UNIVERSITA' DEGLI STUDI DI PADOVA

DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI "M.FANNO"

CORSO DI LAUREA IN ECONOMIA (TrEc)

PROVA FINALE

"INTERNATIONALIZATION PROCESS AND FIRMS' ENTRY MODE CHOICE"

RELATORE:

CH.MO PROF. BELUSSI FIORENZA

LAUREANDO: DAVIDE DORO

MATRICOLA N. 1135978

ANNO ACCADEMICO 2018 – 2019

"There is no longer any such thing as a purely national economy. The rest of the world is just too big to ignore, either as a market or as a competitor. If business schools do nothing other than to train their students to think internationally, they would have accomplished an important task."

John Young, CEO, Hewlett-Packard

TABLE OF CONTENT

ABSTRACT

Attraverso questo elaborato scritto intitolato “Internationalization process and firms’ entry mode choice”, l’obbiettivo è stato di approfondire un argomento molto dibattuto, il quale è tuttora studiato ed analizzato per la sua costante attualità e complessità. L’analisi nasce da uno studio critico di articoli e ricerche scientifiche con lo scopo di mostrare come la teoria relativa a questa branchia si sia sviluppata influenzando concretamente le reali strategie aziendali. Il processo di internazionalizzazione è un iter che, al giorno d’oggi, è diventato quasi obbligatorio per la maggioranza delle aziende in quanto non è più consentito restare nel proprio mercato se si vuole sopravvivere e competere in una realtà così dinamica e complessa come quella odierna. Le modalità con cui un’impresa si affaccia nel mercato globale possono essere molto differenti tra loro e dipendono soprattutto dall’entità dell’investimento e dal rischio che l’azienda è disposta ad assumersi. Successivamente, il testo illustra i possibili punti favorevoli e sfavorevoli di ogni tipologia di penetrazione in un nuovo mercato, sottolineandone attraverso degli esempi concreti le modalità di utilizzo, le opportunità e i potenziali limiti. Inoltre, un altro tema da considerare approfonditamente, legato ad una potenziale internazionalizzazione da parte di un’azienda sono le caratteristiche e peculiarità del nuovo mercato, le quali possono essere innumerevoli e spesso di difficile comprensione ma determinanti per il successo dell’impresa. Per questa ragione, prima di assumere decisioni di tale portata, i manager si avvalgono di vari strumenti e modelli, quali ad esempio il ‘Cage model’ e il ‘Wood & Robertson model’.

Nella fase conclusiva, l’elaborato sviluppa una sezione in cui vengono descritte e confrontate due aziende manifatturiere, Keyline S.p.A. e Silca S.p.A., ponendo l’attenzione principalmente sulle loro scelte strategiche relative al processo d’internazionalizzazione. Attraverso l’esempio di queste imprese si esemplificano i concetti perlopiù teorici precedentemente illustrati, aiutando così la comprensione di un tema così ampio ed eterogeneo. Infine, il testo si conclude con delle considerazioni di carattere generale maturate durante la ricerca e sviluppo di questa analisi, asserendo nuovamente l’importanza per un’impresa di essere presente a livello internazionale, con la consapevolezza delle peculiarità proprie e del contesto in cui opera.

1- INTRODUCTION

To find a subject of my thesis I started to think about what I have appreciated during my three years of Bachelor's degree and what I am expecting for my future. Furthermore, I decided to make a decision considering all my past experiences which I did; particularly, thinking about semester that I spent in Sweden through Erasmus Programme, each academic and extracurricular course that has been grown myself and, overall, every daily experience I lived. What is the purpose of this paper? Is internationalization a still open topic? Are there more benefits or drawbacks for firm, which decide to act globally? What is the choice of real small-medium enterprise regarding its internalization? These are some questions, which will be answered through this essay trying to explain and highlight pros and cons of doing business internationally. The idea is to develop a topic, which is still debating and, through the help of theories, experiences and advices by professional, managing to give a position.

The choice of entry mode into foreign markets has received a lot of attention from international business researchers in recent decades and, to what concern various entry modes, it is a broad field where there are many cracks within it. My willingness is to describe the potential solutions for each business that has the desire to expand its market abroad. Nowadays, businesses are forced to operate in a scenario where the word "change" is the most crucial element and, this scenario certainly does not spare to encircle the figure of the small and medium companies, which have been pushed to react in order to survive. Moreover, through theoretical framework of international business, we can highlight the suitable choice for every company with specific characteristics.

The first chapter reviews history of internationalization, highlighting some aspects through dates and charts. It is useful in order to understand how it has begun and, therefore which could be the consequences. Later, paper analyses the process of internationalization and, particularly it tries to find out reasons behind this phenomenon. The third chapter explains potential entry modes, showing benefits and drawbacks for each of them; furthermore, it deals with some examples, which support theory and literature. Paper shows also factors that could affect the entry mode's choice, analyzing each point clarity. It is clear how, from the past, not only companies have changed but also managers and overall market, requiring different strategies and ways to enlarge each business. It is interesting to notice how companies, which are characterized by different size, needs and favour prefer also different entry modes. During each decade different strategies have been chosen by company, and every trend has been affected by overall economy, mind-set of managers, risk appetite and investment opportunities of each business. In addition, the willingness of companies to expand their business in some specific area could be affected by some specific market conditions, which are analysed in reflections within the paper. Particularly, it is relevant make an accurate host country analysis in order to be prepared for every contingency and, the fourth chapter develops this part. The fifth chapter focuses on one practical example of company that decided to sell its products abroad, exploiting opportunities offered by worldwide market and thus becoming an excellence of Made in Italy all over the world through high quality of its products, professional standards of its management and brilliant strategic choices. The enterprise that I choose, as an example in order to clarify concepts and theories, is Keyline S.p.A. It is an Italian company, part of the Bianchi 1770 Group, which manufactures exclusively in Italy. Keyline is an innovative company operating at a global level and it is a leading player in the field of transponder car keys, focusing on new products and new service solutions for security specialists (Keyline official website, 2019). The owners, through specific market researches and help of their experience, have managed to develop an international company which is considered a flagship of North-East of Italy. The company's choice of internationalizing will be analysed, as well as its type of entry mode that pushed the company's management to adopt a specific strategy rather than another. Furthermore, there will be a comparison between Keyline and its main competitor, showing different traits of both.

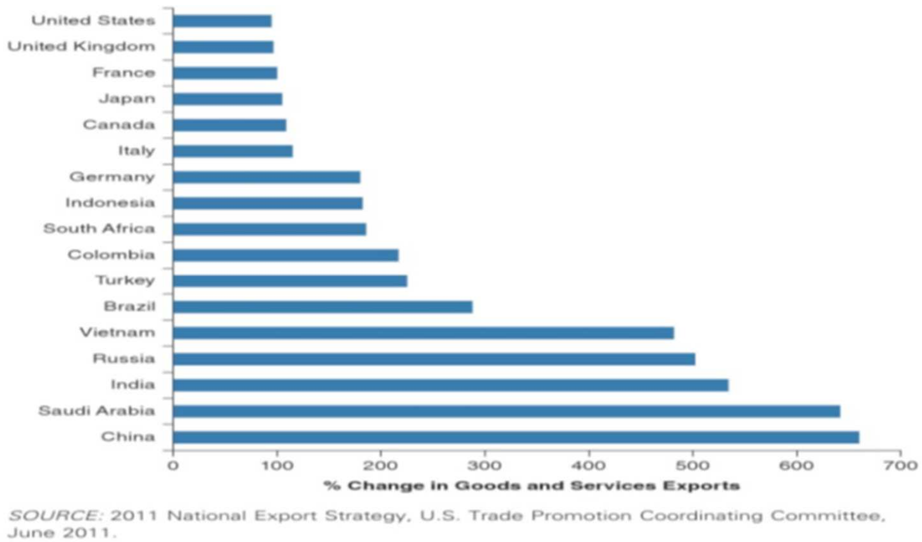
There are some important questions, which this paper tries to answer and, only after clarification regarding the origins of the phenomenon it is possible to analyse the benefit that right strategies of internationalization can create in companies and economy overall. The outcome of the thesis is to come up with recommendations, through theories and models, on what market entry mode is suitable for companies marked by targeted characteristics.

1.1 INTERNATIONALIZATION HISTORICAL BACKGROUND

Internationalization is a phenomenon, which began in the past, but now more than ever it is a hot point inasmuch more and more companies are working internationally and, the trend is to think global rather than local overall. Furthermore, during last decades, economy has changed in its roots and companies all over the world are having new huge opportunities. Particularly, with the limitation of trade barriers and with the growth of new potentials markets, willingness of company to be international has increased. In order to highlight this concept, I will show some charts retrieved from the most notorious international economic organizations that well represent the current situation.

1.1.1 Changes in goods and service exports 1998 – 2008

From the chart, it seems evident how during the decade 1998-2008, export of good and services has grown exponentially. However, if it was clear the boom of the emerging countries like China, India, Russia, and Brazil (the so-called BRICs), there are also some unexpected results. Indeed, even developed countries more than doubled their exports.



1.1.2 Top-Exporting Countries, 2013

At the top of the list, there are China, United States and Germany. Italy is only tenth in this chart.

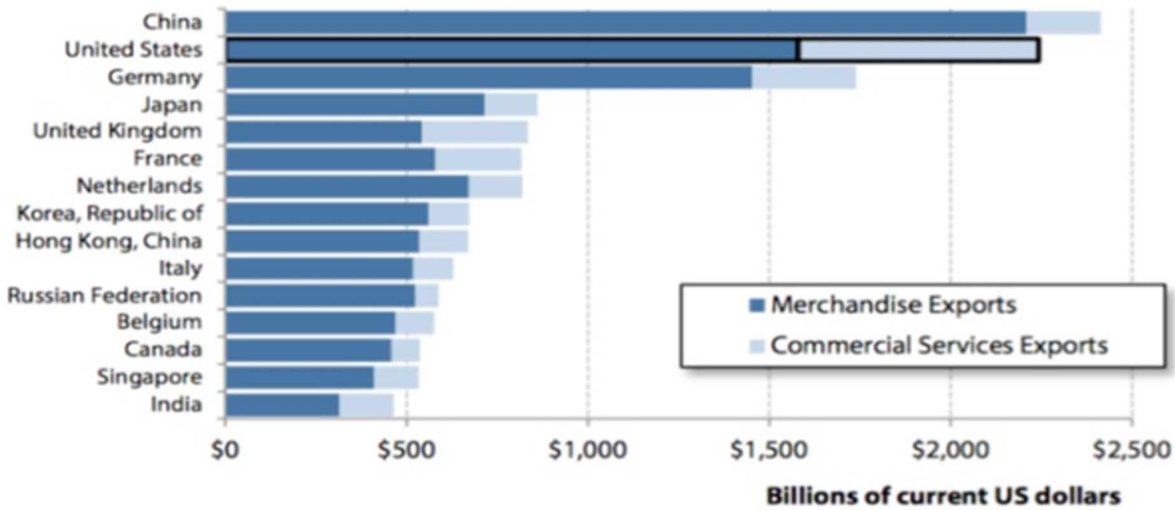


Figure 4: Top Exporting Countries, 2013 (source: WTO, 20144)

1.1.3 Percentage Change in World Trade and Output

Globally, trade accounts for more than 60% of GDP. Trade volume usually overcome real GDP growth, and it is expected to do so over the next five years (WTO)

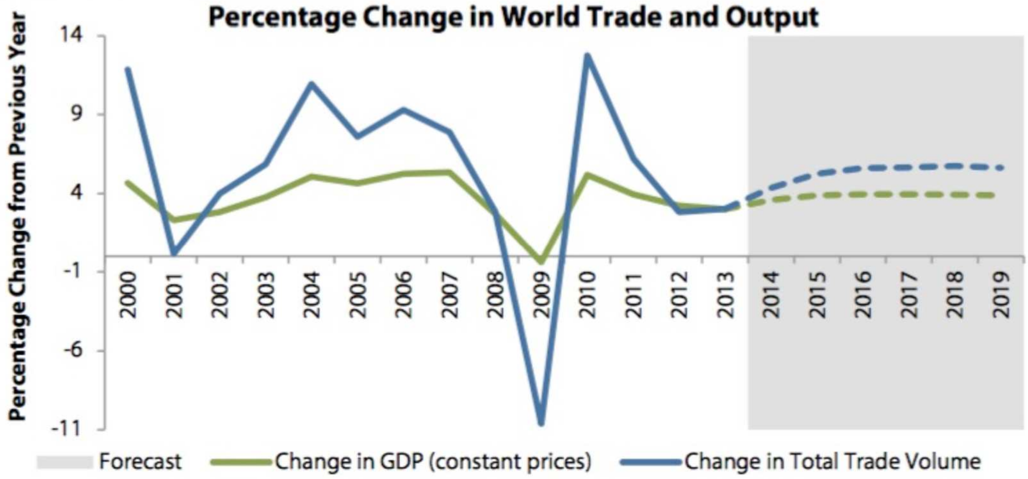


Figure 5: Percentage Change in World Trade and Output. Source: IMF World Economic Outlook; WTO International Trade statistics; Bureau of Economic analysis, US Dept of Commerce

1.1.4 Merchandise Trade by Country, 2013

The chart below shows the world's countries according to their Merchandise trade.

Figure 6: Merchandise Trade by Country, 2013 (WTO, 2014)

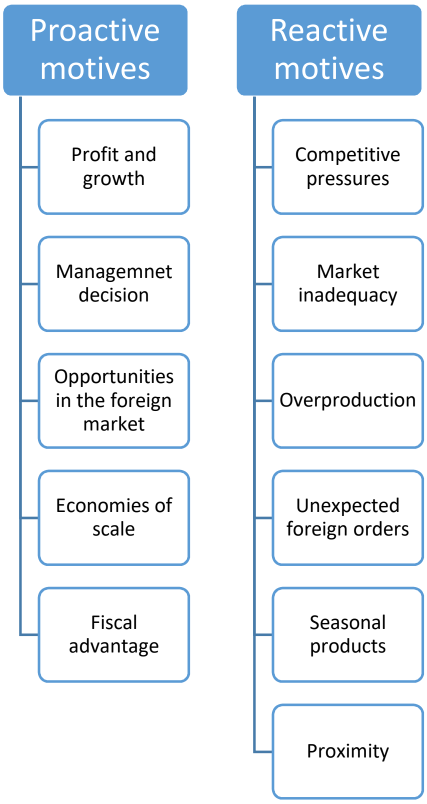
2- INTERNALIZAZTION

2.1 INTERNATIONALIZATION PROCESS

Welch and Loustarinem define internationalization as “the process of increasing involvement in international business activities” (Internationalization: evolution of a concept. Journal of general management, Welch and Loustarinem, 1988). The new global mindset toward internationalization has helped to push the world economy into a state of globalization, where economies throughout the world are highly interconnected due to cross-border commerce. Nowadays, each business is greatly impacted by others' activities and economic well-being (Investopedia official website). The choice of being international depends on both endogenous factors as well as exogenous factors and changes in these environments have explained that more and more firms are expanding their operations across country borders. We can consider external factors everything beyond the control of the company but which, nevertheless, are relevant to affect the company (e.g. the removal of trade barriers, free trade agreements between countries, an emerging middle class) (Essays, UK. (November 2018). Modes of Entry for International Markets). Moreover, the market of entry is also another important consideration for the organisation planning to internationalize their activities. With endogenous factors, we mean everything that is within the company and could be changed by company’s management.

2.2 REASON BEHIND INTERNATIONALIZATION

After a brief description of the phenomena, it is important to understand reasons behind it, particularly, at firm level, what pushes an enterprise to go international. Particularly, a study over 600 German and British firms found that “the incidence of internationalization increases over time. For the majority of new firms the question is not whether the firm will internationalize but when.” (Bürgel et al, 2001). Czinkota and Ronkainen (1995) divide the reasons that push a firm to enter a foreign market into proactive and reactive.



2.2.1 *Proactive motives*

Proactive motives include a series of actions related to previous choices.

Profit and growth

Especially for firms oriented to short-term profit, characterized by willingness to expand their market or to earn higher profits selling in regions where customers accept higher price.

Management decision

Managers like to work in an international environment, often with genuine enthusiasm, and this may play a substantial role. Previous experience abroad can speed up the process towards internationalization; however, this experience does not seem to add significant benefit in terms of performance of the firm. (Bürgel O et al, 2001).

Opportunities in the foreign market

Firms want to exploit new opportunities and foreign markets could represent the perfect solution.

Economies of scale

Global marketing activities may be a way to increase outputs rapidly. Selling worldwide, firms can enlarge their sales, reducing production costs and consequently increasing profits.

Fiscal advantage

Governments decide tax reduction or other forms of advantage to attract foreign investors; moreover, some countries have simply lower taxes, representing a strong motivation.

2.2.2 Reactive motives

Reactive motives are defined as those referred to decisions that follow relevant issues.

Competitive pressures

Competitors becoming internationally may influence foreign and domestic market. Indeed, the international projection may increase profit through market expansion and cost reduction, but also improve the image of a firm with a positive weight even on domestic sales. Coca-Cola and Pepsi are best known testimonials in this sense.

Market inadequacy

It stands for many possible situations, such as saturation of domestic market, which has the consequence of pushing towards foreign market. Another case is changings in environment conditions, when for instance, increasing costs of production, presence of government instability or reduction of customer willingness to pay. All of these situations often constitute the motivation for internationalization.

Overproduction

If the company does not want to increase costs and there is production in excess compared to the market capacity, this situation could lead firms to internationalize, in most of cases exporting inventory excess.

Unexpected foreign orders

Information technology brings to market globalization even before a company can choose it. An example is represented by orders, which arrive from unsolicited customers abroad and this is an opportunity to learn and exploit new markets.

Seasonal products

The seasonal product demand may have different timing in different countries and this may push a company to extend seasonal sales period over border.

Proximity

Company could be so close to another country with similar market characteristics that being international may not even be perceived as a real foreign market entry. For instance, if countries share same language and culture, such as Belgium and The Netherlands.

In order to summarize, Westhead et al. (2002) in a study found the main reasons to start exporting among medium/small size companies:

- Being contacted by foreign customers to place orders.

- One-off order (no continuous exporting).

- Availability of foreign market information.

- Part of growth objective of the firm.

- Export markets actively targeted by key founder/owner/manager.

3- ENTRY MODES TYPES

Due to globalization, companies have received opportunities to compete in a market with a bigger supply and new potentials consumers all over the world but also, with more competitors. Companies, in order to expand their business, need to consider carefully different obstacles (such as politics, culture, language and distance), which force them to choose between different entry modes, trying to stay competitive in foreign markets (Hill & Hult, 2017). New market opportunities are still opening up around the world and companies have to be able to harness new technologies in order to improve their operational efficiency and develop new products and services. Reflecting about these topics, I am sure that agility, innovative thinking, and an optimistic vision will be more important than ever. Overall, I think that businesses need to check with attention their environment in order to spot new opportunities and to exploit them faster than competitors, which are present in so crowded field. However, it is not so easy changes and the cited act to become international hides many complexities and traps. It results hard managing to balance the focus on products, the quality and the attention for the details but, at the same time, to increase markets with new customers in new different parts of the world. There are many factors, which could affect firm's choice and a detailed analysis is necessary in order to decide the suitable entry mode. Indeed, in an attempt to expand the existing entry modes' analyses beyond the narrow confines of each entry decision in isolation, Kim & Hwang (1992) consider the extent of global concentration, global synergies and global strategic motivations exercised by the firm. Furthermore, the existence of environmental variables and different know-how can affect companies' choice regarding entry mode in foreign countries.

This broader conception explains better the strategic relationship that multinational enterprises envisages between its operations across borders in reaching its entry mode decision.

3.1 FACTORS AFFECTING THE ENTRY MODE CHOICE

3.1.1 Risk

A simple definition of risk could be, "risk is understood as the potential for a negative outcome due to uncertainty about future developments, which has a known or estimated probability of occurrence" (Wullenweber, Jahner & Krcmar, 2008). Particularly, the risk is a component that every business cannot completely avoid but should act to mitigate it. Talking about international context, it is clear and evident as, there are different models explaining the internationalization's process of firms and their entry modes. The different entry's decision into foreign markets have different efficiency, but also a variety of input costs and risks overall.

3.1.2 *Global concentration*

Global concentration means that the global industry has become highly concentrated and particularly, in some industries, conditions of oligopolistic interdependence spill over national boundaries creating a high level of competitive interdependence among players (Kim, W. C., & Hwang, P. (1992)). When global competitive interdependence exists, according to Kim & Hwang (1992), the actions taken by an MNC in one market often have repercussions in other national markets and so, organizations can influence one another not only directly but also indirectly in any of the diverse national markets in which they compete.

3.1.3 Global synergies

The second factor is global synergies and they arise when the inputs of a multinational "are shared, or utilized jointly with complete congestion" (Kim, W. C., & Hwang, P. (1992)). According to Kim & Hwang (1992), talking about inputs we refer, mainly, to the core factors of a multinational such as R&D, marketing, or manufacturing. It is clear how there are implications of global synergies with competitive advantage, inasmuch they produce a positive impact on corporate profitability, managing to develop innovative capabilities and generating some form of cost reduction for companies.

3.1.4 Global strategic motivations

Global strategic motivations refer to some purposes that may go beyond the mathematic choice of the most efficient entry mode. As Kim & Hwang (1992) wrote, there are many examples of multinationals that possessing global strategic motivations decide to go against economic efficiency maximization of a particular business unit. This situation has become a common occurrence in today's reality of global competition. According to Kim & Hwang (1992), such motivations for establishing a foreign business unit can range anywhere from setting up a strategic outpost for future global expansion, to developing a global sourcing site, to attacking actual or potential global competitors. On the other hand, in order to achieve global strategic motivations, Porter (1986) have argued the importance of tight coordination across global business units. Furthermore, Porter also highlights how that tight coordination is difficult to accomplish under specific conditions (e.g. coalition formation or licensing).

3.1.5 Environmental variables

Particularly, considering environmental variables, without doubt one of the most important aspect to keep in mind for every organization is the *country risk*. According to Kim & Hwang (1992), when country risk is high, existing works indicate that an MNC would do well to limit its exposure to such risk by restricting its resource commitments in that particular national domain. The second variable is the *location unfamiliarity*; rephrasing thought of Anderson and Coughlan (1987), it argues that the greater the perceived distance between home and host country in terms of culture, economic systems, and business practices, the more likely it is that MNCs will shy away from direct investment in favour of licensing or joint venture agreements. This is because the latter institutional modes enhance MNCs' flexibility and they should be unable to acclimatize comfortably themselves to the unfamiliar setting. The third aspect to consider is the *demand uncertainty*; according to Kim & Hwang (1992), it explains that when future demand's host country for a product is uncertain, company may be unwilling to invest important resources in that country. In this way, companies could effectively adjust their efforts to oscillating conditions and exit to the market without paying sunk costs. At the end, the last variable is *intensity of competition*. When the intensity of competition is high in a host market, according to Harrigan (1985a, 1985b), firms would do well to avoid internal organization, as such markets tend to be less profitable and, therefore, do not justify heavy resource commitments.

3.1.6 Tacit nature of know-how

On the other hand, tacit nature of know-how explains that when the nature of firm-specific know-how transferred by an MNC is tacit, it is by definition difficult to control and codify (Kim, W. C., & Hwang, P. (1992)). According to Kim & Hwang (1992), this makes the drafting of a contract to transfer such know-how particularly problematic, resulting in the licensee often lacking the informal routines needed to turn a technological blueprint into a successful product.

3.1.7 Characteristics of entry modes

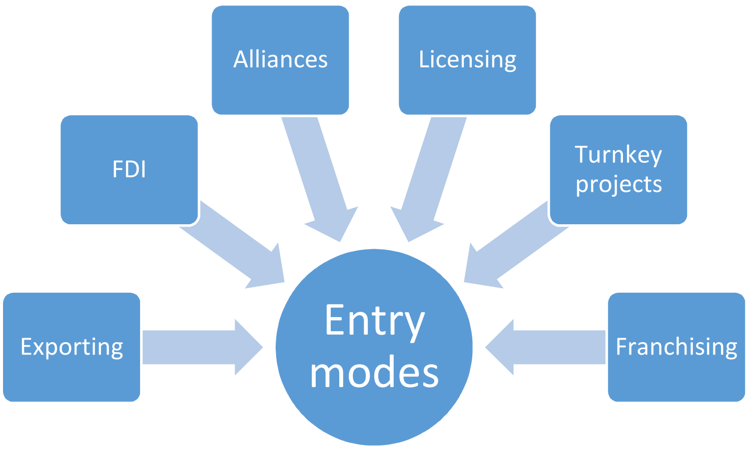
Entry modes may be differentiated using three characteristics shared, in some way, in each mode: *quantity of resource commitment required*, *amount of control* and *level of technology risk* (Osland, G. E., Taylor, C. R., & Zou, S. (2001)).

Resource commitments are the specific assets that firms cannot use for alternatives needs without incurring costs. These resources may be intangible, such as managerial skills, or tangible, such as machines and money. According to Osland, Taylor & Zou (2001), the amount of required resources depends on the choice of entry mode, ranging from almost none considering indirect exporting, to minimal training costs in licensing, to extensive investments in facilities and human resources in wholly owned subsidiaries.

Control is defined as the ability and willingness of a firm to influence decisions, systems, and methods in foreign markets. Particularly, as Osland, Taylor & Zou (2001) wrote, considering franchising agreements, control over the operations is granted to the franchisee in exchange for some type of payment and for the promise to abide by the terms of the contract. In a joint venture control is shared formally according to level of ownership, as when equity ownership over fifty percent gives one of the partners the largest number of directors on the board. At the end, wholly owned subsidiaries are attractive to many companies because this mode enables the MNC to exert the most control in decision-making.

The third parameter of decision-making is *level of technology risk*. Osland, Taylor & Zou (2001), described this concept as the potential that a firm's applied knowledge (tangible and/or intangible) will be unintentionally transferred to a local firm. In a licensing agreement, the risk that technology used is reproduced and will be used by licensee in the future is quite high. On the other hand, technology risk is probably lowest in a wholly owned subsidiary inasmuch the operations are under the control of only one firm.

According to Maignan and Lukas (1997), the entry mode's decision consists mainly of determining the levels of resource commitment, control, and technology risk that the international entrant desires or can accept. The paper will explain each entry mode with its pros and cons, and some examples to clarify the concepts. Particularly, the different options are through exporting, FDI, alliances, licensing, turnkey projects and franchising (Hill & Hult, 2017).



3.2 EXPORTING MODES

Exporting differs from the other modes for the point that a company's final or intermediate product is manufactured outside the target country and subsequently transferred to it (Osland, Taylor & Zou, 2001). From an entry mode perspective, exporting is preferred by firms that would not have deep involvement, have the ability to develop differentiated products and if contractual risks are much high. On the contrary, preference for exporting is found to be relatively low in high potential markets indicating that modes where companies need to make risky investment are better in such markets (Essays, UK. (November 2018). Modes of Entry for International Markets). As was written by Agarwal & Ramaswami (1992), these results imply a tendency to avoid entry through exporting when the potential returns through other modes are high, and prefer entry through exporting when the potential risks for other modes are high. Particularly, it is possible to differentiate indirect and direct exporting. According to Osland Taylor & Zou (2001), the first one uses intermediaries who are located in the company's home country and who take responsibility to ship and market the products. On the other hand, with direct exporting the producer firm does not use home country agents, although it may utilize target country intermediaries. A clear example could be Boeing, which is one of the largest direct exporters in the world, manufacturing most of its aircraft within the USA, but selling the majority of its planes in other nations.

EXPORT MODE	ADVANTAGES	DISADVANTAGES
Indirect Exporting (e.g. exporting buying agent, broker or export management company)	• Export intermediaries know the specific of foreign market. • Exporting firm is free from financing of export operations and credit risk. • Exporter is free from dealing with export documentation • There is the export opportunity without financial commitment and labour costs of personnel of exporting company.	• Absence of control over overseas operations. • There is no exporters' image in the target market. • Export intermediary can enter into transactions with many other companies in order to maintain big volume of operations (sometimes such behaviour of local intermediary is harmful for the exporter). • Dependence on the intermediary that can show the opportunistic behaviour. • Intermediaries can sell the products of direct

		competitors of a company.
Direct Exporting	• Access to local market and contacts with potential customers • Shorter distribution chain (compared to indirect exporting) • Market knowledge acquired. • More control over marketing mix (especially with agents) • Local selling support and services available	• Little control over market price because of tariffs and lack of distribution control (especially with distributors) • Some investment in sales organization required (contact from home base with distributors or agents) • Cultural differences, providing communication problems and information filtering (transaction costs occur) • Possible trade restrictions

Source: Svend Hollensen (2004). Global Marketing, Pearson Education, England

3.3 FDI

FDI is characterized by controlling ownership of a business enterprise in one country by an entity based in another country (retrieved from Foreign Direct Investment Definition from Financial Times Lexicon). It is distinguished from foreign portfolio investment, a passive investment in the securities of another country such as public stocks and bonds, by the element of "control" (retrieved from http://www.international.gc.ca/economist-economiste/assets/pdfs/Data/investments-investissements/FDI_by_Country/FDIC_stocks_by_Country-ENG.pdf). According to the Financial Times, "Standard definitions of control use the internationally agreed 10 percent threshold of voting shares, but this is a grey area as often a smaller block of shares will give control in widely held companies. Moreover, control of technology, management, even crucial inputs can confer de facto control" (retrieved from Foreign Direct Investment Definition from Financial Times Lexicon). Particularly, there are three types of FDI:

1. **Horizontal FDI** arises when a firm duplicates its home country-based activities at the same value chain stage in a host country through FDI (retrieved from What is Foreign Direct Investment, Horizontal and Vertical - Knowledge Base)

2. **Platform FDI** arises when foreign direct investment from a source country into a destination country is for exporting to a third country.

3. **Vertical FDI** takes place when a firm through FDI moves upstream or downstream in different value chains i.e., when firms perform value-adding activities stage by stage in a vertical fashion in a host country (retrieved from What is Foreign Direct Investment, Horizontal and Vertical - Knowledge Base)

Internationalization theory explains why Foreign Direct Investment, FDI, is often more preferable than other entry modes, when entering in a foreign market. Talking about pros of FDI, firms with technological know-how do not lose the knowledge to their competitors (there is this risk in case of licensing). Furthermore, there is a tight control over manufacturing and strategy, which can be hampered with other structures (Hill & Hult, 2017). Moreover, there are other some important drivers to choose FDI, such as low corporate tax and individual income tax rates, preferential tariffs, investment financial subsidies, R&D support and derogation from regulations (U.S. States regularly offer tax incentives to inbound investors). A famous concrete example of direct investment is Stinol, the first Russian producer of household appliances, which is today 100% owned by Merloni Elettrodomestici. The acquisition price was 120 million dollars and an additional 50 million dollars was invested for the development of new products, the integration of technology, management and information systems (retrieved from http://my.liuc.it/MatSup/2011/A22222/ntry%20strategiesexamples.pdf).

The two most commons forms of FDI are the joint venture and the wholly owned subsidiaries.

3.3.1 Joint ventures

Joint ventures entail direct investment in business sites in the target country and this entry mode involves two or more organizations that share the ownership, management, risks and rewards of the newly formed entity. Particularly, each partner contributes equity that may take the four form of money, plant, equipment and/or technology (Osland, G. E., Taylor, C. R., & Zou, S. (2001)). Joint ventures are often entered into for a single purpose, such as a production or research activity, but they may also be formed for a continuing purpose. The reasons behind creation of joint venture can be several, as for example to combine resources or to combine expertise. It is evident how can happen that one company might have expertise in one part of a venture while the second company might have expertise in another part. Moreover, another common reason is to save money, since two companies might consider a joint venture to save money on advertising, maybe at a trade show or in a trade publication. The joint venture mode is suitable for large and multinational firms but, if contractual and investment risks are high, joint venture does not represent a profitable choice. A simple example of joint venture that happened some years ago is when in 2011, Ford and Toyota agreed to work together in order to develop hybrid trucks.

3.3.2 Wholly owned subsidiary

According to Yiu & Makino (2002), a wholly owned subsidiary is the process where by an organization enters a foreign market with 100% ownership of the foreign entity. It is possible to see wholly owned subsidiaries through two ways, either acquisition or greenfield operations. Particularly, the first one is the purchase of a foreign firm as a way to enter a new market, while the second one is the creation of a new organization and legal entity in the foreign market (Essays, UK. (November 2018). Modes of Entry for International Markets). An acquisition uses an already established brand name and customer base, so, firms can limit their risk. Particularly, an organization that enters a market as a wholly owned subsidiary has: high control, high commitment, high presence and high risk/reward (Essays, UK. (November 2018). Modes of Entry for International Markets). As Yiu & Makino (2002) argued, it is important to choose the correct markets and through a competent management, wholly owned subsidiary is a good hedge against market changes, such as political changes, legal changes and declines in different sectors. Furthermore, also Agarwal & Ramaswami (1992) highlighted the concept, explaining how when a firm possesses the ability to develop differentiated products, it may run the risk of loss of long-term revenues if it decides to share this knowledge with host country firms. The potential problem is that the latter may acquire this knowledge and decide to operate as a separate entity at a future date. Therefore, when the firm possesses these skills, higher control modes may be more efficient.

3.4 ALLIANCES

Alliance is a fast way to enlarge firms' size but it is a practice, which hides many traps and dangers; it is a widespread technique in order to acquire new segment of market, new resources or new knowledges. However, there are some important variables to consider doing alliances. First of all, the '*strategic compatibility'*, which is the need that partners share general goals and understanding, since differences in strategy produces more conflicts of interest in the later partnership (Lilley and Willianms, 1991). Another characteristic to have is *'complementary skills and resources'*. It means that partners need to contribute more than just money to the venture, as for example, contributing with some skills and resources that are complement for another (Geringer and Michael, 1988). Furthermore, each manager should consider *'relative company size'*, since different size of companies may cause domination of one firm or unequal agreement, which is not favourable for long- term running (Lilley and

Willianms, 1991). At the end there is also what is called *'financial capability'*, which explains as the partners can generate sufficient financial resources to maintain the venture (Lilley and Willianms, 1991). If the company manages to select the right partner and alliance structure, it could obtain satisfactory results without run huge risks and, nowadays, it is of essential importance integrating strategic alliance management into the overall corporate strategy to be competitive all over the world.

3.5 LICENSING

According to Osland, Taylor & Zou (2001), licensing is a non-equity, contractual mode with one or more local partner firms, called "licensees". A company transfers to a foreign organization the right to use some or all of the following property: patents, trademarks, company name, technology, and/or business methods. The licensee pays an initial fee and/or percentage of sales to the licensor. Actually, licensing represents the suitable choice in cases where there are barriers to import; furthermore, it is represent a potential satisfactory investment, where legal protection is possible in the target environment, and where there is a low sales potential in the target country (retrieved from http://www.quickmba.com/strategy/global/marketentry/). This entry mode, often used by manufacturing firms, allows a company to enter a market quickly and inexpensively; furthermore, it could generate large return on investment (ROI) and company has only low risk, since it enters with an established product and it takes fewer financial and legal risks. On the downside, licensing provides little control over the product's foreign marketing and sales, causing potential damages on brand's reputation of firm in other license territories. Moreover, the licensee may become a competitor, thus firms may have problem to defend intellectual property and the period of license is usually limited. Overall, licensing is problematic in a situation where a company's competitive advantage is based on service and management. An example is the experience of Borden, which set up a licensing agreement with Meiji Milk to produce and market dairy products in Japan (Osland, G. E., Taylor, C. R., & Zou, S. (2001)).

3.6 TURNKEY PROJECTS

In turnkey project agreements, business unit of one nation agrees to construct entire plant for the business unit of other country. A turnkey project is a way for a foreign company to export its process and technology to other countries by building a plant in that country (Peng, 2009). Particularly, when initial construction phase of the project is more complex than the routine operational part, then turnkey projects are common. One of the major advantages of turnkey projects is the possibility for a company to establish a plant and earn profits in a foreign country especially in which foreign direct investment opportunities are limited and lack of expertise in a specific area exists (Evans, Rachael (2005). On the other hand, potential disadvantages of a turnkey project for a company include risk of revealing companies secrets to rivals, and takeover of their plant by the host country. Entering a market with a turnkey project is suitable for a company that has no long-term interest in the country; at the same time, this factor could become a disadvantage if the country proves to be the main market for the output of the exported process (Hill, 2007).

3.7 FRANCHISING

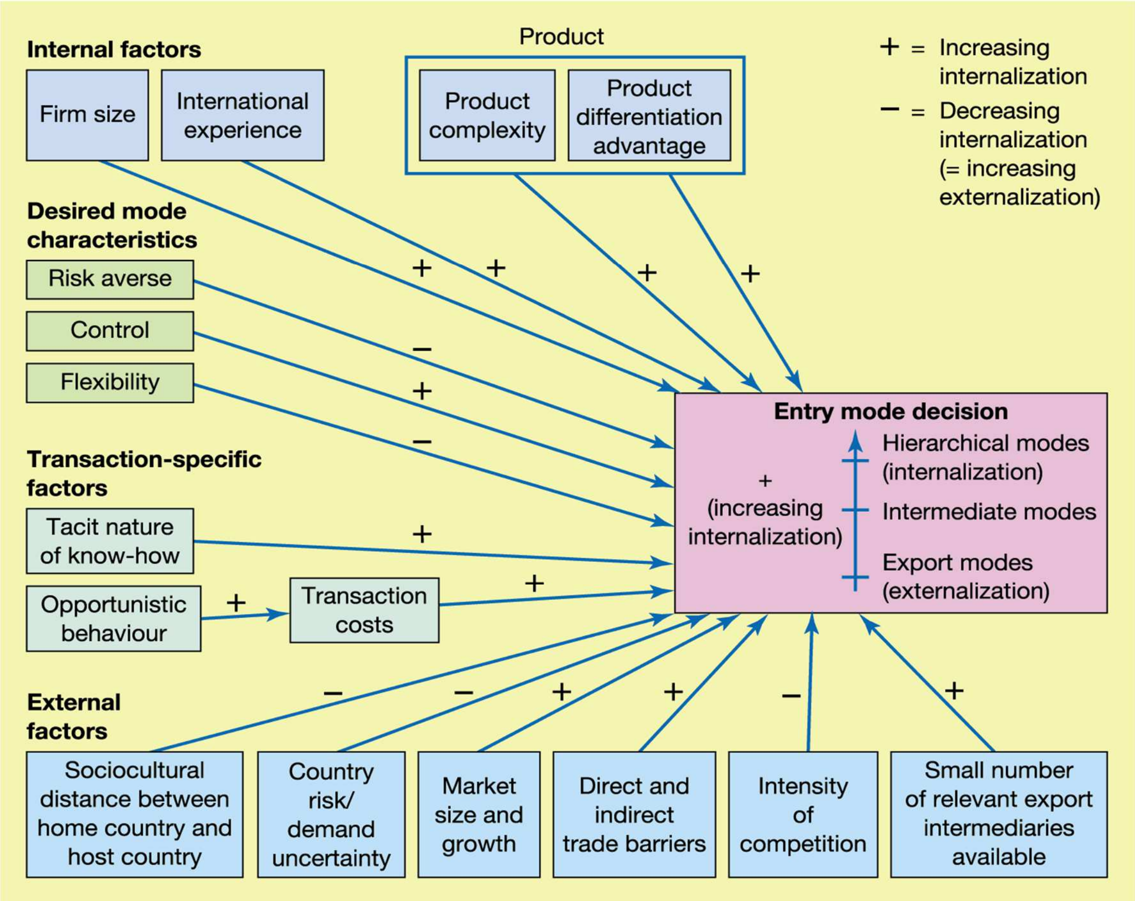
Franchising is an organizational design chosen by entrepreneurs in which a decentralized network of units, a "chain", established by contractual agreement is desirable to achieve competitive advantage. Operating multiple units under a common trademark and a common production system allows for a common consumption experience at different times and places (Michael, 2003). According to Baena (2009), through this business format, local entrepreneurs, termed franchisees, are granted the right to operate one or multiple units of the chain at a location while investing their own funds. In return, the franchisee pays the franchisor a royalty based on gross sales, therefore profits after expenses and royalties are received by the franchisee as compensation. Particularly, there is a noteworthy specific type of franchising, called direct franchising. It implies selling the business on an individual basis to buyers called franchisees in the host country. In general, this mode of entry requires a more limited resource commitment, and it is possible only if a relatively small number of franchisees are to be appointed, if franchisees can be trained easily, and if there is no constant need for assistance by franchisors. This entry mode is widespread, reaching every market and area all over the world; a simple example of franchising in India could be McDonald's, Dominos and KFC. Another clear and famous example is Hilton. It began franchising its hotels in 1965 and currently 36% of company revenues are franchise fees. Hilton does not participate directly in the management or the operations of franchised hotels but conducts periodic inspections to ensure that the specified standards are maintained. On the other side, Hilton is involved in the approval of plans for the location of the franchised hotels and assists in the design; furthermore, Hilton has the goal to promote the brand globally (retrieved from http://my.liuc.it/MatSup/2011/A22222/ntry%20strategiesexamples.pdf).

To sum up the most important entry modes' pros and cons, Kumar and Subramanian (1997) developed a contingency table comparing *levels of risk*, *return*, *control* and *integration* of different entry modes into foreign market.

	Export	Joint Venture	Wholly owned subsidiary	Licensing	Franchising
Risk	Low	Moderate	High	Moderate	Low
Return	Low	Moderate	High	Moderate	Moderate
Control	Moderate	Moderate	High	Low	Low
Integration	Negligible	Low	Moderate	Low	Low

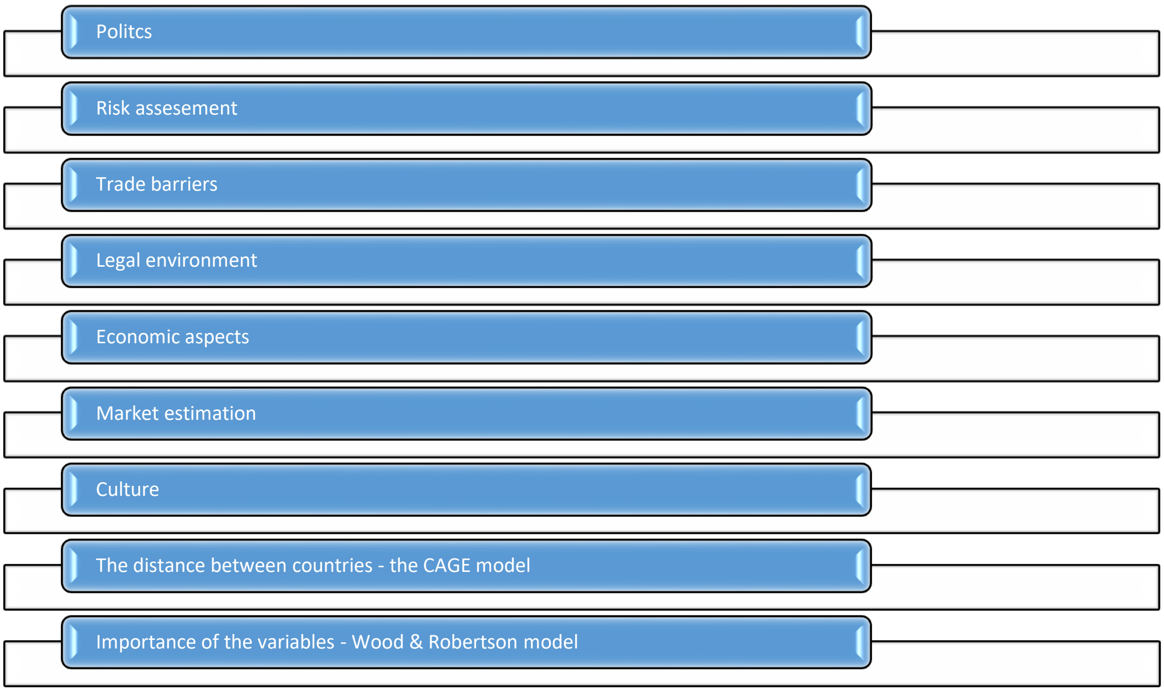
Table 1: Characteristics of various entry modes (Adapted from Kumar & Subramanian, 1997)

Figure 9.1 Factors affecting the foreign market entry mode decision



4- HOST COUNTRY ANALYSIS

Before deciding to operate internationally, firm should evaluate all characteristics of a host country, keeping in mind that each aspect could make the difference between satisfactory or disappointed results.



4.1 POLITICS

Any company, large or small, should take in consideration the political environment of the country where it intends to operate (Cateora & Graham, 2002). It is important to understand political system in order to be aware about rules, bureaucracy and traditions to avoid dangerous. Government duration, trading legislation and proprietary rights protection, times and ways of dispute solution, are some interesting characteristics to consider before to entry into foreign market. 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).

4.2 RISK ASSESSMENT

Knowing the level of risks present in a country is fundamental to forefront uncertainty related to government and economical risks. According to Johansson (1997), risks may be categorized in four levels:

Level 1: General instability

Level 2: Expropriation

Level 3: Operations

Level 4: Finance

If any of these levels hides risk, especially if unacceptable, company should immediately reconsider its business in that country.

4.3 TRADE BARRIERS

Trade barriers are government policies, which place restrictions on international trade and can either make trade more difficult and expensive or prevent trade completely (e.g. trade embargo). There are exit and enter barriers; particularly, the first one happens when goods are difficult to relocate or there are huge exit costs. The second one are when government imposes a fee for imported goods, to protect local industry and eventually pushing towards commercial involvement of local companies to reduce or avoid this additional cost. Generally, trade barriers are an important issue for every firm and their costs should be included in the price per unit.

4.4 LEGAL ENVIRONMENT

Companies face a vast amount of problems in their effort to develop successful global marketing programs. Just as cultural, political, geographical differences represent threats to global firm, so even the varying legal systems of the world and their affections on business transactions (Cateora & Graham, 2002).

From a schematic point of view, there are four legal systems in the world:

- The Common law system derived from English law.

- The Civil law system or civil code found in Italy and many European countries, Japan and non-Islamic and non-Marxist countries.

- The Islamic legal system, which came from reading and interpretation of Koran, it is used in Saudi Arabia and other Islamic countries.

- The Marxist legal system, which characterized Marxist socialist countries like Russia and the remaining of previous USSR countries, China and a few others.

In order to avoid traps or dangers, a deep knowledge of legal aspects related to business's firm results fundamental. At least, each firm should know everything related to proprietary right legislation, but also it is suggested a deepening regarding costumes and other cultural aspects.

4.5 ECONOMIC ASPECTS

Most of the times economic aspects are considered "primum movens" (= the main reason) to the business itself and, thus they need to be analysed and verified deeply before to enter in a new market, representing a base of business plan. Interestingly, Walt Rostow proposed a country classification based on level of economic development and "the relationship between economic development and types of products a country needs and the sophistication of its industrial infrastructure" (Cateora & Graham, 2002, p 241)

- Stage 1: the traditional society

- Stage 2: the preconditions to take off

- Stage 3: the take off

- Stage 4: the drive to maturity

- Stage 5: the age of high mass consumption

Hollensen, through Hollensen's degree of industrialization (Hollensen S., 1998), gives another interesting classification. It distinguishes three groups:

1. Less developed countries. This includes underdeveloped countries and those at initial phases of development, with low GDP per capita, scarce industrial infrastructures and limited industrial activity.

2. Newly industrialized countries. These are emerging countries and sometimes areas of special economic development inside a larger country.

3. Advanced industrialized countries. In this point are included countries with strong infrastructure network and high GDP per capita.

4.6 MARKET ESTIMATION

Esteeming the potential of a market, a company has to identify future customers' interests but also sales' projections of specific product. According to Wood & Robertson (2000), 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. Assessment of market size is composed by potential share a firm may obtain, considering actual domestic and international competitors and evaluation of products, comparing their quality and characteristics. Reliable potential market esteems is found out by analysing GDP, its variation, population size and annual import of selected goods.

4.7 CULTURE

Culture is the social behaviour and norms found in human societies and it is considered a central concept, encompassing the range of phenomena that are transmitted through social learning in human societies. For that, companies need to understand and embrace foreign culture in order to be competitive abroad. Obviously, if the message is culturally wrong, the business risks to fail and, thus culture is necessarily integrated to the business, meaning that "when designing a product, style, and other related market activities, and if they are to be operative and meaningful, they have to be acceptable to the related cultural market" (Cateora & Graham, 2002).

One of the most famous and effective frameworks to describe cultural distance is present in the Hofstede's cultural dimensions theory, developed by Geert Hofstede in 1984 and successively updated until 2012. It describes the effects of a society's culture on the values of its members, and in which way they may relate to behaviour, using a structure derived from factor analysis (Adeoye, Blessing; Tomei, Lawrence (2014)). This model focuses on six aspects and, specifically, those cultural dimensions are:

- Power distance index: "power distance is the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally" (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in

Context"). This translates, for instance, on which type of relation employees have with their boss.

- Individualism vs. collectivism: "the degree to which individuals are integrated into groups" (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in Context").
- Uncertainty avoidance index: "a society's tolerance for uncertainty and ambiguity" (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in Context").
- Masculinity vs. femininity: "the distribution of emotional roles between the genders" (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in Context").
- Long-term vs. short-term orientation: first called "Confucian dynamism", it describes societies' time horizon. While long-term oriented cultures give more importance to the future than the present, in short-term oriented cultures, more emphasis is put on values related to present and past conditions (respect of traditions, reputation, social obligations) (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in Context").
- Indulgence vs. restraint: indicator of the extent to which members of a society try to control their desires and impulses (Hofstede, Geert, "Dimensionalizing Cultures: The Hofstede Model in Context").

4.8 THE DISTANCE BETWEEN COUNTRIES – THE CAGE MODEL

In order to help international managers to take the suitable decision regarding international process, Pankaj L. Ghemawat, a professor at the University of Navarra - IESE Business School in Barcelona and guru in international management science, developed the CAGE framework. It is a model that define distance between different countries according to four criteria.

	Cultural Differences	Administrative Differences	Geographic Differences	Economic Differences
Bilateral Measures	-Different languages -Different ethnicities/lack of connective ethnic or social networks -Different religions -Differences in national work systems -Different values, norms and dispositions	-Lack of colonial ties -Lack of shared regional trading bloc -Lack of common currency -Different legal system -Political hostility	-Physical distance -Lack of land border -Differences in climates (and disease environments)	-Differences in consumer incomes -Differences in availability of: .Natural resources .Financial resources .Human resources .Intermediate inputs .Infrastructure .Information or Knowledge
Unilateral Measures	-Traditionalism -Insularity -Spiritualism -Inscrutability	-Nonmarket/closed economy (home bias versus foreign bias) -Nonmembership in international orgs. -Weak legal institutions/ corruption -Lack of govt. checks and balances -Societal conflict - Political/ expropriation risk	-Landlockedness -Geographic size -Geographic remoteness	-Economic size -Low per capita income -Low level of monetization -Limited infrastructure, other specialized factors

The CAGE framework (Ghemawat, 2007)

4.9 IMPORTANCE OF THE VARIABLES - WOOD & ROBERTSON MODEL

Wood & Robertson (1999) ordered by relevance selected variables involved in the process of entering a foreign market. According to this model, market potential seems to be the most important and, on the contrary, culture is the less important.

Market potential MAX

Legal

Politics

Infrastructure

Economy

Culture MIN

Scale of variables to consider in foreign market entry (Wood & Robertson, 1999)

5- COMPANIES

5.1 KEYLINE

With the purchase of Keyline in 2002, the Bianchi family continued in its centuries-old traditional "key business" activity, started in 1770 by master locksmith Matteo Bianchi. It was transmitted from father to son to the present day, with the valuable addition of the work of pioneering key duplication expert Camillo Bianchi immediately after the Second World War (Keyline official website). Talking about the mission of this more than one-century-old company, it is evident as Keyline is an innovative company operating at a global level in a highly competitive field of the design and production of keys and mechanical and electronic key cutting machines. Furthermore, it is a leading player in the field of transponder car keys, focusing on new products and new service solutions for security specialists. Last, but not least, it is an Italian company, strongly connected to its territory, proud of its origins and its values of strength, passion and creativity in keys duplication. As Massimo Bianchi, current firm's CEO, said, "We can find all the resources we need to serve our customers worldwide here, in this land". The entire production of keys and mechanical and digital key cutting machines is exclusively located at Conegliano Veneto, in the same land that has narrated the success of a dynasty of blacksmiths tied to the local traditions and culture (Keyline official website).

According to Managing Director, the excellent products made by Keyline are not only designed in Italy, but also manufactured, assembled and packaged there, to then be shipped across the globe. History rich with passion and generational continuity that, however, involves all the operators who work in the company, the local suppliers and the territorial agencies. This mind-set means that company wants to respect and honour its tradition while, at the same time, it has the need to be innovative and state-of-the-art through high quality standards. In order to fix technical issues and find out efficient solutions, innovative organizations involve also universities and research centres; indeed, managing to align different perspectives and goals highlights an uncommon skill, which often affects success of projects. Overall, innovation is fundamental for every firm in order to survive and it is clear as economy is formed by cycles and if firms want overpassing phase of decline have to bet on innovation, modernization and technology.

Furthermore, Keyline has understood how multi-functional teams of development are becoming pivotal and increasingly extended and global. A benefit is managing to create teams with an international's dimension, which can provide different capabilities and points of view. Since it has been founded, owners of Keyline have had the ambition to become a global company, exploiting the opportunity to work in an international context selling products worldwide. Particularly, Keyline is part of the Bianchi 1770 Group and it distributes officially its products through five companies all over the world. Specifically, there are Keyline Italia (for Italy), Keyline Germany (for Germany), Keyline Portugal with Luso Chav (for Portugal), Keyline USA (for North America) and Keyline Shanghai (for the People's Republic of China) and all these are controlled by the Bianchi 1770 Group parent company. Keyline also operates through two representative offices, Keyline UK and Keyline Japan, that coordinate sales and technical assistance of direct distributors present in their respective markets. Furthermore, Keyline distributes its products in over 50 countries all over the world through a network of over 60 local distributors (Keyline official website).

A possible alternative to distributors is represented by direct sales, which holds many challenges for manufacturers. Direct sales, selling directly to customers, requires manufacturers to know and be efficient in every aspect of the marketing and supply chain strategies involved in building, storing, marketing, selling, and delivering their products to customers, retail stores, or other outlets. However, since the direct sales model has been so challenging, many companies, such as Keyline in many cases, prefer to work through distribution channels to market their products. Distributors buy directly from wholesale manufacturers and then will sell those products through a network of retailers; in this way, they handle the logistics and marketing requirements that manufacturers do not want to or are not able to handle in house. Moreover, the relationship between manufacturing company and distributor benefits both parties, helping both partners to meet their goals but in order to get the most out of the relationship, manufacturers and distributors need grow up the relationship in order to make sure both parties are in alignment.

5.1.1 Goals for short and long future

It is evident, as Keyline wants continuing to innovate in order to be acknowledged more and more as forefront's firm. It has the purpose to be competitive and acquire new segments of market every year, managing to steal some important customer to its competitors. Regarding short-term goals, Keyline wants to amply its catalogue of keys and key cutting machines covering overall market; furthermore, the purpose is to improve its technology about products and processes, being more efficient and performant. Having clear models and patterns regarding procedures to follow in each project, can be source of a huge amount of time and money saved. When a firm is growing up in term of revenue and sales, likewise, it needs also to structure itself in order to avoid every kind of overload. In order to reach long-term satisfactory results, company has to invest in innovation and for Keyline, the Research and Development division is the real jewel in the crown. For this division that deals with technological and product innovation, industrial design, experimentation and process application, as well as strategic planning, Keyline invests over 10% of its turnover (Keyline official website).

Furthermore, Keyline has recently established the 'Keyline Bay Area', which is a Research & Development office located in San Francisco, where technological research is carried out in sync and with the influence of the place (famous all over the world to be oriented to innovation).

Talking about long-term goals, Keyline has also the ambition to be recognized as virtuous firm, which takes care of its employees and environment surrounded it. Embracing politics of CSR regarding the three P (People, Planet and Profit), it is acting as a light to follow by others companies. Furthermore, Keyline has the willingness to become global leader in its businesses but this goal is seen as finish line of long and full of traps path, therefore, in Keyline's mind-set, purposes are important but without losing values and confidence.

5.2 SILCA

Silca was founded as a company: Società Italiana Lavorazione Chiavi e Affini and its key production has been set up on a professional basis, since the handcraft activity is transformed into an industrial activity. It plans a complete line of key copying machines, differentiated on the basis of price and market, therefore, more and more the Silca's brand starts to climb to success. Indeed, Silca is a well-known brand, synonymous of key duplication on a worldwide base. Silca's Business Model is a combination of manufacturing worldwide presence extensive and innovative product range, balanced mix of direct and indirect distribution channels with capillary distribution (retrieved from Silca official website).

5.3 DIFFERENCE BETWEEN KEYLINE AND SILCA

5.3.1 Size

Silca is three times bigger than Keyline considering number of employees, key cutting machines, list of keys and turnover. Nevertheless, Keyline invests in innovation and R&D at least as its competitor and this date shows how it continues to produce innovative products, being forefront of processes and technologies.

5.3.2 Mind-set

There is considerable difference between Silca and Keyline regarding the employees' mind-set and their willingness to make the best for the company. Management of Keyline has always been careful of its workers' needs; indeed, Massimo Bianchi and Maria Cristina Gribaudi have decided to embrace a corporate welfare system in their company. It includes a work flexibility schedule and offers several services and benefits, thanks to the collaboration with professional structures in the territory. Furthermore, Keyline promotes the culture of wellness, which means, first, the promotion and protection of people's health in the workplace, but also the scheduling of work hours and tasks taking into account parental leave and the reconciliation of work and family life (Keyline official website). On the contrary, there are not these kind of programs in Silca. Moreover, for Keyline, wellness also means culture. The in-house library and the participation in events, exhibitions and guided tours support personal growth, while family holidays create a fundamental climate of sharing. Moreover, the company offers two scholarships dedicated to Carlo Gribaudi every year, to the two best students chosen among the children of the company's employees (Keyline official website).

5.3.3 Governance

Between two competitors, there are huge differences also regarding their governance. Particularly, Dormakaba Group, which has its headquarters in Switzerland, acquired Silca S.p.A. and, for that, it cannot have a strict control of Silca's day-to-day life. It seems evident as each request or project has to follow a longer path due to distance between Dormakaba's management and Silca's one. On the other hand, property of Keyline S.p.A is physically present in its factory, managing to have a process of make-decision quicker and more efficient. This difference affects also relationships between employees and employers, since in Keyline everyone can clarify question or problem with owners, without intermediaries. Furthermore, it is different the control that bosses have of their company, since Dormakaba Group's boss can only read and analyze written reports and documents, instead Keyline's management can live, share and understand day's work. Literature and theories help to understand this common phenomenon and, particularly, Bianco & Casavola (1999) explain how the Italian model of corporate governance is characterized by a high degree of ownership concentration, both for unlisted and listed companies. On the other hand, in other countries and context it is common finding other kinds of structures and routines into organizations. For instance, when there is absence of an institutional framework, it will be easier having more dispersed ownership (as in the Anglo-Saxon countries) or lack of mechanisms for financial supervision (as in some Continental European countries). Another important difference, according to Brickley, Coles and Jarrell (1997), is the labor motivation; it is a critically important factor when it comes to the organization's performance. Labor in the Italian model of corporate governance is always a part of the decision making process, it is generally more motivated than the labor force in the Anglo-American model of corporate governance. Since the workforce is relatively highly motivated, they choose to contribute to the organization's development aggressively (Brickley, Coles & Jarrell, 1997). This active participation on the labor's part tends to place a limitation on the degree to which the supervisory board can exercise authority (Hanson & Song, 2000). Furthermore, the European model of corporate governance places the management in a position where every decision that materializes into action is of a nature such that is supports the organization and it is not influenced by a desire to drive up managerial reputation and status. The discussion made it clears that the fundamental distinction between the two models lies in the fact that they are present in differing business contexts (Warner, Watts & Wruck, 1988). To sum up, it can be observed that there is a difference between the two approaches in how they address the two issues of ownership and control.

5.3.4 Internationalization

Everything is written above it is reflected in the internationalization's choice, since each factor affects important decisions as these. As a company acts in its comfort zone, the risk appetite, its mind-set and style of governance are crucial regarding how expanding its business.

Particularly, talking about the choice of Keyline to create five companies abroad, it can have several causes. It chose some of these countries for economic reasons, inasmuch the volume of sales is significantly; others were chosen because they represent a strategic point, where it is fundamental a presence to control and administrate the area. For instance, in China there is a big problem of copying, therefore for every firm be present, careful and doing patent becomes fundamental. Moreover, founding or acquiring a new company can be a way to enter and control new markets; an example is when Keyline decided to acquire a firm in Portugal because in that area it was completely absent and its willingness was to enter into Iberian market, affecting in this way also the Spain. In addition, it was an area dominated by a strong presence of Silca, its main competitor. Furthermore, in order to be present worldwide, Keyline distributes its products in over 50 countries in the world through a network of over 60 local distributors.

On the other side, Silca have been consolidated distribution network of over 130 distributors and 8 business units, directly operating all over the world, which are determining its global presence. In specific, Silca's business units are in Italy, India, Germany, France, United Kingdom, Spain, Benelux and Colombia. An example of in which way Silca S.p.A. have decided to enter in new markets is the joint venture. For instance, when Kaba subsidiary Silca has increased its stake in the Minda Silca joint venture from 50% to 65% in order to further strengthen the Minda Silca role in Silca's worldwide manufacturing platform and its position in India's growth market (retrieved from Kaba's press release).

5.3.5 Production sites

Concerning production sites, this choice is affected by goals and strategies of each company. It depends on several factors and the company's willingness to reach specific results makes the difference regarding final decision. Talking about Keyline and Silca, there are some important differences about where there are their production's sites. Particularly, Silca's thinking is to produce where costs are lower and as much as close to its customers. Thanks to a widespread manufacturing presence in any continent of the world, it is granting the immediate availability of its products. Silca produces in four different factories around the world: Silca S.p.A. in Italy, Minda Silca Engineering Ltd. In India, Wah Yuet Group Holdings Ltd in China and Silca South America S.A. in Colombia. On the contrary, Keyline has decided to produce its entire production in Italy, exploiting its slogan 'proudly made in Italy', gaining its purpose of keeping high the quality of its sales. The willingness of Keyline was to continue tradition, which deals with in 1770 Bianchi's family started in Italy production of keys. It believes that the quality of materials, knowledge of employees and experience in this industry are characteristics fundamentals to be at the top. There are pros and cons related to this strategy, since Keyline needs more time and money to reach its clients all over the world.

6- CONCLUSION

I do not think that there is a suitable strategy and unique, perfect behavior for every situation but each manager should choose the best decision in that specific moment with those characteristics, through the help of theories and his/her experience. Internationalization is a huge and complex topic where there is not a simple answer or theory, which can be used for each problematic. For instance, I worked for three months in a firm, which thinks and acts globally. It is incredible how, after years and years of experience, there is not one universal right choice. Each market and business is different and only through intuitions, effort and willingness to risk firms can be successful. There is a world outside our comfort zone and it is our responsibility exploit every opportunity, trying to improve everyday ourselves and people surrounded us. Through my paper, I tried to give some suggestions and show how literature has developed this field, producing diverse theories and points of view. Using the most famous thesis, I wanted to highlight hottest points to consider before to choose an entry mode and then, showing pros and cons of each possibility. Thereafter, I showed an example of small-medium firm that is working worldwide, analyzing its history, competitive situation and choices regarding its internationalization's process. Furthermore, through a comparison with its main competitor (Silca S.p.a) I pointed out the different traits and strategy between them, explaining strategic choices of both. What is the suitable strategy for firms in the future? There is no answer because none can know the future but it is task of each manager try to predict it. Nowadays it is evident the tension that exists between the need to reduce costs and the need to be responsive to local conditions, which raises costs. The challenge for every company is to manage to choose the suitable combination between global and local, standardization and personalization; firms that are able to take right decision in the right moment, they will survive on the complexity of business environment. Economy is going everyday more and more toward an open world, without barriers and limitations; therefore, firms have to exploit this opportunity finding new areas where doing business, acquiring new knowledges and sponsoring their products. Nowadays, there are cheap way to travel, to send goods, to communicate and keep in touch each other; therefore, for everybody there is no more tap dancing, but only a need to be competitive into international context.

6.1 BEING INTERNATIONAL TO SURVIVE IN THE FUTURE

Through this paper, I showed the potential risks and opportunities to act internationally, finding how for each company, outside its own market, there are chances to exploit and that it is not enough anymore being present only locally. Pros overpass cons and managers should risk a little bit more in order to quit their comfort zone and to be part of internationalization's process. Each company, through the help of theories and experiences, should understand environment where it is working, its traits and its peculiarities. Recognizing its strength and weakness, its goals and the path to reach them is the key in order to choose the best strategy. It is evident, how it is showed during this paper, that there are many ways to grow and improve business but the pivotal points are to have willingness to learn more and more, never settle for the easiest choice and embracing changes.

As one of my source of inspiration said, everyone should live their affairs and life overall, focusing on the famous statement written on final issue of *"The Whole Earth Catalog"*: "Stay Hungry. Stay Foolish" (Steve Jobs, Commencement address, 12 June 2005).

7- REFERENCES

Adeoye, Blessing; Tomei, Lawrence (2014). *Effects of information capitalism and globalisation on teaching and learning*. Pennsylvania: Information Science Reference. Retrieved 21 October 2015.

Agarwal, S., & Ramaswami, S. N. (1992). Choice of foreign market entry mode: Impact of ownership, location and internalization factors. Journal of International business studies, 23(1), 1-27.

Anderson, E., & Gatignon, H. (1986). Modes of foreign entry: A transaction cost analysis and propositions. *Journal of international business studies*, *17*(3), 1-26.

Anderson, Erin & Anne T. Coughlan. 1987. International market entry and expansion via independent or integrated channels of distribution. Journal of Marketing, January 51: 71-82.

Baena, V. (2009). Modeling global franchising in emerging markets: An entry mode analysis. Journal of East-West Business, 15(3-4), 164-188

Békés, G., & Muraközy, B. (2012). Internationalization modes of European firms. EFIGE working paper 52.

Bianco, M., & Casavola, P. (1999). Italian corporate governance: Effects on financial structure and firm performance. European Economic Review, 43(4- 6), 1057-1069).

Bradley, F. (1995), International Marketing Strategy, Prentice Hall International (UK) Ltd, Hertfordshire

Brickley, J. A., Coles, J. L., & Jarrell, G. (1997). Leadership structure: Separating the CEO and chairman of the board. *Journal of corporate Finance*, *3*(3), 189-220.

Bürgel O., Fier A., Licht G., Murray G. "Timing of international market entry of UK and German High-Tech Start-ups". 2001, Discussion paper 01-51, ZEW (Zentrum für Europäische Wirtschaftsforschung) GmbH

Cateora P.R., Graham J.L. "International Marketing". 2002 (11th Ed.), New York, Mc Graw Hill Companies.

Cateora P.R., Graham J.L. "International Marketing". 2002 (11th Ed.), New York, Mc Graw Hill Companies.

Coase, R., 1988a, Th e Firm, the Market and the Law, University of Chicago Press.

Czinkota, M.R., Ronkainen, I.A. “Global Marketing”. 1996, The Dryden Press, Forth Worth, TX.

Davis, P. S., Desai, A. B., & Francis, J. D. (2000). Mode of international entry: An isomorphism perspective. *Journal of International Business Studies*, *31*(2), 239-258.

Dunning, John H. 1981. International production and the multinational enterprise. London: George Allen and Unwin

Dyson, R. G. (2004). Strategic development and SWOT analysis at the University of Warwick. *European journal of operational research*, *152*(3), 631-640.

Essays, UK. (November 2018). Modes of Entry for International Markets.

Evans, Rachael (2005), Report on a turnkey project for Apple’s iPod in Nigeria, Maryland: University of Maryland University College

Foreign Direct Investment Definition from Financial Times Lexicon

Foreign Direct Investment Definition from Financial Times Lexicon

Hanson, R. C., & Song, M. H. (2000). Managerial ownership, board structure, and the division of gains in divestitures. *Journal of Corporate Finance*, *6*(1), 55-70.

Harrigan, Kathryn R. 1985a. Vertical integration and corporate strategy. Academy of Management Journal, 28 (2): 397-425.

Harrigan, Kathryn R., 1985b. Strategies for intrafmn transfers and outside sourcing. Academy of Management Journal, 28 (4): 914-25.

Hill, C. W., & Hult, G. T. (2017). *International Business Competing on the Global Marketplace* . New York : Mc Graw Hill Education .

Hill, C.W.L., 2007. International Business Competing in the Global Marketplace, Irwin: McGraw Hill

Hofstede, Geert. "Dimensionalizing Cultures: The Hofstede Model in Context"

Hollensen S. “Global marketing - Market respective approach”. 1998, Hertfordshire, Prentice Hall.

http://www.international.gc.ca/economist-economiste/assets/pdfs/Data/investments-investissements/FDI_by_Country/FDIC_stocks_by_Country-ENG.pdf

http://www.quickmba.com/strategy/global/marketentry/

https://keyline.it/en/bianchi-1770-group

https://www.dormakaba.com/resource/blob/4720/7831ede06c3f854738d4f5ad8798f0db/24-08-10---kaba-increases-stake-in-minda-silca-data.pdf

Johanson, J.K. "Global Marketing: Foreign Entry, Local Marketing and Global Management" 1997, McGraw-Hill, Chicago, IL.

Keegan W.J., Schlegelmilch B.B. "Global marketing management - A European perspective". 2001, Harlow (GB), Pearson Education Limited.

Kim, W. C., & Hwang, P. (1992). Global strategy and multinationals' entry mode choice. Journal of International Business Studies, 23(1), 29-53.

Kumar V., Subramanian V. "A contingency framework for the Mode of Entry decision". Journal of World Business 1997, 32(1), 53-72.

Maignan, I. and Lukas, B.A. (1997), "Entry mode decisions: the role of managers' mental models", Journal of Global Marketing, Vol. 4, pp. 7-22

Michael, S. C. 2003. Determinants of the rate of franchising among nations. Management International Review 43:267–291

Osland, G. E., Taylor, C. R., & Zou, S. (2001). Selecting international modes of entry and expansion. Marketing intelligence & planning, 19(3), 153-161.
Osland, G. E., Taylor, C. R., & Zou, S. (2001). Selecting international modes of entry and expansion. *Marketing intelligence & planning*, *19*(3), 153-161.

Peng, Mike W. (2009), Global Business, Mason: South-Western College Pub

Pihl, Hakan (2008). Transnational tendencies in multinational enterprises. Baltic Journal of Managment , 328-345.

Porter, Michael E. 1986. Competition in global industries: A conceptual framework. In Michael E. Porter, editor, Coompetition iglobal industries. Boston: Harvard Business School Press.

Rothaermel F.T., Kotha S., Steensma H.K. "International market entry by US Internet firms: an empirical analysis of Country risk, national culture and market size". Journal of Management 2006, 32(1) 56-82.

Transaction cost theory – explaining entry mode choices, Katarzyna Mroczek-Dąbrowska Poznan University of Economics

U.S. States regularly offer tax incentives to inbound investors.

Warner, J. B., Watts, R. L., & Wruck, K. H. (1988). Stock prices and top management changes. *Journal of financial Economics*, *20*, 461-492.

Welch, L. S., & Luostarinen, R. (1988). Internationalization: evolution of a concept. *Journal of general management*, *14*(2), 34-55.

Westhead P., Wright M., Ucbasaran D. “International market selection strategies selected by "micro" and "small" firms”. The International Journal of Management Science 2002, 30: 51-68.

What is Foreign Direct Investment, Horizontal and Vertical « Knowledge Base". *Guidewhois.com*. Retrieved 17 November 2012.

Williamson, O.E., 1985, The Economic Institutions of Capitalism: Firms, Markets, Relational Contracting, Free Press; Collier Macmillan, London.

Wind, Yoram and Howard Perlmutter (1977), On the Identification of Frontier Issues in International Marketing, Columbia Journal of WorldBusiness, 12 (Winter), 131-139.

Wood V.R., Robertson K.R. “Evaluating international markets”. International marketing review 1999, 34: 34- 55.

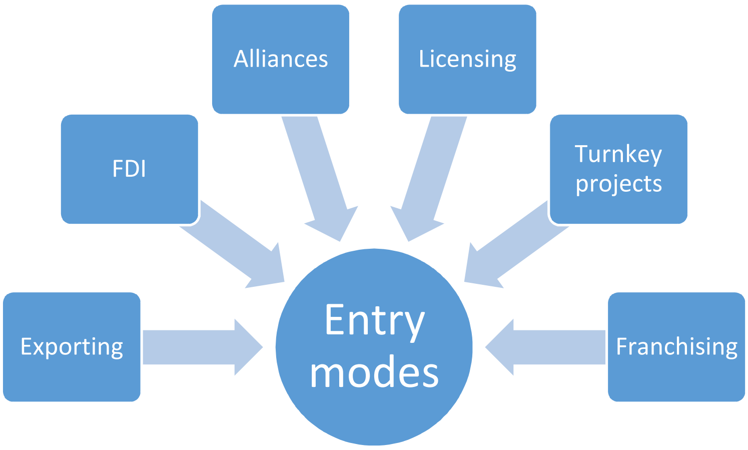
Wullenweber, K., Jahner, S., & Krcmar, H. (2008, January). Relational risk mitigation: the relationship approach to mitigating risks in business process outsourcing. In *Proceedings of the 41st Annual Hawaii International Conference on System Sciences (HICSS 2008)* (pp. 438-438). IEEE.)

Yiu, D., Makino, S. (2002). The Choice Between Joint Venture and Wholly Owned Subsidiary: An Institutional Perspective. Organization Science. Volume 13, Issue 6. pp. 667-683

Yüksel, I. (2012). Developing a multi-criteria decision making model for PESTEL analysis. *International Journal of Business and Management*, *7*(24), 52.

APPENDIX

1)


Alliances
Licensing
FDI
Turnkey projects
Exporting
Entry modes
Franchising

2)


Proactive motives
Profit and growth
Managemnet decision
Opportunities in the foreign market
Economies of scale
Fiscal advantage
Reactive motives
Competitive pressures
Market inadequacy
Overproduction
Unexpected foreign orders
Seasonal products
Proximity

3)

- Politcs
- Risk assesement
- Trade barriers
- Legal environment
- Economic aspects
- Market estimation
- Culture
- The distance between countries - the CAGE model
- Importance of the variables - Wood & Robertson model