

Impact of firm-level factors and market entry mode on performance: A study of service MNCs in an emerging economy

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ABSTRACT

The study examined the market entry strategies of multinational services companies into Ghana's service sector and the linkages to firm level performance after entry. Literature was reviewed on market entry strategies, internationalisation, globalisation of service firms and resource-based theory. The study adopted a quantitative research approach in this study to enable empirical testing of Ekeledo and Sivakumar (2004) framework. The study found that firm specific factors affect the market entry strategy while the entry strategy also affects performance after it enters the market. Home country factors and the features of services are also seen to moderate on the effects mentioned. The study also found that the features of services were an industry wide issue not so much consideration is given to it.

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1. Introduction

The issue of market entry strategy continues to be of great interest to international business academics and practitioners (Malhotra et al., 2003; Mayrhofer, 2004). The chosen market entry strategy is important as it determines the manner in which multinational enterprises (MNCs) develop and implement marketing programs, coordinate business activities both within and across markets, and ultimately the MNCs' success in foreign markets (Erramilli and Rao, 1993; Malhotra et al., 2003).

Scholars and practitioners agree in the interest of the research on market entry strategy and its impact on the success or failure of the firm's market and financial performance (Scott, 2000). Entry into foreign markets, initially and on a continuous basis, should be made using methods that are consistent with the company's strategic objectives (Albaum et al., 2004). From a strategic perspective, entry strategy is influenced by the international strategy pursued by the firm for its foreign venture or market expansion.

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There are several factors that needed to be considered when it comes to market entry strategies. However, it is always important to consider the hindrances to market entry. Barriers to entry have been a popular field of research since the seminal work of Bain (1956). Barriers are obstacles preventing entrant firms from being established in a particular market (Porter, 1980). These play a key role in impacting the kind of strategy that an MNC employs in entering a new market.

Another key issue that has to be discussed when dealing with market entry strategies of MNCs is the issue of liability of foreignness (LOF) (Chen et al, 2006). The theoretical foundation of LOF is the work of Hymer (1976), who indicated that foreign firms face additional costs, not incurred by local firms. The literature indicates that the additional costs incurred by a foreign firm due to LOF, diminish its competitive advantages over domestic counterparts (Luo & Mezias, 2002). Although a great deal of research has focused on LOF (Luo & Mezias, 2002; Luo et al., 2002) significant gaps remain in the literature hampering academic understanding and managerial action. Currently most studies only focus sources of LOF without looking at other factors impacting LOF.

The concept of strategy competence also comprises an international market experience dimension which highly related to the market strategies of MNCs. High familiarity with international market conditions particularly strengthens the competence and the possibility of finding sustainable positions in local markets. Local market conditions may be specified by aspects such as market entry barriers (Porter, 1980; Robinson & McDougall, 2001), the behaviour of competitors in the market (Bengtsson, 1998), consumer behaviour in the market (Rumbo, 2002), and local preferences for technology and choice of suppliers (Makadok, 1998). Familiarity with international market conditions might be acquired through any sequence of market entry or any way of searching knowledge on the conditions external to the firm (Pehrsson, 2004).

The mode of a firm's entry into the international market however embodies all of the above issues and hence is very important to the success or failure of the firm in the host country. The study will seek to explain the market entry strategies of MNCs into Ghana's service sector by first understanding the factors that facilitate their entry into Ghana as well as the relationship between strategy competence and performance of these multinational firms. The research will seek to understand the entry strategies in the light of the following;

- a) To examine the firm level factors that affects multinational corporations' market entry into Ghana (Cavusgil et al., 1997; Pehrsson, 2008).
- b) To evaluate the moderating factors influencing market entry strategies employed by multinational firms that enters the Ghanaian services sector.
- c) To determine the link between market entry strategy competence and performance in the context of international market entry (Pehrsson, 2004).

2. Literature review

2.1 Market entry modes

Several studies have been conducted by scholars into the subject of market entry strategies of multinationals in various sectors. Multinational corporations (MNCs) also referred to as multinational enterprise or transnational corporations, refer to firms that operate in more than one country (Caves, 2007; Pitelis and Roger, 2000). Authors like Pitelis and Roger (2000) suggest that MNCs ability to do business in foreign countries without local practices seems paradoxical. However, authors like Ekeledo and Sivakumar (2004), Kim et al. (2002), Koch (2001) and Sun (1999) have written on how these multinational firms enter foreign markets in various areas like manufacturing and services. However, between service and manufacturing, literature on entry strategies still remains at its initial stages and more especially in the developing world. Much of the existing literature on the choice of

market entry strategy is addressed in a gradual fashion on many seemingly dissimilar factors, and suggested an eclectic theory by fusing varying explanations of the variables that control the global firms' choice of market entry strategy (Hill et al., 1990).

Market entry modes are described as the nature of capital participation by multinational corporations in host countries. They represent the modes in which these MNCs enter their host country with their investment. In terms of property rights, entry mode is the ownership structure of a foreign subsidiary (Sun, 1999). Sun (1999) discusses two main modes of entry. The first being Joint Ventures, which can be sub-divided into various categories depending on the percentage ownership, held by the multinational company. The second is a wholly owned subsidiary of the multinational company. In each of these cases the company achieves this through either acquiring an existing company or by registering a new company.

Blomstermo et al (2006) discuss two main approaches to evaluating the modes of market entry by MNCs. They state that multinationals can either employ high or low control forms of market entry. High control market entry modes take the form of the following majority owned subsidiary and wholly owned subsidiary. Low control market entry modes also take the form of different types of contractual relationships and licensing. Firms that adopt the high control market entry modes are exposed to a greater degree of uncertainty in their host countries while more resource commitments are also needed. While the reverse is true when it comes to low control market entry mode types, they typically require low resource commitments and hence reduces the uncertainty involved in internationalising. The high control entry mode offers the highest mode of integration/control, while low control entry modes, such as cooperative agreements, offer the lowest (Erramilli & Rao, 1993).

When firms want to build up personal relationships, carry out on-site research, and understand the needs of the host country buyers and markets then high control modes are preferred (Hastings & Perry, 2000). Zahra et al. in (2000) indicated that high control foreign market entry modes still remain much more conducive environment for fast technology learning firms. As firms gain experience it comes along with confidence, and a better estimate of risks and opportunities, and the along with the inclination to opt for high control entry modes (Blomstermo et al., 2006). High control entry modes are also preferred when brand name value is of high repute (Klein & Leffler, 1981). Firms decide to opt for low control entry modes when they want to commit fewer resources when they are exposed to risk, and/or when the demand conditions are uncertain (Kim & Hwang, 1992). Given the necessity for services firms to tailor their services to the needs of their clients, which requires more pragmatic knowledge of host country markets and clients, services-service firms are more likely to choose high control foreign market entry modes as a strategy. The table below provides a summary of the discussion on high and low control foreign market entry modes.

Table 1
Characteristics of Multinationalising Firms

Entry Mode	Form	Control	Relational Friction	Commitment
Wholly owned subsidiary	Subsidiary	High	Low	High
Partly owned subsidiary	Minority/majority ownership, affiliates	High/moderate	Low/Moderate	High/Moderate
Contract, alliances	Relationship	Moderate	High/moderate	Low
Market	Exports	Low	High	Low

Source: Anderson & Gatignon (1986); Erramilli & Rao (1993); Blomstermo et al., 2006

Wheeler et al (1996) indicated that available empirical evidence tended to suggest and emphasize that there is diversity in market entry modes and channels of distribution specifically per his study in 2001. Also adopting aggregate data, Buckley and Smith (1994) showed that large variations in market servicing strategies among industries and country, and between firms when the latter two variables

were held constant. Clark and Mallory in 1995 confirmed the findings of Buckley and Smith in 2004 when he studied 203 market servicing mode adjustments of UK-based firms. He found that while export continuous to remain the most popular form by which companies interviewed entered the international markets, the gradual move from minimum overseas concern directly to overseas manufacturing was the second most popular entry mode. Again, the international market servicing strategies of the same firms varied extensively among countries. Considering the issues from a broader, it is realised that a very significant proportion of firms that want to multinationalise or internationalise, use the agent/distributor approach to exporting.

Market entry mode is a variable that is dependent, defined as “an organization-wide arrangement that makes feasible the entry of a company’s products, technology, human skill, management or other resources into a foreign country” (Kim et al., 2002). Root (1987) suggests the following market entry mode classification scheme consisting of the following indirect/ direct export, licensing, franchising, technical alliance, service contract, management contract, turnkey contract, joint venture, and Greenfield entry. Anderson and Gatignon suggested a similar categorization idea in 1986, but it was more itemized than Root’s classification in that it differentiates the foreign market entry mode according to the number of partners.

A study undertaken by Sun (1999) into market entry modes into China indicates that there are three basic modes to firms that want to internationalize into China. These are namely wholly foreign-owned enterprise, equity joint venture and contractual joint venture. These three types of foreign market entry types are jointly defined in China as “foreign-invested enterprises” and there are variations in the legal form they take; management structure and capital and risk involvement. An equity joint venture is a new limited liability company formed by the internationalizing firm and their Chinese partners with equity and management shared in a negotiated proportion (Sun, 1999).

Kim et al. (2002) reported that exporting is the form of market entry mode that demands the least in terms of resource commitment on the part of the company that is internationalising, while also presenting very little challenges in terms of risk and uncertainty, but as with any low risk investment has the smallest potential to spawn profit when the business becomes a success. Contract-based market entry mode requires resource commitments bigger than that required of exporting concerns, but also presents challenges of risk and uncertainty higher than that of the exporting mode. There are two primary modes of contract-based market entry, the first concerning multiple partners and the second concerning only a few partners which can be foreign, domestic, or both. The market entry mode that demands the most considerable resource commitment is generally investment-based like joint ventures and FDI Like in the contract-based entry. A firm involved in a joint venture with majority stake enables the business to obtain more profit if the venture is successful, but also requires it to make bigger resource commitment and faces greater risk and uncertainty (Kim et al., 2002, Tsang, 1997).

2.2 Market entry modes of service firms

The earlier section centred on the general literature on market entry modes. This section places specific emphasis on the market entry modes of service organisations like the services sector. Services are no longer a minor or superficial part of the world economy, but go to the heart of value creation itself. Service organisations are in recent times recognising that their growth can only continue if they exploit the international market. The services sector is one of the fastest growing sectors of major economies in the world especially within Africa where lack of infrastructure in the past led to a poor or lack of services.

However, internationalisation for service firms can be a risky business. This is evidenced by recent service failure of Sainsbury in the Egyptian market in 2001 after investing in nearly one hundred

chains of supermarkets (Palmer, 2008). Many of the fundamental principles of marketing management that have been applied to a firm's domestic market will be of relevance in the international market. According to Palmer (2008), the processes of identifying market opportunities, selecting strategies, implementing and monitoring those strategies involve basically similar principles to those that apply in the domestic market. Cicic et al. (1999) reported that international operations in service firms are driven by the same variables as in manufacturing firms, although the intensity and direction of some of the relationships require adaptation and changes. The main difficulty for internationalising service firms lie with sensitively adapting local strategies to the international market, which may be absolutely different from their home turf.

Conceptual difficulties seem to occur in attempting to analyse international trade in services. Trade in physical goods is represented in stocks of goods moving in one direction and payment in the other. The intangible nature of most services makes it difficult to ascertain their magnitude. An analysis of international trade in services is complicated by the diverse nature of producer-supplier interaction, stemming from the inseparability of service production/consumption processes (Palmer, 2008). Inseparability of services is incurred by customer's involvement in the creation process of delivering services by the service organisation (Ekeledo & Sivakumar 1998), this relates to the simultaneity of creation and utilization of services, a unique attribute of service sector.

With these conceptual difficulties in mind, however there are several international market entry modes forms for service firms that seek to internationalise. These are entry modes are the same as those for manufacturing concerns that seek internationalise. Adopting a variety of these entry modes, such as, licensing, establishing a subsidiary abroad, joint ventures, or exports is critical for internationalising service organisations. The choice of international market entry strategy is important and closely linked to control. Control is central as it helps deliver the ultimate purpose of the organization; success in the foreign market. Again, control is the single most important variable that ascertains risks and rewards, the measure of relational friction between clients and suppliers, and at the end of the day, the feat of the investment abroad (Barkema & Vermeulen, 1998). Control over international market entry strategy provides an opportunity for service firms to deliver timely and good quality services to their foreign clients, which helps protect reputation. Research relating to control and entry mode strategy for internationalization of services is very critical. Further research is also critical, as results reported from manufacturing organisations may not necessarily apply to service firms (Erramilli & Rao, 1993).

Blomstermo et al. (2006) discuss international services in a two fold approach. They address services as either hard or soft. An argument is made for this classification as helping to meaningfully reduce the broad diversity of the services sector and discover useful insights related to international entry mode strategies that go beyond individual service organisations (Ekeledo & Sivakumar, 1998). Services are characterized by inseparability of production and consumption, intangibility, and which, in turn, are related to heterogeneity and perishability. These four features of services are central to the analysis of the international operations of service firms as well as how services are marketed (Aharoni, 2000; Palmer, 2008). Intangibility refers to the following facts that services are experienced when performed, difficult for clients to understand, difficult to display and communicate to clients, quality is hard to determine for clients and prices are difficult to set. Service inseparability can also be discussed in the following light, client is required to participate in production, service delivered is tied to a particular provider, amount of service depends upon provider and strong provider/client link can create capacity problems. Services are not always performed the same and team selling can compound this problem. Variable quality raises perceived risk for client and service organisations must seek to reduce perceived risk. Services cannot be inventoried, returned, or resold. Opportunity to sell services is quickly lost and never regained. Idle services during slow times therefore represent revenue lost forever.

A new international market presents both a potential opportunity and risk to a service firm. A firm's market entry strategy should aim to balance these two elements. Where inseparability of service production and consumption occurs, local outlets should be established (Palmer, 2008). Risk in a foreign market can be reduced by committing resources to that particular international market based on the service organisations experience in that foreign market. Market entry risk reduction strategies also have a time dimension (Palmer, 2008). While there are clear benefits in having first mover advantages in a foreign market, if hurried, and service quality is not guaranteed it can have serious repercussions for the service firm's image in the foreign market and the wider international market. Where inseparability of a service offer makes it difficult to offer services from the firm's home base or provide the service with a local firm then the organisation can consider setting up a local subsidiary that comes with a greater investment but also a greater reward if the venture ultimately is successful.

Hard services refer to those services whose production and consumption can be decoupled. Such as, architectural services and software services, which can be transferred into a tangible medium, like a document and a diskette. They can often be standardized, making mass production feasible. While in the case of soft services, the production and consumption occur simultaneously, decoupling is not possible or not a likely option. The soft-service provider must be present abroad from their first day of foreign operations (Blomstermo et al., 2006). As Palmer and Cole (1995) note, suppliers of soft services are an integral part of their product, requiring higher control over the production process. Examples include the following service sectors, management consultancies, hotels, and hospitals these require close proximity of the service provider and his/her service clients. It must be noted that Palmer (2008) also provides other forms of classifying services like marketable and non-marketable services as well as business-business services and business-consumer services.

A crucial task for international services marketing management is the creation of marketing programmes that are sensitive to local or host country needs. The process of globalising a service offering different from those of tangible offerings, on account of greater variability of services. Whether service firms choose to standardise their offerings globally or decide to adapt to the needs of the, local is also hugely dependent on the nature of the services been offered. Some fast-foods restaurants have, adapted their menus; staff training methods and architectural designs to meet local conditions, while retaining a common process formula worldwide. Services can enjoy the best of both worlds, retaining their competitive advantage by remaining true to their basic managerial approach while changing their product to meet local needs.

2.3 Barriers to market entry and its impact on the entry strategy

Services companies face several challenges in trying to take advantage of host country competitive advantages as they seek to expand. These form barriers to entry of multinational firms into the specific host country, these impact definitely the strategy that these firms adopt when entering the foreign market. However, entering a foreign or the international market to expand the firm's operations is often a major strategy of most MNCs expansion (Luo, 2003). Market-seeking investments are directed at taking advantage of the host country's market and are driven by the size and growth potential of the market (Chudnovsky & Lopes, 2004).

Market entry barriers make reference to the several factors that come together to prevent new firms from entering into an industry. These occur in different forms like licenses capital investment requirements and difficulty in accessing raw materials. The ease with which new firms enter an industry is very critical to how firms within the industry are able to maintain their competitive advantage. In industries with weak barriers competitive advantage easily wanes while the reverse is true for industries with tough barriers. Existing firms will react harshly to new entrants into an

industry when the industry is usually in its matured or declining stages where it is characterised by very slow growth rates.

Theoretically, further insights of the relationship between conditions external to the firm and the firm strategy, and, therefore, application of the contingency perspective discussed by Peteraf and Reed (2007) is needed and is very necessary. The essential observation is that a fit between conditions external to the organization and firm strategy presents a foundation for competitive advantage and high performance (Miller, 1996). According to Peteraf and Reed (2007), an earlier fundamental criticism of the contingency theory was that contingency research was reductionist in nature (Meyer et al., 1993), and the empirical models accounted for very little of the impact of interactions between essential elements. Nonetheless, current studies on internal alignment focus on interaction impacts among firm attributes and effects on firm performance (Levinthal, 1997). However, knowledge of interactions among external conditions and the impact on firm strategy is still very parsimonious.

Barriers to entry can be classified as either endogenous and/or exogenous (Shepherd, 1979). Exogenous barriers are those that make reference to the fundamental market circumstances and, in principle, multinationals are not able to control exogenous barriers to market entry. In contrast, those barriers that are endogenous are created by the firms through their market strategies and their competitive activities and are therefore based on incumbents' reactions to market entrants' efforts to become recognized. Gable et al. (1995) reports that commonly the barrier types are mutually reinforcing, and they may be difficult to construe.

Endogenous barriers are formed by the competitive attitudes of existing industry players in harmony with their market strategies (Pehrsson, 2009). Essential endogenous barriers may begin from excess capacity. This is usually accompanied by greater than before advertising or promotional programme (Gable et al., 1995) or pre-emptive pricing strategy that will result in price wars as a primary form of competition (Simon, 2005). It is thus apt to view endogenous barriers as existing firms' reactions to new market entrants (Karakaya & Stahl, 1989). In actual fact, incumbents may discourage the entry of newcomers just by creating expectations of fear for the incumbent's post-entry reaction (Karakaya & Stahl, 1989). With regard to the exogenous barriers, incumbents' cost advantages are seen as very important by some authors (Han et al., 2001). This market entry barrier shows that existing industry players may have absolute or variable cost advantages, forcing the entrant firm to achieve some scale effects and lower costs. Incumbents' product differentiation according to Schlegelmilch and Ambos (2004) is an added important barrier as it creates loyalties and relations among buyers and established sellers, and associated obstacles for the entrant trying to access customers (Johansson and Elg, 2002). Exogenous and endogenous barriers have been found to be mutually reinforcing by Gable et al., 1995. "They studied entry barriers in retailing and found that incumbents frequently increased advertising and sales promotion when reacting to market entrants. These measures enhanced the degree of product and service differentiation attributed to the incumbent, while the measures also provided a method for an existing retailer to increase the costs of entry to a potential competitor. The observed endogenous barriers of increased advertising and sales promotion thus reinforce the exogenous barriers of capital need and product differentiation" (Pehrsson, 2009).

Some specific market entry barriers include government policy, access to channels of distribution, economies of scale, switching costs, capital requirements and product differentiation. It is therefore essential to realise that entry barriers evolve over time and so do the existing firms also adapt their strategic plans of preventing new entrants from participating in the industry. Additionally, entry barriers are surmountable and new entrants should take advantage of resources within and without the organisation (their firms) to overcome these barriers. The effects of these barriers on the market entry strategies of multinational firms are numerous and varied. Studies on the effects of barriers to market entry by researchers are on two strategy components, these are product/market scope (Delmas and

Tokat, 2005; Haveman, 1993; Pehrsson, 2009; Robinson & McDougall, 2001), and product/service differentiation (Delmas et al., 2007; Russo, 2001; Schlegelmilch & Ambos, 2004) as well as innovativeness (Han et al., 2001; Salavou et al., 2004).

2.4 Entry strategy effectiveness and firm performance

The effectiveness of a firm's entry strategy refers to the impact the firm is able to make as a result of the strategy it employs in entering the host country. The study will seek to understand this by using the 'strategy competence' concept researched by Anders Pehrsson (2004). The term 'strategy competence' is composed of two dimensions: the international market experience of the firm; and relatedness among the businesses of the firm. Academicians and practitioners consent in the interest of the research on entry strategy and its effects on the success or failure of product innovations (Scott, 2000). Specifically, the mode of entry and its timing is considered a key factor, and the significance of the decision on this factor is reflected in the many scholarly articles and journals that attempt to assess the relationship of order-of-entry with a firm or a new product's performance (Rodriguez-Pinto et al., 2007). As regards business relatedness, the exploitation of similarities has been singled out as a major determinant of performance (Pehrsson, 2004).

Pehrsson (2004) examined the link involving strategy competence and performance in the context of international market entry strategy in his study of Swedish business concerns in Germany and reports that inadequate customer access challenges lead to performance. While, high relatedness between the organisations core business and the local business, in terms of related needs for management skills and like brand recognition, leads to high performance of the local business. In light of his findings, management should be well advised to take advantage of critical management skills like brand management from the core to the local business and to constantly assess means of achieving customer access.

Experience with the international market conditions mostly strengthens the competence and the likelihood of acquiring sustainable positions in host country markets. This experience with international market conditions can be acquired by way of any sequence of market entry strategy or by searching knowledge on the environment external to the company. The principal strategy competence for a specific organisation or company is as a result of the position of its businesses relative to the core business of the company. A company without roots in the local environment is frequently obvious in socio-cultural variations between countries. This is evident in the business relatedness aspect of the concept (Pehrsson, 2004). The term "related-core" draws on the explanation of a core competence which is made up of the core business of the company (Rumelt, 1982). According to Pehrsson (2004) at least three tests can be applied to identify core competences of a company. Pehrsson identifies them as follows; first, "an opportunity to gain access to a multiplicity of markets. Second, competence should contribute immensely to the value firms deliver to their clients. Finally, a core competence is the kind of competence that is difficult for competitors to imitate". Market entry barriers and associated relatedness (Pehrsson, 2009) issues is also a key component of strategy competence. The connection between a company's views of barriers to entering foreign markets and issues that arise from it thereof is a primary attribute of the strategy competence concept (Pehrsson, 2004, 2007). The host country conditions also create further costs for multinational firms.

Some current literature attempts to measure the impacts of first-mover and early-mover advantages (Makadok, 1998). It is very characteristic to find a positive correlation between early entry and the market share obtained as reported by Kalyanaram et al. (1995), which was confirmed by Szymanski et al. (1995) and VanderWerf and Mahon (1997). On the contrary, there is a striking lack of literature or studies on the relationship between order-of-entry and other measures of performance such as profitability (Rodriguez-Pinto et al., 2007). However, timing is not the only vital decision when entering new markets: other variables such as order and scale of entry can also have an effect on the

final results. According to scholars such as Szymanski et al. (1995), Kerin et al. (1992), and Lieberman and Montgomery (1998), the impact of the order and scale of market entry strategy on company performance should be better defined by employing a contingency approach that provides an explanation for the moderating role of firms' resources and capabilities. The resource-based view of the firm seems to be a capable direction for the advance in research on the entry strategy-success relationship (Schoenecker & Cooper, 1998).

2.5 The Conceptual Framework

Several theories suggest a multiplicity of opinion on internationalisation as a process and consequently suggest different market entry strategies and modes selection approaches. Table 2 below presents a comparison of the theories of internationalisation. Whitelock (2002) indicates that each school of thought has its own peculiar contributions but a zone of convergence is also apparent; however "a model incorporating all of the may present a much more realistic and comprehensive picture of market entry decisions".

Literature on theories associated with the internationalisation of firms abounds in the marketing text. Researchers (Chetty, 1999; Whitelock, 2002; Fillis, 2002; Elkin et al., 2008, Yakhlef & Maubourguet, 2004; Alexander and Myers, 2000) have written extensively on this subject matter. They have written across several thematic areas like internationalisation in retail firms to the internationalisation of institutions of higher education. All of these researchers have adopted different theories in explaining the internationalisation of companies. However, Whitelock (2002) presents four main theories on how firms internationalise; namely; the Upsala model, interactive network approach, eclectic model and business strategy approach.

Table 2
A Comparison of Theories of Internationalisation

Theory	Influential Feature	Locus
Upsala Model (Johanson & Vahlne, 1977)	Experiential knowledge	Firm
Eclectic Paradigm	Cost of transaction	Firm
Industrial Networks (IMP)	Interaction	Firm, customer, competitor, supplier within market environment
Business Strategy (Reid, 1983; Root, 1987)	Opportunity	Market
	Resources	Firm
	Managerial philosophy	Firm

Source: Whitelock, (2002)

In developing a framework that will help examine the ways service firms internationalise, the study adopts a resource based approach that was used by Ekeledo and Sivakumar (2004). This because competency models to strategy making is gaining grounds in recently (Hamel and Prahalad, 1994) and complementing market Porter's (1980, 1985) market-based and industry models (Mills et al., 2003). The resource based theory (RBT) one of the competency based approaches has emerged as a new framework for analysing sources of competitive advantage (Barney, 1991; Peteraf, 1993).

In contrast to the market and industry based approaches of Porter the RBT is seen as an inside-out approach to strategy formulation starting with a statement of the identity of the organisation (Grant, 1991). The RBT states that competitive advantage can be sustained by a unique bundle of resources core to the firm (Conner & Prahalad, 1996; Barney, 1991; Saffu & Manu, 2005). The resources should be durable, difficult to understand and identify, transferability should be imperfect and should not be easily imitated by competitors (Grant, 1991). Home, host country factors and features of services moderate the adoption of specific market entry strategies. With respect to home and host country factors; we will only analyse host country factors, as the two variables are inversely related. The study therefore measures host country effects with the PEST analysis (Political/Legal, Economic,

Socio-Cultural and Technological factors). Services have peculiar characteristics that set it apart from tangible products (Palmer, 2008). These characteristics; inseparability, intangibility, variability and simultaneity; moderates the impact of firm-specific factors in determining the entry strategy. The framework also indicates that, the performance of the firm is also contingent on market entry strategy adopted. Performance is measured with growth rate, new product success, market share and profitability.

In conclusion, market entry modes remain many and varied. The adoption of a particular entry mode is contingent on the characteristics of the multinational firm as well as the resources, skills and capabilities available to the organisation. It must be noted that, market entry barriers exist in many economies and firms need competent strategies to scale or either moderate their impact in order to be profitable. The resource based framework adopted by Ekeledo and Sivakumar (2004) presents a simple but efficient way of studying this phenomenon ahead of the many internationalisation models as has been discussed by Whitelock (2002).

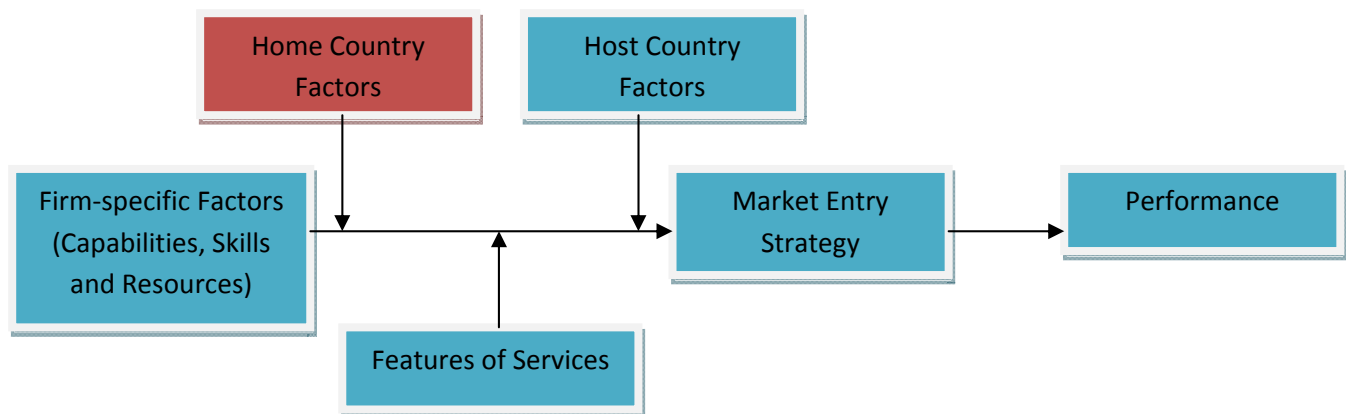


Fig. 1. A Model of Firm Entry Strategy and Impact on Performance

Source: Adapted from Ekeledo and Sivakumar, 2004

The conceptual framework of the study as presented in Figure 1 below considers market entry strategy as a function of firm-specific factors (capabilities, skills and resources). The firm-specific factors that will be considered as part of the study are the firm's tacit knowledge, specialised asset, international business experience, reputation and organisational culture (Ekeledo & Sivakumar, 2004). The firm-specific factors affect the market entry choice adopted; the study will consider four of the several entry modes. These will be takeover, joint-venture, management contract and subsidiary/FDI.

3. Research method

The study employed a combination of the multiple case study approach and survey method in understanding the phenomenon. The multiple case study method allowed the researcher to investigate the issue within the real life context since the boundaries between the phenomenon and context are not clearly evident, and multiple sources of evidence was needed (Yin, 1989). The case study approach provided a special way of collecting, organising, and analysing data to gather comprehensive, systematic and in-depth information about the cases in the services sector in Ghana. The case study method allowed respondents been interviewed to describe experiences in their own language, rather than the researcher's. The case study method was the most appropriate method for this study because it is capable of handling both quantitative and qualitative data (Eisenhardt, 1989; Marshal & Rossman, 1989). This case study method employed both structured interviews and documentary analysis. Surveys are good for the collection and analysis of large amounts of data and allows for easy comparison (Saunders et al., 2007). The survey method was used to collect data needed for quantitative analysis. The data collection method will involved the use of questionnaires

for the data collection exercise. The questionnaire was used to collect data from industry players concerning the impact of the mode of market entry of the two respondents on their performance.

3.1 Discussion and Analysis

In discussing and analysing the data that was collected from the fieldwork, the researchers employed the pattern matching and explanation building methods (Saunders et al., 2007) of analysis which are useful in analysing a case study. In order for the study to come up with a good analysis, the study covered all relevant evidence and accounts focusing on the most significant parts of the case study. General points were also extracted from the case and implications for practice provided. The quantitative data collected from the survey was analysed using the SPSS 18 statistical software. The software was used to run regression models that helped establish key linkages and relationships.

4. Results, findings and analyses

The data analysis in this section was conducted according to the linkages in the conceptual framework discussed earlier. The findings are presented in the tables below. Regression analysis was used to arrive at the figures presented in the tables.

Table 3

The relationship between firm-specific factors and performance

Variable	Coefficient	t-statistic	Sig. Level (0.05)
Intercept	0.63	0.66	0.06
Tacit Knowledge	0.52	6.72	0.02
Specialised Asset	0.16	3.73	0.03
International Business Experience	0.73	2.81	0.01
Firm Reputation	0.71	3.71	0.01
Organisational Culture	0.20	9.11	0.01

R Square = 0.84

Table 3 above explains the strength in terms of impact of some selected firm specific factors on the market entry strategy of multinational. These factors were selected from Ekeledo and Sivakumar (2004) study of market entry modes; the factors that were found to be significant were selected for this study. The study found that all the factors were positively related to market entry strategy employed by the multinational firm. All the factors were also seen to be significantly related when tested at the 5% significance level. International business experience was seen to be the most important factor in determining the market entry strategy adopted by an MNC when entering the host market; recording a 63% influence on market entry strategy. The least significant factor is the availability of specialized asset which also recorded a 16% influence on market entry strategy. The model also had an R-square of 0.84.

Table 4

Effect of Moderating Factors

Variable	Coefficient	t-statistic	Sig. Level (0.05)
Intercept	2.02	3.52	0.52
FSF*HCF	0.11	0.25	0.05
FSF*FS	0.12	0.33	0.13

R Square = 0.71

This table presents the coefficients of moderating factors on a firm's market entry strategy; as presented in Table 4 above. The model considers the moderating effects of host country factor (HCF) and characteristics of services (FS) on the ability of firm specific factors (FSF) to influence mode of market entry chosen. The moderation of HCF on FSF was found to be positively (0.11) related to the

market entry strategies of multinationals and the moderation of FS on FSF was found also found to be positively correlated at 0.12. The model also had an R-square of 0.71.

The third model was to measure the impact of market entry strategy on performance. The regression analysis found a positive relationship of 0.65 between market entry strategies on firm performance. Again the R square value was also found to be 0.74. This suggests that the choice of market entry has an influence on the performance of the company by about 65%.

Table 5

Entry Strategy and Performance

Variable	Coefficient	t-statistic	Sig. Level (0.05)
Intercept	2.3	14.64	1.64
Market Entry Strategy	0.65	2.34	0.04
<i>R Square = 0.74</i>			

5. Conclusion

The study examined the firm level factors and their impact on choice of market entry strategies and market entry- strategy on firm performance into Ghana's services industry. The results as per the impact of firm level factors suggest that indeed these variables affect a firm's entry into Ghana's services sector. The study found that all the firm level factors tested- specialised assets, tacit knowledge, organisational culture, international experience and firm reputation has an influence on the choice of market entry strategy of a service MNCs. The study also explored the impact of country host country institutional effects on the ability of firm level factors to influence the mode of market entry chosen. The study found that indeed the unique characteristics of services affect the choice of market entry in accordance with Palmer (2008).

The study computed the various market entry strategies of the MNCs and linked them to the firm perceived performance. On the link between strategy and competence, there is clear link between the market entry strategy of the multinationals and their subsequent performance. The quantitative data analysis confirms this linkage as market entry strategy is seen to be positively linked to performance with the strength of the relationship in terms of the model been 74%. The study included two moderating factors in its analysis; country level factors and the special characteristics. They were both seen to moderate the effect of firm level factors on the market entry strategies of the companies. The results indicated that politico-legal, economic and socio-cultural factors are the main country factors that moderated on the effect of firm level factors on the market entry strategy adopted. The quantitative analysis also confirmed this with home country factors positive moderating effect on firm level factors while features of services had a negative moderating effect on the firm level factors in their impact of market entry strategies into Ghana's services sector.

6. Research Implications

Research generally has both managerial and theoretical implications. Managerial implications provide insights for practitioners while theoretical and research implications provide insights that form the bedrock of future research. It is within these implications that the recommendations for this study are provided. The study therefore makes the following recommendations;

6.1 Managerial implications

First of all managers must understand that especially incumbent firms in the services industry the processes influencing entry into an industry and be able to predict the rate of entry of different types of firms in the future. Knowledge of the firm level factors that affect entry strategies can be helpful in

developing marketing strategies that facilitate or deter entry. Also knowledge of the relationship between market and entry strategies and performance can help marketing managers determine the long term effects of their entry decisions on the fortunes of their corporations. Companies must therefore try to work at understanding varying market entry strategies and their link to performance in different country contexts to enable them to make the right decisions. Again, an understanding of the moderating factors on firm factors will help firms decide which variables are strong in a particular market and the weaknesses inherent in them so the firms can address them.

6.2 Research implications

This study was more exploratory in nature and a larger sample is needed in another study to either confirm or otherwise the findings of this study. The study can either focus on the services industry with a cross country sample or can be conducted in the same country but across industries as has been done by some earlier authors like Ozsomer and Cavusgil (1997). Secondly, the negative moderating effects of the service characteristics on firm level factors need further investigation. The service characteristics should be at worst have a neutralising effect in terms of moderation not negate its direction in firm level characteristics linkage to market entry strategies.

Market entry strategies remain important to multinational companies that are internationalising or moving into foreign markets; especially the growing services sector. There is therefore the need for a competition based approach to understanding this phenomenon and that is what makes the resource based approach relevant. Managers need to understand the various linkages in this model to be able to apply it effectively to improve upon firm level performance.

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