

Foreign entry commitment as a human choice

*An empirical study of how firm and manager experience
impact the entrance decision and entry mode choice
through managerial assessment of host country conditions*

Maud Oortwijn

This book reports on how **firm and manager experience** relate to internationalization **commitment** in foreign entrance decisions, by studying the **managerial assessment** of the host country. In doing so, it addresses the core issue of International Business studies: a lack of knowledge about foreign markets complicates the decision making on commitment to work across country borders. The basic premise of the internationalization process theory is that knowledge on internationalization is acquired through firm experience abroad (Johanson and Vahlne, 1977). This study provides empirical support for the so far assumed experiential learning within the firm.

Multilevel comparative cases are studied to find how managerial assessments reflect the learning in the internationalization process. A total of 54 international business plans and 26 Dutch decision makers are studied within 25 firms. Data is gathered on (a) the managerial assessment of host country conditions in China, (b) the firm and manager experience, and (c) how the main strategic choices evolve during the foreign entrance decision making process. This multilevel analysis allows for insight in what causes increasing entry commitments. This research approach also enables unique access that allows for reports on Go/No-Go decisions on foreign entry.

The six main findings for International Business studies are:

1. Firm and manager's experience relate to higher commitment modes, supporting the internationalization process view empirically. An interesting finding is that those opting for a modes with a local partner are more experienced in international business.
2. The results show that firms with more international business experience show a stronger commitment to go forward with the plans considered in the Go/No-Go decision. The internationalization theory thus applies to individual international entrance decisions.

3. Decision making managers perceive the same host country China differently, depending on, the firm and manager experience. The managerial perception and the context and background against which choices are made, should not be ignored in International Business research.
4. The role of local partners in both the Go/No-Go entrance decision and entry mode choice is undervalued and underdeveloped as a research area. The availability of local partners is critical for success in many international business plans.
5. An area of research with contradictory findings in existing work, is the choice between WOE versus JV and the role of host country uncertainty in it. The findings show how several decision makers who chose WOE, actually work in firms with limited (host country) international business experience. They opt for a WOE mode to control activities while learning about the host country.
6. Finally, this research adds a theoretical contribution. The entry commitment choices are studied in time and at the firm level, the entry plan level and the manager level. This allows for unique insights in how entry decisions evolve, or do not evolve.

The findings confirm how more international experience often relates to higher commitment in entrance and entry mode, supporting the internationalization process view empirically. Analysis at a lower level reveals how different managers form varying opinions on host country conditions in China, depending on the firm and manager's characteristics and experience. The manager's host country assessment reflects the learning process in internationalization. From this we learn that the manager and the firm as a context in which entry choices are made, should not be ignored in international business research.

About the author

Maud Oortwijn obtained a master degree in both Industrial Management and Philosophy at the University of Groningen, the Netherlands. She conducted PhD research in the field of International Business at Cambridge University and Warwick Business School (UK). Maud started her business career at Stork Machinery, before switching to strategy consulting with Gemini consulting. Maud Oortwijn offers strategy consulting services to companies like Corus, Akzo, Rabobank, Scottish & Newcastle and Capgemini in the Netherlands, Belgium, France, the UK and China. Throughout the years she worked for various well-known strategy consulting firms and as an independent consultant.

'Foreign entry commitment as a human choice' is available as a hardcover book on Amazon and Lulu.com (39.95 euro) and as an eBook on Lulu.com (29.95 euro).

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