

International Market Selection-What comes first, the chicken or the egg?

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Introduction

International market selection (IMS) is the initial step to screen and evaluate within a set of potential markets that determine the relative attractive markets for a company to go abroad.

IMS is **critical** for several reasons:

- (1) It sets the pace and tone for further development,
- (2) It is a crucial factor of success for firm's international expansion,
- (3) It is essential for its global competitive strategy position.,,

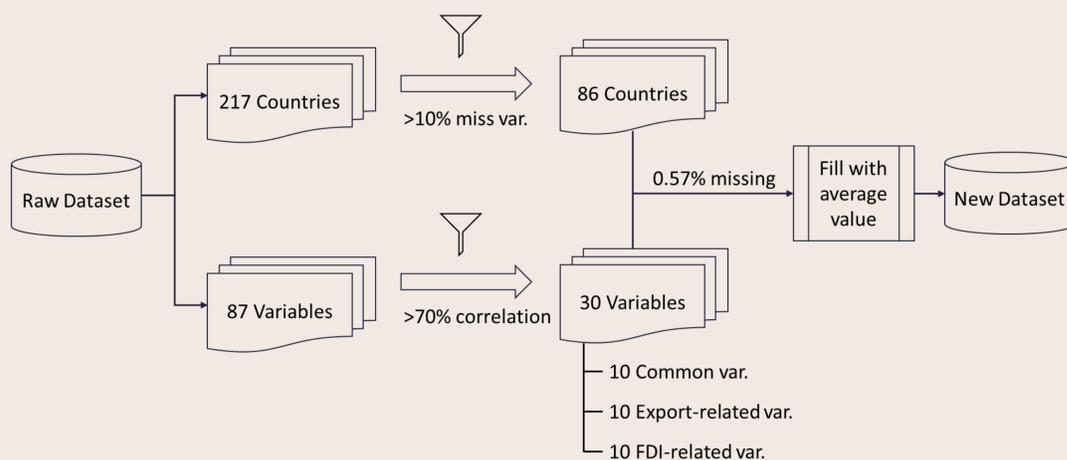
However, IMS is **complicated**:

- (1) Foreign Markets are highly diverse, country- or cultural-specific,
- (2) A comprehensive comparative information of different types and levels is needed. However, decision makers have cognitive limitation and bias, the cost is too high, and the IMS tool is complex to use.

Research Gap

- (1) Most of IMS researches focus on exporting, and rarely deals with FDI-oriented questions. However, not all firm starts internationalization via export.
- (2) Some markets are export-specific and some other are FDI-specific. Some countries are good (or bad) in both export and FDI.
- (3) Current IMS process is **limited**: not able to detect countries which are good in either exports or FDI but bad in the other.
- (4) **Main intention**: Develop a multidimensional IMS method that allow firms to perform ranking without knowing the entry modes.

Data Filter Process



Results

Export			FDI		
Country	Score	Rank	Country	Score	Rank
Singapore	73.3	1	New Zealand	74.2	1
Luxembourg	66.8	2	Australia	72.7	2
China	65.8	3	Denmark	70.6	3
Denmark	64.3	4	United States	67.3	4
Lithuania	64.0	5	United Kingdom	67.2	5
Netherlands	64.0	6	Czech Republic	66.6	6
Germany	63.2	7	Canada	66.4	7
Austria	62.2	8	Singapore	66.0	8
Switzerland	62.1	9	Sweden	65.3	9
Sweden	61.3	10	Switzerland	64.9	10
Norway	61.2	11	Finland	64.6	11
Estonia	61.1	12	Ireland	64.4	12
Finland	60.2	13	Iceland	64.3	13
Korea, Rep.	59.9	14	Germany	64.0	14
United States	59.4	15	Norway	63.8	15

Discussion

- Countries with larger distance are more specialized countries, either good for export or FDI, not both.
- Countries with smaller distance are either attractive in both export and FDI, or vice versa.
- Align this multidimensional method with other rankings (e.g. average score, average rank) will enable firms make more effective IMS decisions.
- This multidimensional method gives them this necessary flexibility. It helps them solve a conundrum that many firms face: what comes first the chicken or the egg? What comes first the country or the entry mode selection?

