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FACULTY OF BUSINESS ECONOMICS
Master of Management

Master's thesis

International market selection for exporters: Analysis and Integration of
a selection of the most appropriate models

Supervisor :
Prof. dr. Pieter PAUWELS

Mathieu Lorquet

*Thesis presented in fulfillment of the requirements for the degree of Master of
Management*

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Table of contents

Acknowledgements	i
Table of contents.....	ii
Register of Figures and tables	iv
Chapter 1: Introduction and primary findings	1
1.2 The thread of this thesis: the company Apumas	2
1.3 Main primary/ global findings	5
1.3.1 Product-related features	5
1.3.2 The exporter's environment and the type of clients	8
1.3.3 Other aspects defining the business environment of a company	9
Chapter 2: The link between International Market Selection (IMS) and internationalization entry mode selection (IEMS)	11
2.1 The Uppsala model	11
2.2 Selecting overseas markets and entry modes: two decision processes or one?	14
2.3 Pierre-Paul Francotte's 'invisible tool'	15
2.4 Interrelationship between IMS and IEMS schematized	18
Chapter 3: Analysis of the foreign Market	21
3.1 Market attractiveness.....	21
3.1.1 Physical distance	22
3.1.2 Market size.....	23
3.1.3 Definition of the environment.....	25
3.1.4 Opportunities for growth	27
3.2 Factors negatively affecting market attractiveness.	30
3.2.1 Political and commercial risks	31
3.2.2 Competition	33
3.2.3 Need for adaptation of the product.	34
3.3 Summary of the factors determining market attractiveness	35
Chapter 4: Psychic Distance	37
4.1 The Hofstede model.....	38
4.1.1 Hofstede's four (six) Dimensions	39

4.1.2	Presentation of the results.....	40
4.1.3	The evolutions Hofstede’s model offers	42
4.2	Limitation to Hofstede’s model, and the way other researchers try to fix it	43
4.2.1	Limitation 1: No results are available for every country	44
4.2.2	Limitation 2: is a country-based segmentation judicious?.....	46
4.2.3	Limitation 3: Which are the dimensions that Hofstede’s model does not take into account?.....	47
4.3	Summary of the Different aspects of psychic distance.....	50
4.4	Limitations of the impact of psychic distance.....	51
4.4.1	Does a bigger psychic distance always have negative consequences?.....	54
Chapter 5:	Influence of the exporter’s resources and knowledge	55
5.1	Resources needed for successful export activities.....	55
5.2	Experience / Knowledge	57
5.2.1	General knowledge about internationalization	57
5.2.2	Market-specific knowledge	59
5.2.3	The different ways to acquire knowledge	60
5.3	The importance of partners/networks	62
5.3.1	Partnering with other companies	62
5.3.2	Partnerships with non-profit partners	65
5.4	Conclusions.....	68
Chapter 6.	Generalized model and summary	71
6.1	Analysis of the previously used models	71
6.1.1	Model of chapter 2.....	71
6.1.2	Models of chapter 3 and 4 integrated	72
6.2	Application of the model and generalizability	75
6.2.1	Final IMS using our model.	75
6.2.2	Generalizability of the model.....	76
6.3	Advantages for professionals and academics	77
6.4	Limitations and future research	78
References	81

Appendices.....	87
Appendix 1: Interview of Pierre-Paul Francotte	87
Appendix 2: "Questions to ask to an exporter"	100

Register of Figures and tables

Figure 1 The basic mechanism of internationalization – State and Change aspects; (Johanson, J. ; Vahlne, J.E. 1977)	13
Figure 2 Adapted from: "The systematic approach to international market expansion and entry mode selection" (Koch 2001)	14
Figure 3 Translated and adapted from "Le guide pour réussir sa stratégie d'internationalisation commerciale"	17
Figure 4 International Market selection process schematized	18
Figure 5 Market attractiveness schematized	35
Figure 6 Scores of Belgium and Morocco, drawn from Hofstede's website: http://www.geert-hofstede.com/	41
Figure 7 Country clusters according to house et al. the Globe study, adapted from House et al. 2004	45
Figure 8 A schematic illustration of the different forms of distance - Dow, D. ; Larimo, J. (2009), Challenging the Conceptualization and Measurement of Distance and International Experience in Entry Mode Choice Research	48
Figure 9 Psychic distance schematized	50
Figure 10 Importance of Psychic distance schematized	52
Figure 11 Table 1- Types of knowledge and the way to acquire them	60
Figure 12 The basic mechanism of internationalization – State and Change aspects; (Johanson, J. ; Vahlne, J.E. 1977)	61
Figure 13 Table 2 Resources needed and the help partners may provide	63
Figure 14 Table 2 Resources needed and the help partners may provide	67
Figure 15 Table 3 : Resources needed and the way it limits IMS	68
Figure 16 International market selection process schematized	71
Figure 17 Influencers of IMS schematized.....	74

Chapter 1: Introduction and primary findings

The objective of this thesis is to develop a comprehensive model describing the factors to take into account when it comes to choosing the first foreign market for a company. Many researchers only focus on some of the factors that should influence an exporter's choice, and thus analyze some aspects while neglecting some others. For this reason, I organized the different chapters of this thesis so that every of them focuses on one of these approaches. The final objective of this thesis is to link these approaches to one another.

This introduction sets the frame of my case study, which includes a presentation of the company Apumas. Apumas is in the same situation as many other SMEs that want to export but have (at best) nothing more than a feeling about where to start exporting. This company is therefore the thread throughout this thesis.

Next, the introduction summarizes some of the findings from the literature. These point out why a frame is needed, and how and why I focus on a particular type of companies. To this end, I try to find out on the basis of which aspects companies can be differentiated.

The second chapter of the thesis deals with one of the biggest dilemmas in International Market Selection (IMS): its (inter)dependency with the Internationalization entry mode selection (IEMS). To this end, I start with one of the first studies in this domain, which gave birth to the Uppsala model. The second sub-part discusses Koch's work (2001), "Selecting overseas markets and entry modes: two decision processes or one?" which highlights some interesting and important elements. The final part of this chapter aims to describe my scheme which integrates the main findings about interrelationships between IMS and IEMS.

Chapter 3 focuses on the main criteria used for IMS, which is the attractiveness of a market as such. I consider both factors influencing IMS positively and negatively. In the first category, I develop the relevance of factors such as market size, geographic proximity, potential for growth etc. The factors that influence market attractiveness negatively are political risks, commercial risks, competition, needs for adaptation of the product etc.

The fourth chapter discusses one of the favorite approaches of academics for IMS: psychic distance. The logic of this chapter relies on Hofstede's work on cultural distance, its way of functioning and to what extent it has contributed to researches in the domain. The second part of this chapter discusses Hofstede's model by analyzing its shortfalls and how they can be corrected/adapted. The third section shows my approach to include all dimensions about psychic distance. Finally, section 4 challenges the importance of psychic distance in IMS in general.

While the other chapters mainly focus on the target foreign markets, chapter 5 deals with the exporting company. The approach I use is to look at the factors which define a company's resources, and capabilities to overcome the issues related to internationalization. I first look at the human, financial and material resources that are needed for a successful internationalization. Next, I focus on the market-related and general knowledge needed, and the way to acquire it. Thirdly, I show to what extent partners and networks can help to increase both resources and knowledge, taking the AWEX as an example. Finally, this chapter analyses to what extent limited resources and knowledge influence other aspects discussed in previous chapters

To conclude, chapter 6 first links the different aspects defining IMS together. I start by explaining my scheme, and illustrate how it can be used by taking the example of Apumas. Secondly, I try to see to what extent this model can be generalized. The third section lists the advantages this model offers to academics as well as for exporters. Finally, section 4 lists the limitations this model has as well as the further researches that may be needed.

1.2 The thread of this thesis: the company Apumas

In order to guide us through this thesis whilst having the best possible insight, we will follow the story of Apumas. This company is an existing Belgian organization that has its head office in the Walloon area, and whose core business is the selling of pumps, mixers and turnkey assemblies for a wide range of applications.

It currently employs seven people, among which four are responsible for the functioning of the company internally, i.e. preparing offers to the clients, taking care of the purchases, logistics, accounting etc. The three other employees are salesmen who visit companies in the entire Belgium as well as Luxemburg. They also offer a helping hand to their colleagues at the office when necessary. It is planned that an eighth person will be hired in the coming months to help the office employees and allow the salespeople to spend more time to visit clients. The second objective followed by hiring this person is to set up a plan for an internationalization project.

Until few years ago, internationalization was not a priority for Apumas. The company, created in 2004, has always primarily focused on its home market, Belgium. Two neighboring markets have also been prospected: Luxemburg and to a lesser extent the Netherlands. The company cannot choose to make business anywhere it would like to, because it depends a lot on its suppliers. The relationships between them are regulated by formal or non-formal contracts. The companies decide together where Apumas can, or

should sell the products. Most of the time, they agree on a sales representation in Belgium and Luxemburg, but it might also happen that some suppliers would like Apumas to be their representative in the Netherlands or France, in case they do not have a retailer on that market. This is also the reason why some retailers encourage Apumas to export: because they are French speaking, because Belgium has good relationships with many African countries, but also mainly because Apumas offers additional advantages to clients, many suppliers would like to have the company selling their products abroad.

The advantages that Apumas offers to its suppliers are diverse. First of all, contrarily to what could be expected at first sight, the company's main asset is expertise. The employees are not hydraulic or chemical engineers. But the salespeople and office employees directly involved with the products do have technical knowledge, which they acquired during their studies, previous work experiences, or through teaching programs with the suppliers or other members of the company when they started working for Apumas. Therefore, their job is not to sell spare parts, and not even pumps. As the CEO likes to remind his employees, Apumas is selling *solutions* to its clients.

As it is an important determinant of Apumas' competitive advantage, it might be important to underline how the company functions on a day-to-day basis. Several scenarios may occur, but every new project starts in the same way. Whether clients talk about their needs during the visit of the salespeople, or they contact Apumas directly by mail. An easy case is when the client simply asks for spare parts or a replacement pump. Apumas then contacts its supplier to get an offer (if the price is not known), calculates its profit margin and prepares an offer to the client. However, most of the time, the client does not really know what he needs exactly. He then contacts Apumas and describes the application the pump or mixer is needed for: for what fluid the pump/mixer is needed, what debit, to transfer from where to where etc. From there, Apumas selects the product they need and make an offer to the client. Sometimes, the help of the suppliers is needed to help select to best fitting product or to set the price, but the final choice remains Apumas'. Once the client has ordered, the goods can whether transit via Apumas, or it can be shipped directly to the final user when the situation necessitates it.

Thanks to its expertise and a wide range of solutions, Apumas has a big advantage in the clients' eyes, and in fine to the suppliers', as they directly benefit from Apumas' success. Its field of expertise covers many applications on the level of fluids: it is able to supply all the needs of a company, including the process of products, as well as production peripheries and wastewater treatment. Its domain of competence ranges from water treatment to the pharmaceutical industry, including the food industry, mining, metal industry as well as plastics and chemical industries. Thanks to this, it can be an entry door to companies that the supplier would *a priori* never have entered itself. Also, Apumas can

respond to price inquiries for larger projects where several types of products are being asked, or where there is a need for integrated solutions such as turnkey stations. Apumas is then better positioned to answer to the price inquiry than the supplier itself! Another advantage it has in comparison to its suppliers is that it knows the market better, and can create relationships with its clients. These assets are of course to be kept in mind when Apumas will internationalize, as some of these competitive advantages may not hold anymore once abroad.

Apart from some minor export activities, Apumas does not have much experience abroad yet. Actually, the majority of the company's products are being sold in Belgium and for Belgium. But it has been pointed out that almost every large project is meant for the export when considering the derived market. This is to be seen with the biggest project of Apumas in 2013 which weighted several hundreds of thousands euros. The client was a Belgian company but the products' final destination was Angola. These situations, along with the wish of the suppliers to have Apumas to represent them abroad, are the main reasons that push the company to look further.

Two business trips –one in Algeria in 2008 and another in Morocco in 2013- have been made, but the results have been very poor. The main reasons have been identified quite easily: the main one might be that there has not been any follow-up of the potential clients who have been met during these trips. Apumas' team had not thought further than the trip itself. They did not know whether they should find a partner on the market, or sell directly to the clients. In the end, no concrete action was taken. Another concern is that these trips had been planned on the basis of nothing but a feeling. For the first trip, the company got 'invited' by partners. Morocco had been chosen because the company had one client there. But the question whether these markets were actually the most interesting ones for Apumas never came up.

The criteria and the way of working of Apumas are pretty specific and complex, and it might therefore be difficult to imagine that this case could be the starting point of a global model. But for several reasons, this example might be a good starting point to create a model which would be applicable to many other companies. Apumas is a real-life example of an SME working in the B2B, industrial sector, and selling production machines. The fact that Apumas is highly dependent on its network (partners as well as suppliers) also adds an additional dimension to take care of while choosing a foreign market. Globally, this company's case is obviously not applicable to any other company working in the same sector. But the approach, the steps to be taken and dimensions to take care of still apply. Conclusions in every following chapter will take care of detailing the differences to keep in mind while attempting to apply this model to other companies.

1.3 Main primary/ global findings

The research topic of this thesis is international market selection (IMS). Despite decades of research on this and underlying issues, many questions still remain very difficult to answer for exporters. Among these, there is the one of the IMS itself, but also to what extent IMS and IEMS are intertwined. This last issue will be discussed in chapter 2.

The main reason why the topic of IMS is a complex field of study is that there are not two companies or situations that are exactly identical (Arnold and Quelch 1998, Brouthers and Nakos 2005, Miesenbock 1998). Therefore, many researchers estimate that making a single, applicable-to-all-cases model might not be the best solution, since it would be difficult to elaborate as well as to use. Making models for particular types of companies could have the advantage to be easier of use, and focus on aspects which are really specific to these companies. The reasons why a single model for all companies may not be ideal can be explained by different aspects, listed hereunder.

1.3.1 Product-related features

Among the aspects that mainly define a company's environment and specificities, there is of course the product. Common sense suggests that chocolate bars cannot be sold in the same way as microscopes. One of the reasons for that is undoubtedly the price difference between both products, but it is not the only one.

1.3.1.1 Physical features

The first and main product-related element that appears to be a relevant determinant of a company's business is its physical design. Big and heavy or perishable products are difficult and expensive to transport. These increased costs will have a direct impact on the price of the product, which may thus not be competitive anymore, or at least make the product lose its competitive advantage. This may in turn mean that the company would have to re-think its global strategy, with all the efforts and costs it implies.

It is thus important to know a product's value and potential transportation costs to calculate the weight of the transport with regard to the product itself. The higher the value of the goods compared to the transport, the further the goods can be shipped without endangering the profit margin.

In the case where a company sells services rather than products, the above may not hold. However, a distinction still has to be made between 'naked services' and services as a complement to a product. Apumas, for instance, is mainly an advice and consultancy company, but this does not bring in money. To earn its living, Apumas has to sell pumps, mixers and integrated systems. Even if Apumas' main activity is based on services, the transportation of goods thus remains an issue.

1.3.1.2 The level of sophistication and development of a product

The sophistication level of the products sold is also crucial when it comes to internationalization. A very sophisticated product usually cannot be sold directly, and sales support is required or at least preferred. Therefore, a (continuous?) presence on the market may be needed, and IEMS will be effected. On the other hand, a basic product can be sold without special technical support. The decisions whether to sell directly or through a reseller will then mainly be costs-driven.

As to IMS, Francotte (expert in foreign trade, see chapter 2.3) also considers the nature of the exporter's activities to be determinant: "It also depends on the nature of (the exporter's) actions. If you are an engineering/consultancy company, if the market is an emerging one it might be interesting to be on the market soon. Because that means that there will be big projects, a long-run plan that deserves to be analyzed attentively. On the other hand, if the exporter's product is mass-market oriented, potential of a market is not necessarily interesting. An emerging market does not need a market that consumes more: an emerging market is a market with big ideas and principles of development. It is the place where big investments take place; where we'd like to build a new port, airport, roads, or build a 'new Brasilia' somewhere. These are countries where big transformations take place, but it does not necessarily changes consumption habits. There will not be ten additional consumers only because the market is considered emergent." The nature of the product/service offered, and where it takes place in time is thus also an important determinant of the importance of future growth. This experience of Francotte demonstrates that some markets may not be ready for some products, which has to be kept in mind by exporters.

1.3.1.3 Legislative and religious aspects

Some types of products are also specific because of the legislative aspects that rule their markets. As we know, many countries have their regulations on products on the level of safety, environmental friendliness etc. According to Francotte, this may not be an issue for Belgian companies, as its market is already among the strictest one.

“It does not only depend on the foreign country, but it’s more about the product sold or service carried out. Regulations are for instance of course much less rigorous if you sell books or printouts. It has to be of a good quality of course but it won’t determine whether you will access the market or not. However, we will be much more rigorous in every country around the world if we come to food products for instance. Of course countries have some freedom and autonomy, but depending on the market there are also constraints that cross borders. There are those big rules on the quality of the food chain who have a worldwide impact. So even if you go to Ivory Coast or Sierra Leone, you won’t be allowed to sell poisoned food. It is of course an extreme example but that is the idea. This is a general rule: you should not think that you can sell whatever you want in under-developed countries. You may sell it once, but that’s all.”

While it is true that the Belgian market may be more regulated than most other markets, it does not mean that no effort or focus are necessary. As an example, pumps that are being used in the food industry in Europe have to be EHEDG certified. However, if Apumas would like to sell its pumps in the USA, it would need FDA certification. 3-A certification is also needed in some cases. While it may not be a problem for well-developed products to obtain these certificates, action still has to be taken for it, and the procedures can cost time and money.

Some types of products also have to be adapted, or will be refused on a market due to religious and cultural issues. For instance, one of Apumas’ Belgian clients exporting crisps to Israel has had to build a brand new production line so that the chief rabbi could come to Belgium and validate that the crisps produced there were kosher and were in line with the rules of Torah. There are also cases where the product needs to be adapted to fit better to the clients’ taste (Kacker, 1975, Calantone et al. 2006, Cavusgil et al. 1993), as will be further discussed in chapter 3.

1.3.2 The exporter's environment and the type of clients

This paragraph does not focus on the client(s) in particular, but on the type of clients they belong to. Regardless of the sort of product, its price, the volume to be sold etc. we can find several types of clients, who can be split in several ways. One way to do so is to analyze the buyer's objective. As illustration, Apumas only sells industrial equipment, but still has two categories of clients: there are the ones who buy to make the pumps and mixers run, and there are clients who are simply resellers. The approach used will therefore be different from one to the other, as their objectives may differ. Of course, both would like to have a good product at a reasonable price, but a final consumer may be more sensitive to the added value that a particular product may offer, while a reseller may like standard products that he understands and knows well, and focus on their margin. Discounts may thus be a main decision-making driver for resellers, while the added value offered is capital for users.

Another type of segmentation is linked to the place of the buyer in the supply chain. If we take the whole development of a consumable product (which is very different from a pump) several types of clients appear. If we take a cocoa bean from Ivory Coast: the farmer may sell it to a larger buyer, who collects beans from many other producers. After that, the cocoa bean may go to other wholesalers, whose intention is to take their margin, and sell to another wholesaler. At a certain point, there will be a buyer whose objective is to buy the bean to make chocolate out of it. In turn, the chocolate may be processed further (within the company, or another one) or it can be sold in the form of a tablet to a physical person, the end consumer. This aspect should be relevant for the exporter when analyzing a potential market: while GDP, demographics, etc. might be the most important dimensions for B2C exporters, these will become much more irrelevant when it comes to B2B companies that value more dimensions such as industrial development level of the country.

This way of segmenting gives insight about who is before or after the exporter in the supply chain. This means that the exporter will know what its potential clients and potential new suppliers are. A quiche producer, for instance, will know that he has to buy his ingredients from wholesalers (in host or home market, depending if he decides to opt for direct export or on-market production) and sell to supermarkets. Apumas has its suppliers, but it knows if the clients will be other wholesalers, or end users. These information will give an indication about the number of (potential) clients an exporter has, and thus what presence may be needed: the quiche producer needs one or several supermarkets to reach end buyers, but once the contract signed, a presence may not be necessary on the market. On

the contrary, Apumas has many more potential clients and needs to visit many of them. A local presence may therefore be needed.

1.3.3 Other aspects defining the business environment of a company

Other aspects also define a company's environment and its export opportunities. Besides the features of the products sold and the type of clients, there is also the network of the company in general. Apumas, for example, is very dependent on its suppliers. This means that the company cannot choose any market it wants, as its suppliers may already have distributors there. However the other extreme exists as well: sometimes, a company might just be interested in following a strategically important client. In such cases, the approach to internationalization will be very different.

Furthermore, an important element is obviously the size of the company. The main reason for that is the huge difference in financial, human and material capacities. This leads to the fact that bigger companies can allocate more money and time to the preparation of such developments. Some researchers (Miesenbock, 1988, Vargas-Carcamo 1986) have analyzed SME-specific dimensions. These will be discussed later on.

Last but not least, a distinction has to be made between a company doing its first IMS, and a company already having operations in several markets, among others on the level of general internationalization experience, and market-specific knowledge collected (Cuervo-Cazurra 2011, Brothens and Nakos 2005). This last point, as well as the size of the company, can be moderated in certain cases due to help such as from institutions like the AWEX (see chapter 5). Indeed, some organizations help smaller companies with financial resources or consultancy services, and therefore somehow nuance the lack of resources and knowledge.

Because of all these points of comparison and divergence, a single model seems to be hard to realize, this study's focus will be on SMEs in the B2B market. The example of Apumas will always be given, but the objective is to see which adaptations have to be made to be able to make a link to other companies with different business activities, organizations and networks. There is also a distinction to be made among companies on the level of the entry modes they choose. This issue will be discussed in chapter 2.

Chapter 2: The link between International Market Selection (IMS) and internationalization entry mode selection (IEMS)

From the very first studies in the domain of internationalization, it quickly became obvious that IMS and IEMS are two very closely related decisions. The people who have expertise in this domain agree that most dimensions being important in IEMS, if not every one of them, are also relevant determinants of IMS. Since many years we can find evidence of researchers trying to make this link.

The first part of this chapter will study some of the precursory papers (Johanson and Wiedersheim-Paul, 1975 and Johanson and Vahlne, 1977) which have given birth to the well-known Uppsala model. At that time, the authors never tried to make a link between both decisions. Nevertheless, with today's knowledge, we can see that many findings of Johanson and Vahlne also hold for IMS.

This brings us to the second part of chapter 1, where I will analyze Koch's (2001) work, whose objective is to define to what extent IMS and IEMS are interrelated. Thirdly, I will try to reflect at best Mr Pierre-Paul Francotte's knowledge about the interrelationship between IMS and IEMS, based on his book "Le guide pour réussir sa stratégie d'internationalisation commerciale"¹ and our several meetings.

Finally, I will summarize the different findings, and schematize them. This chapter will voluntarily not cover all aspects of IMS: the aim here is to understand and assimilate all of the main approaches linking IMS and IEMS. I will also try to see to what extent the findings are generalizable or not.

2.1 The Uppsala model

Given the lack of previous research in this field, Johanson and Wiedersheim-Paul (1975) have decided to start studying IEMS 'from scratch' and carried out case studies about four Swedish companies (Sandvik, Atlas Copco, Facit and Volvo) in order to test the assumption that "...gradual internationalization, rather than large, spectacular foreign investments, is characteristic of the internationalization process of most Swedish firms." (Johanson and Wiedersheim-Paul, 1975: 305). The researchers also assumed that the same holds true for other firms with small domestic markets.

¹ "The guide for a successful commercial internationalization strategy"

Johanson and Wiedersheim-Paul further write in this study that "... because of lack of knowledge about foreign countries and a propensity to avoid uncertainty, the firm starts exporting to neighboring countries or countries that are comparatively well-known and similar with regard to business practices" (p.306). They claim that there are four different 'internationalization steps': no regular export activities, export via independent representatives, sales subsidiary, and production/manufacturing. Companies following this path step by step would have the advantage to internationalize in an incremental way, and therefore learn by doing. Thanks to this, the company is expected to tackle difficulties on the level of knowledge and resources.

The findings of these case studies support their assumptions that companies make incremental decisions to develop themselves, and also that they mainly start in physically and psychically closer markets first. Only few situations exist where some of the development steps are being leapfrogged. According to the authors, these may be caused by the smallness of a certain market, or because a company has gained enough experience and knowledge from other markets that allows it to move faster.

Besides knowledge and resources as well as psychic distance, Johanson and Wiedersheim-Paul have also pointed out other aspects that may influence IMS, as well as IEMS (Which they subdivided as 'four steps of the internationalization process'). Among these aspects, market characteristics (market attractiveness, political factors...), and product uniqueness. As they say themselves, at this point their findings cannot be considered as a basis to a model.

It is in that objective that Johanson and Vahlne (1977) carried out another research. Next to the data collected in the previously mentioned case studies, they also used data from several sources in different sectors:

- Swedish special steel firms (Johanson, 1966)
- Swedish pulp and paper industry (Forsgren & Kinch, 1970)
- Pharmacia (Pharmaceutical industry; Hörmell, Vahlne, & Wiedersheim-Paul, 1973)

These data gave support to Johanson and Wiedersheim-Paul's 'establishment chain' model. In their Uppsala model, Johanson and Vahlne have also tried to explain why internationalization is an implementation process, and which factors define how fast this process will take place.

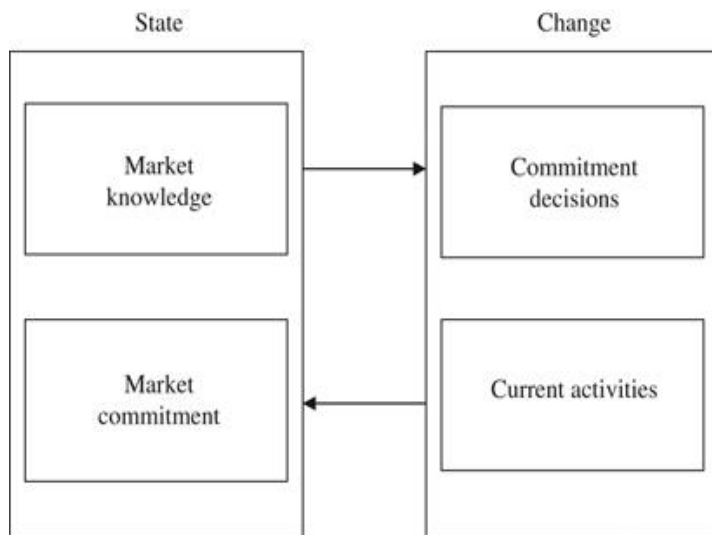


Figure 1 The basic mechanism of internationalization – State and Change aspects; (Johanson, J. ; Vahlne, J.E. 1977)

According to this model, market knowledge and market commitment affect both commitment decisions and the way current activities are performed. These in turn change knowledge and commitment (Aharoni, 1966). Market commitment is determined on the basis of two factors: the amount of resources committed (marketing, organization, personnel etc.), and the degree of commitment (which can also be described as “the difficulty of finding an alternative use for the resources and transferring them to it” (Johanson & Vahlne, 1977:27).

In other words: the higher the knowledge about the market and the market commitment, the bigger business activities and propensity for commitment for the market.

The implications of this Uppsala model are twofold: at Firstly, if we look at a specific market, it explains why the development on that market is usually incremental. Secondly, if we look at the company as a whole, the development of a foreign market will boost activities and knowledge (market-specific but also general knowledge). The logical conclusion to be drawn therefrom is that companies with limited knowledge should better start exporting in physically and psychically close markets, before moving towards more distant horizons, where more resources and knowledge are requested.

Yet very often discussed and criticized (among others because it might be outdated and not generalizable to all), the Uppsala model still has the virtue of having inspired and motivated other researchers to study the topic. While some researchers have tried to separate these decisions in two independent decision models, some, as Adam J. Koch, (Koch, 2001), have further researched the link between those two.

2.2 Selecting overseas markets and entry modes: two decision processes or one?

Koch (2001) considers IMS and IEMS as two of the most important decisions for a market entry strategy, together with the definition of objectives, the marketing plan, and the control/monitoring of the results. His study mainly consists in linking the first two of them.

He based his analysis on a work of Root (1994) who considered three approaches to IEMS:
1: The sales approach. This can also be called the 'decision not to decide', or the opportunistic approach. Shortly said, it means the exporter does not have specific selection criteria, a short time view, and few adaptations of the product and control of the overseas distribution.

2: The naïve, or pragmatic approach. This second way of managing exports consists in sticking to a pre-defined exporting strategy.

3: Thirdly, there is the so-called "systematic approach" (Pezeshkpur, 1979). As opposed to the naïve approach, the exporter here does not have one approach/strategy, but several ones. The exporter will then opt for the entry mode that fits best.

This approach has been used by Koch in his MEMS (market and entry mode selection) model described hereunder.

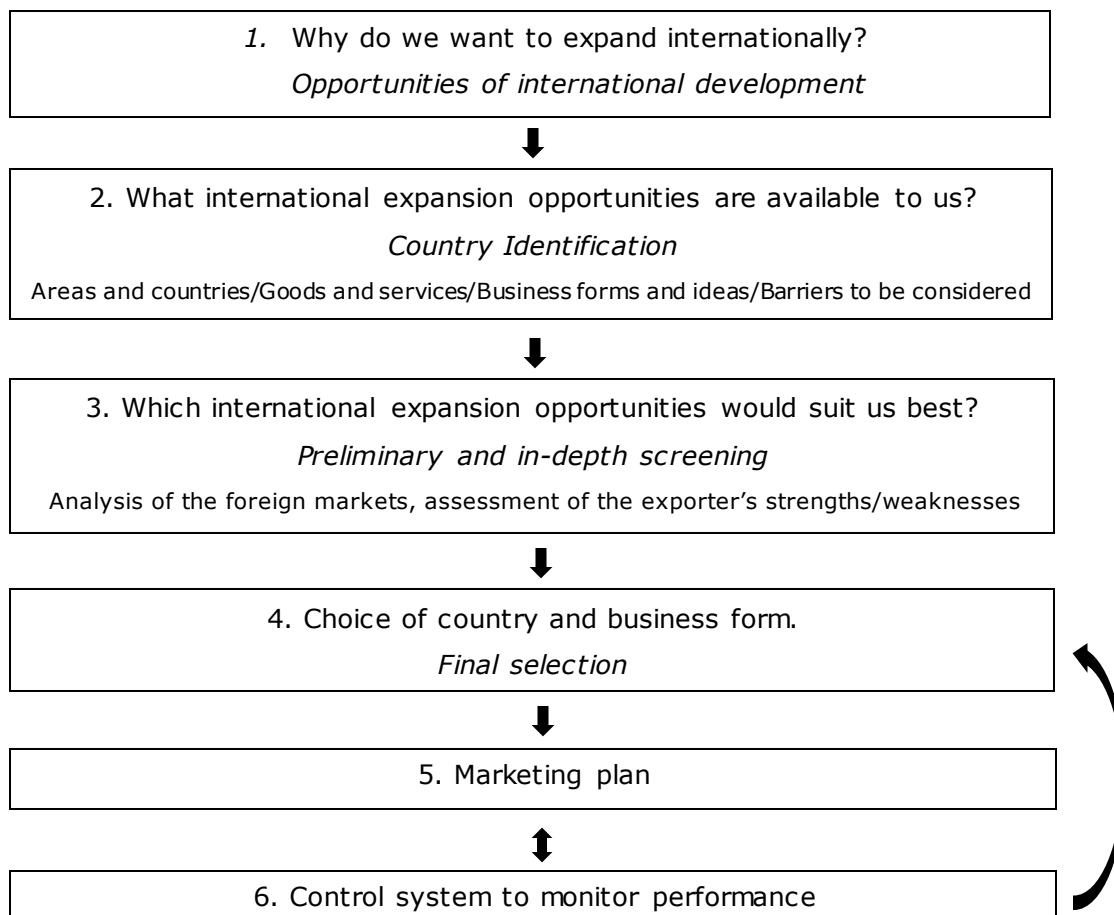


Figure 2 Adapted from: "The systematic approach to international market expansion and entry mode selection" (Koch 2001)

The presence of decision criteria about IMS and IEMS at different levels in the table show that they are closely related. There are many explanations for this, some of which are indirectly pointed out by Koch: the main, most obvious reason is that the criteria and decision factors for both IMS and IEMS mainly rely on the same internal and external factors (psychic distance, size of the market, product and market knowledge, characteristics of the product etc.). Actually, even if usually not explicitly said, IMS directly depends on the entry mode: while trying to compare the attractiveness of different markets, profit margins, investments needed etc. there will be a huge difference between a direct sales approach and a system with one or several resellers.

2.3 Pierre-Paul Francotte's 'invisible tool'

Francotte's approach is globally in accordance with Koch's work. Mr. Pierre-Paul Francotte is an expert of foreign trade, certified by the AWEX (see chapter 5). He is also honorary consul of Senegal, and works for a consulting company, where his main task is to accompany (potential) exporters willing to develop their activities abroad, and his main geographical sector is Africa. Being regularly in contact with companies, and accompanying their internationalization process, he has developed very specific knowledge about the topic of internationalization and has throughout the years developed his own 'model', which can be viewed as a checklist of elements to be taken into account.

I got introduced to Francotte thanks to Mr Delplanche, the contact person at the AWEX of the company I worked for as a student. Having described the objectives of my thesis and the person I was looking for to interview, the AWEX informed me about Mr Francotte, who was at that time working on the case of a Walloon pumps manufacturer willing to expand in Africa.

I have met him two times. The first time was most like an introduction, where we have introduced ourselves and where I explained to what extent his knowledge could help me. At the end of this meeting, he gave me a guide for exporters he had written for the AWEX. During the second meeting (see transcription in appendix) I asked him questions about his guide and also IMS in general.

As he mentioned, the main purpose of this guide is to be easily understandable and accessible. He wrote it himself, sometimes with help, but the ideas in the book reflect his own, based on years of experience.

In this guide, the interrelationship between IMS and IEMS is not explicitly analyzed. The reason for this is simply that it is a guide for exporters willing to find partners abroad.

Involuntarily, the reader may thus be 'pushed' towards a partnership rather than direct export. It is therefore important to be critical when reading this guide, but it still presents many interesting information if taken with precautions.

Francotte's approach is different to Koch's in the sense that a partnership is assumed from the beginning. Questionings about whether it is the right option or not is only challenged later on. Chapter 3 of the book consists of eight questions that exporters have to consider in a chronological order. This is also what Francotte calls his 'tool'. He does not follow it strictly, but it is the path he follows unconsciously. The eight questions and its sub-questions are shown on the next page and in the appendices (appendix II).

The first two questions exporters should ask themselves are whether the exporter is capable of, and if he should start exporting or not. If we look beyond the first question, the objective here is also to make a primary IMS based on the exporter's capabilities (as further discussed in chapter 5). Question 3 is meant for the exporter to set a priority in the criteria of IMS. The fourth and fifth questions are an analysis of the foreign market(s) on the basis of the actors present there; both potential clients and competition. Question 6 and 7 aim to check what additional help is needed for the exporter, both what the local partner should be able to do, and what is needed from an external help. This actually comes to re-questioning IEMS. Finally, question 8 summarizes everything, and IMS and IEMS are thus somewhat interrelated.

<p>1) Do I have a product, a service or a technology which is exportable?</p> <ul style="list-style-type: none"> • Am I able to define the nature of my activity? • Does it answer to the needs of markets other than mine?
<p>Do I have the will and the means of exportation?</p> <ul style="list-style-type: none"> • Is my window open or closed? • My production tools • My human resources: <ul style="list-style-type: none"> ○ Management ○ Production ○ Commercial organization ○ R&D • My financial means
<p>2) Why am I going to select the country or countries I will explore as a priority?</p> <ul style="list-style-type: none"> • Basis criteria: <ul style="list-style-type: none"> ○ According to economic rules of the market ○ According to the priorities of the institutional and private partners ○ According to the strategic choice of my company
<p>3) In the target zone, which competitors are already present on the market and on which conditions?</p> <ul style="list-style-type: none"> • Identification of my competitors and their profile • How to carry out this research?
<p>4) What is the profile of my potential clients abroad?</p> <ul style="list-style-type: none"> • How to carry out this research? <ul style="list-style-type: none"> ○ Private companies or public institutions? ○ Direct decision-maker or middlemen? ○ Network: central buying service, distributors, retailers? • Penetration modes of the market
<p>5) How can I reduce the risks of exportation?</p> <ul style="list-style-type: none"> • Commercial, political or monetary risks? • Risk of non-payment? • Exchange risk?
<p>6) Who – public or private institution – can support the preparation and implementation of my “inter-entrepreneurs partnership or exportation”?</p> <ul style="list-style-type: none"> • The operators concerned by this problematic are to be found: <ul style="list-style-type: none"> ○ On an international level; ○ On a European level; ○ On the level of the ‘Communauté française de Belgique’ and the ‘région wallonne’; ○ On a local level. • But help from « facilitators » abroad have in some cases proven to be useful
<p>7) And in conclusion?</p> <ul style="list-style-type: none"> • Am I thus ready to establish myself on a new market through partnership and is it really reasonable? • Will my sales price resist to the constraints of exportation? • Am I decided to take action?

Figure 3 Translated and adapted from “Le guide pour réussir sa stratégie d’internationalisation commerciale”

2.4 Interrelationship between IMS and IEMS schematized

Having read and analyzed (among others) the three approaches described above, I have tried to schematize the different theories. My vision is partially in accordance with Francotte and Koch's vision, but the chronological order and ranking of the importance of the different decisions should in my sense be redefined. I think the 'three-stages approach' used by most researchers (Cavusgil, 1985; Kumar et al, 1994, Root, 1994) should be taken into account as well. These researchers consider IMS as a three-stage model: 1. screening (macro-level; GDP, market size, growth...), 2. identification (industry-specific information), and 3. selection (based on company objectives, strategy and resources). Even if it seems logical, this approach does not take IEMS into account, which from my point of view should not be neglected. Therefore, the scheme hereunder including Koch's approach, Francotte's knowledge and also the three-stage approach might be more complete and accurate.

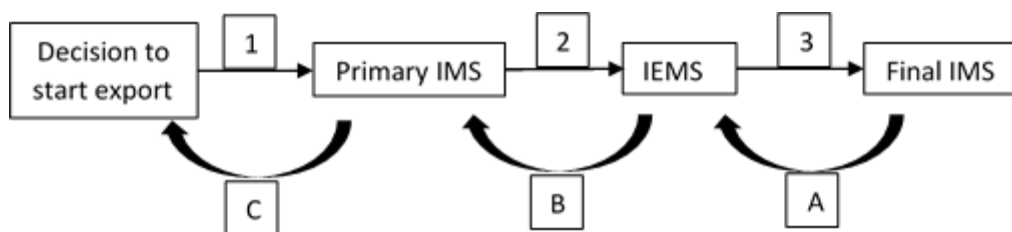


Figure 4 International Market selection process schematized

Step 1:

When the company has taken the decision to start internationalizing, a primary IMS has to be made, based on the following factors:

- The Network: this is mainly true for retailers or assemblers like Apumas: some countries should be avoided because an important member of the network does not want to see the company there.
- Political and religious barriers and risks: Israeli companies should probably not try to sell in Arabic countries; which should also not be targeted by companies selling alcoholic beverages. Furthermore, countries in war or with big instability should be avoided too.
- Affinities: which is closely related to psychic distance, and might be an important determinant of a preliminary IMS. Taking Apumas, French-speaking Africa is an obvious preferred market at a first sight. Belgium, and more specifically the Walloon region shares with these countries a long common history of trade and diplomatic exchanges. Many people of these countries also have family members or people they know that are from close or further related to Belgium. There might also be affinities between the company

and another market because it has important clients there. Thirdly, on a personal level: the person(s) in charge of the internationalization process might know certain countries, which could facilitate an entry.

-Market potential: having affinities is good, but making money is better. Attention has also to be paid to the company's capabilities: a very big market might not be interesting if the company cannot make its own place in it.

The primary IMS should therefore be made in three steps, following a chronological order: the first step should be to scratch from the list the countries that should not be entered, because of the company's network or the country itself. Secondly, it might be interesting for a company to see if it has special affinities, which could provide them an important advantage. Thirdly, the potential of every market has to be analyzed. While step one is absolutely eliminatory, two and three should be balanced, according to which element(s) a company values most.

Step 2:

When several markets have been selected, the exporters have to decide for a strategy to enter the new market(s). Generally, three modes of export are being compared: direct export, partnerships, and creation of a wholly owned subsidiary. The literature lists many criteria influencing IEMS:

-The nature of the product: technically evolved products may necessitate support and expertise on the spot. Direct export to a physically distant market may be a problem (Ojala and Tyrväinen 2007).

-The importance of logistics: again, when the export market is geographically distant, the supplier may consider having stock abroad, at the partner's warehouse or in a subsidiary. (Brewer 2007, Johanson and Vahlne 1977)

-The psychic distance and knowledge about the market: a distant market the supplier has little knowledge about might be difficult to reach, even if he is physically present there. (Interview Francotte, Cuervo-Cazurra 2011)

-The size of the company: sometimes, even if it would be ideal, creating a subsidiary becomes impossible for the simple reason that the company is too small to handle it.

Step 3:

Once the decision about the IEMS has been taken, the exact market/country to be targeted has to be chosen. This is where the model developed in following chapters comes into account.

Situations A, B and C:

If no market corresponds to what is wanted (A) (i.e. creating a subsidiary is not possible, no good partner can be found,...), the company has to go one step back, and re-think its

IEMS to apprehend the market. If there again, no entry mode seems viable (B), other markets have to be considered. Finally, if no concordance can be found between IMS and IEMS, the whole question about the legitimacy of going abroad (C) has to be brought back on the table.

In the case of Apumas and throughout this thesis, I will focus on French-speaking Africa, as these countries have a long history in common with Belgium, most of them have an interesting potential for the company, and Apumas gets support from its suppliers. Moreover, I will focus on a partnership with a local company, because Apumas does not have enough knowledge about the market, nor it has the necessary resources to be present abroad.

The nature of this 'marriage', even if relevant, will not be considered in this study. The level of the 'control vs. freedom' (i.e. no ownership of the subsidiary vs. joint venture) factor is indeed relevant, but the major aspect of the relationship here is the organizational level, and the interactions between Apumas and its foreign partner. It is important here that both the companies will take profit from a good relationship. And to be as profitable and successful as possible, both companies have to perform well at doing their tasks. Usually, one brings the knowledge about the market, the clients, the culture etc. The other will bring its expertise of the product (interview Francotte).

The objectives followed by this chapter have mainly been attained: the several factors affecting the interrelationship between IMS and IEMS have been highlighted, based on both academic and 'off-the-field' sources. I have also summarized them in the most logic and effective chronological order. The second objective, i.e. making this scheme applicable to all situations, also seems to be fulfilled, as all the main points of difference between situations have been considered: company size, nature of product, characteristics of the product etc.

Chapter 3: Analysis of the foreign Market

The goal of this chapter is to analyze the extent to which the characteristics of the foreign market influence the IMS. To do so, I will analyze one by one every dimension of foreign markets that have been considered in the literature. The first part of this chapter will list the different dimensions that together positively affect the attractiveness of a market, i.e. characteristics which, when very present, are very attractive to exporters. Examples are geographical proximity, market size... Secondly, sub-chapter 3.2 focuses on the various obstacles to internationalization, such as the risks related to the entry in another market as well as the potential presence of competition, and the need for adaptation of this product. Finally, the third part of this chapter will summarize the findings and conclude.

At the end of this chapter, the objective is to have an as exhaustive as possible list of all of the relevant market-related decision criteria for IMS, and link them in a logical, intuitive and helpful way. The approach used should also be applicable and transposable to other types of companies than our case study, Apumas.

3.1 Market attractiveness

The first section of this chapter discusses the criteria that make a country attractive in a foreign investor's eyes, regardless of the 'similarities between markets' which will be discussed in chapter 4. Many aspects have an importance here: physical distance, economic data about the country as a whole, accessibility of the market, and opportunities that this market may offer in the future.

Attractiveness can be considered in two different ways. The first one is from the home country's point of view, where an exporter determines which country seems most attractive for him to start exporting. The second approach is from a local's point of view, where potential clients estimate which country would be a good partner. Several models exist where locals estimate a countries' attractiveness on several criteria. Among these, Anholt's (2003) study is often considered as a reference. He bases his analysis on six criteria: exports, governance, culture, people, tourism and immigration. The principle is simple: people from different countries grade their own country and the other foreign countries from a given list. Countries that reach the highest scores are thus considered as the ones who make the best impression, while those with the lowest scores are considered unattractive. Anholt's model is thus relevant to judge if an exporter's product will be rather well accepted and if clients are willing to pay a premium price. But this kind of analysis

cannot be done reversely, and thus does only give a little indication to the exporter about whether this market is good for him or not. Moreover, the dimensions used in Anholt's model only give very little industry-based information. Additional criteria of analysis are therefore requested.

3.1.1 Physical distance

Physical distance has its importance when considering export activities. Common sense would suggest that the further the market, the less attractive it is, because it requires bigger efforts for the transport of goods and of people. It might also mean a different time zone (which creates managerial issues) and more difficulties to create bonds. Many researchers have tried to list these dimensions: Luostarinen (1979), Srivastava and Green (1986), Chetty (1999), Dow (2000), Clark and Pugh (2001)...

Clark and Pugh (2001) have analyzed the criteria that mainly influence the target markets of British exporting countries. They have found that the three countries that companies first enter are significantly closer than the three following ones. They consider that lower economic and managerial costs are the main influencers for this. Chetty (1999) has observed managers of New Zealand in order to understand their preferences for international expansion. Unsurprisingly, their main target market is Australia. But the reasons pointed out for this are again low operation costs, but also the fact that Australia is to New Zealand a familiar business environment. Dow (2000) also considers lower transportation costs as an important factor.

A 'new' concept has appeared since many of the researches have been carried out: the internet, which is a tangible element of a broader concept which is internationalization. One might think that geographic distance has become less important than some researchers seem to claim. This would be particularly true for the software industry, as it is mainly intangible and up to date. Some researchers, among others Bell (1995), Coviello and Munro (1997), Moen, Galven and Endresen (2004) have searched this topic out. They have found that geographic distance still remains a major determinant, because good interactions are needed between buyer and seller to specify requirements and pre-requisites, to install the software, and for the after-sales service. The influence of geographical proximity is here thus quite obvious.

Most researchers have found geographical proximity to be the main determinant of trade between countries, like Srivatsava and Green (1986). But some others, like Terpstra and Yu (1988) have failed to find support for this. Furthermore, even if a strong correlation has

been proved between geographical proximity and IMS, the importance of every influencer for this has not always been proved, and findings are sometimes contradictory. However, without ranking them, we can point out geographical distance to be a main determinant because of the following aspects: economical costs (transport of people and goods), managerial costs (to set up or maintain good relationships), and familiarity (knowledge about the market and about the people).

Francotte also considers the nature of the product to be a main determinant of the importance of geographical distance, and which could also partly explain why some researchers have not found support for it. As an example, we can take a company selling bottled water: the product sold is heavy, voluminous, and with a low value. It might thus not be interesting to travel many kilometers for such goods. Contrarily, diamonds' value-for-weight (and volume) are very high. And longer distances might then be an option. The same analysis holds for perishable goods. In most cases, time may be an issue. Refrigerated transport might be necessary, which induces increased costs. For all these reasons, I think geographical distance should not be overlooked when considering IMS.

3.1.2 Market size

Another main determinant of a country's attractiveness usually discussed in the literature is the size of the market. Companies expand internationally to grow, and a bigger market therefore often means a bigger potential. There is however an important distinction to be made here: the size of a market can sometimes be determined by macro-economic measures like GDP, GDP per capita,... or by specific measures related to the products.

Many studies have found a large market size to be determinant for managers in their country selection process (O'Farrell, Wood and Zheng 1997, Brewer 2001, Robertson and Wood 2001). Terpstra and Yu (1988) have studied American advertising companies, and have found GDP to be an important factor. Rothaermel, Kotha and Steensma (2006) have also studied American firms active in the field of the internet, and estimate that the impact of GDP increases attractiveness, but not only. According to them, a big GDP even has the power to 'outweigh' factors such as psychic distance.

The importance of GDP proved by certain researchers does not always seem to be in line with the importance of geographical distance discussed above. Both determinants are however not totally contradictory: as Ojala and Tyrväinen (2007) have analyzed in previous research in the software industry, there is a strong relationship between GDP-driven

decisions and big domestic markets on one hand, and geographic distance driven decisions and smaller domestic markets on the other hand.

They have also looked further into the works of other researchers, as Bell (1995), Coviello and Munro (1997) and Moen, Gavlen and Endresen (2004). Therefrom, they have mentioned an important fact that could explain this trend: most studies stressing the importance of GDP are based on American companies. USA is a big market, which means that companies do not need to export to develop. In other countries, however, companies may quickly become 'too big for their market', while they still remain small in comparison to American or international companies. Their internationalization process thus takes places earlier in the company's development lifecycle. In other words, the main determinant for market attractiveness is geographical distance for companies with little experience and capabilities, and becomes GDP when the company is consequent enough to tackle distance-based limitations.

The term 'GDP' is used to represent the size of a market in many studies. But it is not always the most representative unit of analysis. For example, Apumas could be selling seawater pumps. Germany has access to the sea, but only very few companies make use of seawater. Regardless of its high GDP, Germany is thus not a big market for this product. There is therefore a difference to be considered between GDP and the size of the market for a product/segment in particular, also called 'vertical market size'.

This issue has often been disregarded, but Ojala and Tyrväinen (2007) have tried to correct this shortfall. The results of their study about the software industry has proven GDP to be not relevant, while the size of the software market is the main determinant before physical distance. The study also finds support to the previously pointed out idea according to which the main determinant for the first IMS is mainly driven by geographical distance, and companies later on rather focus on market size. The reasons for this are lack of knowledge and experience, but also fear of the unknown, where proximity plays an important role.

One important element has been pointed out here; i.e. 'When the company is small, it does not target a big market at first'. Ojala and Tyrväinen (2007) consider reasons such as the lack of resources to target these big, sometimes geographically distant markets.

Francotte also adds another comment on the size of the market itself, regardless of market's other dimensions such as geographical distance. During my interview, he stressed the point that a big market is a double-edged sword: "I have had the case with a company manufacturing and selling purses. It knows its production capacities and its limits. The company is attracted by big markets: if it makes purses as promotional items for big banks for instance, it could be sold at big volumes. But the company does not have the production facilities to afford them. So it should whether increase its facilities or license out. But this

is not a risk-free solution: everybody knows these stories of companies that have made business in China and come back because delays, quality, etc. are impossible to monitor. You can still go to court, but you've lost even before you started taking legal action."

Next to these considerations, attention also has to be paid to costs: producing in China is normally cheaper than in Belgium, but logistics, taxes, fees, etc. also have to be added and can impact on the profit margin. Many dimensions thus prevent companies from targeting too big markets. This point will be further discussed in chapter 5, analyzing the potential fit between a company's capabilities and its objectives.

3.1.3 Definition of the environment

Environment is another important factor in IMS considered by Johansson (1997). This dimension is, with market size, the main determinant of market potential. As Johansson says "Environmental variables affect how products are used and analyzing them can be useful in different countries as they affect customer choices directly" (p.105). Concretely, the principle is to look at the market, and determine why products may sell well or not. For instance, environmental research can mainly explain why there are fewer washing machines per inhabitant in India compared to the USA. Besides the high purchasing price that many Indians may not be able to afford, other factors are to be taken into account: many households do not have running water and/or adequate waste water sewers. Moreover, the price of electricity is not negligible, and power cuts are frequent (which might damage the machine). To those dimensions, we may add the assumption that there is no primary demand for such products, as most Indian women are used to wash clothes by hand.

Johansson considers four different dimensions of an environment:

-The physical environment is the first factor that comes in mind. Climate for instance is the main determinant when it comes to sell heating or air conditioning devices. Clothes, building materials (insulation, windows...) and many other products' success also directly depends on it. Access to water, demographics, infrastructure, and propensity for natural disasters all determine the physical environment as well.

-Sociocultural environment is the second environmental factor that needs to be studied according to Johansson. Culture and social factors are the two main drivers. While the impact of culture on psychic distance has already been discussed, the sociocultural environment also has more direct implications, as it defines social classes and social stratification.

-The economic environment described by Johansson is an analysis of the purchasing power

of a country. As said in section 3.1.2, GDP only gives a general picture of the 'richness' of a country. An in-depth analysis of the economic environment provides insight about the way money is repartitioned. One can then identify 'how rich the rich are and how poor the poor are'. Therefrom, a seller can know who can afford the product, and determine a more accurate market size for the particular product. Further, one may find out information about labor costs, income taxes, and other tax- and operations-related costs.

-Finally, the fourth main environmental factor for a country is its potential presence in trade blocks or trade agreements, 'Trade blocks and regulatory environment'. As Johansson states, "...this institutional framework within which markets function is designed to enable or prohibit certain business practices". Therefore, the fact that it is present in such an agreement is clearly an advantage for a country.

For Apumas, analyzing the environment of foreign countries following this approach can be very interesting. Firstly, the analysis of the physical environment will tell where the companies are located, and provide information about the infrastructure. This, in turn, will determine if the market can be easily accessible or not (whether the exporter goes direct or through a reseller). Also, geographic information is useful to partially assess the needs for certain types of products. For instance, many African countries do not have easily access to running, drinkable water. There is thus a high demand for water transfer pumps and water treatment solutions.

The sociocultural information at first sight seems less relevant in B2B than it is in a B2C context, but they still remain interesting to understand 'social hierarchies'. Also, a good analysis may provide information about the acceptance of the new entrant, which depends on openness to innovation, uncertainty avoidance, and the reluctance or attractiveness towards a certain country (as discussed in the introduction of 3.1, market attractiveness, based on Anholt, 2003).

Thirdly, economic indicators may give Apumas a first indication about the financial capabilities of local companies. Nevertheless, the main important information that an analysis of the local environment can offer probably remains market potential. In-depth analysis can tell what the most interesting markets within a country are. The AWEX (see chapter 4), for instance, has on its website a section 'secteurs porteurs'². The objective of this section is to allow Walloon companies like Apumas to access information about the main sectors within a country. The fiche of Angola, a historically important client for Apumas, shows that the two main activities are in the petroleum and mining sectors. These

² <https://www.AWEX.be/fr-BE/Infos%20march%C3%A9s%20et%20secteurs/Infosmarch%C3%A9s/Angola/Pages/Secteursporteurs.aspx>

have big needs for pumps and are considered as rich. According to these data, Angola could therefore be a good target market.

Finally, the analysis of 'Trade blocks and regulatory environment' will inform Apumas about the potential presence of the foreign country in a trade block. This will somewhat reassure Apumas about the risks, and facilitate day-to-day business.

3.1.4 Opportunities for growth

To determine growth, many researchers simply make use of economic data such as GNP growth (Kobrin, 1976; Meyer-Ehrman and Hamburg 1986) and inflation (Woodward and Rolfe 1993). I said in the section 'market size' that such general, national figures might not be representative. For many companies the 'market' is not a whole country or region, but only a segment of it. However, when assessing growth, these measurements make more sense: an increase in people's purchasing power will stimulate companies to offer products to these people. This means that production facilities and people are required, which in turn implies an even bigger market etc. 'General growth' indicators thus usually are a representative determinant for growth in every sector of a country's economy.

Johansson (1997) has another approach and subdivides 'growth' into 3 types which are the total growth of a market when put together:

- 1-Growth among existing buyers: growth in frequency and amounts bought by one buyer
- 2-Growth in penetration: new buyers can be reached thanks to increasing awareness and product diffusion.
- 3-Growth rate of new buyers: population growth and growth in disposable income. In other words, this sub-section is meant for buyers who become old enough and have enough buying power to purchase.

Growth here does not exactly refer to the growth of a market, but to the growth of a company's market share. Indeed, the two first types of growth can be described as: 1- augmenting repurchasing by existing clients and 2- reaching buyers who already are on the market and have the necessary resources but for some reason did not purchase before. These two types of growth are therefore not due to new potential clients, but due to (potential) clients that have been underexploited. Only the third type of growth can therefore be considered as offering a *new* potential.

When first looking at the term 'growth rate of new buyers', one might think that this is only relevant for B2C. However, companies grow too; and little domestic companies could potentially face a bigger demand, expand, and thus become a potential buyer for products

it did not possess before. This category also takes into account new companies entering the market. Therefore, 'growth rate of new buyers' does not only refer to individuals, but also to companies.

The case where 'market growth' seems to be the most relevant and significant is for emergent markets (EM). Sakarya, Eckman and Hyllegard (2006) have focused on these market and tried to "create a market selection framework that does justice to EM and enhances traditional analysis" (P.209). To do so, the authors have estimated they should focus on four dimensions: 1-the long-term-market potential (highly inspired by Arnold and Quelch, 1998), 2-Cultural distance (Hofstede, 1980 and 2001), 3-Competitive strength of the related industry (Porter, 1990), and 4-Customer receptiveness to the specific foreign industry. Sakarya et al.'s approach (2006) to measure long-term market potential helps a lot to understand the dimension of growth.

The authors agree with what has been written above, i.e. "the implied or measured levels reflect the country's market potential at a point in time and fail to account for the future potential resulting from accelerating growth pattern of an emerging economy" (p.216). They therefore think that the model of Arnold and Quelch (1998) suits better to the objective of accurately calculating growth:

$$Q=(P+NP) \times (DevGDP-AdjGDP)$$

Where :

- Q= total market potential
- P= national population
- NP= new population, i.e. the growth
- DevGDP= Average per capita GDP in Developed markets
- AdjGDP= GDP in emerging market, adjusted to PPP level.

This formula has been developed in an attempt to better catch the potential for the future of a market. General indicators are used here too, but it still remains a good option to represent growth for two reasons. Firstly, these figures are available for almost every country, even those where few information are available in general. Secondly, the formula has as result to make these figures more reliable and representative, which is the main problem when using general data. The calculation here for market potential is the difference in wealth between the particular market and a developed-market average. As Arnold & Quelch (1998) say, "The important adjustment here is to purchasing power parity (PPP), reflecting the 'real' rather than the nominal value of the GDP. Although China's 1995 per capita GDP of \$620 makes it appear less attractive than the Philippines' \$1050 or Latvia's \$2270, differences in living costs mean that the population in each country has similar spending power (PPP is \$2290 for China, \$2850 for the Philippines and \$3370 for Latvia)" (p13). The importance of this adjustment is even more important due to the

disproportionally big increases in demand which are often induced by small increases in wealth (the so-called 'threshold effect').

Another advantage of this formula is its approach to market population. Arnold and Quelch take in their article the example of two markets, Russia (148 million inhabitants), and Pakistan (132 million). In 2050, the populations are expected to be respectively 180 and 340 million, which means Pakistan will overtake Russia. This formula thus allows to take population changes into account, and make predictions for 5, 10, 20... years in advance.

Growth is important in assessing the attractiveness of a developed market, but it might be even more important in developing ones (Sakarya et al 2006). These markets potentially offer a first mover's advantage, which has its consequences. From the beginning, the exporter will have a bigger market share, which can be translated in more sales. But the advantages are also more subtle: being among the first on a market is a sign of market commitment. Consequences are bigger awareness, and sometimes favorable government relations (Arnold&Quelch 1998).

However, attention should be paid when assessing potential: this is only a determinant for future, and future means 'investments'. MNEs can thus focus on emerging markets, but SMEs might have difficulties making such investments, and may need faster results. Therefore, as Francotte says, being early on an emerging market is mainly interesting when the product or service offered takes place early in the development stage of a country (see chapter 5). Market growth can thus be important, but only if the initial market size is acceptable. The dimensions that define what the acceptable time length is for a return on investment not only depends on the capabilities of the exporter. The entry mode may influence the exporter's readiness to enter an EM, as a collaboration with a local company will reduce the 'load' on an exporter's shoulders, and allow him to take more risks.

Besides the growth of the foreign market itself, another way to anticipate future opportunities is to look at other, related markets. The presence of the exporter in a certain country could facilitate the entrance in another market, because he has developed a network in a region, but also thanks to experience and knowledge accumulated.

The importance of knowledge will be discussed again in chapter 5, but Francotte gives interesting insight to the potential benefits of being present in certain countries as an entry door to other ones. When I asked him about this, using the example of Congo Brazzaville potentially being an entry door to DR Congo, he answered the following:

"Of course the fact that a certain market can be an entry door to another can be interesting. But once again, we have to be careful with this. There is a market that I know quite well, which is Senegal. If you find a partner in Dakar, or even another city in Senegal, you are sure to penetrate the Senegalese market, but actually you are positioning yourself in

Senegal but also its sub-region, which is basically the other countries part of the UEMOA, Union Economique et Monétaire de l'Ouest Africain. These are French-speaking African countries, and are part of the monetary union of the CFA, which is to some extent 'their euro'. Second example, which is a bad one: if you consider installing a company in Tunisia because it is close to Algeria, you are making a mistake. And I am not even talking about Libya. This would be a mistake because Algerians and Tunisians do not get along well with one another. They have different cultures, different political systems. Algeria has an immense market with big resources, Tunisia is a little market without resources. Algeria also considers Tunisians to be colonialists! So mistakes are easily made. You gave the example of Congo and DR Congo, but I think this will not work. The same also holds if you see DR Congo as an entry door to Rwanda and Burundi."

3.2 Factors negatively affecting market attractiveness.

This section focuses on the elements that make a market look less attractive than it seems at the first sight. The sources of negative influencers are diverse and always linked to a certain type of risk which could dissuade companies from entering the market. Among others, we can point out the risk that the market becomes unsafe, or at least not 'welcoming' for exporters. Another risk could be that the buyers on the market are known for not being able to pay their bills. Finally, there is the fear that a product may not be able to find a place in a market because it is being overwhelmed by the competition. All of these risks will be discussed further.

There is another risk at entering a new market, which is usually the main obstacle to export: the fact that the product will not work. Several reasons could cause this, among which price: exporting a product can almost never be done while keeping the same costs. This in turn could induce that the same level of price cannot be kept. However, in some cases, the cost of living on the export market is lower than what the exporter is used to. The exporter will thus have to lower its prices and reduce its margin, or keep the same price but take the risk of losing market share.

Besides price, marketing is the main issue exporters have to focus on. Every marketer will tell you that every population has its very own way to perceive messages. The message behind every advertising has thus to be carefully designed. The same holds for packaging for instance.

Similarly, religion and consumption habits could be a barrier, as Francotte's example shows us: "I have had the case of a Belgian company producing and selling quiches. It had a

range of twenty varieties of quiches. Among these of course some are adapted to certain tastes and certain consumption habits. But on other markets, they do not fit. And we have had the case, in a Muslim country. The first constraint had been to make a choice within the range of 20 quiches. Some of them had bacon and eggs in it, and got excluded directly, while some others with salmon and vegetables got accepted”

3.2.1 Political and commercial risks

Among the factors influencing the IMS decision for an exporter, political and commercial risks might be among the most eliminatory. They might be irrelevant when it comes to the choice between two countries like Germany and the Netherlands, which are both 'safe'. But when the level of risk is considered unacceptable, the internationalization process might be stopped directly, and other countries have to be considered then. McGowan and Moeller (2009) define it as “the likelihood that changes in a foreign business environment will occur and will reduce the profitability or riskiness of an overseas FDI” (page 28)

In chapter 4 'country attractiveness' of his book '*Global Marketing Foreign Entry Local Marketing and Global Management*', Johansson (1997) considers four dimensions to be relevant for country risk: general instability, expropriations, operations and finance. General instability refers to general, country-level happenings like the risk for revolution, war with other countries, terrorism, strikes, etc. Secondly, expropriation corresponds to the risk that the government may interact in a particular company through nationalization or contract revocation. Thirdly, there is a risk for operations when a country could decide to introduce import restrictions, legal content rules, taxes or export requirements. Finally, the financial risks include for instance repatriation restrictions and exchange rates.

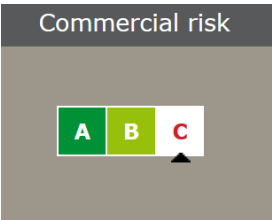
Kobrin (1976) also considers political factors to be determinant in assessing the attractiveness of a market. Rather than a positive determinant, he considers politics to be rather a variable moderating the attractiveness of a market. In his research, which has proved political factors to be a significant determinant, several dimensions have been used: character of bureaucracy, regime type, changes in effective executive, major cabinet changes, general strikes, riots, government crises, purges, assassinations, armed attacks, etc.

During his visit in Morocco, one of Apumas' employees has mentioned that entering the country is not an easy thing: part of the personal belongings and promotional catalogues, sent by a transporter, have been withheld at the borders during a week or two. Even if this may happen in many other countries, the fact that it happened in Morocco rather than

another country does not surprise Francotte. He says that contrarily to what is commonly thought, Morocco does not have a liberal economy. Most operations directly depend on the environment: rules and norms are being created to the good will of people with authority. For instance, some products have entered the country despite the fact that they were on the edge on the level of many rules (On the level of safety, quality...) only because a member of the royal family had interests in it. On the other hand, some very basic products in the health sector have had to face an interdiction to enter the country because there was a lobby of the royal family, who had many activities in this sector. 'Authority's good will' can thus also be considered as a political risk. This experience is also in line with the definition of Butler and Joaquin (1998) about risk, which they define as 'the risk that a sovereign host government will unexpectedly change the rules of the game under which business operate'.

The risks discussed above are all linked to political factors. However, companies can also be a source of risks for one another (De Noble and Castaldi 1989, McGowan and Moeller 2009). Above all the others, the default risk or commercial risk is often feared by exporters. Because of that, they are often tempted to ask for payment before shipment of the goods. This is of course very unpopular in the buyers' eyes, as the money paid in advance cannot be used elsewhere. More common payment modes (30 days end of month, 60 days net) have to be used to remain attractive. However then exposes the exporter to the commercial risks mentioned above.

Many organizations provide information about commercial and/or country risk. Among these, I would like to point out the Delcredere/Ducroire³. They present themselves as being "...Belgium's public credit insurer, covering companies and banks against political and commercial risks relating to international



commercial transactions". More concretely, they provide everybody who's interested in a risk evaluation of every country. For example, Democratic Republic Congo (DRC)'s risk of expropriation and government action is evaluated 6/7, which is almost the maximum. The same type of scale is used to evaluate short term political risk, medium/long term political risk, special transactions (transactions paid through progress payments), war (also included in political risks) and transfer risk. Commercial risk is measured on a three-point scale, where A is the lowest possible risk, and C the highest.

³ www.delcredereducroire.be

Making business with companies active in DRC, as illustrated here, is thus considered financially risky, as many companies have the habit not to pay their bills.⁴

The dimensions used by Johansson do not exactly coincide with those expressed by the Ducroire, but their main use remains. Exporters know they have to take care of all of these factors. DRC, for instance, scores very low on every dimension. The question whether this market should be targeted by Apumas or not is quite easily answered: direct export or a fully-owned subsidiary is far too risky and the decision about IEMS was already made anyways. Apumas is looking for a partner, who will be the link between Belgium and DRC. By this way, Apumas has unconsciously covered itself against most risks. However, the risks for the reseller also influence the exporter's health, as the success of both companies go together. The risk factors have therefore to be taken into account, and compared to the market potential when deciding whether to invest in that country or not.

3.2.2 Competition

According to Johansson (1997), "the level of competitive rivalry in the market can be measured by the number of competitors in the market and the relative size distribution of market shares" (p.109). He also stresses the importance to distinguish:

- Total number of competitors
- Number of domestic and foreign competitors
- Domestic companies' market shares
- Multinational companies' market shares.

Johansson underlines the importance of making the distinction between local and international companies. The reason for that is easy to understand: usually, domestic, local companies have the advantage of knowing the market, which confers them a competitive advantage. Moreover, this often means that it is the company's core market, which has as a result that it might be more involved. However it has to be kept in mind that an international company which has developed its manufacturing in the foreign market is willing to start acting like a local.

According to Mr Depas from Apumas, strategies of the competitors are also important. If they base their strategy on low costs, quality, or after-sales service, the new entrant may enter in a direct competition, or on the contrary find an opportunity. For instance, Apumas sells expertise/solutions. The service and quality are therefore the main concerns. If

⁴ Images: Delcredere/Ducroire : country fiche of DRC (July 2015)
<http://www.ducroire.lu/en/node/41?country=58>

competitors on the market 'sell prices' (focuses on low costs), Apumas may have found an opportunity. If, on the contrary, the competitors have the same profile as Apumas, it might be problematic. It is important to note that whatever the strategy is, if two companies have a similar one, the local always has an advantage. If it is price-based, the local saves costs as it has everything 'on the spot already'. If, on the opposite, the strategy is service- and knowledge based, the local has also the 'advantage of the pitch'.

Having a local partner interacting with the clients has many positive effects, as has been discussed in chapter one. Apumas thus has a good advantage as it has taken the decision to work with a local company. This is an important determinant as it has information about the market that Apumas would probably not have obtained on its own before. Information about a market is vital, but even more when relationship is a key competitive advantage.

3.2.3 Need for adaptation of the product.

Another (negative) determinant of a country's attractiveness is the need for adaptation of the products (Calantone et al 2006, Cavusgil et al 1993, Kacker 1975). The reason why this dimension has to be considered is quite obvious: products which have to be adapted a lot imply many changes and thus many costs. The sources of increased costs are diverse.

The first main adaptation to be made is the product itself, which is caused by several factors. Firstly, there are the habits of the population. A perfect example for this has been discussed during a presentation in international marketing: the case of McDonalds. This business is particular in the sense that it is present in almost every imaginable region in the world. McDonalds is for many the symbol of the American fast-food, the 'American lifestyle'. However, the burgers sold in New York or Los Angeles may not all be at Philippines locals' taste. What they really want is their own food, but 'Americanized'. This is the reason why McDonalds sells some types of porridge in Indonesia, types of wraps in India, lobster sandwiches in Canada... all types of products which may reveal curiosity in many countries, but may not be successful in the medium or long run. For industrial products, adaptations are sometimes needed too: there may be differences in the types of junctions between pipes, and some motors run with 60Hz abroad instead of 50Hz like in Europe.

Religion also plays its role when defining a menu: in Israel, McDonalds has to conform to the rules of Torah and be kosher. Several products have to be adapted, and in some cases even the way they are being made. The same holds for halal, or to satisfy many Indian vegetarians. Other aspects may not affect McDonalds but could be a problem for smaller

companies: certificates such as the FDA, 3A, etc. are needed in some markets. The consequences for industrial equipment may be even bigger, as all the brochures and certificates may have to be adapted, as well as language etc. (Cavusgil et al. 1993)

There are thus many aspects of a product which may be affected if it has to be sold abroad: the product itself, the packaging, the certifications, etc. This implies increased costs of production, but also R&D, marketing (to design new packages, and ads who will have more impact on the locals), and administration. All of these aspects put together may have their weight.

3.3 Summary of the factors determining market attractiveness

The different factors influencing market attractiveness I have listed from the literature can be summarized as hereunder:

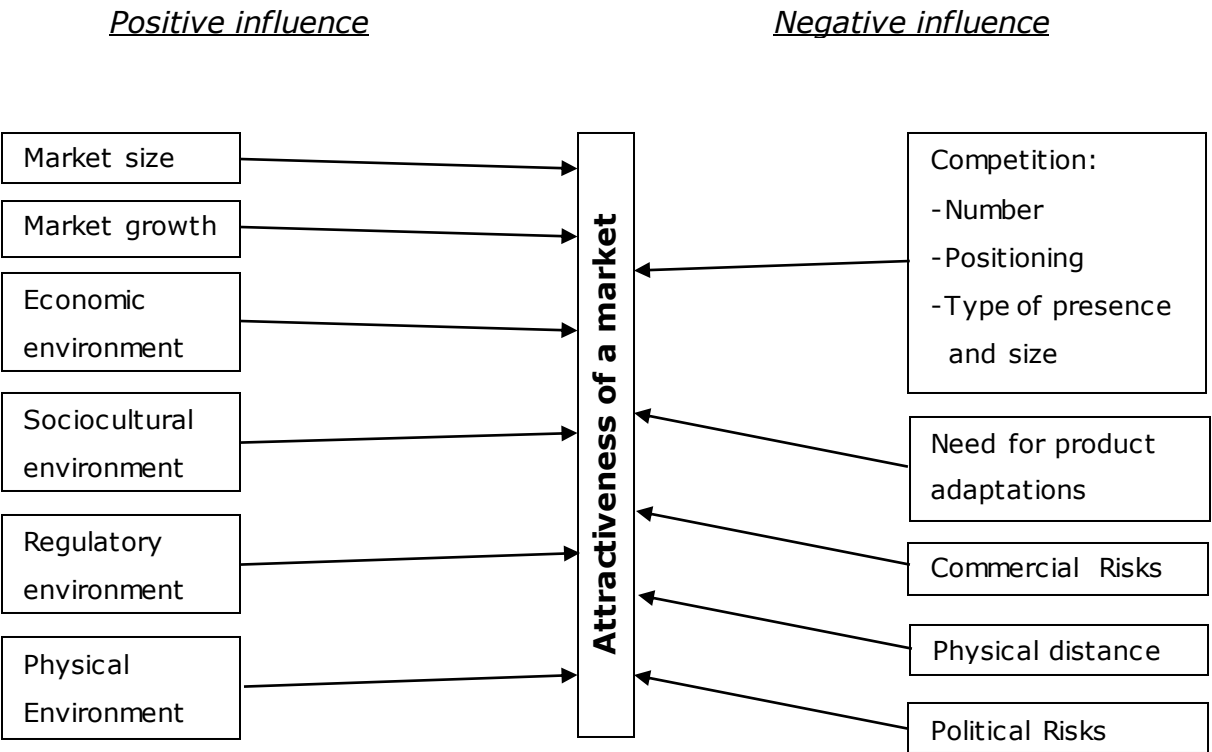


Figure 5 Market attractiveness schematized

Factors that positively influence Market attractiveness are following: market size, market growth, economic environment, sociocultural environment, regulatory environment, and physical environment. The bigger the market size, the higher the general attractiveness of a market. This naturally still must remain in line with the exporter’s

potential and objectives. The issue of matching capabilities and objectives will be discussed in chapter 5. Bigger opportunities for growth, both in-market and as an entry door to other markets, are also a synonym of a bigger attractiveness to a market. Finally, the four types of environment are positively related to market attractiveness: the more favorable these environments are for a company to export, the more attractive the export market is.

On the other hand, five factors have a negative effect on the attractiveness of a market: the bigger and more effective the competition is, the less attractive the market. Secondly, a new market may mean that a product, packaging and others may have to be adapted. Another negatively related dimension is geographic distance. A geographically close market is attractive, but as distance increases, the attractiveness of the market decreases. Similarly, the higher political and commercial risks are, the less a market is attractive. The impact of the last four dimensions, geographic distance, political and commercial risks may however be moderated by the IEMS. As explained above, working with a local reseller reduces these negative impacts very effectively. If the cooperation with a local reseller is chosen, this partner will endorse most of the commercial and political risks: as said above, if the local partner is not doing well, the exporter will not do well either. However, his presence will be some sort of a 'buffer': in case of a problem, the partner will be facing the biggest part of the problem, while in direct export, the exporter would have to deal with the whole issue on his own. A potential local reseller would also moderate the effect of physical distance: as mentioned above the main issue with physical distance is that the seller can barely have contacts with the buyer. Similarly, his help will be precious to learn which elements should be adapted to fit to the new market. A local partner can then assume some of the 'commercial part of the job' for the exporter.

Given its simple design, this scheme can of course not be followed 'blindly'. I did not assess values, or a particular 'weight' to any of the variables for several reasons. Firstly, the lack of primary data did not allow me to identify trends about how companies value each dimension. Moreover, this 'value' of every dimension varies from a company to another, depending on the objectives followed, the capabilities, the type of product, etc. Thirdly, some variables somewhat overlap: market size and economic environment, market size and physical environment etc.

However, this model still can be useful for exporters. One can informally assess values to every dimension, and value a market's attractiveness accordingly. The main advantage this approach then offers is its covering of most important dimensions, and can be used as a sort of checklist. Moreover, it explains how changes in values of these variables will affect market attractiveness. This scheme thus cannot quantify, but will give indications and tendencies that may be very valuable to exporters, which was the main objective followed here.

Chapter 4: Psychic Distance

This chapter's objective is to create a framework which allows managers to understand and evaluate the importance of psychic distance. The literature proposes a lot of various approaches and methods to do so, but sometimes contradict each other. Some researchers value cultural distance as the biggest determinant of psychic distance (Hofstede, 1980), but neglect aspects like education or industrial development. Moreover, some researchers seem to doubt about the importance of culture, or think it does not explain enough and add dimensions (Dow and Larimo 2009, Shenkar 2001).

Francotte is part of the people who consider psychic distance to be, more than important, vital. However, he somewhat nuances this by saying that the most sensitive companies to psychic distance are SMEs. "Due to a lack of resources, an important place is kept to the choice, of course always strategic, but also to the psychic choice. Since we take the simple example of the common boss who does not master a foreign language, it's certain that he will easier find his market(s) in French-speaking areas, as long as there is already a series of constraints that get eliminated. There are not only constraints of language knowledge, but also lots of constraints which are linked with language. You must have an adapted exploration when you are on an English or Chinese-speaking market that you won't have when you are on a market that speaks the same language as yours. You take the plane and go to an Algerian market. It's much easier than taking the plane and meeting a Scandinavian. The distance is the same, but if you don't master the English language with the Scandinavian good enough, you will quickly be in trouble. But there is not only the language itself, there are also more cultural aspects. It is not about religious concepts and so on. As I have earlier explained, there are often companies that commit very serious mistakes because they neglect this religious cultural aspect. If you go to Algeria with dried meat, you will get quite badly received. This is not the case of Switzerland. On the contrary, they quite like this. Most big companies have employees who know which religious and cultural elements to consider, but it is not always the case in SMEs."

Some people thus consider psychic distance to be unimportant, but most professionals of this topic do value it. In an attempt to analyze the different approaches, I will start by the most commonly used models measuring psychic distance, Hofstede's six dimensions (2010). It has for many years been the basis for most of the researches in this domain, among others thanks to its simple design and ease of use.

Simple design for many people also means simplistic, i.e. incomplete design. Moreover, Hofstede solely considers cultural distance, which is only a part of psychic distance

according to many specialists. The next step will therefore be to list the main limitations and critiques to this model, analyze them, and see to what extent they can be answered.

The last section of this chapter will aim at achieving two objectives: firstly, I will try to summarize the findings and create a framework including them in the most logical and as correct as possible way. The second objective followed will be to make these findings generalizable, and thus eventually list which limitations may remain

4.1 The Hofstede model

Geert Hofstede, is a social psychologist and professor of International Management and organizational anthropology at Maastricht University in the Netherlands. At the age of 25, he started working in the industry thanks to his M.Sc. in Mechanical Engineering. The main influencers of his life and work might however be his previous experiences in Indonesia and England. This made him want to learn more about culture differences. His trip to England really surprised him most: despite the very little distance between both countries, he really experienced a culture shock. Ten years after he started working he decided to start studying again and obtained his PhD in social psychology cum laude in 1967.

He started working at IBM right after graduating. His job was management trainer and manager of personnel research. He also founded the Personnel Research Department. His position made him travel to many countries in and outside Europe, and he conducted a lot of surveys about people's behavior, and interactions. Hofstede had collected a very big amount of data, and not a lot of time to analyze them. He therefore took a sabbatical break to dig deeper into the results. He found significant differences between cultures. Further research carried out in relationship with the IMEDE (now the International Institute for Management Development, in Switzerland) in different organizations around the world confirmed the results from the IBM survey. He then started working on the development of his model, with the objective of providing people, and specifically managers, a tool to measure culture distance and its consequences.

4.1.1 Hofstede's four (six) Dimensions

The first draw of his tool to compare cultures, officially published in 1980, was basically a list of four cultural dimensions, which he describes as follows⁵:

-Power Distance Index (PDI): This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalise the distribution of power and demand justification for inequalities of power.

-Individualism versus Collectivism (IDV) : The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society's position on this dimension is reflected in whether people's self-image is defined in terms of "I" or "we."

-Masculinity versus Femininity (MAS) : The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented. In the business context Masculinity versus Femininity is sometimes also related to as "tough versus gender" cultures.

-Uncertainty Avoidance Index (UAI) : The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Countries exhibiting strong UAI maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas. Weak UAI societies maintain a more relaxed attitude in which practice counts more than principles.

In order to fight the critiques from many colleagues, Prof. Hofstede decided to introduce two further dimensions. The first adaptations have been made in 1991 after researches of

⁵ Source : Official website of Hofstede (July 2015) : <http://geert-hofstede.com/national-culture.html>

Michael Harris Bond. His studies have been supported by Hofstede, who also conducted a study in parallel to confirm Harris' findings. They highlighted a new dimension which is called Long-Term Orientation (LTO). It could be applied to 23 countries and is defined by Hofstede as follows:

-Long Term Orientation versus Short Term Normative Orientation (LTO), also referred to as Pragmatism (PRA): every society has to maintain some links with its own past while dealing with the challenges of the present and the future. Societies prioritize these two existential goals differently.

Societies who score low on this dimension, for example, prefer to maintain time-honored traditions and norms while viewing societal change with suspicion. Those with a culture which scores high, on the other hand, take a more pragmatic approach: they encourage thrift and efforts in modern education as a way to prepare for the future.

In the business context this dimension is related to as '(short term) normative versus (long term) pragmatism (PRA). In the academic environment the terminology Monumentalism versus Flexhumility is sometimes also used.

Yet more complete than the first version, this five-dimensions comparison still does not convince everybody. Researchers have therefore continued studying the elements that could be induced by cultural differences. In 2010, Michael Minkov carried out another research, using more recent World Values Survey data. The findings were twofold. First of all, the fifth dimension, LTO, was readjusted. Its applicability also got spread to an amount of 93 countries in total. The second finding was that some culture-related points of discordance were not included in Hofstede's model. This shortfall got corrected with the creation of a sixth dimension, also applicable for 93 countries; and defined by Hofstede as:

-Indulgence versus Restraint (IND) : Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.

4.1.2 Presentation of the results

As already said, the main objective followed by Hofstede was to create a simple, understandable-for-all tool to understand cultural differences. The results of cultural comparisons are therefore usually represented in a bar chart with illustrating figures, ranging from zero to hundred (sometimes a little more as some entering countries have been found to have results out of the scale).

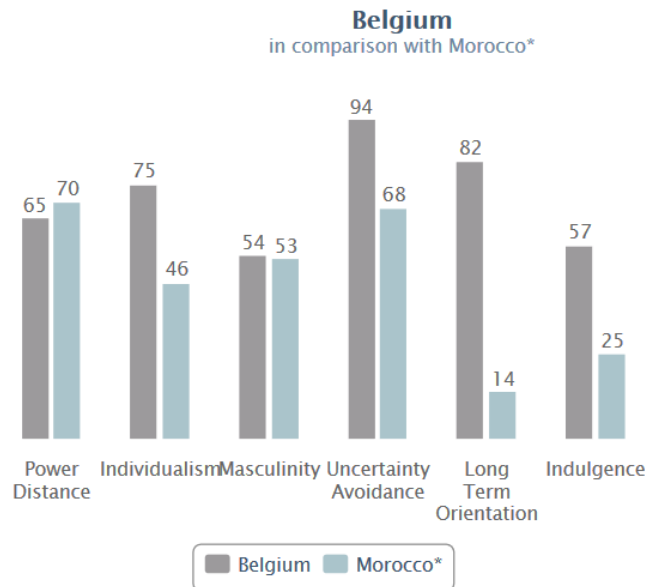


Figure 6 Scores of Belgium and Morocco, drawn from Hofstede's website: <http://www.geert-hofstede.com/>

This model's way of working is to compare every category one by one. I decided here to take the example of Morocco, as it is a country Apumas has already visited, and cultural differences are visible in most categories.

PDI: Firstly, the scores about Power Distance tell us that Morocco and Belgium are not quite different concerning the attitude of the cultures towards inequalities in power. Said differently, Belgian, and even more Moroccan less powerful people of an organization accept that power is distributed unequally. Hierarchy is very present, and powerful people might have some privileges and be inaccessible for others.

IDV: The figures concerning the level of individualism (vs. collectivism) show that Moroccans are much more collectivistic than Belgians. In other words, this means that Belgians rather think in 'I'-terms, while Moroccans think in 'We'. Concretely, Belgians will in priority look after their personal well-being, and the one of their immediate family. In the working environment, Belgians are also expected to work with more autonomy than their Moroccan counterparts. These will also act for the well-being of their environment in general, and not only their own. The word 'community' has more meaning for them.

MAS: Morocco and Belgium are equally masculine countries according to Hofstede, with both scores a bit above 50. Masculine cultures are competition-driven, and people aim at achievements and success. On the other side, feministic cultures see their objectives as well-being and comfort. Both countries are situated in the middle of the scale. Belgium's figures can however be nuanced: in many cases, the Flemish and Walloon regions score

quite differently on masculinity (also read in 'limitations'). Flemish score 43, and Walloons 60.

UAI: The fourth dimension, uncertainty avoidance, shows much bigger differences between Belgium (94) and Morocco (68). This difference in figures reflects the fact that Belgium is much more reluctant towards uncertainty about future, and have created structures, institutions to avoid uncertainty. Moroccans, on the other hand, leave more space for the unknown and are more willing to accept uncertainty compared to Belgium. However, Morocco's score is still 68, which means that uncertainty is not that 'welcome'. Important is to note that a low score on UAI does not mean a 'don't-give-a-damn' attitude. It is also caused by confidence and trust.

LTO: The scores on long term orientation show a non-negligible difference between both countries. Belgium scores a very high 82, reflecting the globally high level of pragmatism of the people. It seems that when decisions have to be taken, Belgians prefer to focus on the analysis of the current situation, and take the decisions that best fit to it. On the other hand, Moroccans, with a score of 14, prefer to keep a bond with their traditional ways of working, and prefer to make use of old solutions and methods to new situations. LTO also refers to the 'time horizon'. The figures show that Belgians look more towards the future than Moroccans, who prefer to live in the present rather than speculating on the future.

IND: With a score of 57 for Belgium vs. a score of 25 for Morocco, the first can be qualified as indulgent, while Moroccans are more restrained. In other terms, Belgians give more freedom to their impulses and desires to enjoy life and have fun. Moroccans, on the other hand, will feel more 'obliged' to carry out their tasks, and do not spend a lot of time on leisure.

4.1.3 The evolutions Hofstede's model offers

Hofstede's model is still struggling with the fact that according to some people it is still incomplete (McSweeney 2002) or wrongly interpreted (Shenkar 2001, Dow and Larimo (2009) . But Hofstede also knows that adaptations are still to be made, and the model is not totally complete and adequate. His research at IBM is also one of the biggest that has been carried out at that time and opened doors to many others. Regardless of the critiques, most people still agree that Hofstede's model can still be a useful tool to get into cultural differences, at least as a start.

When one wants to select a country in which to start exporting, every of the six dimensions may have their importance to assess possible problems. However, cultural distance may

also be an advantage in certain cases (see section 'limitations'). This approach therefore helps to identify the culturally most distant markets and eliminate them from the list. At the same time, when looking at every dimension individually, managers will see how different foreign countries are, what to expect and what to change in their approach to the market.

Belgian companies like Apumas willing to enter the Moroccan market can look at Hofstede's analysis. Both countries are quite similar in terms of masculinity, and no changes in approach or behavior are therefore needed for this variable. Moroccans are a little less individualistic than Belgians. This might not have many consequences apart from the direct relationships with the buyer(s). In countries that are very collectivistic, however, a different approach might be needed: as these cultures focus on the 'family', a close and strong relationship might be a very important determinant in a purchasing decision. A strong bond between buyer and seller might therefore be an important determinant for buyers.

However, uncertainty avoidance might have a more direct impact on how to get into business there: while Belgians are used to a certain structure and need it to feel comfortable, Morocco offers much less of it. Exporters may therefore not expect to have all the detailed agreements written on paper and will have to put their comfort zone aside. The biggest aspect to focus on for the exporter will be LTO. Belgians and Moroccans have radically different behaviors on that level: Belgians like to plan in advance while Moroccans live in the present. As a result, both cultures do not have the same notion of time and Belgians will probably have difficulties estimating what their Moroccan counterparts mean when they talk about 'an urgent', or on the opposite 'a long term' project.

4.2 Limitation to Hofstede's model, and the way other researchers try to fix it

Even if it is a useful tool, Hofstede's dimensions usually fail at determining the global impact of psychic distance. While some reasons for this are clearly limitations to Hofstede's model (methodological pitfalls as well as breaches in the choice of dimensions), there are also limitations due to the objectives of Hofstede. His objective was to create a model measuring cultural distance, while this is only one dimension of psychic distance. Therefore, language, differences in education, industrial development and to a lesser extent religion have a big impact on psychic distance but are not necessarily analyzed in Hofstede's model.

When questioned about this analysis of cultural distance, Francotte, as the 'man of the field' he is, likes to nuance Hofstede's work as well. According to him it is a rule, like when you play cards. There are some rules you cannot overlook. And following these six points

used by Hofstede will help. But still this cannot be followed blindly, as international commerce is something very sensitive, which is based on details. So Hofstede's work is interesting, but exporters should not make the mistake of following it to the letter.

4.2.1 Limitation 1: No results are available for every country

A first 'limitation' to Hofstede's model is its lack of applicability to every country. Currently, Hofstede provides data for around 100 countries, while there are more than 200 in the world. For companies like Apumas, this might be a problem: on the Hofstede official website, there is data for countries like Morocco, Senegal and Burkina Faso. But many other potentially important countries (Ivory Coast, Algeria, Tunisia, Togo, Rep. of Congo, DRC,...) are not represented.

This is of course problematic when companies want to find out which countries are culturally closer to them. One may decide to find evaluations of cultural distance via other studies, but the countries for which no figures are available on Hofstede's website are typically those where information is difficult to gather in general.

Another approach might be to base our analysis on similar countries in the same area. House et al. (2004) made a study analyzing the behavior and thoughts of 17300 managers all over the world. They then rated them on 9 dimensions, among which some are directly taken from Hofstede's model. Some country clusters could be formed with similar results on the dimensions, represented hereunder.

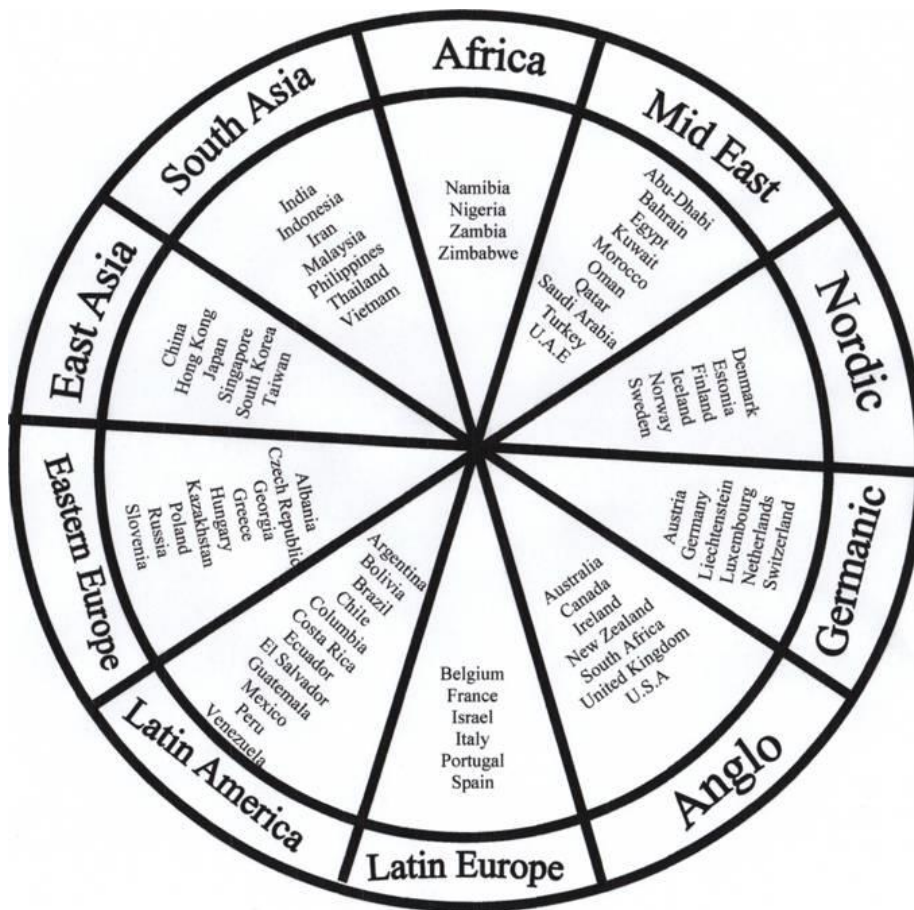


Figure 7 Country clusters according to House et al. the Globe study, adapted from House et al. 2004

By looking at these clusters, one may have the possibility to define to which cluster countries belong, and base their analysis on results on Hofstede's model of other companies from the same cluster. This will give basic information about the foreign culture. There are however some important limitations here: firstly, the limitations of Hofstede's model remain. Secondly, the margin of error is even increased, as two countries of the same cluster might still be very different. For instance, Belgium is in the same cluster as Spain or Israel. Nigeria belongs to (Sub Saharan) Africa, and so does Zimbabwe, two countries which are quite different on many levels.

Another way to face the absence of information for one country on Hofstede's website is to find information on the different countries over the internet or via experts of the different markets. The main purpose of Hofstede's model, which is to quantify cultural distance, does no longer hold here. However, it can still help exporters as a framework to know which factors they should focus on. Concretely, when no figures are available on Hofstede's website, the exporter should use his common sense to find out information about the

market on one hand, and on the other hand look at figures from countries in the same region.

Francotte also has an interesting opinion about how psychic distance could be measured. According to him, organizations like the AWEX, FIT and Brussels export will do their job, and often even good, but it might still not be safe about the completeness and/or correctness of the info. In some cases, the reality of the field can also not be transposed in words, and people often make the mistake of 'showing the bride more beautiful than she actually is'. He thus agrees that preliminary research is necessary, but at a certain point in time, it becomes necessary for an exporter to go on the field himself. Only then the exporter will understand many things. As he says, "It is a bit like looking for a wife over the internet. You might see a picture where she seems very nice, but when you will see her in reality she will look a bit dumb. It is even truer when it comes to more specialized techniques/technologies/services as it is more difficult to imagine. For instance, a Walloon company has met a Senegalese partner in the plastic industry it had selected via computer. When it came back from there it had a totally different vision and changed its strategy. They could not start by sharing molds because the partner wasn't ready to use the Belgians' technology yet. Production thus had to be postponed until after the training was done."

4.2.2 Limitation 2: is a country-based segmentation judicious?

For countries where data is available, some questions still remain about the relevance of these. First of all, the results of several countries are not based on official data collected in the country on locals. Instead, as written on the website, "Scores of countries marked with an asterisk (*) are - partially or fully - based on an educated guess derived from data representing similar countries in combination with our practitioner experience. The scores for these country are not derived from proper comparative academic research." This is the case for Morocco in our example. One might therefore legitimately wonder whether this can still be considered as reliable figures, as 'educated guesses remain guesses'.

Another problem with the Hofstede model is the use of countries as a unit of analysis, which has been discussed by McSweeney (2002). As written on Hofstede's website, Flanders and the Walloon region score very differently on masculinity (43 vs. 60). This is quite a big difference, which may question the relevance of Belgium's scores in other dimensions. Belgium is not the only country in this case: Switzerland, Canada and United Kingdom also have figures that may not represent the truth. In all of these cases, the country has regions which are very different from one another. Great Britain for instance has a single figure for every dimension, while there might be a big difference between Englishmen and Scotch.

More generally, even for countries which are 'homogeneous', doubts may remain. For instance, a distinction could be made between the people living in the countryside and those living in the cities, as there is often a big difference in lifestyle between them. A last dimension that may have been omitted by Hofstede is the impact of migrations. France, for example, is composed of a big majority of 'inbred strain' French, but there is also an increasing proportion of immigrants from Maghreb and French-speaking 'Black Africa' which may have kept some of their home countries' traditions and habits.

Hofstede's model really focuses on countries as a whole. The figures are therefore a 'mix' of all layers of the society, and from all regions of this country. A legitimate question is therefore whether these figures make sense or not. The answer is yes, but they are only an indication about a market, national or foreign. It of course does not mean that all foreigners will be as in Hofstede's model: this would be omitting the notion of personality. Rather than an absolute truth, Hofstede's model can be used as a tool to understand main, basic differences between countries.

4.2.3 Limitation 3: Which are the dimensions that Hofstede's model does not take into account?

Previous subchapter has underlined the relevance of a Hofstede-like model. However, some researchers seem to believe that several dimensions are not being taken into account in Hofstede's model, but are important determinants of psychic distance. Dow and Larimo (2009) have carried out a study on a large sample of foreign direct investments made by Nordic investors in the manufacturing industry. The research topic was twofold. On the one hand, evaluating the importance of international experience in the decision process. On the other hand, they wanted to evaluate the extent to which following factors may influence internationalization decisions (in addition to cultural distance): language, religion, industrial development, education, and political systems. Each variable has been measured on different dimensions, to provide results which are as realistic as possible.

-Language is firstly measured on the basis of the 'Ethnologue categorization' (Grimes and Grimes, 1996) which analyzes languages' origin and influences. The two other items are scales indicating the incidence of each country's main language in the other country.

-The measures for religion are based on Barrett's (1982) work and analyse both incidence of religions and the distance among them.

-Industrial development includes many items, among which GDP per capita, energy consumption per capita, number of passenger cars per capita, etc.

-Education is quantified by measures of adult literacy, and the participation rates in both secondary and tertiary education.

-Finally, politics is decomposed in two dimensions: socialism is based on the work of Beck & al. (2001). Democracy is composed of four items: political constraints (Henisz, 2000), democracy and autocracy (Gleditsch, 2003), and measures of political rights and civil liberties.

As a guideline for their research, they have used the conceptualization model represented hereunder. Their research has given strong support to the hypotheses that next to cultural differences, other factors have their importance: religion, industrial development and education play an important role in the decision processes. Only one of the two dimensions of differences in political systems -differences in the degree of democracy- is statistically significant. The dimension 'degree of socialism' has not been proved to be significant. Finally, the results show that language cannot be considered as a determinant. This might be caused by the fact that the variables religion and language behave very similarly, which could mean a simple bias driven by Nordic firms investing in countries speaking the same language. Moreover, language is maybe the most obvious variable to explain differences between countries. Variances in religion, however, are less obvious and also much more difficult to master. The authors conclude by saying that the dimension they have proved to be relevant have to be considered as complements to cultural distance, rather than substitutes to it.

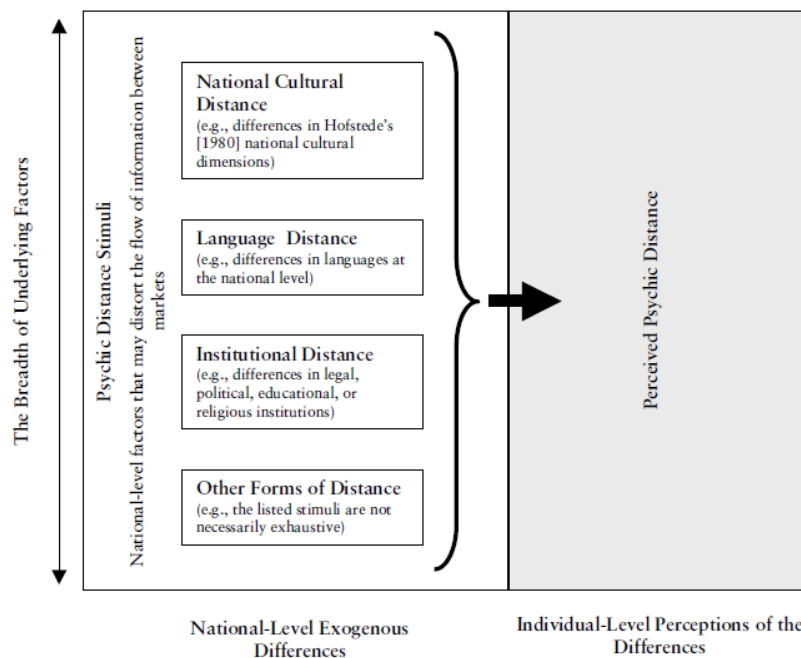


Figure 8 A schematic illustration of the different forms of distance - Dow, D. ; Larimo, J. (2009), *Challenging the Conceptualization and Measurement of Distance and International Experience in Entry Mode Choice Research*

My opinion is that language should not be omitted in IMS. Dow and Larimo have studied the importance of this factor in the context of IEMS. As said above, the decisions about

IMS and IEMS are closely related, and many dimensions influence both of them. If employees from the exporting company speak the language of the foreign country, it will provide them an important competitive advantage. The exporter and the final user will have contacts, direct or indirect, and the fact that they speak the same language will have the effect to create a more personal bond, but also a climate of trust.

Dow and Larimo may also have omitted another variable in their measurement of psychic distance: physical distance. Both types of distance do not seem to be related, but they are, to some extent. Physical distance can cause psychic distance via two ways. The first is the assumption that usually, the further a market, the less we know about it. The second reason is that an exporter who is far from its foreign market will feel less in control. It is less easy for the exporter to have an eye on the market, and to take action when needed.

Dow and Larimo estimate that institutional factors such as religion, politics, differences in education and industrial development have an influence on psychic distance. These dimensions are indeed relevant for IEMS, but have to be nuanced when discussing IMS. In the case of Apumas, the local reseller will serve as a 'buffer' between the exporter and the final buyer. The importance of these factors will therefore be reduced, but still remain relevant. When there are no resellers, these dimensions become even more important.

As many other people, Francotte also considers that some variables have been omitted, among which religion and language: "It's a mistake (to omit these variables). I have to tell you, as my experience has shown me it several times. We have to take these things into account. He (Hofstede) actually has a multinational approach. Even if you take a very rigorous market on the religious level, say Algeria, which we have talked about earlier. If you negotiate the construction of a power station, obviously religious concerns are not relevant. This means that in this case religion and language issues can be put aside. But it is the size of the market (project) that allows this. However, when you are dealing with smaller projects, religion and language do become an issue, as fewer people are involved, and the business making becomes more personal and face-to-face."

He also considers that regardless of cultural distance, institutional distance, language etc., knowledge will also play an important role in the conception of distance for an exporter. Further research, as described in chapter 5, shows that two types of knowledge have the most influence: general knowledge about internationalization and country-specific knowledge. Both will have a moderating effect on the relationship between every dimension of psychic distance and the way decision makers perceive psychic distance.

4.3 Summary of the Different aspects of psychic distance

Considering all findings of previous chapters, the total perceived psychic distance may be schematized as hereunder: cultural difference, institutional distance and comfort distance are the dimensions causing psychic distance. We may also assume that this causal link can be influenced by the knowledge of the exporters. This will be further analyzed in chapter 5.

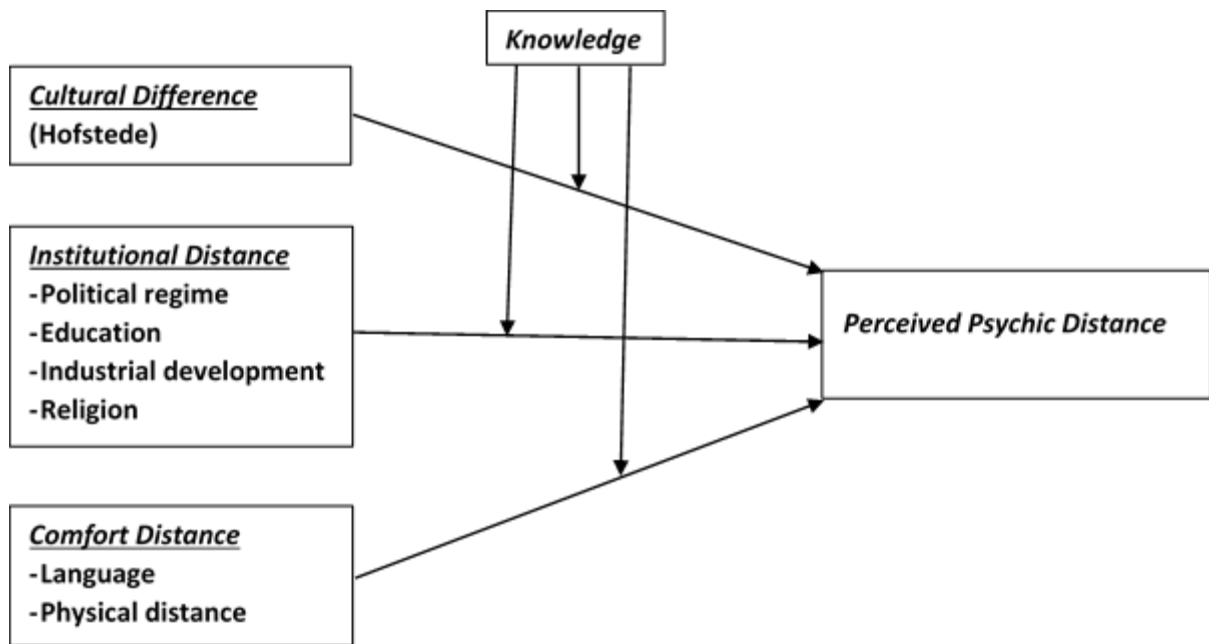


Figure 9 Psychic distance schematized

For companies like Apumas, the best way to look at this model is to consider the independent variables one by one. As previously said, Hofstede's dimensions show the difference between two cultures on several points. Every difference in these dimensions means that the exporter will have to adapt his approach, or at least his vision towards the other culture. For example, if Apumas wants to start exporting in Morocco, it will have to make business with counterparts who usually have a smaller uncertainty avoidance index. As a consequence, Moroccans have more informal business relationships and Apumas may not expect to have its contracts and commercial agreements on paper from A to Z. Similarly, Apumas will also have to keep an eye on the other factors. Political regimes, education, industrial development and religion might be different in the other country.

In Apumas' case, the impact of most of these dimensions is limited, as the company has decided to work with a local reseller. For example, the difference in political regime, language and religion will no longer be issues. The local reseller will be the link, but also the buffer between the exporter and the client. When working with a reseller, the exporter has to care much less about psychic distance. If the relationship with his partner is good

and clear, most problems are solved: the reseller is familiar with the market and will therefore not suffer from psychic distance.

Another way to limit the impact of these dimensions is also to increase knowledge. This will be discussed later, but at this point we can assume knowledge has the power to decrease perceived psychic distance, as it gives information about the foreign market. The cultural distance or the difference in industrial development will not be reduced, but it will have a positive impact on two levels. The first one is that it will help the company to know how to tackle these differences. Secondly, more knowledge also means that the exporter will be more confident and relax about the elements of psychic distance. Literature (Koch, 2001; Robertson and Wood, 2001) suggests that a low psychic distance, or markets similarity, favors product standardization and decreases the perception of risks. Therefore, even if the psychic distance remains equal, the distance *perceived* by the exporter will be much lower.

4.4 Limitations of the impact of psychic distance

As I have already mentioned above, many of the dimensions enumerated seem to be less relevant in Apumas' case. As the company has chosen to sell via a local partner, contacts with final buyers are expected to be very rare. But this does not make psychic distance irrelevant. The few cases where the exporter goes to the foreign country is to meet strategic, important clients. This is even more relevant for companies like Apumas, who sell technically developed products, which are often placed at spots which are vital for a company. Good communication and relationships are therefore capital.

Another type of 'foreigner' also has to be considered when considering psychic distance: the reseller himself. Sometimes the exporter and he have known each other before, which simplifies relationships. But in other cases, the exporter will have to find a reseller and create bonds with him. 'Psychically closer' counterparts are naturally easier to establish relationships with.

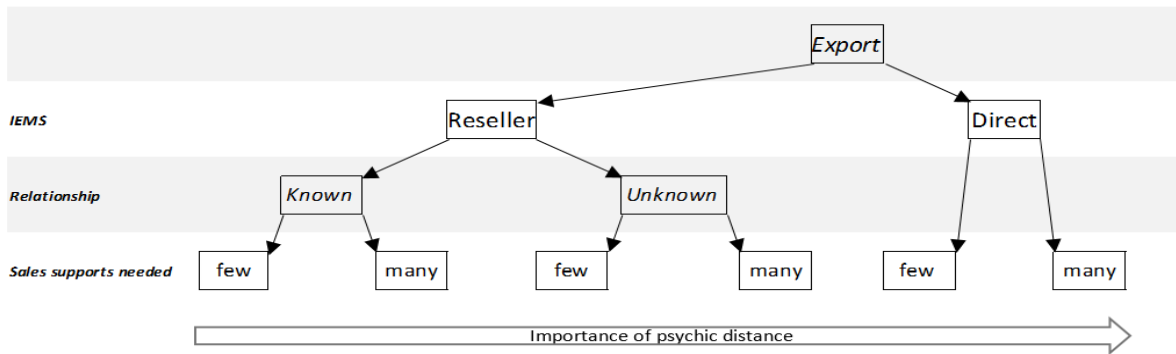


Figure 10 Importance of Psychic distance schematized

To summarize, we can point out three basic dimensions determining the importance of psychic distance in an IMS. Firstly, there is the nature of the IEMS: the presence in the company network of a 'local' is a bonus for a company who will therefore have to focus/worry less about certain things such as psychic distance. (Also see chapter 5)

Secondly, if applicable, it is interesting to know if the client knew the reseller before or not. The implications of knowing the reseller is twofold: Firstly, psychic distance does not come into account in the selection of the reseller. Secondly, as the relationship is already existent and both parties have decided to work together, it seems reasonable to expect that this relationship is good. Therefore, we assume that they know each other's qualities and limitations and know how to communicate. Putting this to the extreme, a perfectly functioning duo would 'make one', where the exporter could leave the totality of the 'interactions with the client' to the local partner.

There is however attention to be paid to the selection of the partner, and emotional factors should not be taken into account, according to Francotte: "According to me, I would select my partner without focusing too much on emotional aspects. For instance, I have met a boss willing to start exporting. He had met a Ukrainian at the bar of the club med. They have become very good friends, and the Ukrainian had proposed to start a business together. They thus had an emotional relationship, and knew each other from a bar and parties. Of course, the project was a fail. It could have worked, but apart from some contacts and a good resistance to alcohol, the Ukrainian was not the industrial that the Belgian had expected. So I'm rather reluctant to emotional choices and would opt for rationality."

"However, I think it's absolutely necessary for potential partners to meet at a certain time, so that they can learn to understand and appreciate each other. Because if both partners cannot get along with each other, problems may occur. I like to recall that a partnership is

like a marriage, possibly with kids. I have had a case with rat extermination. A Belgian company has gone very far in its partnership in an African country, and the partner was of an excellent quality, but the Belgian did not consider the African at his value, and the African thus refused to work with the Belgian because he disrespected him.”

“So there are two things. Rationalization of course, but there must also be a personality match.” I gave Francotte an example, where Apumas could benefit from the network of JEC, one of its suppliers. Let’s say that JEC has a partner in Algeria: Apumas could meet this partner, and offer its services for its whole range of products, except JEC? “It can also be an advantage if the partner is part of the exporter’s extended network, and if he’s convivial and competent, he might be an asset. It might also be an additional stimulation: if we become part of the same network, we can say things more easily to each other”.

-The third determinant next to IEMS and the potential relationship with the reseller is the amount of contacts needed with the final client (which is linked to the nature of the product). The case described above where the exporter does not need to talk to the final buyer at all is only theoretical. In many cases, the exporter *has* to communicate with the end buyer; because the product is technical and demands support; or because the presence of the supplier is an added value in the end user’s eyes: it is a mark of respect and involvement.

There are thus three elements that mainly define the importance of psychic distance. However, there is only one main influencer of how problematic psychic distance is for a company: size. Francotte says: “From my opinion, we should distinguish two different types of companies. Firstly, you have the big ones, which have important human and financial resources and usually are part of large international groups. For these ones, the psychic element, which I call cultural element, is not really important. At least, it does not necessitate a particular focus, as the company itself is already multicultural. I have just had the case with a company active in the aircraft industry. It has entered the Canadian market but hasn’t been facing cultural problems, in the French as well as the English-speaking part. The reason is that this company already has enough employees to face the issue. Psychic distance thus mainly is an issue for SMEs with little resources.”

Though I do not totally agree with Francotte on this point, his remark is interesting: dealing with cultural issues is more complicated for SMEs because of their lack of resources. However, the fact that dealing with the problem is easier does not mean that it does not have to be considered. An SME may be as well equipped, and even better equipped than MNEs to face psychic distance, for instance when it already has activities abroad or if its members are comfortable with the topic. Besides the size only, orientation, experience and knowledge also have their importance, as will be discussed in chapter 5.

4.4.1 Does a bigger psychic distance always have negative consequences?

Oded Shenkar (2001) also raises an important point in his paper "Cultural distance revisited: Towards a more rigorous conceptualization and measurement of cultural differences". His paper is an analysis of Kogut and Sigh (1988) and Hofstede's (1980) works. Next to the questionings about the methodologies used, the author also challenges the importance of cultural distance in general. Shenkar does not try to refute the whole importance of it, but adds dimensions that might have been overlooked by Kogut and Sigh, as well as Hofstede.

A first point raised by Shenkar is that papers of Kogut and Sigh and Hofstede suggest that differences in culture produce a lack of fit between cultures, which have negative consequences. However, from Hofstede (1989) and Haspeslagh and Jemison (1991), he says: "...cultural differences may be complementary and hence have a positive synergetic effect on investment and performance. For instance, as global cooperation demands both concern for performance (masculine) and concern for relationships (feminine), the two may be mutually supportive"(p.524).

The second interesting question raised by Shenkar is cultural attractiveness. He bases his thoughts on a paper of Gould (1966) to say that "A foreign culture's perceived attributes may be a major reason for the preferences expressed by potential partners and host countries" (p.527). For instance, a company like Apumas could have the feeling that it does not fit in its own cultural environment. If Apumas does not feel as 'uncertainty avoidant' as Belgium in general, a country which scores lower on that aspect might seem attractive.

These contributions support the thoughts that cultural distance, and psychic distance in general, should not be considered as an indissoluble whole, but we should look at every dimension of it separately.

As a conclusion, we can say that all main dimensions influencing psychic distance have been discussed and summarized in a scheme. It seems therefore reasonable to think that the objectives of the beginning of the chapter have been reached. The main limitation of this scheme could be the fact that it does not present any figures, which means that every dimension at first sight seems to have the same importance. This is of course not true, and the absence of figures has its positive side. Every exporter comparing himself to a country does not 'value' every dimension equally: one may for instance have less difficulties with language issues in Sweden than in Bulgaria. He does not speak any of these languages, but Swedish companies may know English better than Bulgarian ones. The absence of weight thus also means that this scheme is adaptable to most real situations, and the second objective of this chapter thus seems to be attained too.

Chapter 5: Influence of the exporter's resources and knowledge

Having seen which supplier-, product- and market-linked elements influence IMS and IEMS, it may be interesting to see what this means for an exporter. We have analyzed which difficulties exporters have to face, but not how and what they have to do to overcome these problems. To this end, I will firstly roughly list what exportations change in a company's day-to-day work, and the resources it needs to successfully handle this additional workload. Secondly, I will focus on the main aspect of the company that influences IMS, which is knowledge and experience. Then, I will see to what extent partnerships can help at making internationalization easier and more successful. The final section will describe the implications (limited) knowledge and resources have on the other determinants of IMS discussed in previous chapters.

The objectives of this chapter will thus be threefold: firstly, I want to find out which company-related aspects may influence IMS. The second objective is to see to what extent partnerships can help a company to overcome these problems. Finally, the third and main objective will be to understand to what extent these resources and knowledge may directly influence IMS.

5.1 Resources needed for successful export activities

The resources that a company needs to have in order to be able to export are diverse, and each will in its own way influence the difficulty level for exportations. However, when looking closer at these influencers, it seems that options exist to moderate these difficulties. Also, some may be inherent to the company and not really country-related. Therefore, several resources-elements would not influence IMS (Cuervo-Cazurra 2011, Brouthers and Nakos 2005, Musso and Fancioni 2012).

The first type of resources needed is *human resources*. Indeed, entering a new market induces an increased amount of work. The exporter will thus have to be able to carry out new tasks like informing potential clients, make additional offers, make purchases and take care of after-sales service. Whether the workforce can be found inside the company (via increased or differently organized working hours) or by hiring new staff, additional human resources will be needed. Besides the additional time required, there may also be a need for different types of tasks and knowledge, as will be discussed later.

Secondly, a company willing to export also has to keep an eye on its *material/physical resources*. Closely linked to Human resources, it means that the company needs to have the production, logistic... facilities to respond to the additional demand.

Finally, a last type of resources is of course *financial resources*. As described earlier in this thesis, many steps of the internationalization require financing: From the analysis of the potential markets to the creation of a subsidiary, including all diverse taxes and participations to be allowed to make its business and the finances needed for R&D, etc.

There are thus many barriers to the international expansion of a company. For these reasons, many experts consider it to be a better idea to start exporting crescendo, as Francotte explains: "Usually, we bring (Walloon) neo-exporters to northern France, to countries very close to us with which we have affinities, so that they can become familiar with the rules of exportation. Moreover, these markets are accessible by car, and one can just drive in the morning to meet potential clients and drive back by night. So we always try to make their lives as easy as possible."

The different types of resources needed may prevent companies from exporting, or make it opt for a country instead of another. It is however not the case in every situation. Considering human resources, it may not be a bigger issue for a certain country than it is for another. Geographically and psychically closer markets may need less involvement, but the main concern here would be the size of the market and its potential. Generally said, the target should be in line with a company's capabilities.

The same holds for material resources: the main vector of difference between two markets in terms of material resources is the size. Considering that the same product can be kept, a company selling waffles would not need more material resources to produce 10,000 sugar waffles for Spain than for Argentina.

The financial resources needed have a somewhat other influence. Here, there *is* a difference between financial resources needed whether the exporter wants to go to a country or the other: generally said, the further the target, the bigger the financial investment needed. Similarly, some countries imply bigger costs for regulatory or tax-related reasons, or because of the adaptations of the product required. Even if it is related to a country's attractiveness, and has to be confronted to the market's potential, these investments still have to be made, and the financial capabilities of a company become relevant.

A company's capabilities are however not fixed. External helps may relieve the exporters in terms of financial and material resources through loans. Including other companies in the future business activities could also help the exporter by providing additional manufacturing possibilities, advice or facilitate logistics, in counterpart of some shares of

the future incomes. However, a problem on the level of HR may remain: regardless of how many they are, the employees should also be capable of doing what is being asked to them. Helps exist to accompany employees, but this takes a lot of time. Moreover, there is the so-called 'tacit knowledge' which is by definition not transmittable via words or lessons, and has to be learned by doing. Therefore, this issue should be considered separately.

5.2 Experience / Knowledge

As said above, knowledge is broad and has various aspects. Several approaches to define these particularities exist, and not everybody seems to consider all types of knowledge to be relevant. In order to see what kind of knowledge needs to be acquired and how to acquire it, I will start by an analysis of general, broad knowledge about exportation. Then, country-specific knowledge will be discussed. Finally, I will have a look at the way to acquire both types of knowledge.

5.2.1 General knowledge about internationalization

There are different ways to look at knowledge and evaluate it. One of the best approaches is according to me used by Cuervo-Cazurra (2011). In his paper "Selecting the country in which to start internationalization: the non-sequential internationalization model", one of his aims is to analyze the impact of knowledge in the perspective of IMS.

To do so, he assumes two main IMS models, in addition to born-global firms: sequential and non-sequential model. Firstly, the sequential model which corresponds to the incremental internationalization model from Johanson & Vahlne (1977) and Johan Wiedersheim-Paul (1975) discussed in chapter 2. To summarize, this model assumes that companies start exporting in countries which are similar to the exporter's, and then gradually go to more dissimilar ones.

The author assumes that knowledge can influence this IMS process: "It is argued that a firm that has developed, in its home country, knowledge useful to overcome foreign expansion difficulties may choose a non-sequential internationalization" (p.246). This corresponds to the non-sequential-model: as a consequence of this increased knowledge, companies may strategically choose to directly go to countries which are very different from its home country.

At the beginning of his research, Cuervo-Cazurra assumed that three types of knowledge were necessary to a successful, non-sequential internationalization. Every type of knowledge could also, according to him, to some extent be developed in the home country:

-Knowledge to manage complexity: "How to manage the increase in complexity and diversity associated with the overall foreign expansion" (p.427) This could be developed by having multiple operations at home. In other words, managing several types of clients and operations would somewhat teach the exporter to deal with different clients and situations, and therefore help him to be prepared to more complex situations.

-Knowledge to manage differences in competitive conditions, which could be developed by the fact of operating in B2B industries. As Cuervo-Cazurra explains, "Internationalization calls for the transfer and use of resources developed in the home country to another country in order to compete under different industry conditions. This cross-border transfer and use is difficult because the characteristics of customers and competitors in the new country differ". The reason for this is that B2B businesses depend less on factors such as wealth, religion, language etc. Therefore, a B2B company can use its knowledge of the product and market across countries more easily.

-Knowledge to manage differences in institutional environments, which could be developed by having an alliance to a foreign firm at home: this type of knowledge is tacit, and thus cannot be learned by reading books. If an exporter has an alliance at home with a foreign company, it could learn some of the knowledge by working with it. By getting some advice, it may be less reluctant to go to further countries.

To verify his assumptions, Cuervo-Cazurra has analyzed 602 Moroccan manufacturing firms. These companies seem to be a good sample: an advantage is that Morocco is considered as a developing country: if the Moroccan companies chose for developed countries it would mean that they value market potential more than psychic distance. If, however, companies from developed countries would have been analyzed, the choice of another developed country would not have been significant: it could have been because of the market potential but also low psychic distance. The results may thus have been biased. Moreover, these companies are all active in the manufacturing sector. It is important as service companies may be more willing to opt for FDI, which could then give biased info.

Cuervo-Cazurra formulated the hypotheses to be tested as follows:

Hypothesis 1: A firm that has multiple domestic operations in the home country is more likely to select a non-sequential internationalization than a sequential one.

Hypothesis 2: A firm that operates in a B2B industry is more likely to select a non-sequential internationalization than a sequential one.

Hypothesis 3: A firm that has an alliance to a foreign company in the home country is more likely to select a non-sequential internationalization than a sequential one.

Hypotheses 2 and 3 have found support. Being a B2B company is linked to an increased willingness to opt for non-sequential internationalization. Similarly, a firm that has an alliance with a foreign company on the domestic market may learn about the institutional issues in a new country more easily. However, besides these specific findings, it has also been proven that general knowledge about international cooperation has the power to erase some difficulties about internationalization.

5.2.2 Market-specific knowledge

Eriksson et al. (1997) consider another knowledge to be important: country-related knowledge. They consider two separate aspects of it:

- a) knowledge of local business counterparts and their relations
- b) Knowledge about local institutional conditions, e.g. institutions, values, and culture of the foreign country.

Wood (2000) also analyzes the importance of country-related knowledge in his article "How important is knowledge of the culture environment when evaluating potential export markets? Empirical results from a sample of experienced US exporters". He has based his research so as to answer two questions: "What information is most valuable to established exporters when analyzing foreign markets?" and "How can we explain the hierarchical importance ordering of foreign environmental information as perceived by established exporters?"

To answer these questions, he has firstly analyzed literature to list what specialists consider to be important market-related information needed by exporters. The second step consisted of personal interviews and a focus group session. The observations have permitted to select the most important among those information. Thirdly, a questionnaire survey has been distributed to about 200 exporters. The results have shown that the country-related factors, ranked from most to least important, are following:

Market potential: including market size, demand, adaptation costs, competition,...

Legal: tariffs and taxes, barriers,...

Politics, including stability, diplomatic relations, internal policies,...

'Politics' is here meant in the broad sense and includes Eriksson et al.'s "knowledge of local business counterparts and their relations" I will call 'Networks'

Infrastructure: distribution of buyers, communication infrastructures, climate,...

Economics: industrial, consumer, and service evolution and development

Culture, composed of cultural unity (national integration) and cultural differences.

These findings should be nuanced, because of various reasons. First of all, these figures reflect what exporters consider as important. They might ignore the importance of some aspects, or consider culture to be less important, for instance because 'the information is difficult to obtain anyways'. The fact that they consider a particular type of information to be (un)important does not mean that it really is: one may think that information about adaptation costs are unimportant, and fail because he has neglected this aspect.

However, the exporters surveyed can still be considered as professionals in their domain, and this research reveals logical, but interesting aspects. The results found here also reveal that every dimension is important. In-depth analysis of the results has for instance shown that the last place of culture in order of importance does not mean that it is unimportant. It seems like exporters consider that it only becomes important later on, when further developments, such as a joint venture for instance, are being considered.

5.2.3 The different ways to acquire knowledge

As shown previously, there are different types of knowledge with diverse characteristics: some seem to be easy to acquire, such as knowledge about the political or legal aspects of a market. On the other hand, one cannot teach "knowledge to manage differences in competitive environments" with words. This differentiation is being used frequently in the literature, among others by Penrose (1966): "One type, objective knowledge, can be taught; the other, experience or experiential knowledge, can only be learned through personal experience" (p. 53) In other words, there is the way of learning by being taught and the learning by doing.

Type of Knowledge	Objective (O) or Experience (E)?
<i>Knowledge to manage differences in competitive conditions</i>	E
<i>Knowledge to manage differences in institutional environments</i>	E
<i>Market-specific knowledge</i>	
Market potential	O
Legal	O
Politics	O
<i>Networks</i>	E
Infrastructure	O
Economics	O
Culture	E (and O)

Figure 11 Table 1- Types of knowledge and the way to acquire them

Several types of knowledge can be considered as objective: information about economics, infrastructure, legal, and potential can be learned by reading reports, carrying out researches and consulting specialists. The same holds for politics in the broad sense of the word. Culture can also partly be 'learned passively': major aspects of differences in culture can be explained by words.

This also gives indications as to why culture is mainly an experience knowledge: many things are too subtle to be explained with words and memorized. To really know a culture, many years of coexistence with the local population may be needed. Similarly, one aspect of politics cannot be considered as objective: networks. There is of course some information available about partnerships, ownership etc. but many relationships remain off-the-book. Furthermore, Knowledge to manage differences in competitive conditions and Knowledge to manage differences institutional environments are clearly experience knowledge.

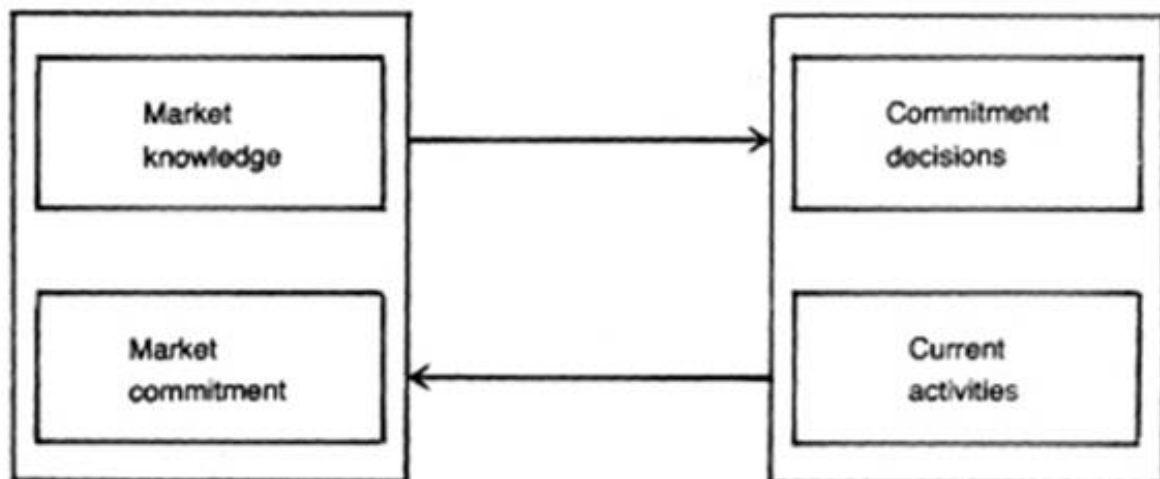


Figure 12 The basic mechanism of internationalization – State and Change aspects; (Johanson, J. ; Vahlne, J.E. 1977)

There are two ways to acquire knowledge: learn by doing or being taught/told. The latter can be acquired easily. The other one, however, necessitates more investments and commitment. As can be seen in Johanson and Vahlne's scheme, knowledge and commitment go together. Learning by doing can thus only be done if the exporter is ready to involve himself, but this goes together with increased risks. There is thus a balance to be found between knowledge and market commitment. There are however several ways for an exporter to make the balance more favorable for him. His objective is to shorten the learning stage as much as possible, and this can be done in several ways:

- Hiring staff with a higher knowledge about international aspects.

- Teach the existing staff. This will not replace experience, but will at least prepare the staff to some problems it may encounter.
- Go to closer markets, to reduce the mass of information to be learned.

In order to make the learning process shorter and less complicated, there are thus two main options: reducing the mass of information to be learned by opting for closer markets, or increasing the knowledge from start to be at an advanced stage from the beginning. The presence of valuable partners is very interesting to this extent, as shown hereunder.

5.3 The importance of partners/networks

This section's objective is to analyze to what extent exporters can be helped by other organizations to face internationalization-related issues. I will first look at the most traditional partnerships, e.g. with another company. We will see that many difficulties can be overcome thanks to these bounds. Next, I will look at another option exporters have, which is finding support by non-profit organizations. To do so, I will first introduce the AWEX. Secondly, I will list some of the most important services they offer and to what extent it helps exporters. Finally, I will try to find out if an exporter can solely rely on the AWEX, or if other helps still remain needed.

5.3.1 Partnering with other companies

The potential importance of a partner has been demonstrated several times. The most common partnership in the frame of exportation is the partnership between exporter and local reseller. This has many advantages, as Francotte likes to recall:

"If you position yourself as a Belgian entrepreneur, usually your contribution to this marriage will be your expertise about your product in the technical and legal sense. You are already aware of some of these aspects as you have been selling it on your own market. On the other hand, what you expect from your local partner is that he has a better place on the market. He thus knows the distribution channel, institutions, he knows the lobbies, commercial networks etc. which are all aspects you as an exporter may not know. Even if you consult internet sites, databases etc. you will never enter these in reality. Your partner on the other side lives on that market, so you can bring him a complementary or new activity, and he will introduce them to his network."

“Another important advantage that local partners offer is their knowledge of the lobbies, institutions, networks etc. Even if it is the local partner’s job to take care about these aspects, it still has its importance for exporters. A partnership is like a wedding. This means that two beings come together to make business together and share everything. After many researches he may tell you: “Sir, the problem with your product/technology is that it is not adapted to the needs and constraints of our market.” So we, as an exporter, also expect our partner to mention what the constraints will be. There are also measures that are being taken and may prevent certain products from entering the territory. It is not always about developing countries, but also developed ones. For instance, Canadians do not let every product enter as their market is partly regulated by the FDA.”

Francotte’s examples show that a partner on the foreign market may help for several aspects. Among these, experience but also objective knowledge. Even if the latter is not absolutely necessary (as it can be acquired in other ways), it remains interesting for an exporter because the information can be shared much faster and effectively. Partners thus have the ability to make an exporter’s life easier on several levels.

Francotte sometimes considers that it may be interesting to look further than the ‘simple’ partnerships with local firms: “There are some cases where a partnership operation with three partners is more adequate. We have had the case with a Belgian company building boat hulls in polyester. The targeted country was Guinea Conakry, and we’ve had to contact an Italian OEM, because there was an empty spot in the partnership, so we’ve had to contact specialists of the other market. This example is quite rare, as usually a solution can be found on-market, but it is representative as when all the elements needed cannot be found within the marriage, it has to be found somewhere else.”

	Resources Needed	Local Partner	Help home	AWEX
	Financial Resources			
1	Prospection costs	I	I	V
2	Import taxes, tariffs and barriers	0	I	0
3	Financement needed for operations abroad	V	I	V
4	Costs of transformation of the product, packaging,...	I	I	I
	Material and Physical Resources			
5	Increase production	0	0	0
6	Communication (telephone and mail, trips)	V	I	V
	Human Resources			
7	Increased working load due to bigger volume	0	I	0
	Knowledge			
8	Knowledge to manage differences in competitive conditions	V	0	I
9	Knowledge to manage differences in institutional environment	V	0	I
	Market-specific Knowledge			
10	Market potential	V / I	I	V
11	Legal aspects	V	I	V
12	Politics	V	I	V
13	Managing Networks	V	I	I
14	Infrastructure	V	I	V
15	Economy	V	I	V
16	Culture	V	I	V / I

Figure 13 Table 2 Resources needed and the help partners may provide

Partnering with local companies can have many advantages, as shown in the table above. For every dimension, I have noted 0 I or V, which corresponds to: no help, partial help, and help. Having a local partner is helpful for the following aspects: the reseller is the one who will be in contact with the market, and has all the necessary market-related knowledge. Moreover, knowledge to manage differences in competitive conditions and institutional environment become somewhat less relevant. The fact that the local partner will be the exporter's presence abroad also means that communication as well as operation costs abroad will become his.

On the other hand, import taxes, tariffs and barriers will remain the exporter's business. The same holds for the development at home consequently to an increased workload. A partner can hardly have any impact of these factors, except by 'filtering the relevant questions from the junk'. To sum up, the most important action to be taken is the research of the perfect local partner. Consequently, this means that prospection costs will be limited to this single task. Some knowledge of the market potential still remains important to this extent, so as not to look for this partner in the wrong market.

Having the help of another company on the home market can be helpful as well. Partnering with a company of a similar type may help to reduce costs if the costs are shared. This partner will also bring his own knowledge. The quality and relevance is not guaranteed, but may be very helpful in many ways. However, having a partner at home may not be helpful for the management of the workload, if there are no exchanges of workforce. Partners usually have complementary products rather than substitutes to one another, and the overall production capability is thus not really increased.

Selecting a partner which is already known seems to be a natural choice. An additional factor to explain this has been raised by Petersen et al (2003): "Existing relationships can be used as bridges to other networks, for instance, when a customer invites or even demands that a supplier follows the company abroad" (pg 7). This would for example mean that Apumas could ask for a supplier to accompany it. Nevertheless, like for relationships with any other company, there are drawbacks. Partnerships with other companies mean that these may want money in return, in addition to some control over the export activities. In some cases, a company may also not be able to find the right partner, or may not be allowed to do what it wants. As Koch (2001) says: "Strategic orientation may predispose companies to more, or less, collaboration with their competitors". Fortunately, other partnership options exist, for which these network-related obligations do not come into account.

5.3.2 Partnerships with non-profit partners

We have seen that many competences are needed to be present to successfully carry out an internationalization process. As said earlier, when an exporter does not have all the necessary competences, he needs to find a partner who could bring these competences 'in the basket'. Alliances and partnerships with other companies from the same sector have been mentioned. However, they obviously want their part of the cake too. Other solutions exist to find support without having to share the cake. It is very often overlooked and underexploited, but many governmental organizations have been invented to help companies. Among these, there is the AWEX, 'Agence Wallonne à l' Exportation', which is the Walloon counterpart of Flanders' FIT 'Flanders investment and trade' and Brussels' 'Brussels Invest'.

5.3.2.1 What is the AWEX?

On its website, the AWEX describes itself as follows⁶:

"The AWEX, Walloon agency for exportation and foreign investments is the department of the Walloon region in charge of the promotion of the foreign trade and reception of foreign investors. Its creation, notified by the decree of 1st April 2004 results from the merging of the "Agence Wallonne à l'exportation" and "Office for foreign investors".

The agency is of a public interest. It has its own juridical personality, which allows it to have more autonomy and more management flexibility, which are two important aspects in an entrepreneurial environment.

In some figures, the AWEX is:

- 450 people to serve the Walloon economy
- 7 regional offices of advice and proximity
- A worldwide network of over 100 economic and commercial attachés covering a hundred of markets and over twenty international organizations."

The missions of the AWEX are threefold: give Wallonia some visibility, make it attractive in the (potential) investors' eyes, and help exporters in their process. For the latter, which is our focus here, several aids exist:

- Analysis and diffusion of information: about international markets, seminars of presentation of target markets, providing information about international tenders, etc.
- Assistance of the companies in their efforts for prospection: economic missions, combined

⁶ Translated from : website of the AWEX, July 2015 : <http://www.awex.be/fr-BE/Qui%20sommesnous/Pages/default.aspx>

stand at fairs for a better visibility, networking meetings, etc.

- Financial supports to companies through diverse financial incentives

- Financing and guarantee of exportations: help to obtain credit lines, etc.

- Education of exporters, students and young graduated students: lessons of language, culture, techniques of foreign trade, etc.

- Welcoming of foreign personalities and businessmen.

Apumas has already experienced some of the services proposed by the AWEX. One of them is the Explort project, in Morocco. The objective of this project is to help companies export by giving them financial supports to meet potential clients. Apumas has set up an application letter where it had to describe the objective of the so-called 'mission'. In this case, Apumas wanted to go to Morocco to encounter potential customers/partners. If enough preliminary research has been done and the project is solid, the AWEX will give a certain amount of money to the exporter, depending on the length of the stay, country of destination etc. When going to Morocco, Apumas had received enough money to cover the flight, hotel, and even a part of the expenses during the stay. A company can apply for up to three export projects per year, if all conditions are fulfilled.

Apumas has also taken part to seminars in Belgium. One of these was a presentation of Kenya and Tanzania: the opportunities there, what exporters have to focus on and be aware of etc. This kind of seminars take place during a whole day, and are a prelude to trade missions in these countries. All companies go there together as a group during up to a week to meet potential clients and partners, take part at a fair etc. In the end, it appeared that these markets were not as interesting as they first seemed to be, so Apumas did not take further action.

The AWEX also possesses a very large address book of professionals in many fields. Francotte is one of these. He can be consulted via the AWEX, and the service will then be exonerated of VAT. People such as Francotte are very important as they have interesting contacts in the foreign markets in addition to all their general knowledge. There are also other types of coaching available. These are so-called personal assistance coaches for exporters. They take part to a project composed of 10 meetings where the coach will assess what the shortfalls of the exporters are and what needs to be improved. The coach does not have any knowledge about particular markets, but focuses on the 'education' of the exporter.

In addition to all these particular aids, the AWEX also provides more traditional information such as economic data about the market potential, geo- and demographics, legal, political aspects, etc.

5.3.2.2 What can the AWEX do for the exporters?

As shown above, the AWEX can be present at many stages of the internationalization process. The table hereunder shows that there are only few aspects that cannot be covered. Of course, import taxes, tariffs and barriers, as well as the human and material consequences of an increased production cannot be covered by the AWEX. However, it helps to cover the costs related to prospection, R&D for the modification of the product and further operations abroad. Via its contacts on the market, among which a permanent attaché, the AWEX also makes communication easier.

The aspects where the AWEX can do the most, along with financing, is the sharing of knowledge. Most of the objective knowledge can be obtained through them: information about potential, lists of companies active in given sectors, legal, economical, politics-and infrastructure-linked information, etc. It can also provide an exporter objective knowledge about culture, and educate the one about the importance of culture, and which aspects to focus on. Furthermore, it can educate the exporters about the ways to manage differences between countries.

Resources Needed		Local Partner	Help home	AWEX
Financial Resources				
1	Prospection costs	I	I	V
2	Import taxes, tariffs and barriers	0	I	0
3	Financement needed for operations abroad	V	I	V
4	Costs of transformation of the product, packaging,...	I	I	I
Material and Physical Resources				
5	Increase production	0	0	0
6	Communication (telephone and mail, trips)	V	I	V
Human Resources				
7	Increased working load due to bigger volume	0	I	0
Knowledge				
8	Knowledge to manage differences in competitive conditions	V	0	I
9	Knowledge to manage differences in institutional environment	V	0	I
Market-specific Knowledge				
10	Market potential	V / I	I	V
11	Legal aspects	V	I	V
12	Politics	V	I	V
13	Managing Networks	V	I	I
14	Infrastructure	V	I	V
15	Economy	V	I	V
16	Culture	V	I	V / I

Figure 14 Table 2 Resources needed and the help partners may provide

5.4 Conclusions

This chapter has helped to understand or confirm several things. For instance, the resources of some exporters may be limited, and will restrict the size of the market to be targeted, or the physical and psychic distance. Several ways exist to augment those resources, and thus limit or increase the importance of some aspects. The effects of a lack of certain types of resources are listed hereunder.

	Resources Needed	Limitations for IMS
	Financial Resources	
1	Prospection costs	Geographic distance, size & environment
2	Import taxes, tariffs and barriers	General
3	Financement needed for operations abroad	General & IEMS
4	Costs of transformation of the product, packaging,...	General
	Material and Physical Resources	
5	Increase production	Market size
6	Communication (telephone and mail, trips)	Geographic distance & environment
	Human Resources	
7	Increased working load due to bigger volume	Market size
	Knowledge	
8	Knowledge to manage differences in competitive conditions	Psychic distance
9	Knowledge to manage differences in institutional environment	Psychic distance
	Market-specific Knowledge	} Attractiveness & Psychic distance
10	Market potential	
11	Legal aspects	
12	Politics	
13	Managing Networks	
14	Infrastructure	
15	Economy	
16	Culture	

Figure 15 Table 3 : Resources needed and the way it limits IMS

Financial resources somewhat limit the IMS options for exporters in several ways. When one does not have sufficient funds for prospection, he might have to go to geographically closer markets. Similarly, he may have to focus on easily accessible ones: large markets, with big distances between the cities induce more efforts in terms of time, and hence, money. If the financial resources of the exporter are limited, some markets may have to be avoided due to high import taxes, tariffs and barriers. The same holds if many modifications of the product, packaging, documentations etc. are needed. Moreover, if one considers creating a subsidiary abroad, some countries may have to be put aside because they require bigger investments as the costs of living are higher, as well as salaries, office equipment etc.

Limited material and physical resources may also be an obstacle for the international development of an exporter. In some cases, one may have production volume restrictions,

and a too big market may cause delays in the supply chain. The same holds for workforce: in addition to production, there will also be an increased need for requests for information and quotations, after-sales service, bookkeeping, logistics, etc. The exporter should thus be able to increase the workload of the existing team, and being capable of hiring more staff if it becomes necessary. A main consequence to such limitations is that the exporter could not choose an excessively big market

Another main HR-related issue is the knowledge of the management team. Limited general knowledge about exportation may mean that the exporter should opt for markets which are similar to his. Similarly, because of limited market-specific knowledge one may not be able to correctly assess the potential of a market, its positive and negative aspects, and thus have a biased view upon it.

At the beginning of the chapter, the objectives were to find out which company-related aspects could influence IMS, and to what extent companies could get help from other entities. The second objective was to assess the consequences a company's (lack of) capabilities could have on IMS. These questions have been mainly answered, as I have listed the main consequences each dimension could have on the IMS influencers discussed in chapter 3 and 4: market attractiveness and cultural distance.

Chapter 6. Generalized model and summary

The objective of this chapter is to summarize the findings of previous parts and integrate them in a single model. To achieve this, I will start by taking the models of chapters 2 to 4. I will see to which extent are in line with the findings of chapter 5, and which adaptations might be required. Next, I will combine them in a single model and show its way of working by taking the example of Apumas. This section will also test the generalizability of this model, by taking the criteria of difference between companies discussed in chapter 1. Section 3 will list the advantages this model offers for exporters and academics. Finally, I will see which limitations this model has and which further researches may be required.

6.1 Analysis of the previously used models

6.1.1 Model of chapter 2

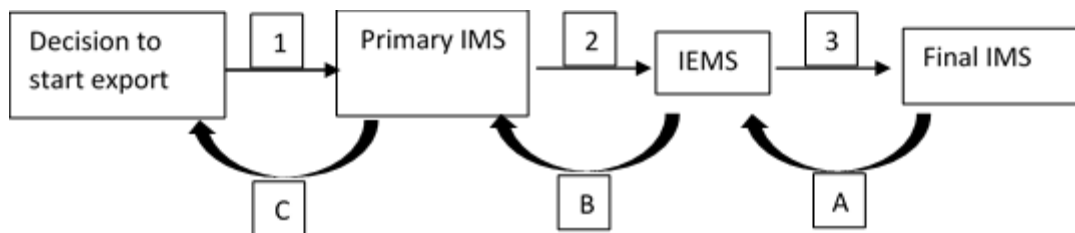


Figure 16 International market selection process schematized

In light of the findings of the previous chapters, the model developed in chapter 2 still appears to be valid. When a company has decided to export, it has to make a primary IMS, e.g. have a general picture of what type of countries it wants to go to. This primary selection has to be based on factors such as the potential support or no-go of its partners, political and religious barriers, affinities, and the market size.

Secondly, based on the type of market it would like to go to, the exporter should make its IEMS: whether it wants to go for direct export, via a reseller, or by creating a wholly owned subsidiary. Here, the decision should be based on the characteristics of the product(s), the psychic distance, the exporter's knowledge about the market and the size of the company.

Finally, considering the IEMS, the exporter should refine its IMS. This final IMS should be based on the model hereunder. The IEMS process schematized above also has A, B and C

steps. These are stop and go phases: if primary IMS, IEMS or final IMS do not seem to be realizable, the researcher should go one step back and reconsider the previous question.

The findings of chapter 3, 4 and certainly 5 concord with what had been assumed in chapter 1. The company's capabilities and knowledge influence both IMS and IEMS. However, step 1 seems to be somewhat less important than said in chapter one: primary IMS' main objective is to 'scratch certain possibilities from the list' rather than really selecting potential targets.

Moreover, chapter 5 has shown that final IMS relies a lot on IEMS. On the one hand it has been demonstrated that capacities and knowledge are key determinants of IMS. On the other hand, I have also shown that partners can have an influence on both capabilities and knowledge. The potential presence of a partner on the foreign market directly influences the amount of risk (political, commercial), the impact of geographical distance, etc. for the exporter. Therefore, we can say that IMS and IEMS are very closely linked. This will thus have to be an important element to be kept in mind when analyzing the final IMS model.

When confronted to this scheme, Francotte also sees other advantages it offers: "It's a good logic. Actually, it looks a bit like the scheme I have in mind and I have been using for years. It is really nice. Moreover, you always have a border between every step, a stop and go which is important when a step induces another. Such an approach is much better than taking a decision without reasoning, only based on feelings."

6.1.2 Models of chapter 3 and 4 integrated

As we have seen, the resources of the company have a direct influence on IMS, mainly on the level of market size, geographic distance and geographic environment.

Market-specific knowledge also has its influence. First of all it determines market attractiveness: less information may cause biased analysis of the market attractiveness, and of course a bigger error margin. Secondly, this type of knowledge has a direct influence on every composite of perceived psychic distance. Having information about the market will not reduce the effective distance in methods and habits between countries, but it will allow the exporter to have an idea about what these differences may be. This may in turn somehow reassure him about the possibility of working in such an environment. In chapter 4, knowledge in the broad sense of the word was found to be a determinant of psychic distance, but chapter 5 has given more information about the type of knowledge needed.

General knowledge about the way to manage differences in environments has a less direct, but real impact on IMS. It does not reduce psychic distance, but it helps exporters to 'deal

with it', and gives him tools to reduce its impact. In general, IMS can be described as a compromise between two elements: on one hand, market attractiveness, whose impact is moderated by (the absence of) market-specific knowledge. On the other hand, there is psychic distance, which is moderated by general knowledge.

This IMS then has to be confronted to the exporter's resources, to assess whether the IMS is in line with the exporter's resources. The global model can be seen on the next page.

First of all, one has to assess market attractiveness, depending on how he values every dimension. He also has to take into account a certain degree of (un)certainty, defined by the quantity and quality of information available about this particular market. Secondly, he has to visualize psychic distance, taking into account every element of discordance between his home and the host country. He will then figure out what the differences are and what it implies for the export activities. His general ability to deal with differences in environment will in turn define the importance of psychic distance.

The confrontation of market attractiveness with the reluctance to enter a (very) different market will result in the selection of a market. This IMS will then have to be confronted to the resources of the exporter, thanks to a complete business plan. If this business plan reveals that entering the chosen market is feasible, and will not result in a too big, unmanageable investment in money and people, this market could be a good option. It is then up to the exporter to repeat the analysis with other markets, to see if the analyzed market is the best one, or if other markets could be a better option.

Step 1: Assessment of market attractiveness

Step 2: Assessment Perceived psychic distance

Step 3: International market selection, as a result of the confrontation of market attractiveness and psychic distance

Step 4: Verification of the viability of the IMS

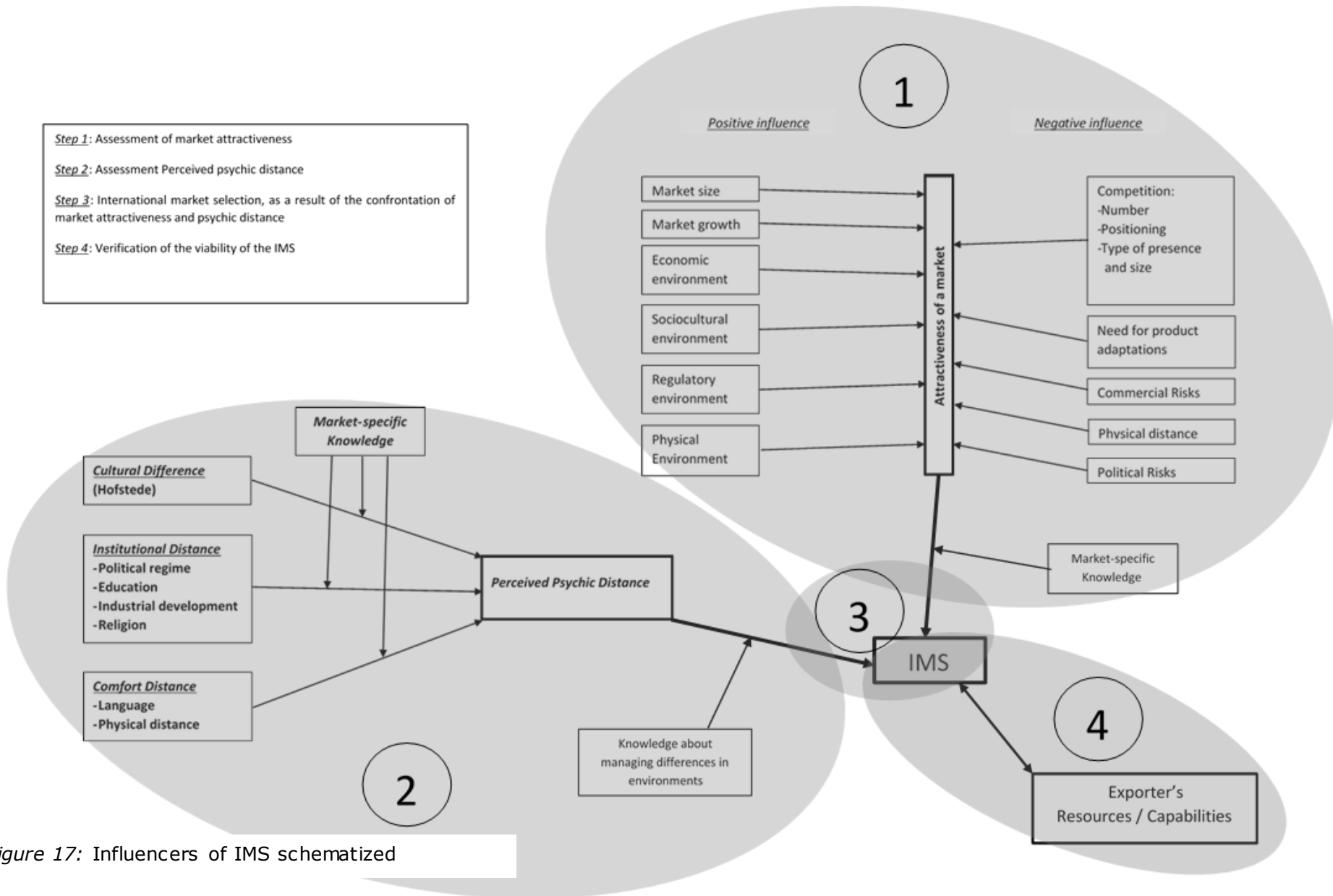


Figure 17: Influencers of IMS schematized

6.2 Application of the model and generalizability

The red thread throughout this thesis has been Apumas. The schemes should thus normally be applicable to it. First of all, the model in chapter 1 has to be used: we shall start with a primary IMS. Apumas already has a clear idea of what kind of country it wants to go to: an African country, preferably French-speaking. As a French-speaking company, it would make it easier to manage for Apumas. Moreover, it gets a lot of support from its suppliers, among which almost none has resellers on these markets. Apumas does not really seem to have restrictions on the level of foreign market size, as it does not have to take care of production, and it will not be consulted for many projects, at least at the beginning.

The next step of this model is to choose an entry mode. The decision here is quite obvious: Apumas needs to find one or several local partners. It is mainly a service company, which means that contacts with the clients are primordial. African countries are quite different to Belgium, so it might be better if the client was in contact with a person with whom it will be easier to have affinities, and who understands him better. Moreover, managing clients abroad would be difficult for Apumas, because it would cost a lot to visit the clients and even more if it wants to have a permanent presence on the market.

6.2.1 Final IMS using our model.

The next step is to analyze markets one by one, and see if they are viable. One potential market may be Algeria. It is rather attractive for a company like Apumas: it is already quite big and has a very interesting growth rate. The market is also favorable: most of the industry is grouped on the coasts, regulations are not too strict, etc. Moreover, the potential difficulties related to the market can more easily be overcome thanks to the presence of a local partner. This partner will also reduce the negative impact of political and commercial risks, which are quite present on the Algerian market. There is however a factor for which the local partner cannot help: the level of competition. It is very difficult, even for the AWEX, to have precise information about this information. However, if the partner is valuable and knows his market well, he should be able to tell Apumas if it is worth going further or not.

Secondly, one has to evaluate psychic distance. As I am not part of Apumas' management team, it is difficult to find out how much its managers value every dimension of it. However, Algeria is a big country, and a reasonable amount of information is available, on the internet but also via the AWEX, which has an attaché there. Perceived psychic distance will

thus probably not be a barrier for Apumas. However, it does not have too much experience and knowledge about how to manage differences in markets.

Apumas can then go to step 3, and compare the attractiveness of the market with the reluctance of entering a market which is psychically distant. Based on those two elements, Apumas will judge whether this market is 'eligible' or not.

The final step will be to confront the IMS with a marketing plan. This will determine if the Algerian market is valuable enough, but also manageable for the exporter.

If, instead of Algeria, Apumas would like to evaluate the Malian market, the analysis may be different on several levels. Psychic distance may not be bigger than with Algeria, but Mali is somewhat less known, and information is thus less easily available. This will cause a bigger perceived psychic distance, which cannot be reduced by the (absence of) solid general knowledge about internationalization. The Malian market is also less attractive in Apumas' eyes: the growth rate might be interesting, but for the moment it is still quite small. Moreover, economic and sociocultural environments are not very favorable for a company such as Apumas. It sells quite technically developed products and most of the Malian market may not 'be ready' for it. Furthermore, commercial and certainly political risks are very high. Even if there is a local reseller, which could reduce the impact of these risks, the exporter is still somewhat exposed: the partner's failure could in turn affect Apumas. Finally, as there is not much information available about Mali, one cannot be sure that he has assessed the attractiveness of the market correctly. The information about the size of the market, the environment etc. is approximate and the error margin is thus substantial. The perceived psychic distance with Mali is bigger, and the market seems less attractive. Apumas should thus better not choose to enter this market.

By working that way, Apumas could have decided that Algeria was the best option, before Senegal and Ivory Coast. The objective of Apumas is then to meet all potential partners in Algeria, and see if there could be a 'fit'. If no potential partner seems to be a viable option, Apumas should try to find a partner in Senegal, and so forth.

6.2.2 Generalizability of the model.

The other main objective of this thesis, besides the confection of this model for companies like Apumas, was to make the model generalizable. I will thus try to see to what extent this model could be useful for other companies, by focusing on the way in which every difference may influence the model. To this end, I will look back at chapter 1, where I

describe why most researchers were reluctant to make one single model for all types of companies.

A first main difference between two companies is related to the product being sold. If it is a quiche instead of a pump, there will be implications on the level of transport. The transporting time and conditions become more important as the distances become bigger. This has been taken into account in the scheme in terms of geographic distance, as a determinant market attractiveness. Furthermore, selling quiches implies that the exporter is in a context of B2C, and psychic distance becomes more important: the buyer's purchasing decision becomes less rational and more emotional. Therefore, it is important to adapt the product to the buyers to meet their needs and wants. This means that adaptations of the product and packaging may be required, as well as efforts on the level of marketing, to make it more attractive in the customers' eyes. All of these dimensions are present in the framework. The adaptations needed are included in market attractiveness. These changes also induce increased costs, which are taken into account when the IMS is confronted to the exporter's resources/capabilities in step 4. The importance of psychic distance has been discussed in chapter 4 and has to be taken into account in a B2C market much more than it has to be in a B2B context.

One other difference between companies is the size, which has been included in the company's capabilities/resources. The entry mode is also relevant in this context: as shown in the scheme of the IMS process schematized in chapter 2, IEMS is decided before IMS and relies on size. I have analyzed Apumas' case, based on a partnership with a local reseller as IEMS. However, this model also works for other types of entry modes: the main differences are the amount of resources, knowledge and information available, which have been included as variables in the scheme.

6.3 Advantages for professionals and academics

This thesis offers one main advantage, for professionals as well as for academics: all the research and papers I have been able to find focus on psychic distance *or* market attractiveness *or* the exporter's resources. Sometimes, researchers link two of these aspects. However, the three approaches have never been analyzed together, or at least some dimensions were missing. Furthermore, some consider IEMS as a variable, but only few research include it as a direct determinant of IMS. Koch (2001) has specifically studied the interrelationship between both dimensions, but other reliable and valuable research are rare.

Because of a lack of confrontation of all approaches, it is often difficult to find out to what extent all dimensions are intertwined, and hence which are the most relevant ones. The scheme developed throughout this thesis has of course limitations: some influences are barely proved. However, all links I have made are based on literature or the knowledge of professionals in the topic. This scheme has the big advantage to regroup all of the aspects influencing IMS. Therefore, and even if no figures are available to exactly 'calculate IMS', it can be used by an exporter as a checklist of dimensions to take into account. More than just a checklist, the explanations in previous chapters also give 'directions', and show in which way IMS will be influenced if an element is more favorable, or if the exporter's resources and knowledge can be increased.

6.4 Limitations and future research

One potential limitation has already been discussed earlier: no figures are available to show the importance of a given element compared to another. A reason for this is that no case studies have been carried out measuring all dimensions together. However, even if this would have been possible, the usefulness and relevance of the results are not certain. As said earlier, every company is different on several levels, and the results of a survey may thus not be representative. Another possibility would be to focus research on certain types of companies separately: on the basis of company size, type of clients, products... The relevance of the results is however not sure either. Moreover, most aspects do not depend on the exporter's characteristics, but rather on how he values every element. Nevertheless, some quantitative research may give more insight into trends about the way in which similar companies value every dimension, and at least give an indication of what a 'normal' evaluation of every dimension would look like.

Another limitation to this scheme is directly linked to the methodology I have used. Information about the relevance and importance of each dimension come from many different sources, with every time different approaches. There may thus in certain cases be elements that have been included twice, because several researches included it in different ways. For instance, sociocultural environment and the need for modifications of the product may somewhat overlap. The same analysis holds for market size and geographic environment.

A last limitation could be this model's main advantage, which is its completeness. Given that the model probably takes every dimension into account, one may have difficulties to understand what every one of them means. One may thus have to read the related chapters to understand every what dimension includes. When looked at without any

additional information, the scheme may lack of understandability and autonomy. Contrarily, a more detailed scheme showing all sub-components of the dimensions may be impossible to read because of its complexity. The scheme I have developed thus seems to be the best option of both, but this is still a limitation.

The main option for future research in this topic would be to quantify the importance of every dimension. The easiest way to do so would be to apply it to exporters. This method would give interesting and relevant info, but several problems remain: some elements such as psychic distance are often underrated by exporters, according to specialists. Exporters' opinions are thus valuable, but it might be interesting to show the model to experts of foreign trade as well, to have a basis for comparison.

Furthermore, this scheme seems to be valid for a first IMS decision, but its usefulness for a second or third IMS could not be proved. I have assumed that the main difference between a first IMS and a third or fourth one is the level of knowledge and capabilities, but these assumptions could not be proved. Further research may thus be interesting to this end.

Finally, this thesis is mainly based on the IMS itself, but not its viability. The approach I have used was to find a market, and then make a business plan to assess its viability. However, it would be interesting to include resources directly in the model, by finding a way to quantify the additional costs of entering a market.

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Appendices

Appendix 1: Interview of Pierre-Paul Francotte

-Mathieu Lorquet : Merci d'être venu ! Bonjour, donc voilà peut-être juste pour l'interview, répéter quelle est votre expertise, votre métier.

-Pierre-Paul Francotte : Bon ben donc à titre personnel d'abord je suis licencié en sciences économiques mais avec la particularité de n'avoir fait que de l'économie de commerce international. À ce titre là j'ai eu plusieurs fonctions publiques, que ce soit dans des cabinets ministériels ou institutions publiques mais toujours avec un pied dans le privé. Et vous m'avez donc contacté dans le cadre justement de la particularité de cette vision du commerce extérieur qu'est le partenariat inter-entreprises dans le cadre de l'exportation. Je vous ai déjà expliqué ce qu'il en est, je vois d'ailleurs que vous disposez déjà du guide. C'est un peu ce qui fait qu'on s'est rencontrés vu que c'est pour ce livre que l'awex nous a mis en contact. Je suis donc avec beaucoup d'attention votre travail et c'est totalement dans ce qui est mon core business donc si je peux vous être utile ce sera avec grand plaisir.

-ML : Ce livre donc justement, c'est quelque-chose que vous avez écrit seul? ou co-écrit?...

-PF : Oui, donc cet ouvrage je l'ai écrit seul. Enfin quand on dit seul on n'est jamais seul parce-qu'on consulte des bases de données. C'est une matière qui a déjà souvent été abordée par des collègues et leur nom est d'ailleurs cité à la fin du livre. Mais oui c'est un travail que j'ai réalisé à la demande de l'awex et de l'UCM. C'est un ouvrage qui a été écrit deux fois. Une première dans le début des années 2000, mais comme les choses évoluent toujours on m'a demandé en 2011 d'écrire une nouvelle édition qui est plus actuelle mais elle est malheureusement déjà dépassée. C'est le propre de toutes les matières qui évoluent puisque je développe pour le moment une version e-learning plus accessible et plus attrayante que le fait de proposer un ouvrage qui est toujours un peu rébarbatif. Mais vous constaterez vous-mêmes, d'ailleurs je l'ai dit à la dernière page, il ne s'agit pas d'un ouvrage scientifique c'est une écriture simple pour que puissent lire les néo exportateurs qui exportent depuis peu de temps et manquent d'éducation dans certains domaines. Donc j'ai voulu que ce soit un ouvrage de vulgarisation. Ça a effectivement été jugé tel quel vu que ça a été édité à quelques 5500, près de 6000 exemplaires et vous tenez ici un des derniers

-ML : Ok... peut-être, pour rentrer un peu plus dans les détails... Donc le tfe c'est plus sur la sélection du marché d'exportation. Il y a plusieurs approches des experts pour déterminer ce qui est un marché attractif pour l'export. Il y a par rapport au marché lui-même, c'est à dire ce qu'est un marché sexy. Il y a aussi l'approche qui dit que plus la distance psychique ou proximité culturelle est proche plus on a de chances que la collaboration soit fructueuse. Donc voilà, je n'essaye pas... comment dire, de confronter, mais de mettre ces différents critères en relation. donc j'aimerais avoir votre avis sur l'impact de la distance psychique, la proximité culturelle entre notre marché et le marché de l'export. Est-ce que c'est vraiment important ou est-ce qu'on peut faire sans?

-PF : Non non non! Il est impossible de faire sans c'est même tout à fait essentiel. Mais l faut distinguer à mon avis 2 différents types d'entreprises. Il y a celles de grande taille qui ont des Ressources humaines, des moyens humains importants, qui ont aussi des moyens financiers et qui généralement appartiennent à des grands groupes internationaux. Vous voyez par exemple qu'en Belgique les grands groupes internationaux appartiennent pratiquement tous à des groupes internationaux financiers. Pour ceux-là l'élément psychique, que j'appelle culturel, n'est pas très important c'est en tout cas pas une donnée de base puisqu'elles sont par définition multiculturelles. Je viens à l'instant de vivre le cas d'une analyse sur le marché canadien. Vous avez ici un grosse société belge - pour ne pas la citer la sonaca - qui elle n'a absolument aucune appréhension culturelle par rapport au marché canadien : anglophone ou francophone. Parce-que il y a assez d'employés dans la société que pour pouvoir faire face. Donc c'est l'élément le plus important de ce que vous appelez l'interculturalité ca vise surtout les PME où par manque de moyens il faut garder une place importante au choix bien sûr toujours stratégique mais au choix aussi psychique. Puisque prenons le simple exemple du petit patron qui ne maîtrise pas une langue étrangère il est sûr qu'il va trouver plus facilement son marché et ou se marchés dans l'axe francophone puisqu'il y a déjà toute une série de contraintes qui s'élimine. il n'y a pas seulement les contraintes de la connaissance de la langue mais aussi plein de contraintes liées a la langue. . Vous devez avoir une prospection adaptée quand vous êtes sur un marché anglophone ou chinois que vous ne devez pas avoir quand vous êtes sur un marché qui parle la même langue que la vôtre. Vous prenez l'avion et vous rendez sur un marché algérien c'est beaucoup plus facile que prendre l'avion et rencontrer un scandinave. la distance est la même, mais si vous ne maîtrisez pas bien la langue anglaise avec le scandinave vous allez rapidement vous trouver en difficulté. Mais il n'y a pas que la langue elle-même il y a aussi des aspects plus culturels. Ne parlons pas des concepts religieux etc. je l'ai expliqué déjà qu'il y a souvent des entreprises qui commettent des erreurs très graves parce-qu'ils négligent cet aspect culturel religieux. On ne vend pas, puisque je vous parlais de l'Algérie à l'instant... on ne vend pas à l'Algérie n'importe quoi comme on pourrait le vendre sur le

marché suisse. Si vous allez en Algérie avec des salaisons vous allez être plutôt mal reçus. Ce qui n'est pas le cas de la Suisse! Au contraire, ils aiment plutôt ça...

-ML : D'accord... Est-ce que vous connaissez cette approche souvent utilisée, qui est l'approche de Hofstede? C'est un moyen de calculer la distance par rapport à six facteurs...

-PF : Je la connais, je vous interromps tout de suite... je n'en parle pas dans mon ouvrage parce-que là on est déjà un peu plus dans le technique. Ben écoutez c'est une règle comme si vous jouiez aux cartes: il y a des règles auxquelles vous ne pouvez pas digresser. Et ça vous aide effectivement à suivre les six axes qui sont proposés de sélection. Je ne peux en dire que du bien mais je fais quand même des réserves. Parce-que le commerce international, c'est une grande sensibilité, ça joue sur des choses parfois extrêmement minutieuses et il faut les prendre aussi en considération. Si vous avez des grandes règles, et que vous essayez d'appliquer ces grandes règles, et que vous êtes borderline ça ne va pas parce-que vous tombez dans un piège. Mais il ne faut pas tomber dans le piège de: ils me disent ça donc je fais ça. Et ce n'est pas ça qu'il faut faire. Donc oui et non: il faut le savoir mais c'est un outil. Voilà... c'est un outil mais un outil qui doit pouvoir être maîtrisé.

-ML : Il y a tout de même quelques critiques sur ce modèle qui sont récurrentes: ça ne tient pas compte de la langue, de la religion, et tout ce qui est ...

-PF : C'est une erreur. Je suis obligé de vous le dire, et c'est mon expérience qui me le prouve. On est obligés de prendre en compte ces choses-là. Il a une vision en fait de multinationale. Parce-que effectivement si vous négociez... même, prenez l'exemple d'un marché très rigoureux au point de vue religieux. Allais, prenez l'exemple de tout à l'heure, l'Algérie, qui est dans le cas. Mais si vous négociez une petite affaire avec un algérien effectivement les règles culturelles s'imposent. Si vous négociez la construction d'une centrale électrique, évidemment les questions religieuses ne s'imposent pas. Donc ils ont raison de dire qu'à ce moment-là langue et la religion ne s'imposent pas. Mais c'est la taille des marchés qui permet ça. Quand vous êtes en avec des marchés de petite taille je ne suis pas du tout d'accord avec ça.

-ML : Sinon quelque-chose qu'il ne prend pas en compte non plus c'est la différence au niveau du développement industriel. Y a-t'il des précautions à prendre quand on aborde un marché moins développé industriellement. L'Algérie c'est déjà peut-être plus évolué, mais prenons par exemple l'Afrique noire: ça peut poser problème? Est-ce que l'attitude des gens par rapport à un revendeur étranger peut être différente?

-PF : D'abord, ça ne dépend pas uniquement du pays étranger, mais aussi du produit vendu ou service échangé. Ça c'est la première chose qu'il faut dire. On sera moins

rigoureux par exemple si vous vendez des ouvrages de librairie, de l'impression etc. Il faut que ça soit de bonne qualité, mais ça ne va pas déterminer le marché. Par contre, on sera beaucoup plus rigoureux dans tous les pays à travers le monde si on touche à l'agroalimentaire par exemple. Parce-que n'oubliez pas que les pays ont une certaine dose d'indépendance mais en fonction des marchés ils ont aussi des contraintes qui dépassent les frontières de leur pays. Vous connaissez les grandes règles en matière de contrôle de la qualité de la chaîne alimentaire, ben c'est universel hein. Donc même si vous allez je ne sais pas ... En Côte d'Ivoire ou en Sierra Leone vous ne serez pas autorisés à aller leur vendre des produits empoisonnés hein. j'exagère en parlant d'empoisonné mais on se comprend hein, je veux dire qu'il y a des règles sanitaires à l'entrée des produits, il y a des ministères dont c'est le métier donc non il ne faut pas croire... mais encore une fois, on est plus dans la définition du produit ou service . Ce n'est pas une règle générale. Il ne faut pas croire que c'est plus facile d'aller dans un pays en sous-développement où on se dit: là, je peux aller vendre n'importe quoi. Vous le ferez peut-être une fois mais pas deux fois. De toute façon le partenaire que vous y trouveriez sera lui-même un mauvais partenaire; quelqu'un qui saisira une occasion puis vous ne le reverrez pas puisque le marché ne résistera pas. . Il n'y aura pas de durabilité.

-ML : Le gros avantage du partenariat c'est que nous on connaît le produit, lui il connaît le marché, ou c'est plus compliqué que ça? Parce-qu'il y a différents types de mariages,...

-PF : Oui il est un fait c'est que si vous vous positionnez en tant qu'entrepreneur belge par rapport au partenariat généralement c'est vous qui apportez dans la corbeille la maîtrise de ce que vous faites, c'est à dire la bonne connaissance de votre produit au sens technique la connaissance légale et tout ça. Vous connaissez puisque vous avez déjà votre propre marché sur lequel vous activez. Donc dans le cadre d'un partenariat généralement ce que vous attendez du partenaire en face de vous c'est qu'il est mieux placé que vous dans son réseau commercial et de distribution. il connaît les institutions, il connaît les règles, il connaît les lobbies , les réseaux commerciaux etc. que vous ne connaissez pas. Vous avez beau consulter sur les sites internet, bases de données etc., vous n'y entrerez jamais de façon pratique. Or, lui il est assis sur son marché donc vous lui apportez un complément ou une activité nouvelle lui ira les proposer à son environnement donc ça c'est important. Maintenant, il y a d'autres cas où vous avez des pays je vous cite par exemple une histoire d'une opération de partenariat à trois niveaux. Un belge qui fabrique des coques de bateau en polyester. Le pays visé est la Guinée Conakry, et on a dû faire appel à un équipementier italien parce-que l'entreprise. Il y avait une case vide, non remplie dans le guide complet du partenariat et donc dans ce

cas on a dû faire appel à des spécialistes dans l'autre pays. Un cas n'est pas l'autre bien sûr mais ceci est un cas très représentatif dans le partenariat il faut finalement que tous les éléments se retrouvent concentrés dans la corbeille de mariage si il manque quelque-chose, il faut le trouver ailleurs.

-ML : Vous parlez justement de l'importance en ce qui concerne la connaissance des institutions, lobbies, réseaux etc. on sait que certaines politiques sont plus compliquées que d'autres étant donné que c'est le partenaire étranger qui s'occupe de tout cet aspect-là, est-ce-que pour nous ça a une sorte d'importance de savoir ok c'est un marché très libre sans trop de réglementations, lobbies etc. Est-ce que nous ça nous affecte ou pas? Vu que de toute façon c'est l'étranger qui s'occupe de ça.

-PF : Mettez-vous bien en tête que vu qu'il s'agit d'un partenariat, je vous ai dit c'est un mariage. Donc il y a deux personnes qui se rencontrent pour faire du business ensemble et qui partagent tout. Si le partenaire que vous détectez, que vous trouvez après vos recherches sélectives vous disent: Mr, le problème c'est que votre produit/technologie n'est pas adapté aux besoins et contraintes de mon pays, il va y avoir un problème. Je pourrais vous citer quelques exemples vécus et là de nouveau on touche à la particularité de chacun des marchés. Vous pourriez avoir un excellent produit ici mais qui malheureusement est tellement réglementé sur le marché cible qu'il va être difficile de... par exemple, de l'imposer sur le marché s'il n'est pas adapté. Exemple, une société belge qui fabrique des quiches. Elle a une variété d'une petite vingtaine de quiches. Là-dedans, il y a évidemment des quiches qui sont adaptées pour certains goûts, certaines habitudes de consommation, mais aussi qui passent à travers les interdits. Et donc le partenaire qu'elle a trouvé à ce moment-là, en l'occurrence c'est dans un pays musulman. La toute première contrainte a été de faire un choix dans la variété des 20 quiches. Car la quiche qui contenait des œufs et des lardons a été exclue d'office alors que d'autres, saumon avec des légumes ça passe. Donc vous voyez le partenaire on attend de lui aussi qu'il mentionne de suite quelles seront les contraintes à l'exportation il y a aussi des mesures qui sont prises et empêchent certains produits d'entrer sur des territoires. Je ne parle pas toujours des pays en développement, des pays industrialisés aussi. Par exemple, je viens d'assister à la conférence sur le Canada, ben eux aussi bien entendu ne laissent pas entrer n'importe quoi hein c'est la fameuse FDA des USA qui régit un peu tout ça et donc si votre partenaire local en l'occurrence le canadien ne dit pas: monsieur, ce genre de truc c'est impossible, vous perdez votre temps et de toute façon il n'y a pas de marché.

-ML : Par exemple, nous on a été avec le Maroc on sait que c'est un marché assez strict avec tout ce qui est de laisser entrer les produits. Ce sera fatalement un moins par rapport à un pays "similaire" c'est quand même un aspect qui, même si c'est le problème de l'importateur, c'est quand même un frein quoi.

-PF : Oui oui oui, vous avez cité le cas du Maroc il y a deux freins. le premier est que contrairement à ce qu'on dit souvent, le Maroc n'est pas un pays à économie libérale. Pas dans le sens politique, mais économie de marché. Puisque la plupart des opérations sont réglementées par l'environnement. C'est un marché très difficile et contraignant. Ils ont tendance à mettre des normes dans les cas où ça ne leur convient pas, et à éliminer des normes quand ça leur convient. Donc je pourrais vous donner aussi quelques exemples de produits qui sont entrés très facilement alors qu'ils étaient limités, et ça c'est tout simplement parce que c'est un proche de la famille qui trouvait son intérêt et d'autres produits qui paraissaient tout à fait anodins ont été interdits de séjour parce que, je parle ici du domaine médical et paramédical, parce qu'il y avait déjà un lobby de la famille royale qui avait mis un pied sur le marché concurrent. Donc voyez tout ça est un peu lié à l'appréciation. Et vu que vous parliez du Maroc, je réagis sur le Maroc.

-ML : D'accord... il y a aussi une théorie qu'on appelle le modèle Uppsala, je ne sais pas si vous en avez entendu parler. C'est un modèle scandinave qui dit que les exportateurs qui n'ont pas vraiment beaucoup d'expérience et si la société est plutôt petite, ils vont toujours choisir un marché plus proche psychiquement, et plus la société est grande et a d'expérience, plus elle va exporter loin... c'est toujours le cas? Ou...

-PF : Dans mon environnement personnel et dans les sociétés où j'ai quelque-chose à dire nous prêchons le contraire: nous disons toujours à une entreprise: êtes-vous exportateur ou pas? S'ils répondent « non, je me contente du marché local » il faut d'abord se demander s'il y a des raisons de vouloir exporter. Il y a des entreprises qui vivent très bien avec le marché local. Regardez tous les pays qui font du protectionnisme, ils vivent effectivement en vase clos. Mais sinon si le chef d'entreprise dit « je ne suis pas exportateur mais je voudrais bien l'être parce que j'en ai besoin pour développer mon CA » nous leur conseillons d'aller d'abord dans la proximité. Le cas le plus connu chez nous, vous pourrez poser la question à l'awex c'est que les néo-exportateurs on les conduit habituellement d'abord vers le nord de la France, vers des pays comme ça très proches en fonction de leurs affinités de manière telle qu'ils puissent un peu se forger les règles de l'exportation. En plus ce sont des marchés qui sont accessibles en voiture on prend la voiture le matin parfois même après on peut rentrer le soir et avoir prospecté ses clients. Donc il y a là une série de facilités qui sont là. Mais ce n'est pas nécessairement la facilité de transport à laquelle je pense c'est surtout le fait que vous éliminez tout de suite toute une série de contraintes telles que par exemple la logistique. Si vous avez un produit lourd, volumineux mais de faible valeur ajoutée, évidemment vous avez tout intérêt à prendre un compas et tourner avec ce compas pour déterminer une zone proche géographiquement. Sinon vous ne serez déjà plus

compétitifs. Donc cette théorie scandinave dont vous parlez je la trouve logique, ils n'ont pas inventé grand-chose en disant ça.

-ML : Oui, disons que c'est quand même un modèle assez vieux qui remonte aux années 70

-PF : Oui oui oui; vous devez aussi comprendre que les scandinaves sont par nature très protectionnistes. J'ai justement une carte devant les yeux ils vivent beaucoup en autarcie pays scandinaves. j'ai un cas très connu, ils ont une porte ouverte sur la Grande-Bretagne parce-que d'abord ils parlent anglais et parce-que historiquement ils sont très proches mais à part ça ne leur parlez pas de la Wallonie ils ne connaissent pas. Nous avons essayé en bio, fruits et légumes wallons bio de pénétrer sur le marché scandinave et nous avons eu toutes les peines du monde car ils ont leurs habitudes ailleurs. Pour eux ce n'est pas l'axe nord-sud qui existe, c'est l'axe est-ouest.

-ML : Ici j'ai développé un petit modèle qui tente de résumer un peu comment ça doit se passer; donc ce qui me paraissait logique par rapport à ce que j'ai lu et ce que vous m'avez dit la première fois c'est que ben d'abord la société doit avoir décidé d'exporter, elle doit remplir les conditions, ensuite il doit y avoir une première sélection donc ben pas se dire « Je vais exporter je ne sais pas où; c'est toujours mieux d'avoir une idée: je veux être sur un marché proche, plus ou moins telle taille...

-PF : Oui oui...

-ML : Ce genre de choses... Ensuite le choix du mode d'entrée; se dire: ce sera avec un partenaire ou en direct, et finalement une sélection finale du marché en fonction des qualités de ce marché mais aussi de : « Est-ce je peux trouver mon partenaire (si c'est pour un partenaire qu'on a choisi) et si mon partenaire...

-PF : Oui oui ben ça me semble être un très bon schéma, je n'ai aucune remarque sinon de bonnes remarques car c'est une bonne logique, c'est... En fait c'est le schéma que j'ai en tête et que j'opère depuis tout le temps... non, c'est très bon! Surtout que vous avez chaque fois une frontière, un moment de stop and go qui est important puisqu'une étape entraîne l'autre c'est logique quoi. Je préfère ça que les coups de cœur parce-que si vous travaillez au coup de cœur sans beaucoup de raisonnement. Vous pouvez réussir mais vous pouvez réussir à la loterie nationale aussi hein. Ici en fait vous mettez une série de frontières qu'il faut à chaque fois franchir avant de passer à la suivante. Donc ça évite beaucoup d'aléas et de risques... Non non, c'est très bon! ce qui vous prouve d'ailleurs qu'entre le moment où vous êtes au point de départ et le moment où vous pouvez dire que vous êtes opérationnel sur un marché, que ce soit au travers d'un partenariat ou autre, ça prend un bout de temps. Et c'est ce qui me fait souvent dire aux gens que je rencontre: soyez bien conscients que vous n'allez pas travailler aussi vite à l'exportation

que sur le marché local parce-que il y a toute cette succession d'étapes à franchir et que ça ça prend du temps et de l'argent. Il arrivé fréquemment qu'une entreprise qui n'a pas beaucoup de ressources, si elle ne conclut pas ça peut devenir problématique. parce-que si l'entreprise au départ n'a pas suffisamment de ressources que pour pouvoir supporter toutes ces étapes elle risque à un moment donné d'être exsangue et j'ai malheureusement connu des cas d'entreprises qui ont du arrêter en cours de route. Je suis en train de lire pour le moment qu'une petite entreprise dans le domaine du textile et qui est obligée de stopper momentanément ses démarches parce-qu'elle doit se retrouver un partenaire non pas uniquement pour l'export mais pour tout son partenariat financier. Ils doivent faire une augmentation de capital parce-que les banques sont au bout de leurs facilités

-ML : J'en reviens à cette fameuse distance psychique. il y a souvent le problème d'obtenir l'information, donc de savoir ben à quel point est-ce que le marché d'exportation est similaire ou différent du nôtre? Ce n'est pas toujours facile d'avoir des infos. On peut les avoir par le modèle de Hofstede par exemple ça donne une indication on peut trouver langue religion etc. sur internet mais finalement il y a des pays où on a peut-être moins d'info, qui ne sont pas dans le modèle de Hofstede etc. comment on peut faire?

-PF : Je viens justement encore maintenant, décidément, d'avoir cette question qui était sur la table parce-que vous avez beau utiliser toutes les banques de données, ressources d'attachés économiques par exemple, de l'AWEX ou du FIT ou Brussels export, ils vont faire leur boulot certainement et très bien mais n'empêche que vous n'êtes pas à l'abri ou bien d'un manque d'info réel, concret ou bien de la triste évidence des choses sur le marché lui-même car on fait souvent la mariée beaucoup plus belle qu'elle n'est. Donc moi ce que je recommande c'est que l'entrepreneur face à un nouveau marché fasse d'abord sa recherche tel qu'on vient de le dire, c'est à dire qu'il collecte des infos qui sont distribuées au travers des réseaux informatiques et personnes en ressource sur place, mais à un moment il n'y a rien à faire, il faut franchir le pas et soi-même aller sur place et il doit se mettre dans le bain et c'est là seulement qu'il va vraiment comprendre beaucoup de choses. C'est un petit peu -excusez-moi la comparaison- mais si vous faites des recherches d'une épouse au travers des réseaux... vous allez vous dire « oh mon dieu quelle jolie fille, je vais certainement... c'est celle la que je veux » et puis le jour où vous allez la rencontrer vous allez vous dire « merde ce n'est pas exactement ce que je pensais. D'abord elle a l'air idiote alors que sur la photo pas... donc voilà, c'est une comparaison que je m'excuse d'utiliser mais que vous comprenez bien... il faut à un moment donné entrer dans la réalité hein toutes les recherches que vous faites à travers vos réseaux ça reste du dogmatique. Et ça n'est pas nécessairement la réalité des

choses. Plus encore quand vous avez des produits ou des techniques/technologies/services plus pointus. parce-que là où vous devez vraiment vous rencontrer... je vous donne un exemple dans le domaine de la plasturgie :une entreprise wallonne a finalement été à la rencontre de partenaires qu'elle avait sélectionnées par voie informatique et les relations qu'elle avait et ben finalement elle est revenue de là - le Sénégal - avec une vision complètement différente et elle a changé complètement sa stratégie parce-que il a fallu commencer non pas par des échanges de moules etc. mais on a abandonné momentanément l'aspect technique pour d'abord s'occuper de l'aspect formation. Parce-que cette entreprise locale qui était partenaire -d ailleurs ce fut un succès- mais manquait complètement de formation. Elle avait des entrepôts, machines, un savoir-faire technique mais il n'y avait absolument aucune culture d'entreprise. Donc on a changé tout et on a commencé par la formation.

-ML : ça on l'a déjà abordé aussi... c'est un schéma sur l'importance de la distance psychique. Donc ça dépendrait de si on va en direct ou via un partenariat, peut-être aussi quelque-chose, le type de relation qu'on a avec notre partenaire: si c'est qqn qu'on connaît depuis longtemps, et avec qui on a des relations vraiment proches ou si au contraire c'est un peu plus... uniquement professionnel. Ça joue un rôle?

-PF : Pour moi, je me tiendrais à la rigueur de la recherche du partenaire sans trop voir d'éléments émotifs. Quand je dis émotif vous comprenez, je vous donne un exemple du vécu aussi: ça vous prouve que ce se sont quand même des cas avérés... J'ai rencontré un chef d'entreprise qui est allé au club med et là il est vraiment devenu copain de bar avec un ukrainien. Ils sont devenus deux grands amis et l'ukrainien a dit: viens on peut faire du business ensemble. Et donc ça c'est une relation émotive, ils ont commencé à se voir et se faire des guindailles et en disant qu'ils allaient faire un partenariat. Et bon, ça a été un échec forcément. Parce-que ça aurait pu réussir hein mais finalement il s'est avéré que l'Ukrainien a part les bonnes relations et surtout une bonne tenue au bar n'était pas réellement l'industriel que l'autre attendait. Donc je suis plus pur la rationalité, il faut faire ça sans émotions. Par contre, il est absolument nécessaire que à un moment donné les partenaires qui se voient, se sélectionnent, se mettent ensemble... s'apprécient! Parce-que si il y en a un qui n'aime pas l'autre et inversement, je répète encore, c'est comme un mariage hein. Ils ne vont jamais pouvoir faire d'enfants. Je connais un cas où, dans le domaine de la dératisation, une société belge est allée très loin dans un partenariat avec un pays africain, et le partenaire africain était de super qualité mais le partenaire belge l'a considéré comme un bougnoul et donc l'autre a dit: écoutez, je ne ferai jamais affaire avec vous ». Ca ne s'est pas dit comme ça hein, mais le courant n'est pas passé parce-qu'il y avait un rapport de force qu'un des deux voulait imposer: le belge se disait écoute toi tu n'es qu'un nègre et moi je vais t'apprendre comment faire. Donc il

y a deux choses: beaucoup de rationalité fatalement mais Il faut aussi que la sauce prenne, donc à un moment il faut qu'il y ait compatibilité d'humeur entre les partenaires. Mais il ne faut pas faire l'inverse: comme dans le cas de l'ukrainien. Là c'est plus le côté convivial qui a pris le pas sur le côté partenariat mais ça ce n'est pas bon non plus hein.

-ML : Dans ma conception c'était plutôt l'exemple de donc... Voilà par exemple Apumas est un revendeur, donc par exemple ils ont pas mal de fournisseurs Italiens, coréens etc. Disons qu'un de ces fournisseurs a un revendeur au Cameroun avec qui il est très content. On peut se servir du 'réseau' pour introduire les autres produits?

-PF : ça peut très bien fonctionner si le garçon est à la fois convivial et compétent. Pourquoi pas.

-ML : à ce moment-là c'est un plus ou pas spécialement?

-PF : Ben oui c'est un plus hein . C'est beaucoup plus agréable comme ça. Et en plus c'est aussi plus stimulant hein. Si on peut entre partenaires à ce niveau-là... on peut quand même se dire des choses qu'on ne dirait pas sinon. Non non, mais ça doit être maîtrisé.

-ML : oui, donc il y a une nuance à faire là-dessus. Sinon, nous voilà à l'attractivité du marché étranger. Donc qu'est-ce qui rend un marché sexy on va dire? Fatalement la taille du marché, la distance physique/géographique on en a parlé c'est surtout important si on a des produits lourds, volumineux mais avec une faible valeur ajoutée

-PF : Ou avec des produits périssables par exemple... Ou lourd et sans valeur. Par exemple si vous transportez des bouteilles d'eau évidemment il ne faut pas aller trop loin avec hein parce-que ça n'a pas beaucoup de valeur pour beaucoup de volume. Si par contre vous transportez un seul diamant, ça a plus de valeur et peut aller beaucoup plus loin.

-ML : D'accord... et la taille du marché? D'un point de vue logique on peut se dire: plus le marché est grand plus il y a de potentiel donc ça pourrait être bien. Mais d'un autre côté on peut se demander: moi, petit Apumas, vais-je être capable de gérer ça? Est-ce toujours bien d'avoir un grand marché de l'autre côté?

-PF : non non onononono . Parce-que alors vous allez vous mettre en difficulté. Je vis le cas d'une société qui est dans la fabrique des portefeuilles etc. mais très mode, très classe. Elle a des capacités de production qui sont connues et elle a des limites. Et elle est tentée par des grands marchés. Vous comprenez, c'est un produit qui pourrait, avec un logo d'une grande banque internationale être distribuée à grande dimension. Ça ne va pas parce-que la production ne suit pas. donc à ce moment-là elle va devoir ou bien développer d'autres moyens de production ou bien sous-traiter. C'est une solution mais

qui n'est pas sans risque. Vous connaissez les cas de tous les gens qui ont sous-traité en Chine et qui en reviennent hein parce-que vous n'êtes pas maître de la qualité, délais de livraison, finition etc. et si le lot qui arrive est mal imprimé par exemple vous pouvez toujours aller en justice mais contre une entreprise chinoise vous êtes toujours perdants, il n'y a pas de justice. Donc moi je pense qu'il faut avoir une taille de marché qui est à la taille de ses moyens pour l'évolution. Sinon je vous le dis il reste la solution de la sous-traitance pourquoi pas mais ça coûte plus cher, le produit est pas le même.

Deuxièmement il y a la possibilité d'augmenter ses moyens de production. Dans le cas de la société qui fabrique des quiches dont je vous parlais, ils savent en travaillant jour et nuit avec leurs moyens de production doubler leur capacité de production mais ils ont un problème au niveau logistique parce-que ils font du sous vide donc il faudrait de nouvelles chaînes pour faire de l'emballage sous vide. Mais ce sont des machines qui coûtent très cher et c'est difficile à maîtriser. Donc voyez ils sont obligés de se limiter à des tailles de marché qu'ils savent soutenir.

-ML : OK... Il y a aussi un facteur qui peut être important: les opportunités pour grandir. Certains marchés pourraient être une porte d'entrée pour d'autres, donc on va dire j'ai un bon partenaire au Congo Brazzaville. Est-ce que ça peut aider pour le Congo Kinshasa? Peut-être... on va dire que je me développe un réseau dans le coin. Est-ce que c'est un élément qui doit être déterminant dans un choix? Le fait que ce soit une porte d'entrée vers ...

Oui, la réponse est oui. Parce-que... mais encore une fois il faut être très prudent je vais vous expliquer. Si c'est un marché que je connais particulièrement bien c'est le marché sénégalais - si vous allez à Dakar ou ailleurs au Sénégal avec un partenaire local vous êtes sûr non pas seulement de pénétrer le marché sénégalais, mais en réalité le marché sénégalais et la sous-région, c'est à dire les 5 pays avoisinants qui font partie de l'UEMOA (union économique et monétaire de l'ouest africain). Donc c'est une porte d'entrée intéressante parce-que en étant au Sénégal vous êtes en même temps dans tous les pays de la périphérie du Sénégal. Puisque c'est l'union monétaire autour du CFA, la monnaie unique. C'est leur euro à eux. Deuxième exemple qui n'est pas bon, vous allez vous dire: tiens je vais aller m'installer à Tunis parce-que c'est près de l'Algérie. Ne parlons même pas de la Libye... C'est une erreur parce-que les algériens et les tunisiens ne s'entendent pas. Ce sont des cultures différentes, des politiques différentes. L'Algérie est un immense marché avec des ressources, la Tunisie est un petit marché sans ressources. Les algériens considèrent les tunisiens comme des colonialistes. C'est bizarre à dire comme ça mais c'est comme ça. Donc voyez, il ne faut pas se tromper quoi. Vous avez par exemple cité le Congo et la RDC, je n'y crois pas par exemple.

-ML : Oui oui j'ai pris ça pour illustrer, mais sans savoir si c'était correct ou non.

-PF : Mais c'est pas bon non plus hein. Et n'allez pas à Kinshasa en vous disant: "Je vais faire le Rwanda et le Burundi dans la foulée" hein, ça ça ne marche pas non plus.

-ML : OK. Alors aussi la taille, la croissance du marché lui-même. Donc on sait par exemple que les marchés émergents ont tendance à grandir plus vite. Fatalement c'est intéressant de savoir que c'est un marché avec plus de potentiel car il va grandir...

Oui, on cite par exemple beaucoup pour le moment le Nigéria comme étant un pays émergent. C'est un sale pays hein, je n'irais pas vivre là-bas. M'enfin, c'est quand même le pays le plus peuplé d'Afrique donc par la taille et le nombre d'habitants c'est un grand pays c'est un des plus gros marchés. Mais bon c'est un pays qui apparemment se redresse et malgré les incidents, les tueries dans le Nord c'est un pays qui est important, je crois que c'est 8-900.000 habitants. Donc la taille du marché oui mais il faut savoir maîtriser.

-ML : Je réponds un peu à ma question en la posant mais.. C'est sûr qu'un marché qui se développe c'est important mais il faut qu'à la base il y ait déjà de quoi faire à la base. Prenons le Bénin. Je ne connais pas bien le pays, mais disons que c'est un fabuleux marché d'avenir, ça grandit, c'est très impressionnant mais pour le moment ce n'est pas encore ça. Est-ce que ça vaut la peine d'aller s'installer en pensant au futur, ou...?

-PF : Ben ça dépend de la nature de vos actions aussi. Si vous êtes une société comme un bureau d'études ou de techniques spéciales, si le marché est émergent ça vaut le coup d'y être. Ça veut dire qu'il y a des grands projets, qu'il y a un plan quinquennal qui mérite d'être analysé attentivement et qui fonctionne, mais si par contre vous êtes dans un marché style produits de grande consommation ce n'est pas nécessairement la peine d'y aller pour le moment . Un pays émergent ce n'est pas un pays qui consomme plus hein, c'est un pays qui a de grandes idées de principes de développement, c'est comme ça que c'est classé d'ailleurs, c'est là qu'il y a de grands projets d'investissement, on va faire un nouveau port, un nouvel aéroport, des routes, recréer un Brasilia quelque-part ou que sais-je, ça ce sont des pays qui sont en transformation mais ça ne change pas les habitudes de consommation. Il n'y aura pas 10 consommateurs en plus parce-que le pays est émergent

-ML : Donc ça dépend un peu du produit qu'on vend ?

-PF : Oui c'est tout à fait ça.

-ML : Et à quel moment il se vend dans le stade de développement...

-PF : Oui oui en règle générale mais vous devez en effet être dans un pays émergent si vous avez de grands projets et que vous avez des techniques spéciales à aller vendre là-

bas; il faudrait à ce moment-là même être là le plus vite possible pour être dans les marchés locaux.

-ML : Bon ben je pense avoir couvert tous les sujets que je voulais couvrir... Je ne sais pas si vous avez autre chose à ajouter ? Si vous voyez un sujet qui peut avoir son influence sur la sélection du marché étranger... ?

-PF : Non non à priori non je pense qu'on a abordé tous les sujets importants. De toutes façons sinon on peut s'écrire, se revoir ou même skyper.

Appendix 2: “Questions to ask to an exporter”

taken and translated from Francotte’s book for the AWEX “Partenariat interentreprises pour l’exportation hors UE – Le guide pour réussir sa stratégie d’internationalisation commerciale”

<p>Do I have a product, a service or a technology which is exportable?</p> <ul style="list-style-type: none"> • Am I able to define the nature of my activity? • Does it answer to the needs of markets other than mine?
<p>Do I have the will and the means of exportation?</p> <ul style="list-style-type: none"> • Is my window open or closed? • My production tools • My human resources: <ul style="list-style-type: none"> ○ Management ○ Production ○ Commercial organization ○ R&D • My financial means
<p>Why am I going to select the country or countries I will explore as a priority?</p> <ul style="list-style-type: none"> • Basis criteria: <ul style="list-style-type: none"> ○ According to economic rules of the market ○ According to the priorities of the institutional and private partners ○ According to the strategic choice of my company
<p>In the target zone, which competitors are already present on the market and on which conditions?</p> <ul style="list-style-type: none"> • Identification of my competitors and their profile • How to carry out this research?
<p>What is the profile of my potential clients abroad?</p> <ul style="list-style-type: none"> • How to carry out this research? <ul style="list-style-type: none"> ○ Private companies or public institutions? ○ Direct decision-maker or middlemen? ○ Network: central buying service, distributors, retailers? • Penetration modes of the market
<p>How can I reduce the risks of exportation?</p> <ul style="list-style-type: none"> • Commercial, political or monetary risks? • Risk of non-payment? • Exchange risk?
<p>Who – public or private institution – can support the preparation and implementation of my “inter-entrepreneurs partnership or exportation”?</p> <ul style="list-style-type: none"> • The operators concerned by this problematic are to be found: <ul style="list-style-type: none"> ○ On an international level; ○ On a European level; ○ On the level of the ‘Communauté française de Belgique’ and the ‘région wallonne’; ○ On a local level. • But help from « facilitators » abroad have in some cases proven to be useful
<p>And in conclusion?</p> <ul style="list-style-type: none"> • Am I thus ready to establish myself on a new market through partnership and is it really reasonable? • Will my sales price resist to the constraints of exportation? • Am I decided to take action?

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International market selection for exporters: Analysis and Integration of a selection of the most appropriate models

Richting: **Master of Management-International Marketing Strategy**

Jaar: **2015**

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Lorquet, Mathieu

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