




The internationalisation of South African enterprises: A focus on international market selection



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Orientation: The selection of attractive foreign markets has been identified as one of the most important decisions in an enterprise's internationalisation process.

Research purpose: The primary objective of this study was to determine which international market selection (IMS) processes, if any, South African enterprises follow when selecting international markets for expansion.

Motivation for the study: Whilst a significant effort has been made to close the gap in knowledge regarding the IMS processes followed by enterprises from emerging markets, little is known about the IMS processes of South African enterprises.

Research design, approach and method: This qualitative descriptive study collected data through semistructured interviews conducted with senior managers who have been or are involved in IMS at 12 South African enterprises. The collected data was analysed using thematic analysis.

Main findings: The study found that the majority of enterprises who participated in this study use a systematic, four-step IMS process. However, the process is more flexible than that proposed by some theoretical models. In particular, the selection criteria used when analysing a market are considered flexibly and, in some cases, even in parallel instead of sequentially as proposed by some models.

Practical/managerial implications: Research shows that mistakes related to the inappropriate and inadequate evaluation of markets are almost always more expensive than the costs associated with conducting a systematic IMS. Therefore, this research provides guidelines to enterprises on how to conduct such an IMS.

Contribution/value-add: This study contributes to the extant IMS literature by broadening our understanding of the IMS processes followed by South African enterprises and in doing so, answers the call to close the emerging market knowledge gap.

Keywords: internationalisation; international market selection; non-systematic international market selection; systematic international market selection; qualitative descriptive research; South Africa.

Introduction

With the world consisting of more than 200 sovereign countries, enterprises considering international expansion must follow some sort of process to select the most suitable market (Rahman 2003:119). The selection of a foreign market is strategic and one of the most important and complex decisions in the internationalisation process (Clark, Li & Shepherd 2018:443; Mersland, Nyarko & Sirisena 2020:2; Schu & Morschett 2017:710). This process, known as international market selection (IMS), can be defined as the decision-making process that involves narrowing down the markets under consideration for foreign expansion and ultimately selecting the most favourable and attractive ones (Clark et al. 2018:442–443; Reid 1981:108; Schu & Morschett 2017:711).

To this end, enterprises typically follow one of the two approaches: systematic or non-systematic (Brewer 2001:156; Costa e Silva, Meneses & Radomska 2018:593). A systematic approach is considered a rational and formal decision-making process, where objective selection criteria – including statistical methods – are used to analyse a potential target market (Costa e Silva et al. 2018:581; Musso & Francioni 2014:302; Papadopoulos & Martín Martín 2011:133–134). In comparison, a non-systematic approach is considered more disjointed and irrational (Brewer 2001:156; Cavusgil & Godiwalla 1982:52; Papadopoulos & Martín Martín 2011:139).

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Górecka and Szalucka (2013:34) stress the importance of enterprises following a systematic approach to identifying international markets, with such a decision involving the assimilation of 'a huge amount of information from many diverse and complex markets.' This is supported by Brouthers and Nakos (2005:375) and Papadopoulos and Martín Martín (2011:135), who state a positive correlation between enterprise success and following a systematic approach to IMS. On the other hand, Rahman (2003:119) believes that mistakes related to the inappropriate and inadequate evaluation of markets can be more expensive than the costs of conducting a systematic IMS. However, according to Alexander, Rhodes and Myers (2007:424), although investors may want to believe that multinational enterprises (MNEs) – 'any business that has productive activities in two or more countries' (Hill & Hult 2019:20) – use a rational IMS process, many enterprises use a 'non-systematic, strongly personalized and essentially belief-driven' process.

In an attempt to gain a better understanding of the IMS processes followed by enterprises, extensive research has been conducted on this topic, with the majority of these studies focusing on MNEs from developed countries (Aliouche 2015; Brewer 2001; Costa e Silva et al. 2018). Consequently, Elango (2006:22) and Papadopoulos and Martín Martín (2011:141) called for research to close the emerging-market knowledge gap. According to Bianchi (2014:54), more needs to be done to understand the internationalisation of emerging-market MNEs. A significant effort has since been made to close this gap (He, Lin & Wei 2016; Ragland, Brouthers & Widmier 2015; Yan, Hu & Liu 2020). However, very little internationalisation information in general and IMS information in particular is available on South Africa (Vögel 2015:3). Nevertheless, a focus on the IMS practices of enterprises from South Africa is warranted, as – based on stock of foreign direct investment – it is the seventh-largest investor economy into Africa, after the Netherlands, the United Kingdom, France, China, the United States of America and Mauritius (in that order) (United Nations Conference on Trade and Development 2021). The need to understand the IMS practices of South African enterprises is further highlighted when considering that South African enterprises such as Mr Price, Truworths and Woolworths exited the Nigerian market (Buthelezi 2020), whilst Shoprite pulled out of Tanzania, Kenya, Uganda and Madagascar (Kiruga 2021) – placing the spotlight on the IMS practices of South African enterprises.

Consequently, this paper set out to determine *which IMS processes, if any, South African enterprises follow when selecting international markets*. Considering that what is known for developed countries does not automatically apply to developing countries (Vögel & Pires da Cunha 2010:75), the findings of this paper provide South African enterprises with an IMS process they can follow when expanding internationally and answer Bianchi's (2014:54) call to gain a better understanding of how emerging-market enterprises internationalise.

Literature review

Systematic international market selection

In their seminal work, Papadopoulos and Denis (1988) provide a comprehensive review of some 40 systematic IMS approaches. However, to provide some context, only three such approaches, spanning the last four decades, will briefly be discussed here: a three-step approach proposed by Cavusgil (1985:29), a four-step approach identified by Brewer (2001:169) and a six-step process proposed by Geringer, Mcnett and Ball (2020:320).

A three-step approach

Cavusgil's (1985:31) three-step approach to IMS follows a sequential evaluation: a preliminary screening, an analysis of the industry market potential and an analysis of the enterprise's sales potential. Whilst the first two steps are predominantly based on desk research, the final step requires field research.

The initial step in the screening process – the preliminary screening – involves an analysis of macro-environmental conditions in a market. These can include the sociocultural, physical, economic and political environments. During the sociocultural screening, an enterprise can analyse criteria such as literacy rates, education levels and the existence of a middle class. The physical screening can include an analysis of the population size, natural resources and climate of a market. Under the economic screening, an enterprise can analyse the economic growth rate, per capita income and inflation rate of a market. Lastly, the political screening can include an analysis of the government system, a government's involvement in business and a country's political stability. Markets deemed unfavourable are then eliminated from further consideration (Cavusgil 1985:30).

The second step involves an analysis of the industry market potential of the remaining markets to determine the current and future demand in an industry. Here enterprises will gather information focusing on local production and distribution (such as the availability of transportation facilities and intermediaries), product potential (such as the needs and desires of customers, and competitive offerings) and market access (such as documentation and import regulations, and local standards) (Cavusgil 1985:30).

The final step involves analysing the enterprise's sales potential in the remaining markets. Here the enterprise, before making their final selection, should focus on forecasting sales volumes (such as the size of customer segments and projected consumption statistics) and determining the landed cost (such as international freight and insurance and domestic distribution) and the cost of internal product distribution (such as local packaging and assembly and promotional expenditure) (Cavusgil 1985:30).

A four-step approach

Brewer (2001:169), investigating the IMS processes followed by Australian enterprises, found a distinct four-step process: establishing a country market set, identifying a country, evaluating a country and selecting the market.

During the first step, the enterprise would identify a country market set, which includes the world minus those markets identified by the enterprise as unfeasible because of practical constraints (Brewer 2001:161).

In the second step, enterprises would proactively or reactively identify a potential market from the chosen market set for further consideration, with reactive identification including enquiries from abroad (Brewer 2001:161).

During the third step – evaluating the market – representatives, visits to markets and knowledge provided by allies were some of the primary sources of information used to evaluate the attractiveness of and competitive position in markets that were awarded a high priority in the previous phase. When evaluating the attractiveness of a potential market, enterprises primarily consider factors such as market size and opportunities for new product development. In terms of competitive position, enterprises generally prefer markets where they can maximise their profitability, there is less intense competition and they can achieve the highest product differentiation (Brewer 2001:162).

The IMS process concludes with the enterprise selecting the most suitable market. As this step involves the commitment of resources, there are instances where attractive markets will not be selected because of resource constraints or when the opportunity in the market is not in line with the enterprise's current strategy (Brewer 2001:163).

A six-step approach

The six-step approach proposed by Geringer et al. (2020:320) consists of an initial screening, an economic and financial screening, a political and legal screening, a sociocultural screening, a competitive forces screening and then the final selection.

The initial screening aims to identify if a basic need for the enterprise's product or service exists. If no need exists for the product or service, 'no reasonable expenditure of effort and money will enable the firm to successfully market' (Geringer et al. 2020:321) its product or services. In conducting this analysis, various forces which could influence demand might be considered, including the climate, topography and natural resources of a market. Additionally, foreign trade statistics can indicate whether a product is imported into or exported from a market (Geringer et al. 2020:321).

During the second step – the economic and financial screening – the remaining markets will be assessed based on trends in interest rates, currency exchange rates, inflation rates and paying habits of customers, amongst others (Geringer et al. 2020:322).

Next, the political and legal screening could consider forces such as political and policy stability, profit remittance barriers and entry barriers (Geringer et al. 2020:324–325). Favourable markets usually are those with high levels of political stability and low legal barriers to entry and investment (Whitelock & Jobber 2004:1439), with entry barriers including legal procedures, corruption, tariffs, quotas and local content regulations (Hill & Hult 2019:215; Rahman, Uddin & Lodorfos 2017:71). On the other hand, political instability has a direct negative effect on risk perceptions and uncertainty and is seen to negatively influence market growth (Buerki et al. 2014:15).

During the fourth step, enterprises should analyse the sociocultural environment of the remaining markets (Geringer et al. 2020:325). In their seminal work, Johanson and Vahlne (1977:24) identified favourable markets as those with minimal sociocultural distance between the home and host markets, known as a small psychic distance. Psychic distance is defined as 'the sum of factors preventing the flow of information from and to the market' (Johanson & Vahlne 1977:24), which results from the perception of differences in, amongst other things, language, education, culture and business practices (Azar & Drogendijk 2014:582; Johanson & Vahlne 1977:24). This was supported by Schu and Morschett (2017:720) and Alexander et al. (in Schu & Morschett 2017:720), who found that language not only increases the propensity of an enterprise to enter a foreign market but also surmounts other market differences. Brewer (2001:158) and Crick and Jones (2000:74), however, found this concept to be flawed in explaining the internationalisation of enterprises from Australia and the United Kingdom.

During the fifth step, an enterprise will focus on obtaining information on the presence of and potential threats posed by competitors within the remaining markets. This will be done by analysing factors such as competitors' market share, the quality levels of their product lines, the levels of their after-sales service and their market coverage (Geringer et al. 2020:326). Through this analysis, the enterprise can gauge its ability to be competitive in the market by assessing its product offering and comparing it to the relative strengths of its competitors (Buerki et al. 2014:16). However, even if a market is considered saturated, enterprises might still enter if they believe this will distract their competitors or if they pursue a strategy of entering the same markets as their main rivals (Geringer et al. 2020:326).

In the final step, an enterprise will make its choice, but not before conducting field trips to the remaining markets to verify the information collected from the desk study (Geringer et al. 2020:326).

Non-systematic international market selection

The systematic models are, however, criticised for being vulnerable to bias because of the subjective nature of the information (Papadopoulos & Denis 1988:39) or so complex that they are not actually implemented in practice (Ellis

2000:444; Musso & Francioni 2014:306). Enterprises are often challenged by the complexity of market knowledge, deficiencies in access to quality information and the overall cost of extensive IMS processes. This makes it less likely that business practitioners and decision-makers will have sufficient market knowledge to conduct a systematic and holistic IMS process (Papadopoulos & Martín Martín 2011:134). This view is supported by Musso and Francioni (2014:306–307), who found that 75.1% of enterprises prefer to use a non-systematic IMS approach, attributable to the fact that small- and medium-sized enterprises, in particular, do not have access to the resources and expertise required to conduct a systematic IMS.

Costa e Silva et al. (2018:594) found that IMS is often not the result of a deliberate strategy but rather enterprises seizing opportunities which arise in markets. These opportunities often come in the form of an invitation to follow an existing customer into a foreign market. Whilst Metin (in Ozorhon, Dikmen & Birgonul 2006:941) found that Turkish enterprises do not use quantitative models to select foreign markets but instead rely on management intuition, expertise and previous experience. According to Herrmann and Datta (2006:765) and Zhang, Zhang and Liu (2007:761), international experience shapes future enterprise expansion activities because it reduces uncertainty regarding market conditions and consequently can increase market commitment. International market selection choices are also based on individual managers' previous experience in various international markets (Clark et al. 2018:463; Crick & Jones 2000:71). The experience gained from working in a foreign market means that individuals can better understand market complexities, which enhances their ability to identify market opportunities. Through this first-hand experience, managers gain a deep understanding of market risks and conditions (Crick & Jones 2000:71; Williams & Grégoire 2015:275) and develop a local network of contacts, which assists them in identifying and selecting markets (Clark et al. 2018:461; Ellis 2000:462; Johanson & Vahlne 2009:1425).

Methodology

Qualitative research, often associated with an interpretivist paradigm (Ponterotto 2005:129), allows a researcher to 'view the world through the perceptions and experiences of the participant' (Thanh & Thanh 2015:24). In particular, a qualitative descriptive research design provides a rich and straight description of an experience or event (Neergaard et al. 2009:2). While Sandelowski (2000:337) is of the opinion that qualitative descriptive research provides no-nonsense, straight 'answers to questions of special relevance to practitioners and policymakers'. Therefore, a qualitative design and, more specifically, a qualitative descriptive design was considered the most appropriate research design for identifying the IMS processes followed by South African enterprises.

Two levels of sampling were used in this study. Firstly, purposive sampling, specifically maximum variation

sampling, was used to sample the unit of analysis – South African enterprises that have expanded internationally. In particular, 12 enterprises with either their headquarters or primary listing in South Africa were selected for inclusion in the study. According to Guest, Bunce and Johnson (2006: 75–76), data saturation is reached after 12 interviews if three points hold true: interview structure, instrument content and participant homogeneity. Interview structure was ensured by using the same interview protocol whilst conducting the interviews. Concerning instrument content, the experience or domain of knowledge under investigation was considered to be widely distributed. Furthermore, participant homogeneity was ensured by only interviewing senior managers who are or have been involved in the IMS process of a South African enterprise that has expanded internationally. In an attempt to cover as much of the South African economy as possible, two enterprises from six industries were chosen to participate in the study. These industries, at the time of conceptualising the research, collectively accounted for 60.4% of the South African gross domestic product: finance, real estate and business services (21.1%); agriculture, forestry and fishing (2.2%); manufacturing (15.4%); medical care and health services (0.2%); wholesale, retail and motor trade; catering and accommodation (12.4%), and transport, storage and communication (9.1%) (Statistics South Africa 2013).

The second level of sampling focused on the unit of investigation where purposive sampling (in particular, key informant sampling) was used. The study required participants with specific experience or expert knowledge (Flachs 2018:180; Marshall 1996:523), in this case, senior managers who have been or are involved in the IMS process of South African enterprises.

Semistructured interviews are deemed appropriate for qualitative descriptive studies, which are typically directed at determining the who, what and where of the subject under investigation (Kim, Sefcik & Bradway 2017:23; Sandelowski 2000:338). In this study, the data was collected using 12 semistructured interviews: nine face-to-face, two on Skype and one telephonic. Participants also received an email with follow-up questions once all the interviews were concluded. The interviews were directed using a self-developed discussion guide. In particular, the discussion guide consisted of four demographic questions, one of which served as a screening question to ensure that the participants complied with the inclusion criteria. This was followed by a brief explanation of systematic and non-systematic IMS processes, after which the participants had to indicate which of the two they followed in their enterprise. Depending on their answer, they were then asked either six systematic IMS-focused questions or three non-systematic IMS process questions, all with possible further probing questions. The researchers, however, paid close attention throughout to ensure that this classification was correct based on the participant answers provided. Table 1 summarises the participant pseudonyms and the industries they represent.

TABLE 1: Participant pseudonyms with their corresponding enterprise and industry.

Participant pseudonym	Enterprise	Industry
Participant A	Enterprise 1	Manufacturing
Participant B	Enterprise 2	Wholesale, retail and motor trade; catering and accommodation
Participant C	Enterprise 3	Manufacturing
Participant D	Enterprise 4	Transport, storage and communication
Participant E	Enterprise 5	Finance, real estate and business services
Participant F	Enterprise 6	Wholesale, retail and motor trade; catering and accommodation
Participant G	Enterprise 7	Finance, real estate and business services
Participant H	Enterprise 8	Transport, storage and communication
Participant I	Enterprise 9	Medical care and health services
Participant J	Enterprise 10	Agriculture, forestry and fishing
Participant K	Enterprise 11	Medical care and health services
Participant L	Enterprise 12	Agriculture, forestry and fishing

All the interviews were recorded with the consent of the participants and transcribed immediately after the interview to ensure an accurate reflection thereof. Based on the information obtained from the pilot study, only minor changes had to be made to the discussion guide to improve the flow of the interviews.

The data was analysed using thematic analysis. The process started with a preliminary exploratory analysis, conducted by reading and rereading the transcripts to become familiar with the data. This was followed by open coding, which was used to determine any similarities and redundancies in the data. Next, the codes were collapsed into themes, and in order to ensure the credibility of the data analysis, researcher cross-checking was conducted (Creswell 2012:243).

According to Connelly (2016:435–436) and Shenton (2004:64), the trustworthiness of qualitative research can be judged by using four criteria: credibility, transferability, dependability and confirmability. The study's credibility was ensured by making participants aware that there are no right or wrong answers and that they could refuse to participate in the interview. They were also made aware that they could stop the interview at any stage without any negative consequences (Shenton 2004:66). Member checking was also employed, where participants were asked to verify the accuracy of the transcripts (Connelly 2016:435; Shenton 2004:68).

Concerns have been raised about the transferability of qualitative research to different settings. Consequently, to overcome this, the researchers provided a thick description of the research to allow the reader to compare the findings with their own situation, as proposed by Connelly (2016:436) and Shenton (2004:69).

According to Polit and Beck (in Connelly 2016:435), a study's dependability concerns the 'stability of the data over time and over the conditions of the study'. However, because of the changing nature of phenomena scrutinised by qualitative researchers, the notion that 'if the work were repeated, in the same context, with the same methods and with the same participants, similar results would be obtained' is problematic (Shenton 2004:71). As a result, to ensure the study's

dependability, a researcher should report the processes followed in a study in detail (Shenton 2004:71). Consequently, the research design and its implementation were explained in detail.

Finally, a researcher must help the reader determine how far the data and constructs emerging from it can be accepted (confirmability) (Shenton 2004:72). As a result, the researchers attempted to show a clear progression from the initial research question to the conclusions, allowing the reader the opportunity to trace the course of the research via the decisions made and procedures described. Additionally, before any interview could commence, the participants also had to sign an informed consent form. The form, explaining the research's purpose, highlighted that participation in the study was voluntary, reminded participants that they could withdraw at any time and assured participants of their anonymity and confidentiality. This information was also summarised verbally to participants. All this was done to encourage honest responses from the participants.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Pretoria Department of Business Management.

Results

Systematic versus non-systematic international market selection process

The literature suggests that enterprises are often challenged by the complexity of market knowledge, deficiencies in access to quality information and the overall cost of extensive IMS processes. Consequently, business practitioners and decision-makers do not have sufficient market knowledge to conduct a systematic and holistic IMS process (Papadopoulos & Martín Martín 2011:134). This was, however, contradicted by the current study, which found that most participating enterprises (10 of the 12) followed a systematic IMS process. One participant stated:

'[W]e would go and we would talk to banks, audit companies, [law] firms, and we would talk to suppliers, and we would get a real good understanding of how business works there. We are currently investigating ... and we have had people there for five months.' (Participant F, Divisional director foreign operations, Wholesale, retail and motor trade, catering and accommodation)

Another participant indicated:

'[W]e have now decided to focus our attention on sub-Saharan Africa and not North Africa. So you get all these reports like World Economic Forum, Competitiveness Reports, Economic Freedom Reports, Ease of Doing Business Reports, reports, reports, reports. You look at the whole continent, and you say, "Where is it most transparent, where is it English-speaking, where is it growing the fastest and how is the country growing?"' (Participant B, International business development manager, Wholesale, retail and motor trade, catering and accommodation)

However, this has not always been the case for one enterprise, with the participant stating:

'[T]here was nothing; there was just doing business by waiting for orders to come in from different countries and fill those orders and wait for the money to come in.'

But now:

'[W]e have identified the following countries; we have looked at the risks and possible rewards in those countries; we have looked at the market, the competitors, and I gave them a document which said this is what we are going to do.' (Participant D, Managing director, Transport, storage and communication)

The participant from one of the two enterprises following a non-systematic approach on the other hand stated:

'[T]hey have a philanthropic foundation, and they basically had a map of countries in Africa where they had not run projects, and so they went and said to us, "You will run projects in places like..." Which [are] really difficult countries to work in.' (Participant I, Managing director, Medical care and health services)

The international market selection process

Based on the participant responses, a four-step systematic IMS process emerged. This sequential process consisted of identifying a geographic area into which the enterprise would consider expanding, identifying a potential market within this geographic area, evaluating the attractiveness of this identified market and selecting or rejecting the market. The process was adeptly described by one participant as follows:

'So the steps were [to] identify the countries, identify the market, the size of the market, players in the market, look at all the risks – political risks and all that stuff – and then decide whether you want to open a branch or just appoint an agent in a country. Then you compile a business plan.' (Participant D, Managing director, Transport, storage and communication)

Step 1 – Identify a geographic area for possible expansion

All but one of the enterprises in the study confirmed that they focus on a geographic area or cultural region before narrowing their options down (see Table 2). This also includes the two enterprises which do not follow a systematic process.

TABLE 2: Geographic areas considered by enterprises for possible expansion.

Enterprise	Geographic areas
Enterprise 1	East Africa, English-speaking countries, Europe
Enterprise 2	English-speaking countries in sub-Saharan Africa
Enterprise 3	East Africa, Middle East
Enterprise 4	Sub-Saharan Africa and Southern African Development Community countries
Enterprise 5	Sub-Saharan Africa
Enterprise 6	Neighbouring Southern African Development Community countries, creeping northwards
Enterprise 7	Pan-African countries, West Africa, North Africa
Enterprise 8	Africa
Enterprise 9	Southern and East Africa, English-speaking countries
Enterprise 10	Southern Africa, West Africa, East Africa
Enterprise 11	English-speaking African countries – preference for Southern Africa
Enterprise 12	The world

Step 2 – Identify a potential market

After identifying the geographic area, potential markets are identified from within this geographic area for further investigation. As stated by one participant, 'when I did my strategy document for Africa, Zambia came up' (Participant D, Managing director, Transport, storage and communication). Another participant stated:

'[W]e are not in East Africa; we are pretty much down towards South Africa. So, I would guess that, at the time, it would seem like a natural progression because you have Botswana, Lesotho, Namibia and then to move up towards Zambia and now we are a little bit more ambitious: we are exploring Ghana, Nigeria...'. (Participant F, Divisional director foreign operations, Wholesale, retail and motor trade, catering and accommodation)

To identify a market for consideration from the geographic area identified (Step 1), the participating enterprises use a combination of nine information sources: business allies (12 enterprises), desk research (12 enterprises), networks (11 enterprises), site visits (10 enterprises), representatives (10 enterprises), published reports (10 enterprises), government programmes (nine enterprises), client enquiries (eight enterprises) and experience (five enterprises). As stated by one participant:

'[B]ecause we are such a big group of companies, so whoever is already existing in a particular country becomes the country champion. ... So, if I am looking into going into a specific country based on an expression of interest or perhaps from some research that I have done to see if there is movement in the country, I would then contact that person that is already operating there and considered to be the country champion, and I would then use them as my base to then go in and obtain my local intel.' (Participant H, Commercial executive, Transport, storage and communication)

Consequently, contrary to the view of Metin (in Ozorhon et al. 2006:941) that emerging-market MNEs select foreign markets based on previous experience, previous experience was the least-used source of information when identifying potential markets.

Step 3 – Evaluate the potential market

When evaluating a potential market, five categories of criteria are considered (see Table 3): economic, political, competitive, sociocultural and legal. These align with the criteria identified by Cavusgil (1985:30) and Geringer et al. (2020:320). As it is not practically possible to provide an in-depth discussion of each criterion considered under each of the five categories, only the most-cited criteria under each category have been discussed.

Regarding the economic environment, market size was the most frequently cited criterion identified by seven of the 12 participants. For example, one participant stated, 'I would never go into a market if I don't know the size of that market' (Participant D, Managing director, Transport, storage and communication). Another participant said, 'you gotta have the ability to get scale, so what we don't do is we don't go to countries and flag plant' (Participant F, Divisional director

TABLE 3: International market selection criteria.

Enterprise	Selection criteria				
	Economic	Political	Competitive	Sociocultural	Legal
	Market size ¹ , consumer tastes and preferences ² , potential for growth ³ , gross domestic product ⁴ , population size ⁵ and growth ⁶ , foreign exchange ⁷ , interest rates ⁸ , inflation rates ⁹ , commodity pricing ¹⁰ , market stability ¹¹ , profit potential ¹² , Economic Freedom Index ¹³ , labour availability ¹⁴	Policy stability ¹ , political stability ² , avoidance of corruption ³ , relationships with embassies and governments ⁴ , safety concerns and war ⁵	Size ¹ and presence of competition ² , brand awareness and loyalty ³ , channel infrastructure ⁴ , ability to capture market share ⁵ , potential to make profit ⁶	Language ¹ , religion ² and corporate culture ³	Laws governing the registration of businesses ¹ , profit repatriation and remittance barriers ² , intellectual property rights ³ , understanding local legal environment ⁴ , taxation laws ⁵ , Ease of Doing Business Index ⁶
Enterprise 1	1, 2, 12	3, 4	1, 2, 5, 6	1(E+, P-, F-), 3	4
Enterprise 2	3, 4, 7, 9, 13, 14	2, 3, 4, 5	1, 2, 3, 4, 5, 6	1 (E ⁰ , F-), 3	1, 2, 5, 6
Enterprise 3	1, 2, 3, 10, 12	1, 2	1, 2, 5, 6	1 (E+)	3, 4
Enterprise 4	1, 2, 7	1, 2, 3, 5	1, 5, 6	1 (P ⁰ , F ⁰)	2, 4
Enterprise 5	1, 14	2, 3, 4	5, 6	1 (E ⁰ , F ⁰ , P ⁰) 2, 3	2, 3, 4, 6
Enterprise 6	1, 2, 3, 5, 7, 9, 12	2, 3	2, 3, 4	1 (E+, P ⁰)	1, 2, 4, 5, 6
Enterprise 7	2, 4, 5, 6, 7, 12	2	1, 2, 4, 5, 6	1 (F ⁰), 3	1, 4
Enterprise 8	1, 2, 3, 10, 11, 12	1, 2, 5	5	1 (P ⁰ , F ⁰)	2, 4, 5
Enterprise 9	3, 6, 11	3, 5	3, 5, 6	1 (E+, F-), 3	2, 5
Enterprise 10	1, 2, 4, 8, 9	1, 2, 3, 4	2, 5	1 (F ⁰), 3	1, 2, 4
Enterprise 11	12	4, 5	4, 6	1 (E+), 3	3, 4
Enterprise 12	3, 4, 10, 11, 14	2, 4	1, 2, 5, 6	3	4

E, English-speaking countries; F, French-speaking countries; P, Portuguese-speaking countries; +, Positive attitude towards the language (preference towards); 0, Neutral (the language does not deter or encourage their IMS decisions); -, Negative attitude towards the language (they avoid countries with this language).

foreign operations, Wholesale, retail and motor trade, catering and accommodation).

Nine participants identified political stability as the most-cited political environmental criterion. One participant indicated:

‘Obviously, there are some countries that we would regard just as too high-risk for various reasons, depending [on] political stability; for example, we wouldn’t necessarily go into ... or ... because those countries are high risk.’ (Participant F, Divisional director foreign operations, Wholesale, retail and motor trade, catering and accommodation)

Another participant explained the importance of political stability:

‘[R]ight now with ... being in the situation that it’s in, would we then go on our own and pursue opportunities or expressions of interests? Right now, we wouldn’t do that very easily because we know that there is a lot of instability there.’ (Participant H, Commercial executive, Transport, storage and communication)

When conducting a competitive screening, 10 participants identified the ability to capture market share as an IMS criterion, with one participant stating:

‘[I]f you already know that they have already got the bulk of the work in a country, and you try to infiltrate that country, you know, for example, there is only going to be 10% of work available that hasn’t been secured by somebody, then you would have to make a call on whether you want to go for it or not.’ (Participant H, Commercial executive, Transport, storage and communication)

Another participant explained why they pulled out of a market: ‘we would not easily go back; it’s a small population’ (Participant F, Divisional director foreign operations, Wholesale, retail and motor trade, catering and accommodation).

When conducting a sociocultural screening, language was the most frequently cited criterion – identified by 11 participants – with English, French and Portuguese mentioned. In particular, French and Portuguese acted as a deterrent in some instances: ‘if I want to appoint somebody to be the manager of my business in Mozambique, and I don’t appoint a Portuguese-speaking person, I can forget to get anything done’ (Participant D, Managing director, Transport, storage and communication). Another participant indicated that in ‘francophone Africa, we are not really big there because we don’t know how to speak the language’ (Participant J, Director investment and corporate development, Agriculture, forestry and fishing).

Finally, 10 participants stressed the value of understanding the local legal environment, with one participant stating: ‘so you would need to know the environment you’re working in, roughly how the legal structure works’ (Participant C, Business development and portfolio manager, Manufacturing). According to another participant:

‘So ideally, what you would have to do is make sure you have the right expertise in-house, which we do, to give us advice if we were going to go into Ghana or into Kenya, what the best mechanisms that we should use [are]...’ (Participant H, Commercial executive, Transport, storage and communication)

The findings also show that in most cases, a more extensive list of criteria is considered when greater capital investment is required. In particular, the two enterprises not following a systematic IMS process are people-intensive and operate in the medical care and health services industry. Consequently, being people-intensive, their asset repatriation risks would be lower than those of capital-intensive enterprises (Malhotra & Hinings 2010:332). Therefore, the due diligence required is less than for capital-intensive enterprises. As stated by one participant:

'[I]f we are going to build ... which is a huge capital outlay, you almost need to be ironclad in your business case, so everything needs to just tick off. But if it's one of our other businesses like ... where it's literally just five guys who just come in, and if there is [a] coup, we can just go in and evacuate. So maybe with that business we will be a bit relaxed on certain things.' (Participant J, Director investment and corporate development, Agriculture, forestry and fishing)

Finally, the participants indicated flexibility in their IMS decision-making process and that the order in which the criteria are considered is not sequential but flexible. In some instances, the criteria might even be considered simultaneously. One participant stated, 'in reality, all of that happens in parallel'. They added:

'[Y]ou hardly ever get, "Let's do this step and finish that, then let's go to the other." You have to keep a very holistic view of all of that.' (Participant J, Director investment and corporate development, Agriculture, forestry and fishing)

Step 4 – Select the market

The final step in the process is selecting a market. However, there are instances when an enterprise will not commit to a market even after going through the entire IMS process – and not because the market is unattractive but because of resource constraints. This finding was clearly confirmed by one participant:

'My decision to go there is less about there and more about here because I have to fund that growth. I have a client right now that I can take on, but it's gonna cost me another million rand a month in seed capital, and I am not ready for it. I want to consolidate first.' (Participant A, Chief executive officer, Manufacturing)

This echoes a similar finding by Brewer (2001:163).

Discussion

According to Papadopoulos and Martín Martín (2011:134), enterprises challenged by the complexity of market knowledge, deficiencies in access to quality information and the overall cost of extensive IMS processes do not have enough market knowledge to conduct a systematic and holistic IMS process. However, based on this study's findings, this does not apply to enterprises from South Africa, with the majority of enterprises in this study following a distinct, four-step, systematic IMS process. The sequential process consisted of identifying a geographic area into which the enterprise would consider expanding, identifying a potential market within this geographic area that could be analysed for possible expansion, analysing this market and selecting a market. This process resembles the IMS process followed by Australian enterprises (Brewer 2001:169). The findings further contradict those of Metin (in Ozorhon et al. 2006:941), who found that enterprises from another emerging market, Turkey, use non-systematic IMS processes, where management intuition, expertise and previous experience are employed. In particular, previous experience was the source of information least used by South African enterprises when identifying a country for consideration. This highlights that

research findings from one emerging market cannot and should not automatically be generalised to other emerging markets.

The findings, however, support the extant literature showing that economic, political, competitive, sociocultural and legal criteria are broad categories of criteria considered when conducting an IMS (Cavusgil 1985:30; Geringer et al. 2020:321–326; Kumar, Stam & Joachimsthaler 1994:33–34). It was, however, found that most enterprises in the study use these selection criteria flexibly and, in some cases, simultaneously rather than consecutively as proposed by other IMS models (Cavusgil 1985:30; Geringer et al. 2020:321–326). Market size was the most often cited criterion in the economic analysis, confirming Górecka and Szalucka's (2013:36) finding. Furthermore, political stability was the most often cited selection criterion in the political analysis. In particular, nine participants identified political stability as a selection criterion compared to four who identified policy stability – contradicting Geringer et al.'s (2020:325) view that policy stability is more important than political stability when conducting an IMS. The finding that language was the most often cited criterion in the sociocultural screening supports the views of Schu and Morschett (2017:720) and Alexander et al. (in Schu & Morschett 2017:720), who state that language increases the propensity of an enterprise to enter a foreign market and surmounts other market differences.

The analysis based on these criteria only starts in Step 3 of the process once an appropriate market has been identified by collecting information from business allies and networks and conducting desk research (amongst others).

Finally, the study has highlighted the role played by capital investment in the IMS process. As the two enterprises that do not follow a systematic IMS process are people-intensive; consequently, their asset repatriation risk is lower than that of capital-intensive enterprises. Therefore, they can afford to follow a more unstructured approach.

Conclusion

This paper aimed to determine which IMS processes, if any, South African enterprises follow when selecting international markets. Doing so would contribute to our understanding of how emerging-market enterprises internationalise and provide a template for other enterprises considering international expansion. The latter is of particular importance considering that contrary to the seminal work of Johanson and Vahlne (1977:27–28), Malhotra and Hinings (2010:332) believe that there are ways of gaining internationalisation knowledge other than experiential learning, including learning through imitation. Consequently, enterprises contemplating international expansion can imitate enterprises such as those in this study. Furthermore, their distinct four-step approach to IMS aligns with the IMS literature, which stresses the importance of following a systematic approach to selecting international markets if one wants to successfully expand internationally.

Limitations and future research

The study focused on determining the IMS processes followed by South African enterprises and did not consider the motivation behind the international expansion. Furthermore, the enterprises in our study were diverse with regard to their size, industry and available capital; thus, we were presented with many different scenarios of expansion. Therefore, future research could focus on South African enterprises with a specific expansion motive, of a particular size or from particular industries, thus providing a more in-depth perspective of IMS in a South African context.

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Competing interests

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Authors' contributions

All three authors, N.L.A., F.F.M. and A.J.V., were involved in the conceptualisation of the article. N.L.A. and F.F.M. were primarily responsible for the data collection and analysis. The first draft of the article was produced by N.L.A. and F.F.M., after which A.J.V. was responsible for finalising the article for submission, including all corrections as required by the reviewers.

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Data availability

The data upon which this article is based are available on request. However, to ensure the confidentiality of the participants and their enterprises, no participant or enterprise information can be shared.

Disclaimer

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