

## MOTIVATING FACTORS AND THE MODES OF ENTRY IN OTHER MARKETS

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### Abstract

*Organizations that operate in international markets need to make the most important decisions in order to select a best mode of entry into foreign markets. This paper attempts to clarify some of the issues arising in international market selection. A firm must assess before entering a particular market the motives and potential factors that play a significant role during the process of decision making for market selection. An overview of the current methodologies for market selection based on the literature on international marketing is provided. Therefore, the main objective of the paper is to outline and discuss the relevant issues and challenges from a theoretical viewpoint related with the possible entry modes into international and global markets. This paper concentrates on secondary sources of research regarding the internationalisation of businesses. According to the previous literature, scholars have already found out some of determinants influencing the efficiency of foreign entry, such as: economic factors, political risk, legal factors, cultural factor, international experience, etc.*

*A model can be outlined from the theoretical viewpoints about the advantages and disadvantage of each foreign market entry strategy discussed. One of the fundamental steps that need to be taken prior to beginning international marketing is the environmental analysis. There are uncontrollable forces which are external forces upon which the management has no direct control, although it can exert an influence. Internal forces are controllable forces upon which the management administers to adapt to changes in the uncontrollable forces. The conclusion will provide a short summary of identified key elements that need to be considered by management in choosing international markets and their foreign market entry modes.*

**Keywords:** *Internationalization, Entry Modes, Factors.*

**JEL Classification:** *F2, F13*

### I. INTRODUCTION

Firms that want to internationalise must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. According to Wood and Robertson (2004) the age of globalisation has both facilitated and necessitated businesses to move towards the internationalisation of organisations of all sizes.

It is necessary to understand the context within which a country's political, economic, and social institutions have emerged, its history, geography, culture, and demography while thinking of emerging in foreign markets. It is difficult to understand the business environment in a country without studying the current political system and institutions, government policies, and a variety of data and other information on the country's economy.

There are many different modes of entering into foreign markets. Each mode has its strengths and weaknesses in general terms. However, each single organisation will be more attracted to a type mode depending on their backgrounds, nature of the company, strategic objectives as well as the resources. In many cases, there are many obstacles that companies have to meet while deciding to enter other markets, for example; safety, environmental, packaging, labelling, patents, trademarks and copyrights, are factors that businesses depend on being successful.

Once an entry mode has been chosen, the company has to decide the degree of its marketing involvement and commitment. Therefore, the decision should reflect a considerable study and analysis of market potential and company capabilities (Cateora & Graham, 1999). It is very crucial when operating in global arena to try not to make any differences that are culture related, which may impose a major risk between cultures. Businesses need also strategies for ensuring the resource allocation in the most effective way in a potential market (Zekiri J., Nedelea A., 2011). Thus, business people and global marketers need to be prepared to deal with different languages, food, dress, and communication styles.

### **Objectives**

The main objective of the paper is to outline and discuss the relevant issues and challenges from a theoretical viewpoint related with the possible entry modes into international and global markets. Therefore, the primary objectives of this study consist of:

- Achieving a greater understanding of the issues relating to International Marketing in general and selection of modes of entry for a company;
- Making the right assessment while selecting the entrance in International market activities;
- Assessing the right factors and motives that play a decisive role in market penetration.

This paper will analyse the relevant literature proposed by researchers. The key objective of the paper is to highlight the increasing importance of the internationalisation of businesses within the global economy.

## **II. RESEARCH METHODOLOGY**

This paper concentrates on secondary sources of research regarding the internationalisation of businesses. According to the previous literature, scholars have already found out some of determinants influencing the efficiency of foreign entry, such as: economic factors, political risk, legal factors, cultural factor, international experience, etc. The readings chosen for this paper were sourced from leading authors in the field, as well textbooks and electronic academic sources. Therefore, in order to understand the determinants for the choice of foreign entry mode, secondary information will be collected, and the data will be compared and analyzed. Finally, the research propositions will be submitted.

### **Research Questions**

The purpose of this research is to find an answer to the following research questions while choosing a mode of entry into foreign markets:

- ❖ Why companies internationalize?
- ❖ What motivates companies internationalize?
- ❖ What factors affect the entry mode decisions?
- ❖ What entry modes are appropriate for a given foreign market?

## **III. LITERATURE REVIEW**

### **3.1 Motives of the Firm to Enter Other Markets**

The process of globalization represents one of the most significant trends that accelerate rapid growth of global strategies. Firms that want to internationalise must decide on a fitting mode of entry into a foreign market in order to make the best use of their resources. But it's important to analyze companies' motives for entering a foreign market. Therefore, companies are entering international markets for many reasons, like the following motives:

- Foreign markets are growing faster than the domestic markets;
- Protecting themselves by countering foreign firms to enter a do domestic market;
- Searching greater sales volume in order to achieve low cost.

Czinkota and Ronkainen (1995) have divided the motives for entering a new market into proactive and reactive motives.

### **3.2. Proactive Motives**

#### **3.2.1 Profit and growth goals**

Companies have a strong desire for short-term profit especially companies that are at a stage of initial interest in exporting. The motivation for growth may also be of particular importance for the firm's export start. Some companies are profit seeking, so they seek international markets where they can increase their profits by selling to customers who are willing to pay more for the same product than their domestic customers are.

#### **3.2.2 Managerial motives**

Managers are motivated toward marketing activities from their desire, drive and enthusiasm of management. This enthusiasm can exist simply because managers like to be part of a firm that operates internationally. So, managerial attitudes play a critical role in determining the exporting activities of the firm.

#### **3.2.3 Foreign market opportunities**

Market opportunities act as stimuli for the firm that has or is capable of securing the resources necessary to respond to the opportunities. Companies see opportunities in foreign markets as chances for operating and expanding their businesses.

### 3.2.4 Economies of scale

Economies of scale can be reached by participating in global marketing activities which may enable the firm to increase its output and therefore climb more rapidly on economies of scale. The Boston Consulting Group showed that a doubling of output can reduce production costs by up to 30 per cent this effect has been very much sought. Therefore, increased production also helps in reducing the cost of production.

### 3.2.5 Tax benefits

Tax benefits can also play a major motivating role. In some countries taxes are lower that make companies to have more profits. This practice is in conformity with international agreements and provides firms with certain tax deferrals. So, tax benefits allow the firm either to offer its products at a lower cost in foreign markets or to accumulate a higher profit.

## 3.3. Reactive Motives

### 3.3.1 Competitive pressures

One of the most evident forms of a reactive motivation is reaction to competitive pressures. Firms may fear losing domestic market share to competing firms that have benefited from economies of scale gained by global marketing activities. In this way, they may fear losing foreign markets permanently to domestic competitors that decide to focus on these markets, knowing that market share is most easily retained by the firm that obtains it initially. So, competitors are an important external factor stimulating internationalization. For example: Coca-Cola and Pepsi competition, where the latter was influenced by the former and to move in same direction.

### 3.3.2 Domestic market: small and saturated

In cases when the domestic market is small and saturated for a company, then the company may be pushed into exporting. For some firms, domestic markets may be unable to sustain sufficient economies of scale and scope, and these companies automatically include export markets as part of their market entry strategy. Other companies may experience volatility along with greater risks in their home market. These risks could be related to the economy, currency valuations, political, etc.

### 3.3.3 Overproduction/excess capacity

Overproduction by companies can lead companies in many cases to a motive for new markets in order to get rid of the accumulated inventory. This situation can be the trigger for starting export sales via short-term price cuts on inventory products.

### 3.3.4 Unsolicited foreign orders

As a result of advertising and other forms of marketing communication many inquiries have been generated by worldwide consumers. Thus, small companies have become aware of these opportunities in export markets.

### 3.3.5 Extend sales of seasonal products

Seasonality in demand conditions may be different in the domestic market from other international markets. For example: A producer of agricultural machinery in Europe might have a demand from its domestic market primarily in the spring months of the year.

### 3.3.6 Proximity to international customers/psychological distance

One of the most significant roles that play in doing business in international markets is the physical and psychological closeness of the firm to the market. For example, German firms established near the Austrian border may not even perceive their market activities in Austria as global marketing. Most European firms automatically become international marketers simply because their neighbours are so close.

Westhead *et al.* (2002) in a study of small UK firms' motives for going abroad found out the following main reasons for starting exporting of firms' products/services:

- being contacted by foreign customers that place orders;
- one-off order (no continuous exporting);
- the availability of foreign market information;
- part of growth objective of the firm;
- export markets actively targeted by key founder/owner/manager.

## IV. ENTRY MODE LITERATURE

When a firm is going to explore a foreign market, the choice of the best mode of entry is decided by the firm's expansion strategy. The main aim of every business organization is to establish itself in the global market. Thus, the process calls for developing an effective international marketing strategy in order to identify the international opportunities, explore resources and capabilities, and utilize core competencies in order to better implement the overall international strategies. The decision of how to enter a foreign market can have a significant impact on the results. Companies can expand into foreign markets via the following four mechanisms: exporting, licensing, joint venture and direct investment. All of them have their advantages for the firm to explore as well as disadvantages which must be considered by the firm's top management. "What entry

*mode that a multinational company chooses has implications for how much resources the company must commit to its foreign operations, the risk that the company must bear, and the degree of control that the company can exercise over the operations on the new market.” (Charles Hill et al, 1990)*

Mode of entry into an international market is the channel which organization that want operate in international markets employ to gain entry to a new international market. The choice for a particular entry mode is a critical determinant in the successful running of a foreign operation.

Therefore, decisions of how to enter a foreign market can have a significant impact on the results. Expansion into foreign markets can be achieved via the following mechanisms:

- Exporting
- Licensing
- Franchising
- Joint Venture
- Direct Investment

#### **4.1 Exporting**

Exporting is the marketing and direct sale of domestically-produced goods in another country. Exporting is a traditional and well-established method of reaching foreign markets. There is no need for the company to invest in a foreign country because exporting does not require that the goods be produced in the target country. Most of the costs associated with exporting take the form of marketing expenses.

Exporting commonly requires coordination among four players:

- Exporter;
- Importer;
- Transport provider;
- Government.

Exporting as a mode of entry, means going alone in a particular market. Some of the main advantages of exporting are:

- Companies that export have initial investments;
- They reach customers very quickly;
- They have complete control over production and products;
- They benefit and learn from the experience of exporting for eventually any future expansion.

Whereas Exporting has some disadvantages as well:

- Potential costs of trade barriers, like tariffs and quotas;
- Transportation costs
- Difficulties in responding to customer’s needs and wants well;
- It gives up of any potential location economies.

Therefore, exporting is appropriate when there is a low trade barrier, home location has an advantage on costs and when customization is not crucial.

#### **4.2 Licensing**

A license arrangement is a business arrangement where a licensor using its monopoly position and right such as a Patent, a Trade Mark, a design or a copyright that has exclusive right which prevents others from exploiting the idea, design, name or logo commercially. The licensee pays a fee in exchange for the rights to use the intangible property and possibly for technical assistance.

The licensing agreement gives the following advantages to both the licensor and the licensee:

- Companies have low initial investments;
- Trade barriers are avoided;
- There is a great potential for utilizing location economies;
- The access to local data and information is possible;
- There is an easier ability to respond to customer’s needs and wants.

Whereas the disadvantages of licensing:

- The licensor lack the control over operations;
- Companies face difficulties with transferring the tacit knowledge, for example negotiation of transfer price, monitoring transfer outcome, etc;
- There is a great chance of creating a competitor, in this case your licensee.

We can conclude that licensing is appropriate if there is a well codified knowledge, strong property rights regime, and location advantage.

#### **4.3 Franchising**

Franchising is a similar entry mode to licensing. By the payment of a royalty fee, the franchisee will obtain the major business know-how via an agreement with the franchiser. The know-how also includes such

intangible properties as patents, trademarks and so on. The difference from the licensing mode of entry is that the franchisee must obey certain rules given by franchiser. Franchising is most commonly used in service industries, such as McDonald's, etc.

#### **4.4 Joint Venture**

Joint ventures represent an agreement between two parties to work together on a certain project, operate in a particular market, etc. Some of the main common objectives in a joint venture:

- Market entry;
- Risk and reward sharing;
- Technology sharing and joint product development, etc.

Some possible advantages of joint venture agreement between parties would be:

- Companies can have access to partner's local knowledge;
- Reduction of concern about overpayment;
- Both parties have some performance incentive;
- Significant control over operations.

Whereas some of the disadvantages of Joint-venture are as follow:

- Potential loss of proprietary knowledge;
- Potential conflict between partners;
- Neither partner has full performance incentives
- Neither partner has full control.

Joint Venture is appropriate when both parties contribute hard to measure inputs, and if they expect large mutual gains in the long run.

#### **4.5 Foreign Direct Investment**

Foreign direct investment (FDI) is the direct ownership of facilities in the target country. It involves capital, technology, and personnel. FDI can be made through *the acquisition of an existing entity* or *the establishment of a new enterprise*. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment, and the market in general. However, it requires a high level of resources and a high degree of commitment.

#### **4.6 Foreign Acquisition**

Acquisitions can be defined as a corporate action in which a company buys most, if not all, of the target company's ownership stakes in order to assume control of the target firm. Acquisitions are often made as part of a company's growth strategy whereby it is more beneficial to take over an existing firm's operations and niche compared to expanding on its own. (Investopedia.com. Retrieved May 02, 2011)

The main advantages of acquiring a foreign company:

- Access to target's local knowledge
- Control over foreign operations
- Control over own technology

The main disadvantages of acquiring a foreign company:

- Uncertainty about target's value
- Difficulty in "absorbing" acquired assets
- Infeasible if local market for corporate control is underdeveloped

#### **4.7 "Green Field" Entry**

Green field can be defined as a form of foreign direct investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up. In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees. (Investopedia.com. Retrieved May 02, 2011). The main advantages of setting up a new company:

- Normally feasible
- Avoids risk of overpayment
- Avoids problem of integration
- Still retains full control

The main disadvantages of setting up a new company:

- Slower startup

- Requires knowledge of foreign management
- High risk and high commitment

We can conclude that *Acquisition* is appropriate when the market is developed for corporate control, the acquirer has high absorptive capacity, and when there is high synergy, whereas *Green field* entry is appropriate when there is lack of proper acquisition target, in-house local expertise, and embedded competitive advantage.

## V. ASSESSING BUSINESS ENVIRONMENT

Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning international marketing is the environmental analysis. Let us first define the world environment and what does it include.

It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning.

The macro-environment is very important and determining while analyzing the environment: Political and Legal forces, Economic forces, Socio-cultural forces and Technological forces. These are known as *PEST* factors.

### 5.1 Political environment

It is very important for companies whether in domestic or international, large or small, that want to conduct business without taking in consideration the political environment of the country where they intend to operate (Cateora & Graham, 1999). An examination of target country's political orientation and environment is part of the preliminary screening stage of market select. Any company considering doing business outside of their own country should carefully study the government structure of the target market as well as the political systems of the targeted country.

Interest in politics is the first dimension listed in many frameworks examining export environments. This is largely due to the fact, foreign firms must endeavour to make their activities politically acceptable or they may be subjected to politically condoned harassment (Cateora & Graham, 1999). Government involvements in business are related with making policies how best to promote the national interest. Any firm engaging in international marketing should also be aware of the importance of sovereignty to national governments and its consequences for global business (Keegan & Schlegelmilch, 2001).

### 5.2 Risk assessment

Assessing the risk is very important when selecting target markets because high levels of uncertainty, in terms of continuity of government policies, changing political philosophies that are evident in targeted market (Cateora & Graham, 1999). It is also extremely necessary for a firm while considering strategies to be used during the internationalisation stages to consider all manner of political risk.

There are many ways of assessing risk and according to Johansson (1997) risk analysis flows from the first to the fourth level as he divided factors of political risk into 4 levels:

Level 1: *General Instability*

Level 2: *Expropriation;*

Level 3: *Operations;*

Level 4: *Finance;*

If any of the levels uncovers risk, which may be deemed unacceptable, the firm should immediately reconsider conducting business within the country in question

### 5.3 Entry barriers

Barriers to entry are anything that makes it difficult for a new entrant to break into a market. They make companies already in the market more valuable as they reduce the risk of new competition. There can be tariff and non-tariff barriers.

Entry barriers are imposed by governments in order to protect domestic industry or to ensure that companies entering from foreign markets conform to trade relation's arrangements with other countries. Barriers to exit are obstacles to market players who realize that they will not turn a profit and would like to quit the market. From an economic perspective, it makes sense to produce and sell an additional unit of product or service if the revenue generated covers at least for the variable costs.

### 5.4 Legal environment

The legal environment is an important variable to consider in international business due to the impacts that court of law decisions may have upon a company's globalisation attempts. Companies face a vast amount of problems in their efforts to develop successful global marketing programs. Just as cultural, political, geographical differences pose as threats to global firms so too do the varying legal systems of the world and their affect on business transactions (Cateora & Graham, 1999).

The countries of the world can be broadly categorised in terms of four legal systems:

- The *common law system* derived from English law and found in England, the United States, and the British Commonwealth countries, which include Canada, Australia and New Zealand and the former British Colonies in Africa and India.
- The *civil or code law system* derived Roman law and found in most European nations, Japan and non- Islamic and non- Marxist countries.
- The *Islamic legal system* derived from the interpretation of the Koran and followed by Pakistan, Iran, Saudi Arabia and other Islamic nations.
- The *Marxist legal system*, found in Marxist socialist countries such as Russia, the republics of the former Soviet Union, Eastern Europe and China, as well as other Marxist socialist states who rely on economic, political and social policies as the centre of their legal systems ( Cateora & Graham, 1999).

Understanding the legal environment of target countries is considered of great importance in terms of market selection, due to the detrimental impacts court of law decisions related to issues such as foreign exchange rates, expropriation and intellectual property rights, jurisdiction, patents, trademarks, licensing, antitrust and bribery, etc.

It is imperative for the international marketer to understand the various types of legal systems as well as the various threats the company may encounter as it is open to global business.

### 5.5 Economic environment

The international marketer needs to pay attention to the economic development and performance of a country in international business. The stage of economic growth within a country has a great impact firms' international strategies. Economic growth affects a countries attitude towards foreign business activity, the demand for goods and the distribution system found within the country.

So, a study of the economic climate is important especially to gain understanding with regard to developing countries and secondly in respect to market potential and market growth. The existing level of economic development allows the firm to estimate the degree of market potential as well as allowing them to prepare for economic shifts and emerging markets. Walt Rostow presented a model for classifying countries by stage of economic development ( Cateora & Graham, 1999). The stages are listed below:

- Stage 1: The traditional society
- Stage 2: The preconditions for take off
- Stage 3: The take –off
- Stage 4: The drive to maturity
- Stage 5: The age of high mass consumption

Another method of classifying a countries economic development is by the degree of industrialisation as highlighted by Hollensen (1998). This categorisation groups countries under three clusters:

- *Less Developed Countries-* This includes underdeveloped countries and developing countries, the main feature of which is a low GDP per capita. These countries also have weak infrastructures and limited amounts of manufacturing activity.
- *Newly Industrialised Countries-* These are countries with an emerging industrial base just entering world trade.
- *Advanced Industrialised Countries-* These economies have high per capita incomes and an extensive industrial base. They have a developed infrastructure and are highly industrialised.

The economic environment is an important issue for international marketers to examine in choosing markets in which to expand their business. Economic considerations are also part of the pre-screening stage and are an important measure of a country's attractiveness.

### 5.6 Market potential and Market size

Assessment of foreign markets and estimation of international market potential constitute significant challenges that many internationalizing firms have failed to meet. The central focus is on whether the export market of interest has the necessary means to purchase imported products, and whether the needs of the market are being adequately satisfied (Wood & Robertson, 2000).

Market size analysis requires an assessment as to what share of the total market in the country the firm can reasonably expect to obtain, given domestic and other foreign competition and affordability of the product. A direct measure of market size can be computed from local production, minus exports, plus imports. An indirect measure can be derived from the widely available GNP measure, population size, growth in GNP, and imports of relevant goods.

### 5.7 Culture

Culture is considered among the most challenging aspects while selecting a market. According to Cateora and Graham (1999) a successful marketer must be a student of culture because it deals with a group's design for

living and it is pertinent to the study of international marketing. Therefore, culture is integral to the marketing concept, which is based on satisfaction of wants and needs of potential buyers. Culture has also impacts on the way messages concerning the ability of the product or service to satisfy the needs and wants, are received and interpreted. This is even more so in international markets, where cultures differ markedly from one international market to another (Wood & Robertson, 2000). When designing a product, style, and other related marketing activities, and if they are to be operative and meaningful, they have to be acceptable to the related cultural market (Cateora & Graham, 1999). We can say that culture is very evident in all marketing activities, for example: in pricing, promotion, packaging, and styling.

Marketers need to be very aware of the cultural sensitivity and issues that are very sensitive to one's culture, and to accept the differences between cultures by assessing in an objective, not creating stereotyping. A marketer should not evaluate other cultures in a sense of what are not right or wrong but, rather, as different. Acting in this way, a marketer will reduce disharmony, alleviate aggravation, improve communications, and pave the way for long-term international business relationships. There are a number of key cultural concepts that assist in clarifying cultures in broad terms like: time, space, language, and familiarity and consumption patterns.

So, global marketers who understand and recognise the meaning and differences between cultures will have a significant global advantage. Understanding high context cultures from low context cultures, and both verbal and non-verbal communication is an asset for a global marketer.

### 5.8 Technological Factors

Technology is vital for gaining a competitive advantage while competing in international markets, and is a major driver of globalization, because it allows companies to produce products or services more cheaply and with a better quality.

Technologies may offer consumers and businesses more innovative products and services such as Internet banking, new generation mobile telephones, etc. furthermore, technology help companies to better distribute and serve customers, for example: books via the Internet, flight tickets, online auctions, etc. Finally, technology helps improving the communication process inside the company and outside the company by offering new ways of communicating.

## VI. SUBMISSION OF RESEARCH PROPOSITIONS

According to previous scholars' research and literature review we can see that host country business environment is an influential factor in entry mode choice and the existing relationship between environmental variables and foreign market entry choice (Root, 1994; Shama, 2000; Pan & Tse, 2000; Taylor, Zou, & Osland, 2000). Shama (2000) tested determinants of entry strategies of U.S. companies into Eastern Europe. He empirically tested the introduced model which postulated that entry mode depends on the variables of business activity, year of entry, level of competition, and market potential. Taylor, Zou, and Osland (2000) examined determinants of entry modes of Japanese firms into foreign countries. They used a very large sample size of 1,189 firms. In their study, they analyzed the most influential factors in the foreign market entry of Japanese MNCs. Sharma (1998) also developed and empirically tested hypotheses delineating how a set of industry- and firm-level factors are differently associated with post-entry performance of de novo and acquisitive entrants. The independent variables were structural entry barriers such as sunk costs or irrecoverable investments. The dependent variables were survival and sales growth.

Pan and Tse (2000) proposed and tested a hierarchical model of market entry modes. According to them entry modes can first be viewed as equity-based versus non-equity-based. Within equity-based modes, the choice is between wholly owned operations and equity joint ventures, while within non-equity-based modes, the choice between contractual agreements and export. According to Pan and Tse (2000) company situation determines the mode of entry whether to enter on equity based or on non equity based foreign market entry mode. A company may decide to enter into a foreign market if the host countries political, economic, social, industrial, and other conditions are favourable. Otherwise, a company may consider non-equity options of entry in that market, or may exclude that country for doing business. In a study, conducted by Zekiri.J. (2016) mentioned seven motivational factors as the most important that have an impact on companies in their internationalization process in the Macedonian market, whereas as the factors are mainly internal, such as: knowledge and experience, competitiveness, business networks, opportunities, and the character of the industry. Beside these factors, the size of the company, as well as the business climate of the host country are also important (Zekiri.J. 2016).

In regard to the above literature review, propositions are submitted as follows:

**Proposition 1:** The higher the political risk of the host country the more likely a MNE not choosing a full ownership and control in foreign markets.

**Proposition 2:** The lower the political risk the more likely a MNE choosing full ownership in foreign markets.

Host country internal economic relations are one of the major conditions affecting foreign market entry decisions. Governmental policies on foreign economic relations may encourage or discourage export and import



operations and investments. Legal basis and enforcement of adopted laws and regulations on brands and property rights provide protection of advanced technologies and know-how of MNCs from fraud and illegal imitation.

**Proposition 3:** *The stable macroeconomic condition of the host country is positively related to any foreign market entry mode choice.*

**Proposition 4:** *High market potential of the host country is positively related to any foreign market entry mode choice.*

So, negative assessment of any market factors may affect entry mode. If companies assess all the factors positively, they are likely to decide to make capital investments in that foreign market. If the company assesses some of the factors negatively, they are likely to choose non-equity modes of entry, or to exclude that market from doing business.

The internal political, economic, legal, and technological environment makes it possible for companies to internationalize their businesses. To sustain their competitive advantage or market position many companies try to outsource work places to other countries. They seek low competition and entry barriers, and cheap labour. Low home country restrictions imposed against foreign market expansion encourage companies making foreign direct investments. Companies with more international experience are more likely to enter foreign markets are more likely to choose equity based investment in a foreign market. Otherwise stated, companies with less international experience are more likely to participate into a foreign market.

**Proposition 5:** *The economic power of the home country is positively related to internationalization of domestic companies.*

**Proposition 6:** *The shortage of natural resources of the home country is positively related to equity based foreign market entry mode choice of multinational corporations.*

**Proposition 7:** *Home country narrow market size will be positively related to internationalization of domestic companies.*

**Proposition 8:** *Home country high intensity of competition will be positively related to equity based foreign market entry mode choice of MNCs.*

**Proposition 9:** *The less R&D of MNCs, the less likely it is to choose full ownership in foreign markets.*

**Proposition 10:** *The less experience a MNE is, the less likely it is to choose full ownership in foreign markets.*

## VII. CONCLUSION

The international business environment influences the marketing strategic effort of a firm. These forces that surround businesses influence their life and their development of the firm. Companies that want to expand their activities in global markets need to do some market research and analysis. One of the fundamental steps that need to be taken prior to beginning international marketing is the environmental analysis. There are uncontrollable forces are external forces upon which the management has no direct control, although it can exert an influence. Internal forces are controllable forces upon which the management administers to adapt to changes in the uncontrollable forces.

The process of globalization represents one of the most significant trends that accelerate rapid growth of global strategies. The selection of markets to enter should be a strategic orientation that treats market entry selection as part of the firm's overall strategy. Selecting an international market can impact on the other activities of the firm since it needs to be aware of its internal capabilities, competencies and restrictions in order to select appropriate foreign target markets. International market entry barriers may include trade barriers such as tariffs, quotas, or local content requirements, exchange rate volatility or lack of currency convertibility, host country industrial policies that favour domestic firms, the existence of dominant competitors in the domestic market, or natural barriers such as geographical distance, transport accessibility, or language.

It is very important for companies whether in domestic or international, large or small, that want to conduct business without taking in consideration the political environment of the country where they intend to operate (Cateora & Graham, 1999). It is imperative for the international marketer to understand the various types of legal systems as well as the various threats the company may encounter as it is open to global business. Marketers need to be very aware of the cultural sensitivity and issues that are very sensitive to one's culture, and to accept the differences between cultures by assessing in an objective, not creating stereotyping.

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