

Introduction to Entrepreneurship

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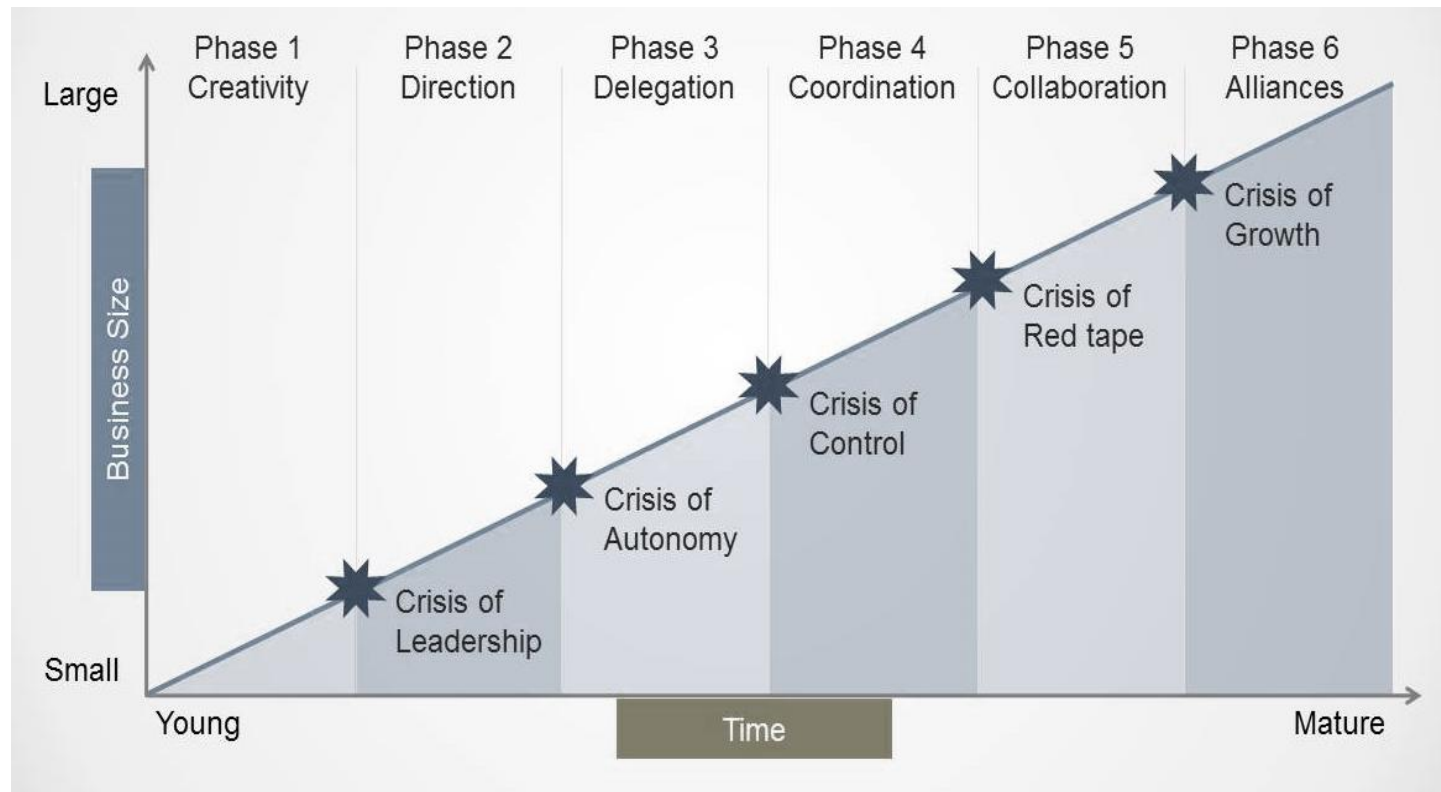


Summary Session 11

Assessing entry strategies

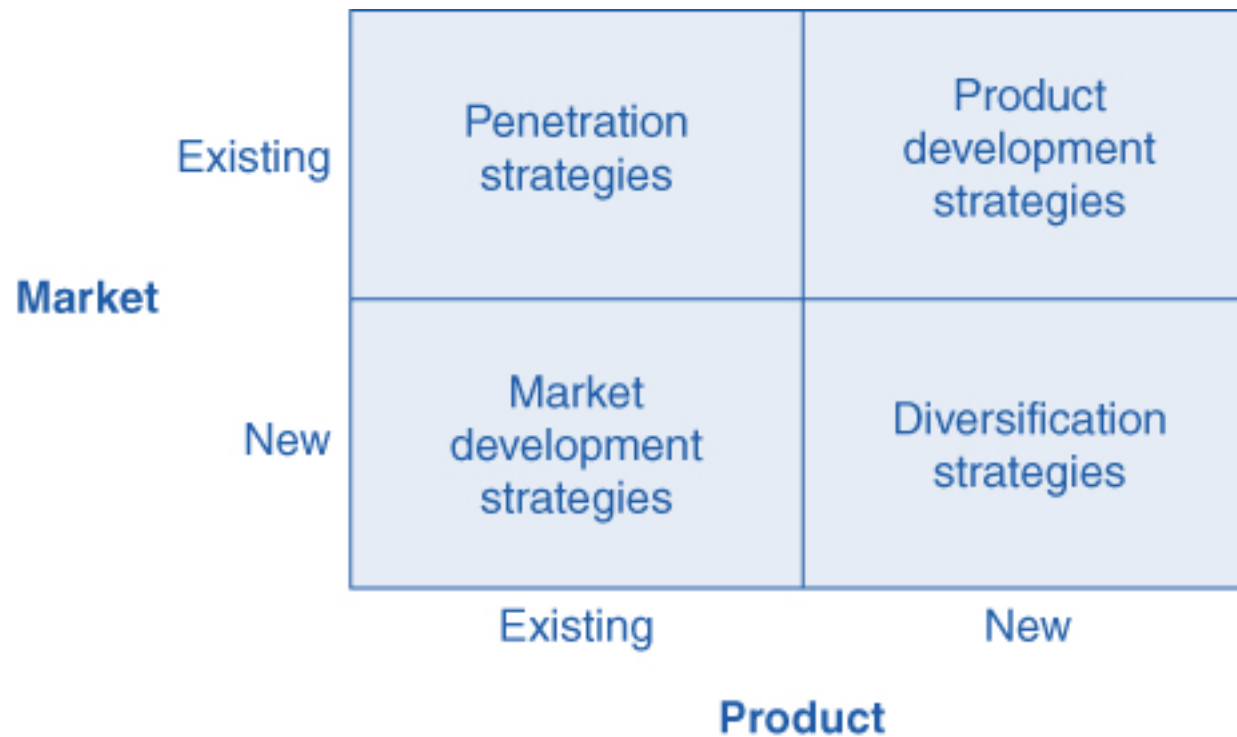
	Narrow scope	Broad scope
Early mover		
Late follower		

A process model of firm growth



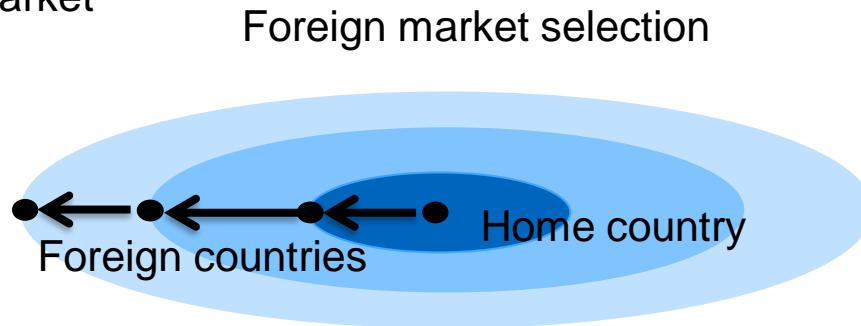
Greiner (1972)

Growth strategies: The Ansoff matrix

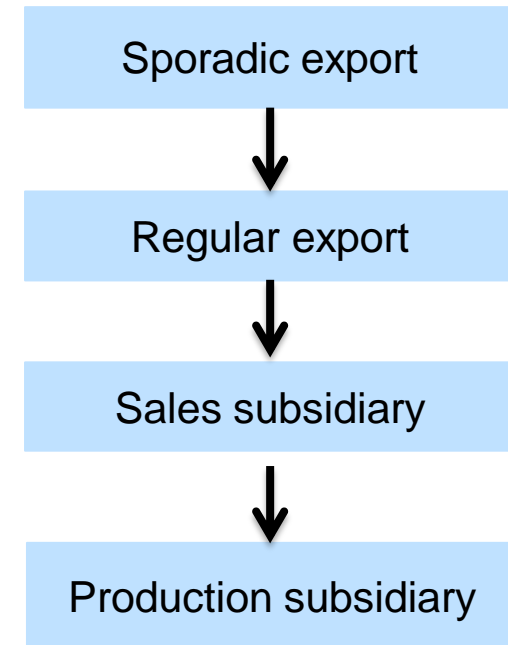


Internationalization process model 1960s / 1970s

- Perceived uncertainty and knowledge about foreign markets determine the internationalization process
- Gradually increasing internationalization after a long period of doing business exclusively in the home market



Foreign market entry mode



Born global model 1990s

Environment

Increasingly internationalized industries
Advances in ICT and transportation technologies

Product

High degree of innovation and specialization (shorter product life cycles)
Unique competitive advantage
Products often standardized (quick international roll-out)

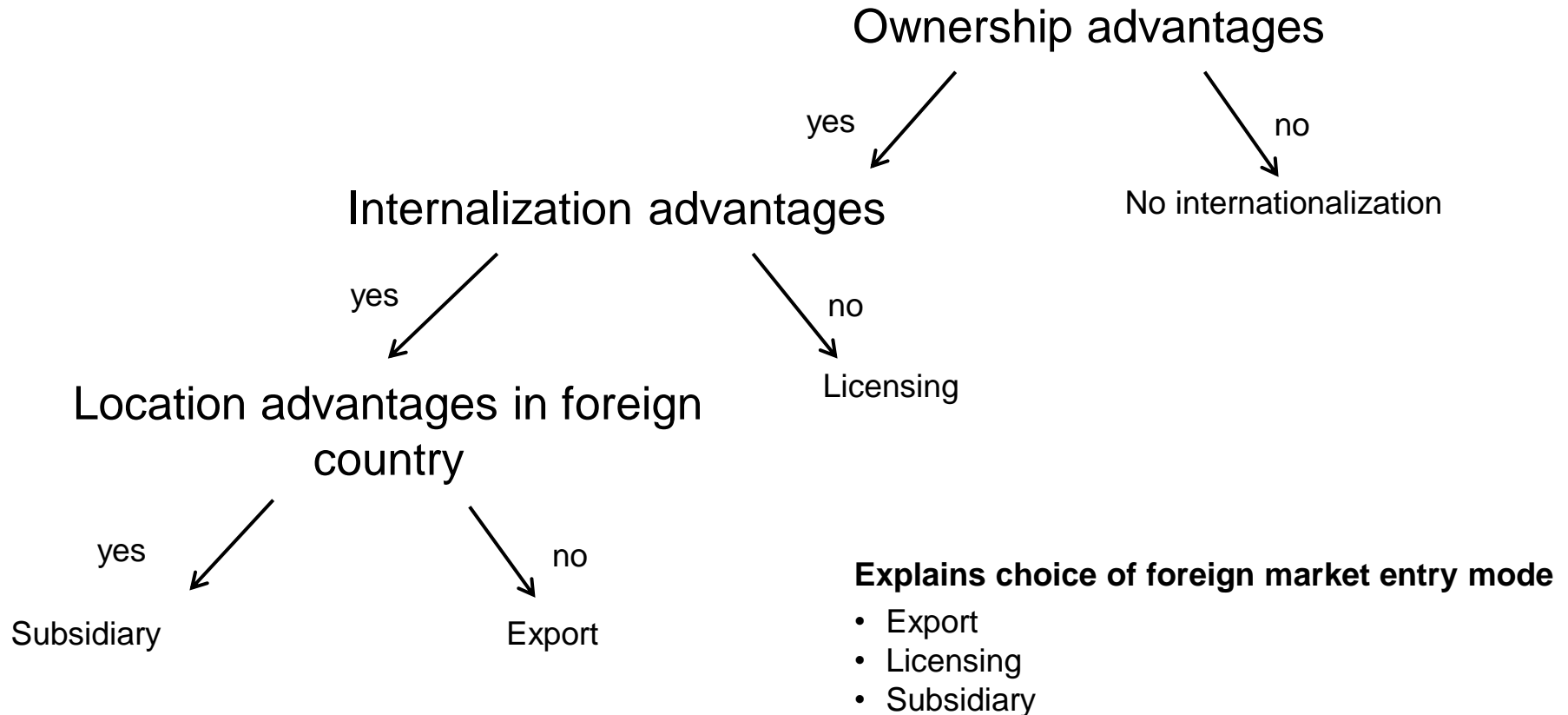
Customers / Market

Often niche segments
Narrow market necessitates international growth
'Global' need (increasing homogenization of customer preferences)

Management Team

International background or experience: mindset
High international entrepreneurial orientation
Existing networks abroad → previous customers, suppliers, etc.

Foreign market entry: Eclectic Theory



Your questions

The choice of which entry modes is explained by the Eclectic Theory?

Wählen Sie eine Antwort:

- ☐ a. Export, Franchising, and Subsidiary.
- ☒ b. Export, Licensing, and Franchising. ✖
- ☐ c. Licensing, Franchising, and Joint Venture.
- ☐ d. Franchising, Joint Venture, and Subsidiary.

Die Antwort ist falsch.

Die richtige Antwort ist: Export, Franchising, and Subsidiary.

Aren't all of the possible answers of question 2 wrong? In the slides it says the Eclectic Theory explains the choice of the foreign market entry modes: Export, Licensing, Subsidiary

Entry modes comparison

Entry Mode	Advantage	Disadvantage
Export	<ul style="list-style-type: none"> • Small resource investments • Relatively small risk 	<ul style="list-style-type: none"> • Transportation costs • Problems with and costs for export management firms or agents
Licensing	<ul style="list-style-type: none"> • Small resource investments • No transportation costs 	<ul style="list-style-type: none"> • Lack of control over licensee and licensed property
Joint Ventures	<ul style="list-style-type: none"> • Access to local partner's knowledge • Sharing development costs and risks 	<ul style="list-style-type: none"> • No autonomous decision making • Coordination efforts • Conflicts with partners (instability)
Subsidiaries	<ul style="list-style-type: none"> • Protection of knowledge and technologies • Autonomous decision making and strategic planning 	<ul style="list-style-type: none"> • High investment costs • High risks

Foreign market entry: Eclectic Theory (1)

Explains choice of foreign market entry mode

- Export
- Licensing
- Subsidiary

Correlation between choice of market entry mode and certain advantages

Ownership advantages: Product innovations, patents, technological advantage

Internalization advantages: Advantages that are realized by keeping a resource internal (mainly resources like technology and know-how)

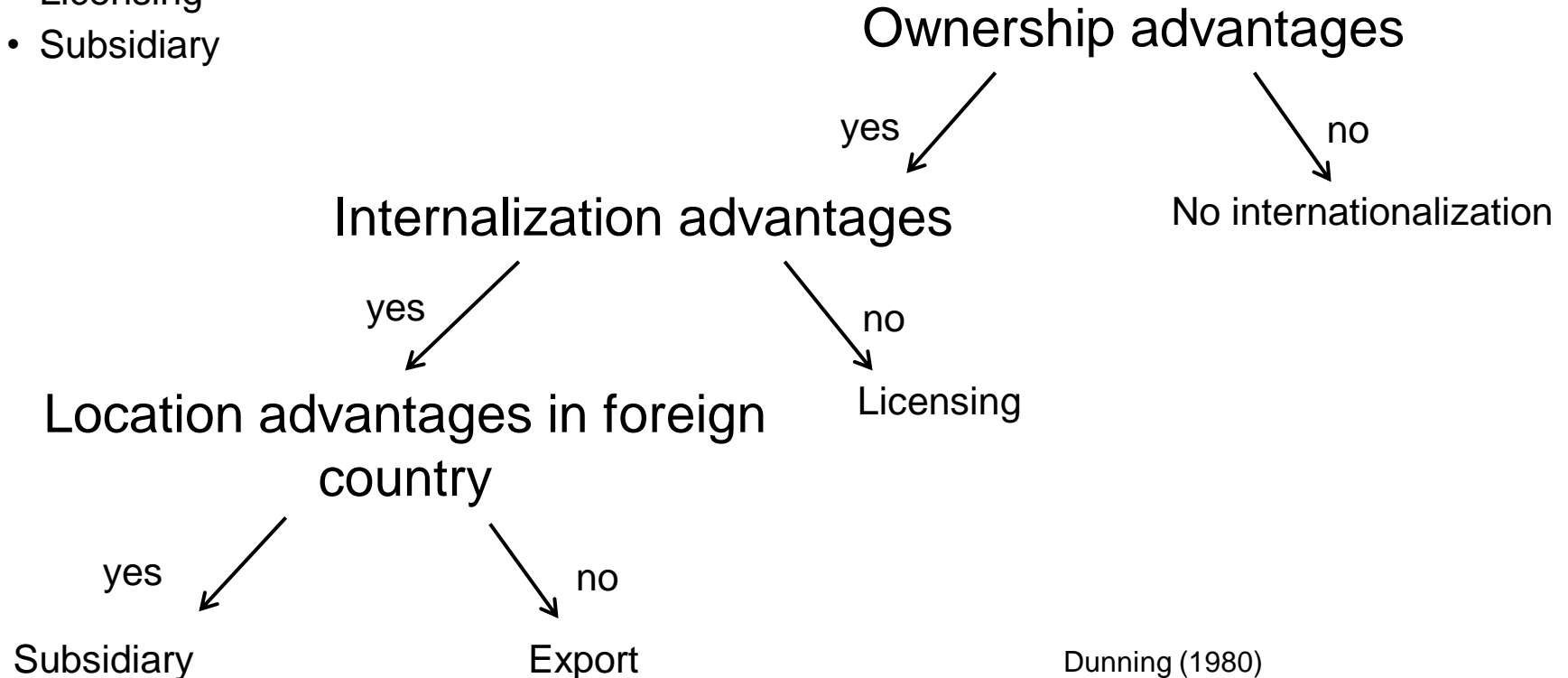
Location advantages: Resource costs, labor costs, infrastructure, transportation

Dunning (1980)

Foreign market entry: Eclectic Theory (2)

Explains choice of foreign market entry mode

- Export
- Licensing
- Subsidiary



Dunning (1980)

**Thank you for your
contributions.
See you next week!**