goals and values between members of the organisation. Even in the case of a wholly owned subsidiary, however, there is always the possibility that a key employee with access to firm specific know-how might leave the organisation and join another company (Erramilli and Rao, 1990). Thus, a residual risk of dissemination still remains. In sum, this suggests that the risk of dissemination is highest in the case of licensing, somewhat lower in the case of a joint venture, and lowest of all in the case of a wholly subsidiary (Erramilli and Rao, 1990).

According to Erramilli and Rao (1990), entry modes differ from each other in the degree to which they involve the firm in a foreign market.

A firm's level of involvement in a foreign market will depend upon (a) the amount of managerial and financial resources committed to that market, and (b) the degree to which this resource commitment is specific to that particular market (similar to the definition of "market commitment" by Johanson and Vahlne, 1977).

Reluctance of firms to change entry modes once they are in place, and the difficulty involved in so doing, makes the mode of entry decision a key strategic issue for firms operating in today's rapidly internalising market place (Hennart 1982; Driscoll 1995; Bell 1995).

d. Entry modes and ownership

Ownership refers to the extent of a firm's equity participation in an entry mode. Ownership of assets occurs when costs can be reduced by internalising intermediate product markets within the firm (Buckley and Casson 1976; Hood et al. 1979; Rugman 1981;). Full-equity ownership is optimal when the benefits of ownership {e.g. increased control} are greater than the costs incurred by shared-control equity modes (e.g. dissemination risks). In scholarly literature, ownership of an entry mode affords an entrant (e.g. Gatignon and Anderson, 1988). Therefore ownership may be important only to the extent that firms are able to control their activities. To illustrate, to many firms 49 per cent equity means no control whereas 51 per cent equity means total control. However, control may be gained through means other than equity participation. For example, McDonald's is able to have a high degree of control over its franchises without owning them. Furthermore, control of technology may be achieved without equity. What this means, then, is that while ownership has been proposed as an under-lying construct influencing mode choice, the efficacy of this construct is related to the control that ownership implies. Examining the amount of control that equity participation affords an entrant may be more useful than studying ownership per se.

Hill et al. (1990) argue that these differing characteristics amongst the types of entry modes represent underlying constructs that influence mode choice. These constructs vary with the type of entry mode. Table 2 compares the characteristics of different entry modes across the three 'generic' types.

Table 2. Characteristics of export, contractual & investment entry modes

Entry method	Control	Dissemination risk	Resource commitment	Flexibility	Ownership
Investments	High	Low	High	Low	High
Contracts	Medium	Med-High	Med-High	Medium	Med-High
Exports	Low	Low	Low	High	Low

Source : Driscoll, 1995.

Evidently, investment modes of entry are characterised by high level of control, ownership, and resource commitment, and low levels of dissemination risk and flexibility. At the other end of the continuum of mode types, exporting arrangements are shown as having low levels of control, dissemination risk, ownership and resource commitment, and a high degree of flexibility. Finally sandwiched between the options of investment and exporting modes are contractual modes, which are characterised by median amounts of control and flexibility, and medium to high levels of dissemination risk, resource commitment, and ownership.

e. Other Dimensions

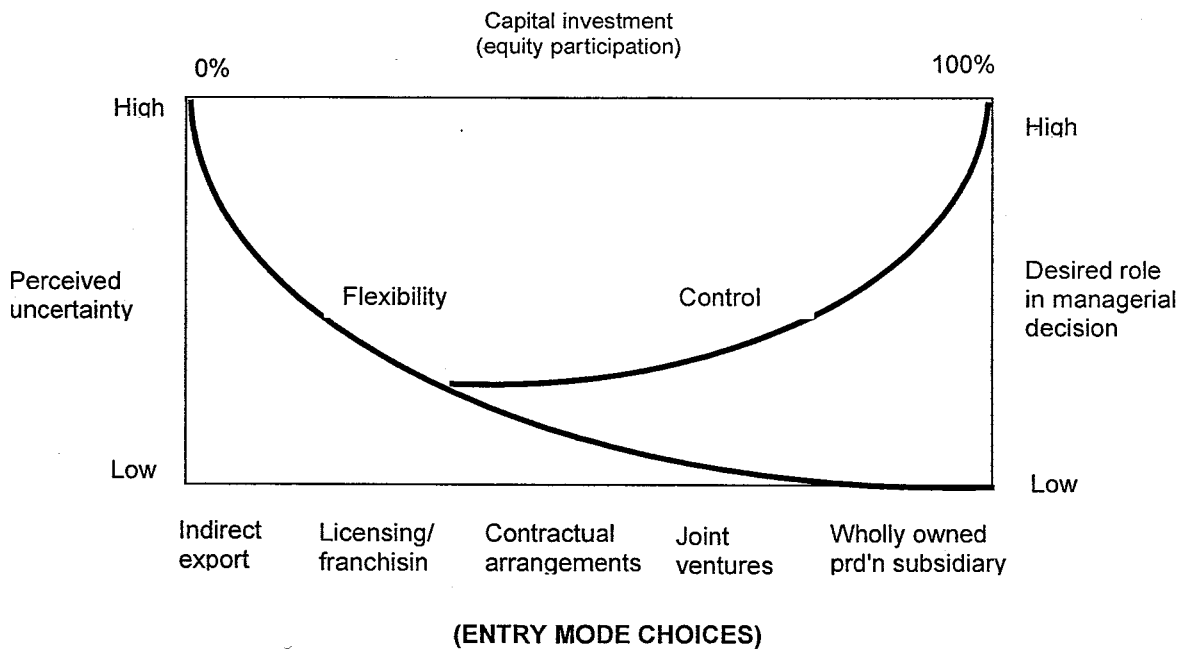
According to Driscoll (1995), in foreign market activities, uncertainty is generally greater and the difficulties of getting information are also greater. It is the lack of information about the market, which is the greater obstacle to the first foreign ventures, and it is the access to such knowledge, which makes it possible for the internationally experienced firm to extend its activities to new market.

Some other issues need to be considered before this discussion is concluded. Entry mode choices differ in terms of time limitations. Licensing and franchising agreements will operate for a specified time period, as will management contracts, although there may be possibilities for renewal of agreements. Turnkey operations, where there is provision for the hand over of control to local interests, fall into a similar category as do contractual joint ventures. These arrangements thus differ from direct investment production operations and export activities, which have no time limit on them; the exception concerns fade-out agreements where the foreign enterprise is required to sell a part or its entire investment stake to the host government or local shareholders over a period of time.

Attention should be drawn finally to payment methods: while dividends, royalties and cash payments are still normal, exports, licensing and turnkey operations may involve countertrade transactions, meaning extra risks and costs and a requirement for expertise in handling countertrade. These dimensions clearly differ in terms of their significance. The control/ cost/ flexibility issues are of paramount importance and the trade-offs between them are illustrated in Figure 1. But motivation also assumes major relevance on occasions; generally all of the variables may have a role in and assist in understanding the choice of internationalisation mode.

Certainly a simple spectrum running from export modes through contractual modes to direct investment production modes fails to take account of the complexities of the different arrangements and the circumstances under which they are operated.

Figure 1. Dimensions of foreign market entry modes



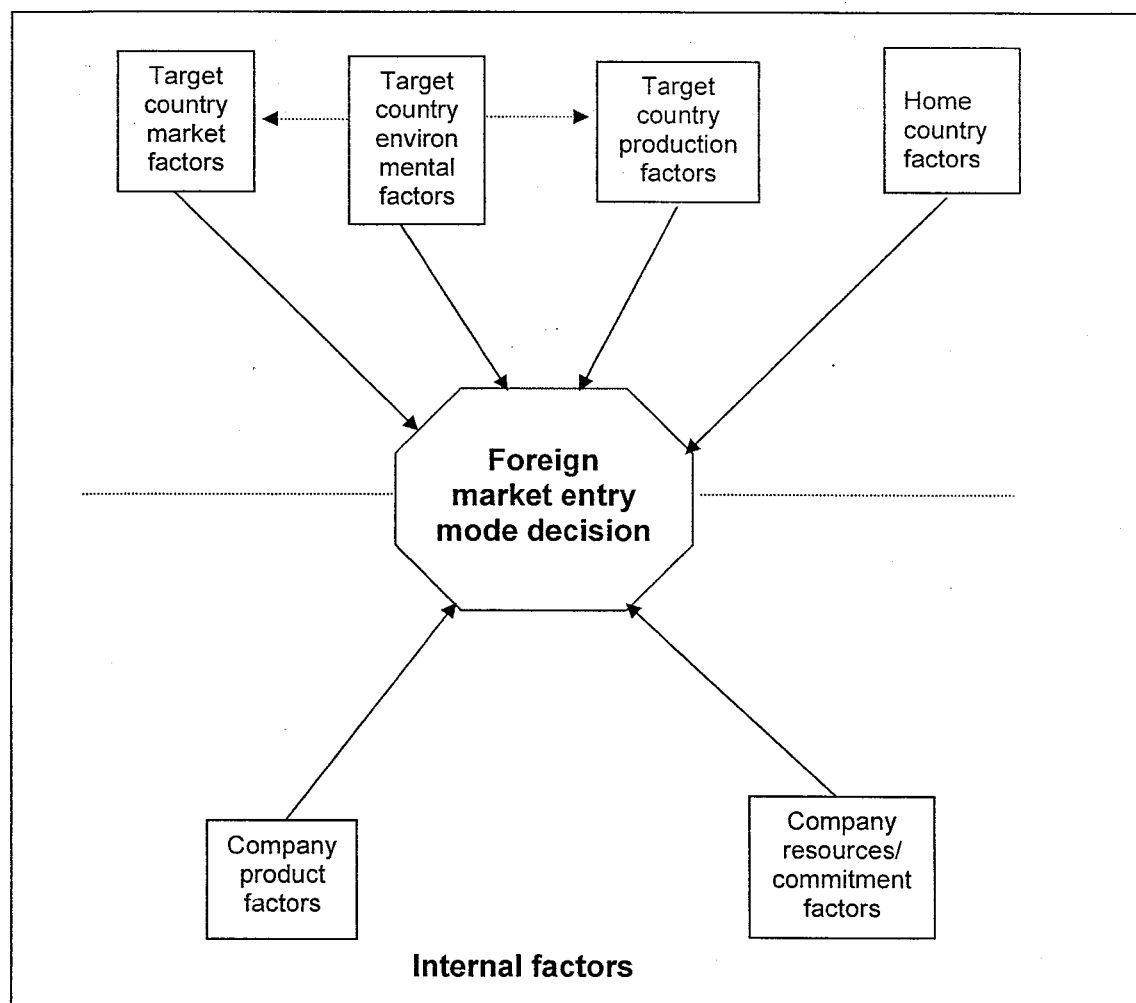
Source: Simyar and Argheyd (1987)

5. FACTORS INFLUENCING THE CHOICE OF MARKET ENTRY MODE

A company's choice of its entry mode for a given product/target country is the net result of several, often conflicting, forces. The variety of forces, difficulties in measuring their strength, and the need to anticipate their direction over a future planning period combine to make the entry mode decision a complex process with numerous trade-offs among alternative entry modes (Root 1987, p.8).

According to Root (1987), market, production and environmental factors in both the target and home countries can seldom be affected by management decisions. They are external to the company and may be regarded as parameters of the entry mode decision. Because no single external factor is likely to have a decisive influence on the entry mode for companies in general, such factors may encourage or discourage a particular entry mode. He viewed the characteristics of a company's products and its resource/commitment factors as internal elements. Figure 2 shows the external and the internal factors in the entry mode decision.

Figure 2: Factors in the entry mode decision.



Source: Root (1987)

A variety of studies have considered country, industry, and firm-specific factors and their influence on wholly owned entry mode decisions. Caves and Mehra (1986) found that entry mode selection was influenced by a variety of industry and firm-specific factors, including firm size, advertising intensity, research intensity, industry growth, and industry concentration. A subsequent study by Zejan (1990) confirmed many of Caves and Mehra's results.

Other studies have compared the joint venture and wholly owned entry modes. Gatignon and Anderson (1987) found that locational factors, the degree of multinationality, and research and advertising intensity influence the selection decision between joint ventures or wholly owned entry modes. Kogut and Singh (1988) found that industry, firm, and country-specific factors influence the selection decision between the three ownership-based entry modes: joint venture, acquisition, and new venture. More recently, Kim and Hwang (1992), and Agarwal and Ramaswami (1992) examined a wide variety of entry modes. They found that locational, ownership and internalisation advantages contingently influenced all of the various entry modes.

Competition in a given geographic market also affects the selection of market entry method and, indeed, it also affect the decision to enter (or not to enter) that market in the first place (Hill et al., 1990). In domestic marketing "the nature of competition in a given market setting has a direct impact on whether a firm chooses arms' length contracting or internal organisation to undertake business transactions" (Harrigan 1985).

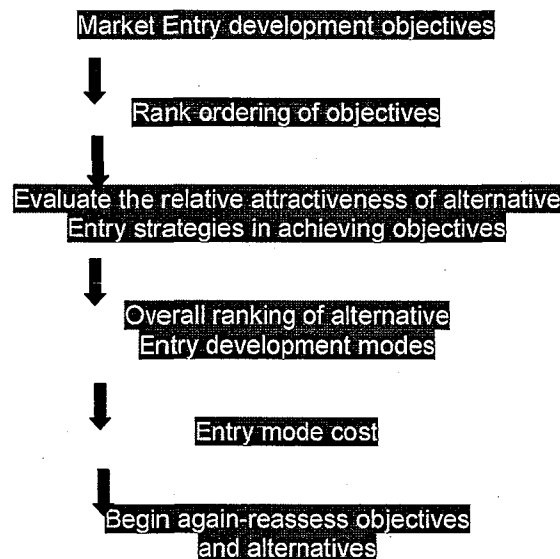
According to Young et al. (1989 p.266-272), firms often have multiple objectives in entering new foreign markets and that there will exist conflicts between these objectives, e.g. between short-term profitability and long-term market penetration.

6. APPROACHES IN THE FIRM'S CHOICE OF FOREIGN MARKET ENTRY MODE

Gannon (1993 p. 42) says that in studying how the firm deals with these and other factors in its choice of entry mode, a number of alternative theoretical approaches are apparent: a) the behavioural approach, b) the transaction costs approach, c) the business strategy approach and the latest eclectic approach.

After a firm decides to enter a certain foreign market, it must choose a mode of entry, i.e. select an institutional arrangement for organising and conducting international business transactions (Root, 1987).

Figure 3: Market Entry Strategies



Source: Young, et al (1989)

The choice of the correct entry mode for a particular foreign market is "one of the most critical decisions in international marketing" (Terpstra and Sarathy 1991, p. 361). The chosen mode determines the extent to which the firm gets involved in developing and implementing marketing programmes in the foreign market, the amount of control the firm enjoys over its marketing activities, and the degree to which it succeeds in foreign markets (Anderson and Gatignon 1986; Root 1987; Hill

et al. 1990; Terpstra and Sarathy 1991). In fact, Wing and Perlmutter (1977) describe entry-mode choice as a "frontier issue" in international marketing. The followings are the approaches proposed in the firm's choice of foreign market entry mode:

a. The behavioural approach

According to Erramilli and Rao (1990), the firm's choice of a particular , foreign market entry mode is a function of a large number of diverse factors. It varies with product characteristics such as degree of differentiation, importance, age and technological content (Stopford and Wells 1972; Davidson 1982; Goodnow 1985; Gatignon and Anderson 1987). It may depend upon certain firm characteristics such as size and resources, degree of diversification, and corporate policies (Stopford and Wells 1972; Goodnow 1980; Davidson 1985; Root 1987).

Entry mode choice by firms may also be determined by external " environmental factors: host country trade and investment restrictions, host country market size, host country geographic and cultural distance, and exchange rate fluctuations (Aliber 1970; Goodnow and Hansz 1972; Stopford and Wells 1972; Goodnow 1980; Root 1987; Gatignon and Anderson 1987). These product, firm, and environmental variables could be collectively referred to as " nonbehavioural" determinants.

In recent years, an emerging stream of literature (Aharoni 1966; Johanson and Vahlne 1977; Reid 1980; Cavusgil 1980 & 1982; Young et al. 1989) has been highlighting the role that "behavioural" factors play in a wide range of international marketing decisions, such as initial involvement in foreign markets, choice of country markets, and choice of foreign market entry modes.

Proponents of the behavioural approach have suggested a generally positive relationship between the decision maker's knowledge of foreign markets and the level and pace of resource commitments to the foreign markets (Erramilli and Rao, 1990). However it has been observed that firms adopting this approach typically develop international markets over time on an incremental basis. Johanson and Wiedersheim-Paul (1975), for example, observe this incremental transition phenomenon in their study of the internationalisation of four Swedish firms -Atlas Copco, Facit, Sandvik, and Volvo. Rather than large spectacular foreign investments these companies followed a gradual internationalisation process, each stage in the process representing successively larger resource commitments, and also leading to quite different market experiences and information for the firm. Rugman (1980) commenting on the incremental nature of internationalisation, notes that many firms " adopt the process of going abroad at a slow and cautious pace". Cavusgil (1984) attributes this caution to the greater perceived risk associated with international business decisions, the tentative nature of managerial expectations, and greater genuine uncertainty. Typically risk is reduced as additional increments of knowledge about the foreign market accrue to the firm over time, and as perceived risk dissipates firms show an increasing level of commitment to that market, both in terms of finance and people.

Johanson and Vahlne (1990) note that additional commitments to a market will be made in small steps unless: (a) the firm has very large resources (enabling the firm to accept the risk consequences of the commitment); or (b) market conditions are stable and homogeneous offering the possibility of gaining relevant

market knowledge in ways other than through experience, or (c) the firm has much experience from other markets with similar conditions. These findings suggest that a definite link exists between certain firm specific factors (resources, experience etc.) and the modality utilised by the firm to enter foreign markets.

b. The transaction costs approach

Transaction costs analysis has been extended to cover a range of control rather than the extremes of integrate or contract out (Williamson 1985).

The internationalising firm must decide whether to access foreign markets independently or through the mechanisms of the market by renting or selling the right to utilise its product/technology to a third party. The firm is thus faced with an entry mode choice dilemma, and must decide which entry mode along a continuum anchored by the options of market and hierarchy is best. Movement along this continuum, as noted earlier, usually involves successively larger resource commitments, for which the firm is compensated by achieving greater control over foreign market operations, which it hopes will result in larger profits. Explaining how the firm makes this choice and decides on the most efficient organisational form for co-ordinating its international production activities is a matter addressed in economic theory by the transaction costs literature. As one commentary summarises it, "the objective of transaction cost analysis is to determine when high entry modes are worth their price to the entrant" (Gatignon and Anderson, 1988). Thus the underlying rationale for entry mode choice in transaction costs is efficiency.

One of the earlier writers on transaction costs observes that it is costs associated with utilising the price mechanism that is the main reason why it is profitable to establish a firm (Coase 1937). He notes that the costs of organising production through the price mechanism include the cost of identifying what the relevant prices are, and the cost of negotiating and concluding individual contracts for each exchange transaction. Coase (1937) concludes that:

"as the firm expands there are diminishing returns to management, and that the firm will tend to expand until the costs of organising an extra transaction within the firm become equal to the costs of carrying out the same transaction by means of an exchange on the open market or the costs of organising in another firm."

Anderson and Gatignon (1986, 1987), in studies of 17 entry modes classified by the entrant's level of control, found support for a number of transaction cost propositions. Specifically support was found for the proposition that entry modes offering higher degrees of control are appropriate in internationalising highly proprietary products or processes, or in highly advertising-intensive businesses and that lower control modes are appropriate where sociocultural distance between home and host market is great, in cases of environmental instability, and where cumulative international experience is low.

The finding on highly advertising-intensive businesses is interesting. It appears to contradict earlier works, which advocate the use of low control entry modes for the marketing of standardised, highly branded products, as they are easily

priced and many agents are capable of handling them. (Lall 1978; Relleiner and Lavergne 1979; Bradley 1984).

c. The business strategy approach

In the business strategy approach, the focus of attention is competition and corporate strategic needs. Adopting such an approach, Hwang (1988) reviews the vertical integration and business strategy literature and identifies several factors impacting on the firm's decision to commit resources abroad, and thus on its choice of foreign market entry mode. These factors include the stage of industry evolution (market attractiveness}, the degree of volatility of competition (market stability}, the existence of synergistic considerations, the existence of exit barriers, and host country risk and location familiarity.

An interesting aspect of the business strategy approach is the appreciation of the fact that firms may be driven by strategic objectives other than that of selecting the most efficient method of foreign market entry. Caterpillar's entry into a joint venture in Japan with Mitsubishi in 1963 serves as a case in point. Here the strategic objective was to constrain the market share and cash flow of Komatsu, who earned 80% of its world-wide cash flow in this market (Hout et al., 1982}.

Both the behavioural approach and the transaction cost approach assume rational decision-making. In the former, entry modes evolve rationally over time with the increasing internationalisation of the firm. In the latter, decisions regarding the choices of entry mode are based on the calculation of the risk-adjusted rate of return on alternatives. The business strategy approach differs from these two approaches by emphasising the pragmatic nature of decision-making in most organisations. This pragmatism may be a response to external uncertainty and the political nature of decision-making (involving consensus/seeking), factors which lead organisations to adopt a satisfying or 'muddling through' approach to decision-making rather than a rational-analytical approach (Young et al., 1989). Although the objective in both the transaction costs approach and the business strategy approach is to optimise the degree of control in intrafirm exchanges, the approaches differ considerably in theoretical thrust.

The former contends that the degree of internal transfer depends on levels of transaction costs, the latter argues it is a matter of seeking the best fit between a firm, an industry, and the environment in which it operates (Kim and Hwang 1992).

d. The eclectic approach

The eclectic approach, as proposed by Dunning (1977, 1979, 1980, 1981, 1985) suggests that the choice of a basic foreign market entry mode for a given product/ target country is determined by configuration of three sets of determinants as perceived by a firm:

1. ownership advantage which is the extent to which a firm possesses or can acquire assets which its competitors do not possess;
2. internalisation advantage which determines whether it is in the firm's interest to sell or lease these assets to other firms, or to make use of these assets itself and.
3. location advantage which determines the extent to which it is possible to exploit these assets in conjunction with the indigenous resources of foreign countries rather than those of the home country .

Dunning (1985) claimed that the eclectic model allows prediction of which firms will be involved in foreign markets, what their basic mode of market entry will be, and where production will take place. However, there is no empirical study available that supports the eclectic model. Dunning (1980) provided only partial support for his eclectic model since he considered only two modes of foreign market entry: export and investment. It should be noted that he did not differentiate between sole venture and joint venture under the investment mode. An effort by Cho (1985) to provide an empirical support to the eclectic model is commendable; however, like Dunning, he considers only two modes of foreign market entry.

Dunning (1985) acknowledges that the eclectic paradigm in its current form has only limited power to explain or predict specific kinds of foreign market entry modes. However, the generality of the model offers scope for developing a more useful model of foreign market entry.

According to Anderson and Gatignon (1986), the theory, transaction cost analysis, combines elements of industrial organisation, organisation theory, and contract law to weigh the trade-offs to be made in vertical integration (and by extension, degree of control) decisions.

It begins with the assumption that the market being entered has at least enough potential that the firm can recoup the overhead of a high-control entry mode. If this is not the case, high-control modes are not worth considering (Williamson 1979). However, for markets large enough to break even on the fixed cost of a high-control mode, the entrant has a choice to make. In these circumstances, the efficiency of an entry mode depends on four constructs that determine the optimal degree of control, following a transaction cost analysis. These constructs are:

1. transaction-specific assets: investments (physical and human) that are specialised to one or a few users or uses;
2. external uncertainty: the unpredictability of the entrant's external environment;
3. internal uncertainty: the entrant's inability to determine its agents' performance by observing output measures;
4. free-riding potential: agents' ability to receive benefits without bearing the associated costs.

In spite of the value of each of the four approaches reviewed above, it is apparent that individually they offer but a partial explanation of the entry mode choice process.

Researchers adopting these approaches, increasingly are viewing factors such as the business environment, and the strategic relationship the firm, envisages between operations in various countries, as of increasing importance in the entry mode choice decision (Hwang 1988; Hill et al. 1990; Contractor 1990). Hill et al. (1990), for example elaborate on the broad groups of variables seen to impinge on the entry mode choice decision: strategic variables, environmental variables, and transaction-specific variables.

Hill et al. (1990) are also critical of much of the existing literature for presenting either a list of considerations without identifying underlying constructs, or for having focused on each of the entry mode options in isolation rather than as simply representing another option along a choice continuum.

Hill et al. (1990) identify three underlying constructs that impact upon the entry choice decision: control, resource commitments (strategic flexibility), dissemination risk. From these three constructs a number of propositions are developed. Hill et al. (1990) propose that other things being equal, high-control entry modes will be favoured:

- by firms that pursue a global strategy;
- when the need for global strategic co-ordination is high (the global industry is an oligopoly) and
- the greater the tacit component of firm-specific know-how,

Hill et al. (1990) propose that other things being equal, low-control entry modes will be favoured by firms that pursue a multi-domestic strategy. Entry modes that involve relatively low resource commitments will be favoured, other things being equal,

- when country risk is high;
- when perceived distance is great;
- when demand is uncertain (as in embryonic or declining host markets); and
- the greater the volatility of competition in the host market.

Regarding dissemination risk, they postulate that other things being equal, the greater the quasi-rent stream generated by a MNC's proprietary know-how, the greater the probability that the MNCs will favour an entry mode that minimises dissemination risk.

Hill et al. (1990) further acknowledge that while the MNC may wish to choose the entry mode that maximises long-term value that optimisation may not always be attainable" given the complexity that characterises the real world, the uncertainty that exists as to future states of nature, and the bounded rationality of decision makers", Hill et al., 1990 contend that "satisfactory" rather than optimal solutions seem the best that can be achieved.

7. CONCLUSION

It has to be noted that there is no one, single universal 'best' strategy of market entry mode to be used by firms going to the foreign market. Firms should consider all alternative channel strategies when entering each market. The 'best' strategy will be the one which is situationally best, it is optimal in that it satisfies with regard to the conflicting pressure of the foreign and domestic operating environments-industry structure at home and abroad, and company marketing strategy (Bell, 1995).

This discussion of entry modes should convince anyone that the entry decision process cannot be reduced to a formula, a set of rules, or even a complex computer model (Root 1987, p.160).

Since it is not uncommon for firms to have their initial mode choice institutionalised over time as new products are sold through the same, established channels, and new markets entered using the same entry method, a problematic initial entry mode choice can be perpetuated through the institutionalisation of this mode (Driscoll, 1995).

Choosing the most appropriate strategy ideally requires a systematic analysis of the alternatives. This is inherently difficult because of information deficiencies and

the problems involved in evaluating uncertainty and risk. In addition, the most appropriate strategy for one product/target market will not necessarily be the best for another. Entry and development strategies need to be developed for each product/ country market, which further compounds the information problem and the evaluation of uncertainty and risk.

Finally, regardless of the preferred choice of strategy, the company must be pragmatic, since entry mode will be affected by government policy in the target market.

In relation to subsequent international development, firms generally not inclined to change from their preferred entry mode as they developed new markets. Exporting, directly or indirectly are the dominant methods for most firms in all their principal markets.

However, most recent research has proven that there is considerable evidence to suggest that given the dynamics of and strong economic growth in Asia and Malaysia in particular, traditional market entry theory may require a revision.

However, both the simultaneous and incremental models are seen to have some explanatory power especially to new, small firms, which normally internationalise faster than longer established firms.

REFERENCES AND BIBLIOGRAPHIES

1. Aliber, R. (1970). "A Theory of Direct Foreign Investment" in *The International Corporation*, edited by Charles Kindleberger, Cambridge, Massachusetts: the M.I.T. Press.
2. Ali, S. and Mirza, H. (1996). "Entry Mode and Performance in Hungary and Poland: The Case of British Firms." Paper for presentation at the 23rd Academy of International Business (UK) Conference Aston Business School, Aston University, Birmingham, UK 29-30 March, 1996.
3. Agarwal, S. and Ramaswami, S.N. (1992). "Choice of Foreign Market entry mode: Impact of ownership, location and internalisation factors." *Journal of International Business Studies*, Vol. 23, No.1, pp 1-28.
4. Aharoni, Y. (1966). "The Foreign Investment Decision Process." Harvard Business School Press, Boston, MA.
5. Anderson, E. and Coughlan, A. (1987). "International Market Entry and Expansion via Independent or Integrated Channels of Distribution." *Journal of Marketing*, Vol. 51, No.1, January, pp. 71-82.
6. Bell, J. and Young, S. (1996). "Towards an Integrative Framework of the Firm." Paper for presentation at the 23rd Academy of International Business (UK) Conference Aston Business School, Aston University, Birmingham, UK 29-30 March, 1996.
7. Bilkey, W.J. and Tesar, G. (1977). "The Export Behaviour of Smaller Size Wisconsin Manufacturing Firms." *Journal of International Business Studies*, Vol. 8, No.2, Spring/Summer, pp. 93-98.
8. Bradley, M.F. (1984). "Organisational impact of changing product and market technologies in the international firm." Centre for International Marketing Studies, University College Dublin, Working Paper No.14.
9. Bridgewater, S., Murray, G. and Morris, C. (1996). "The Internationalisation of Small, Venture Capital-Funded, High Technology Firms: Preliminary Findings". The Case of British Firms." Paper for presentation at the 23rd Academy of International Business (UK) Conference Aston Business School, Aston University, Birmingham, UK 29-30 March, 1996.
10. Buckley, P.J. and Ghauri P.N. (1993). "The Internationalisation of the Firm: A Reader." Academic Press, London.
11. Burton, F. and Cross, A.R. (1995). "Franchising and Foreign Market Entry." *International Marketing Reader*, Routledge, London and New York.
12. Calof, J.L. (1993). "The Mode Choice and Change Decision Process and its Impact on International Performance." *International Business Review*, Vol. 2, No.1, pp. 97-120.
13. Casson, M. C. (1982). "Transaction costs and the theory of the multinational enterprise." In Rugman, A.M. (ed.), *New Theories of the Multinational Enterprise*, St. Martin's Press, New York 1982, pp. 24-43.

14. Caves, R. E. and Mehra, S.K. (1986). "Entry of foreign multinationals into U.S. manufacturing industries." In Michael E. Porter, editor, *Competition in global industries*. Boston: Harvard Press.
15. Cavusgil, S.T. (1984). "Differences among exporting firms based on their degree of internationalisation." *Journal of Business Research*, Vol. 12, pp. 195- 208.
16. Cho, K.R. (1985). "Multinational banks. Their identities and determinants." Ann Arbor: UMI Research Press.
17. Coase, R.H. (1937). "The nature of the Firm." *Economica*, Vol. 4 (November), pp.386-405.
18. Contractor, F. (1985). " A Generalised Theorem for Joint Venture and Licensing Negotiations." *Journal of International Business Studies*, Summer, No.2, pp. 23-50.
19. Czinkota, M.R. and Ronkainen, J. (1988). "International Marketing." The Dryden Press.
20. Daniels, J.D. (1970). "Recent Foreign direct manufacturing investment in the United States." *Journal of International Business Studies*, V 01. 1, No.1, pp. 125-32.
21. Dalli, D. (1994). "The "Exporting" process: The evolution of small and medium sized firms toward internationalisation." *Advanced in International Marketing*, V 01. 6, pp. 85-110.
22. Davidson, W .H. and McFetridge, D.G. (1985). "Key Characteristics in the Choice of International Technology Transfer Mode." *Journal of International Business Studies*, Summer, pp. 5-21.
23. Driscoll, A. (1995). "Foreign Market Entry methods: A Mode choice framework." Routledge, London.
24. Dubin, M. (1975). "Foreign acquisitions and the spread of the multinational firm." Unpublished doctoral dissertation, Harvard.
25. Dunning, J.H. (1985). "The eclectic paradigm of international production: An up-date and a reply to its critics." Paper presented at the Annual Meeting of the Academy of International Business, New York.
26. Erramilli, M.K. and Rao, C.P. (1993). "Service Firm' International Entry-Mode Choice: A Modified Transaction-Cost Analysis Approach." *Journal of Marketing*, Vol. 57, pp. 19-38.
27. Gannon, M. (1993). "Towards a composite theory of foreign market entry mode choice: The role of marketing strategy variables." *Journal of Strategic Marketing* Vol. 1, pp. 41-54.
28. Gatignon, H. and Anderson, E. (1988). "The multinational corporation's degree of control over foreign subsidiaries: an empirical test of a transaction cost explanation." *Journal of Law, Economics, and Organisation*, Vol. 4, pp. 305-36.

29. Goodnow, J.D. (1985). "Developments in International Mode of Entry Analysis." *International Marketing Review*, Vol. 2, No.3, Autumn, pp. 17-30.
30. Harrigan, K.R. (1985). "Vertical integration and corporate strategy." *Academy of Management Journal*, Vol. 28, pp. 397-425.
31. Helleiner, G.K. and Lavergne R. (1979). "Intra-Firm Trade and Industrial Exports to the United States." *Oxford Bulletin of Economic and Statistics*, Vol. 41 (November), pp. 297-311.
32. Hennart, J.F.(1988). " A Transaction Cost Theory of Joint Ventures An Empirical Study of Japanese Subsidiaries in the United States.", *Management Science*, Vol. 37, No.4.
33. Hill, C.W.L., Hwang, P. and Kim, W.C. (1990). " An Eclectic Theory of the Choice of International Entry Mode." *Strategic Management Journal*, Vol. 11, pp.117-128.
34. Hood, N. and Young, S. (1979). "The economics of multinational enterprise." Longman, London and New York.
35. Hout, T., Porter, M.E. and Rudden, E. (1982). "How global companies win out." *Harvard Business Review*, Vol. 60, pp. 98-108.
36. Jeannet, J.P. and Hennessey, H.D. (1992). "Developing Global Marketing Strategies," 2nd edition, Houghton Mifflin, Boston.
37. Johanson, J. and Vahlne, J.E. (1992). "Management of Foreign Market Entry." *Scandinavian International Business Review*, Vol. 1, No.3, pp. 9-27.
38. Jones, G.R. and Hill, C. W .L. (1988). "Transaction cost analysis of strategy- structure choice." *Strategic Management Journal*, Vol. 9, pp. 159-72.
39. Kim, W.C. and Hwang, P. (1992). ."Global strategy and multinationals' entry mode choice." *Journal of International Business Studies*, Vol. 23, No.1, pp. 29- 54.
40. Kogut, B. and Harbir S. (1988). "The effect of national culture on the choice of entry mode choice." *Journal of International Business Studies*, (Fall), pp. 411- 32.
41. Kotler, P. (1994). "Marketing Management: Analysis, Planning, Implementation, and Control." Prentice-Hall International Inc., USA.
42. Kwon, Y.C. and Konopa, L.J. (1992). "Impact of Host Country Market Characteristics on the Choice of Foreign Market Entry Mode." *International marketing Review*, Vol. 10, No.2, pp.60-76.
43. Lall, S. (1978). "The pattern of intra-firm exports by US multinationals." *Oxford Bulletin of Economics and Statistics*, Vol. 40, pp. 209-22.
44. Mascarenhas, B. (1992). "Order of Entry and Performance In International Markets." *Strategic Management Journal*, Vol. 13, pp. 499-510.

45. Naumann, E. and Lincoln, D.J. (1991). "Non-Tariff Barriers and Entry Strategy Alternatives: Strategic Marketing Implications." *Journal of Small Business Management* Vol. 29, No.2, pp. 60-70.
46. Nevens, T.M., Summe, G.L. and Uttal, B. (1990). "Commercialising technology: What the best companies do." *Harvard Business Review*, May- June, pp. 154-63.
47. Ohlin, Bertil (1933). "Interregional and International Trade." Cambridge, Massachusetts: Harvard University Press.
48. Paliwoda, S. and Ryan, J.K. (1995). "International Marketing Reader." Routledge, London.
49. Porter, M.E. (1985). "Competitive Advantage." New York: Free Press.
50. Reid S.D. (1981). "The Decision Maker and Export Entry and Expansion." *Journal of International Business Studies*, Vol. 12, No.3, Fall, pp. 101-112.
51. Robinson, R.C. (1978). "International Business Management A guide to decision making." 2nd edition, Hinsdale, 111: The Dryden Press.
52. Robock, S.H. and Kenneth S. (1988). "International Business al)d Multinational Enterprises." 3rd edition, Homewood, Illinois: R.D. Irwin.
53. Root, F. (1987). "Foreign Market Entry Strategies." Lexington Books, D.C. & Hearth Co., Lexington.
54. Rugman, A.M. (1985a September). "Internalisation is still a theory of foreign direct investment: A re-appraisal of the literature." *weltwirtschaftliches Archiv*, pp. 570-575.
55. Ruekert, R.W., Walker, O.C. and Roering, K.H. (1985). "The organisation of marketing activities: a contingency theory of structure and performance." , *Journal of Marketing*, Vol. 49, pp. 13-25.
56. Seringhaus, F.H.R. and Mayer, C.S. (1988). "Different Approaches to Foreign Market Entry between Users and Non-Users of Trade Missions." *European Journal of Marketing*, Vol. 22, No. 1.0, pp. 7-18.
57. Simyar, F. and Argheyd, K. (1987), 'Export Entry and Expansion Strategies', in Rosson, P.J. and Reid, S.D.(eds), *Managing Export Entry and Expansion*, Praeger, New York, 228.
58. Stopford, J.M. and Wells, L.T. (1972). "Managing the multinational enterprise." New York: Basic Books.
59. Talaga, J., Chandra, R., and Phatak, A. (1985). " An extension of the eclectic theory of foreign direct investment." Paper presented at the Annual Meeting of the Academy of International Business, New York.
60. Teece, D.J. (1982) "Towards an economic theory of the multiproduct firm." *Journal of Economic Behaviour and Organisation*, Vol. 3, pp. 36-63.

61. Terpstra, V. and Sarathy, R. (1991). "International Marketing." 5th ed. New York: Dryden Press.
62. Vernon, R. (1983). "Organisational and Institutional Responses to International Risk." In Herring, R.J. ed., *Managing International Risk*, pp. 191-216. Cambridge: Cambridge University Press.
63. Whitelock, J. and Jobberl D. (1994). "The Impact of Competitor Environment on Initial Market Entry in a New, Non-Domestic Market." In *Emerging Issues in marketing*, Vol. 2, Marketing Evaluation Group, Loughborough Univ., Business School pp. 981-990.
64. Williamson, O.E. (1985). *The Economic Institutions of Capitalism*, New York: The Free Press.
65. Wind, Y. and Perlmutter, H. (1977). "On the Identification of Frontier Issues in International Marketing." *Columbia Journal of World Business*, Vol. 1.2, (Winter), pp. 131-139.
66. Woodcock, C.P.; Beamish, P.W and Makino, S. (1994). "Ownership-Based Entry Mode Strategies and International Performance." *Journal of International Business Studies*, Second Quarter.
67. Young, et al. (1989). *International Market Entry and Development- Strategies and Management*. Harvester Wheatsheaf, Prentice Hall, N.Jersey.
68. Zejan, Mario C., (1990). "New ventures or acquisitions: The Choice of Swedish multinational enterprises." *Journal of Industrial Economics*, Vol. 38, No.3, pp. 349-55.35