

# CHOOSING A MODE OF ENTRY

## Decision Factors

- Ownership advantage
- Location advantages
- Internalization advantages
- Other Factors
  1. Need for control
  2. Resource availability
  3. Global strategy

## Exporting

- Indirect exports
- Direct Exports
- Intracorporate Transfers

## International Licensing

## International Franchising

## Specialized Modes

- Contract Manufacturing
- Management Contracts
- Turnkey Projects

## FDI

- Greenfield Strategy
- Acquisition Strategy
- Joint Venture

01

### Ownership

The firm must own some unique competitive advantage that overcomes the disadvantages of competing with foreign firms on their home turfs.

## Eclectic Theory

FDI occurs because of location advantages, ownership advantages, and internalization advantages.

02

### Location

Undertaking the business activity must be more profitable in a foreign location than undertaking it in a domestic location.

03

### Internalization

The firm must benefit more from controlling the foreign business activity than from hiring an independent local company to provide the service.

## GLOSSARY

### Ownership Advantages

tangible or intangible resources owned by a firm that grant it a competitive advantage over its industry rivals.

### Liability of Forgiveness

reflects the informational, political, and cultural disadvantages that foreign firms face when trying to compete against local firms in the host country market.

### Location Advantages

those factors that affect the desirability of host country production relative to home country production.

### Internalization Advantages

those that make it desirable for a firm to produce a good or service itself rather than contracting with another firm to produce it.