ARE ALL NEW MARKET ENTRY STRATEGIC DIMENSIONS EQUALLY RELEVANT?
INSIGHTS FROM SOME CHILEAN EXPERTS.

Dissertação apresentada à Escola Brasileira de Administração Pública e de Empresas para obtenção do grau de Mestre

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Rio de Janeiro - 2015
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Are all new market entry strategic dimensions equally relevant?

Abstract
This thesis looks into the strategic dimensions that Multi-National Companies (MNC) consider when they start the operation in a new country in Latin America and if all have the same weight or relevance when doing the strategic decisions as a guide to land onto a new country. Understanding the weight that MNCs gives to them can prompt to understand the reasons behind the success stories, the struggles - and even failures - that some companies had in the aforementioned region.

The approach was via an initial analysis of the scholar bibliography in order to define three main dimensions in the models or frameworks that deal with the strategy used to land. After this, and through interviews, was found out how relevant are each of them for their companies, how they weight them and if there were other dimensions considered.

The question that this thesis contributes to understand is if all new market strategic dimensions are equally relevant for a MNC when arriving to Latin America. The results show a predominance of the cultural aspect and in second place, the considered entry strategy (alliances, speed, size, etc.).
Introduction.

During the past two centuries, technological advances in communication and transportation allowed an increase in the volume of global transactions while at the same time permitted a virtual shrinking of the world, making it a field where businesses and people can find and grow new opportunities in a global context (Friedmann, 2007). This meant a substantial rise of the number of companies looking for new markets abroad, where opportunities for fast growth were coming, while their home market was stagnating or facing a low growth, a stream that had a peak between the 1970’s through the 1990’s. In fact, new ventures in traditional manufacturing sectors like textiles and footwear that goes abroad have a lower failure rate than those that stay purely at home (Puig et al, 2014).

After learning through internal and external knowledge, when a multinational company goes abroad it feels tempted to apply their own historically proven strategy to land in a new country, but in fact several decisions have to be made when aiming to a new place, among of them, where the resources, national players, rules of the game and international position, are considerations to bear in mind (Parada, 2003) in order to establish an adequate process to enter without major problems. This seems to be the case applied by Natura, a cosmetics company from Brasil with a successful story of internationalization via different methods according to the country/ region while keeping an eye on which phase of maturity it was in each country to keep or change the strategy to a different one (Bassi et al, 2014). Furthermore, as Hofstede explains in his six dimensions measure, cultural differences are and still will be present as part of the social set of the countries and a new entrant into a market must be aware of those social and cultural uniqueness if they want to succeed and correctly deploy their global or regional strategies.

In general, Latin America is a region shaped from a similar history and background, where there is a tendency from abroad to consider all countries as the same. Seeing the Hofstede’s cultural dimensions review, the scores show some small differences among the reviewed countries (see Table 1) that do not offer a clear support by themselves to argue that cultural differences among LA countries might have a say in the success or failure of a company when entering several other markets in the region, even though we - Latin Americans - tend to feel and state differences among our countries that might not be covered in the analyzed dimensions. Therefore, despite that the six dimensions analysis doesn’t clearly shows, there might be some cultural differences in LA relevant to consider, even if it’s a Latin American company moving into another Latin American country, where historical rivalry and differences in the way to do
business have meant that a big company in one country might become a poor player in another one or a better success story in another.

<table>
<thead>
<tr>
<th>Hofstede's Scores</th>
<th>Brazil</th>
<th>Argentina</th>
<th>Mexico</th>
<th>Colombia</th>
<th>Chile</th>
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<tbody>
<tr>
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<td>Uncertainty Avoidance</td>
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<td>86</td>
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<tr>
<td>Pragmatism</td>
<td>44</td>
<td>20</td>
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<td>31</td>
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<tr>
<td>Indulgence</td>
<td>59</td>
<td>62</td>
<td>97</td>
<td>83</td>
<td>68</td>
</tr>
</tbody>
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Table 1: Hofstede's Cultural Dimensions Scores among Five LA Countries. The Hofstede's Centre, geert - hofstede.com. Figures in color filling are to highlight both highest and lowest scores.

The history of Carrefour in Latin America is a good example. While the French retailer enjoyed a healthy market share position in Brazil, Colombia and Argentina (third, second and, again, second place in income market share), their entry into Chile and Mexico was problematic, with a poor performance that led to the sale of their assets in a short time (see Exhibit 1). Still, Argentina and Brazil are the success stories for the retailer, which led to question on why did they had the difficulties. Therefore there is room to wonder on what the differences in strategy that made this failure outcome were.

The literature review and news readings suggest possible explanations to this failures like, among others:

- Cultural differences between the entry market and the market where the strategy was created. Not paying careful attention to the local customer, supplier, way of business and services.
- Nationalism. People will prefer the local brands to foreign ones, unless there is a clear advantage on the new ones.
- Strategy is good for some countries but not for others. The belief that if it worked fine in one market, it should work fine in another.
• Entry strategy is adequately planned, but the speed and push are too weak. This means that local competitors have time to learn from the new participant, use what they think is the best and therefore mimic the competitive advantage of the new company or simply erase it.

• Competition might and willingness to defend their share.

• Poor choice of a not competent and empowered management that can swiftly understand the new market and suit the strategy to it.

Objectives.
Through this study, instead of focusing in success stories that are plenty in the scholar documentation, we want to make a scholastic approach through the failure stories since they can give a focus on what went wrong on their strategies thus providing insights on what dimensions were correctly and not correctly addressed.

Retail is an area that scholastic studies have well covered during the past years, so this study will have a bias towards the retail industry, but will not focus solely on it.

As a final contribution, this study should help companies to have a better understanding of what is relevant in a strategic entry into a new country considering the possible relevance among the strategic dimensions to be considered. On top of that, the results can be used by universities, consultants and think thanks as a guide on which dimensions should be subject of attention since they are the ones that are most considered by the companies.

Main Objective.
The Main Objective is to contribute to the understanding on what is the weight that multinational companies (MNC) give to each one of this three dimensions – cultural differences and local understanding, speed and suitability of strategy and internal fit - when moving from one Latin country to another or coming from other region to the Latin American market.

A secondary objective is to surface other dimensions that are also being considered by the companies when landing into another country.

Specific Objectives:
• To do a review of the academic researches about issues and failures/divestments of MNCs in Latin America.
• To name some of the main strategic dimensions from the academic reviews that are the base for the strategy taken by MNC and are the possible source of failures or difficulties.
• To learn on the actual issues that the sample of experts tell as most usual.
• To compare those issues and the expert based ranking with the dimensions selected from the academic researches.
• To provide a strategic dimensions ranking based on literature and interviewees opinions.

**Literature Review.**

Successful stories have been the mainstream in academic reviews and cases, based on the internationalization wave that was held mainly from the 1970’s up to today and especially during the 1990’s opening of eastern markets both in Europe and Asia. Nevertheless, if organizational failure is not a central theme in management research, then the idea of failure in retail internationalization research hardly registers at all. If anything about failure has been considered at all, it is under the guise of cross cultural factors such as adaptability, entry mode and locational disadvantage (Burt et al., 2002). In fact, Alexander and Myers (2000) considers that people are being overly concerned with processes and insufficiently worried about the preconditions for internationalization, meanwhile Wrigley (2000) questions the lack of inclusion in the theoretical work of the factors that are important in the corporate landscape and the ways in which these vary over time. As Bianchi and Costale (2004) state, the contribution of the theoretical frameworks is notable, most of this work addressing pre-internationalization aspects of this process, while issues of divestment and failure are still under researched.

One of the factors around the theories that Burt et al. (2004) mention is the use of them in areas that were not considered when originally written (for instance, a manufacturing internationalization theory being used in retail). In order to put some ground on this sentence, they mention the debates from Dawson (1993, 1994) and Sternquist (1997) and commented upon by others (e.g. Alexander and Doherty - 2000).

Swoboda, Zentes and Elner (2009) did a study on papers and analysis on Internationalization of Retail Firms and the State of the Art after 20 years which provides an overview of the studies that are relevant to the analysis of failures and divestments (see Exhibit 2) with findings that
show that failures result from a lack of adaptation to institutional norms, rules, etc., and from internal factors like the lack of management capability (e.g. doing nothing, underestimating situations, inappropriate reactions). As stated in their study, other reviews, like Palmer (2004) and Palmer and Quinn (2007), criticize that divestments are generally not integrated into internationalization process models and consider them as a strategic learning option for international retailers. This work provides a clear clue on a few important dimensions on strategy that will be discussed later on this document.

Certainly, local companies will also have a say when a multinational company wants to enter a country. Battacharya and Michael (2008) identified a blend of six strategies that domestic winners use to succeed in their own markets when a new multinational entrant comes: create customized offerings (through intimate knowledge of their customers), develop business models to overcome obstacles, deploy cutting edge technologies, tap low cost labor, build scale quickly and use management talent to sustain growth. A comprehensive mix of this strategies and their right timing can make the entry of the new player a tough one enough to lose momentum and expectations that can bring down the work done, something that new entrants must take into account and not underestimate the local knowledge and customer feeling that the locals have towards them.

In fact, Bianchi and Mena (2004) considered the strategies that Chilean retail local companies did in order to successfully cope with the entry of major global retail companies into the Chilean market during the late 90's, identifying some success factors like the already high degree of competitiveness among the local retail companies - thus decreasing the expected margins that the foreign companies considered to enter -, the high concentration of the market in three major local companies that provided robustness to face the new entries, the improved retail customer offer through loyalty and credit cards, new services and products, etc., and the study and incorporation of the best practices from the foreign competitors. All this factors provided a slim room of maneuver to the new foreign retailers to differentiate from the local ones and most of them failed.

In the aforementioned case of Carrefour, Bianchi and Ostale (2006) did a study based on expert and consumers interviews about the reasons on why some particular MNC retailers had a failure in Chile¹, mentioning that these retail firms defied local institutional pressures from consumers,

¹ "Lessons Learned from Unsuccessful Internationalization Attempts: Example of Multinational Retailers in Chile", Conclusions from page 18.
suppliers, competitors, retail executives, and the business community. Also, management did not embed themselves in the local business community and the competition was aware for a long time of their arrival, anticipating and responding to their sources of competitive advantage. Finally, their scale was not big enough to command any advantages in the supply chain network.

Among the mentioned in the previous paragraph, the two first might be depicted as cultural based issues since, as the study mentions, successful international retailers need to achieve legitimacy and support from the relevant social actors of the new local market, and therefore are subject to a new set of retail norms. For instance, as this study suggests, most of them didn’t considered that women opinion and family friendliness have a strong push on the buying decision in Chile, attitude that is reflected in Hofstede’s dimensions. The third one points to what Battacharya and Michael (2008) have defined as possible responses from local players, while the fourth one, scale, is part of the entry strategy that was defined internally on not giving time to have enough scale to make a good start.

On the same, Rajiv et al. (2004) did an analysis of the strategies of world class retailers when entering a country, finding some differences between the European and American brands, and for instance and among the European, Carrefour seems to fit the model described by Gielens and Dekimpe (2001) where it is said that a higher level of success could be attained by a retailer if they enter first a new market, with substantial scale, using no partners or acquiring assets, and offering a store format that is at the same time new to the host market and familiar to the parent firm.

Therefore, as the all aforementioned studies suggest, issues and, mostly, failures / divestments are not a streamline in the case studies, especially in retail. Certainly, being able to understand what led to a not so successful story and what and why went wrong (and good) with those markets should have a room into the decision making of any company who wants to enter the Latin American market, prompting to make a detailed analysis of each country and market. All this issues and good/wrong decisions are part of the strategic dimensions that all strategic entry plan should consider before entering a country. Copy and paste the success factors in other country is not a key to ensure the future wins in other.

Following all this, some dimensions have been considered in the reviewed references and bibliography but four of them have enough wording to consider as the ones to pick for this study, so far, among others:
• **Cultural differences among LA countries are not visible for MNCs.** This hypothesis seems weak at first look, considering the Hofstede's analysis of the six dimensions. As mentioned before, Latin American people in different countries do feel different among themselves, but so far no study has been found that shows, categorize and demonstrates this feeling and/or its influence in the consumers' decisions.

• **Cultural differences between the home country and LA countries are not properly addressed.** According to Bianchi and Costale (2004) in their study about retail MNC companies failure in Chile, the international retailers came with a standard strategy, format and practices without considering what is the actual customer taste, be inclusive in the business network, and the suppliers willingness - i.e. a lack of adaptation to institutional local rules. This created an unfavorable position with local companies and other MNC that actually did pay attention to those characteristics, but otherwise, is not clear if this a constant worry to all MNCs coming to LA. This hypothesis also deals on the entry strategy, where a Joint Venture, Alliance or Local Purchase should be considered as possible way forwards when the culture, the market and the economics are not well known.

• **Slow and not suitable strategy deployment allowed to the local companies to react and saturate the format used by MNC to enter.** This reason is mentioned in news reports (Economía y Negocios El Mercurio, 2004) about Carrefour in Chile and some notes showing that a slow preparation and previous study to entry to a market allow to local ones to react before and during the landing into a new country. Also a wrong entry strategy, as mentioned by Rajiv et al is capital in the wrong footing of the company in the new market.

• **Internal issues.** Swoboda, Zentes and Elner (2009) state that the lack of local management capability (e.g. doing nothing, underestimating situations, inappropriate reactions) is one of the main factors of failure when arriving to a new market. This might come due to the lack of local availability of expertise and management (since they are already in the competition), a management not willing to change an entry formula that worked in other country, or due to the lack of interest to get into the local social and business network that would provide some insights.
Hypothesis.
In order to help to answer the question - are all new market entry strategic dimensions equally relevant?, all the aforementioned possible explanations collected from the scholar review, by themselves or in a mix, might become the reason of some of the biggest issues faced by the MNCs in LA when not properly addressed by the entry strategy. Therefore our hypothesis will be based on three dimensions:

- **Cultural:** differences between countries and listening to the local one.
- **Speed and suitability of entry strategy:** way to enter and reaction from local competitors.
- **Internal fit:** management capability, local expertise availability.

Considering that there is no specific weight defined in the scholar review and that the impact of each one of them is considered enough to motivate a failure in an entry, the hypothesis is that the weight given by MNC's to the three dimensions as *equally relevant*.

Research Methodology.
The chosen process is a qualitative/quantitative methodology. During the initial phase of previous research, bibliography and paper reviews are used, a methodology that allows to obtain insights of processes (Yin, 1994). The cases were all related to issues and failures of a MNC when arriving to a new host market, plus the theory regarding on the strategic dimensions that MNC take.

Yin (1994), Eisenhardt (1989), and Stake (2000) recommend the use of a variety of sources during the research phase, which include, among others, company documents and press articles, and interviews. Nevertheless, as Burt et al. (2004) mentions, an issue to be considered is that companies have the tendency to wipe failed activities from their record books or public memory, so few documents were found that actually have a meaningful say on this topic.

The selection of the main three dimensions from this first step is based on the frequency that they are mentioned and, secondly, on the deepness of their analysis based on entry strategies.
and their failures. Since there is no specific definition in the literature, this leads to formulate the actual hypothesis of equal weight for all of them.

Following the aforementioned studies, after the literature review and selection of the main dimensions, interviews have been considered. The choice of the candidates for interviews is based on the following criteria:

- Must include both business and academic views. This is in order to include particular views and broader understandings.
- Must consider real experience with moving a company abroad in Latin America. Either when participating in a company or as counsellor to other companies.
- Should had been part of the decision making for the strategy when moving abroad. This is in order to have the first hand insights on why one dimension was taken as most relevant and the views on the success and failures. Not required for academic views.
- The experience might be a success or a failure. Despite that failures should point out to a better dimension selection, successes are also considered in terms of giving real life experience too.
- Preferably the experience should be with two or more moves abroad. This is in order to give a more general perspective and not the particular one when moving to one country, i.e., the experience in one country might not be the same in another, so better to confirm the experiences that happened on both.
- Must be on the different phases of a business moving abroad. Not just at the deployment, but also on the sustainability phase, when financial and commercial results are visible and their sources.
- Preferably, should represent different areas of the industry and academic worlds.

Retail and other areas representatives executives were considered as prime subjects given their personal experience on moving abroad to more than one country and their market focused view, with academic personnel expected to give a broader and “helicopter” view. The interviews were held in neutral places (coffee house) as preferred way, their own offices or via skype and email, with a basic ground of previously selected questions but flexibility was allowed to stimulate an open conversation as long as the objectives are met. The names of them were held as anonymous in order to allow a more confident and relaxed conversation, but their field of expertise is referred as a way to establish the source and degree of relevance on specific sentences. The interviews were recorded, excerpts transcribed into a word format and sent to check by the
interviewee as a way to first establish that no misinterpretations were done, to prove the accuracy of the transcript and to give them the chance to include some additional clarifications.

The questions (see Exhibit 4) were on both ways, closed and open. The first ones were considered to identify the weight that were given to the three dimensions while the second ones were used to define other possible dimensions and to include deeper analysis and insights on them and the possible failures and factors of success when moving abroad or landing into Latin America countries.

The interviews’ closed questions were tabulated in order to provide the weights and statistical results for them.

As a further consideration and just in case of receiving a large number of answers, the interviews’ open questions and further comments final transcripts were considered to be transferred into a cloud of words software called “Many Eyes”, http://www-969.ibm.com/software/analytics/manyeyes/, which provides a visualization of the frequency of words being mentioned during all the interviews. This was supposed to provide the looked after results for the questions on this thesis and inferences will result from analysis and interpretation in case of a large number of answers were received.

*Questionnaire and Interview.*

In order to keep simplicity, few questions were designed for both closed and open rounds, enabling a simpler analysis and ensuring that interviewees don’t spend too much time on the questions. They were chosen in a logic order to go deep into details, but stopping on the question that goes straight to ask them to prioritize the strategies or give them an equal weight since the alternatives are not exclusive from each other, giving the chance to select two dimensions with equal priority for instance.

The open questions, few too, were simply chosen to give the interviewees the chance to explain other points of view, other possible dimensions on strategies and their thoughts on their experiences or future plans. This will enrich the discussion and conclusions.

*Analysis of the Results.*

The questionnaire was sent to the chosen representatives of different industry areas, sizes and experiences, including financial services, academic, manufacturing, R&D and retail, from small familiar size to big familiar owned/ corporative driven company, which had first-hand
experience with deploying a branch or business abroad, had a decision making level on the process and was able to track and understand the results. This led to a small pool of identified population and few answers received. Other people were invited, but no replies were obtained or the questionnaire was sent but not received back.

The area and field of expertise represented in the answers that were received are:

- Business School academic with several studies and papers on companies moving into or out of Chile. PhD in Management from Queens University. Lecturer and researcher at Universidad Adolfo Ibañez, adjunct professor at Queensland University, Australia, and associate editor of Journal of Service Marketing. Has more than twenty five academic cases and papers and fifteen academic articles. Contacted via email since she was abroad.

- Small manufacturing and retail company CEO which made their first businesses to other LA countries, without any previous experience rather than exports. Their main sale come from finished rubber products for automotive industry, having their market entry attempts to Peru, Colombia, Mexico, Bolivia and Paraguay. The CEO had more than 15 years of previous working experience in different areas, local and regional in a large multinational energy company, including a successful development and deployment of regional Customer Service Center business model globally.

- Medium sized innovation and technology former CEO and former multinational company LA area manager, with experience on introducing business to whole LA, US and Spain, who is today giving some teaching to new entrepreneurs. As a regional manager, he had to lead the business in all Latin America countries and as R&D CEO, he started from zero and led the internationalization of the firm into Colombia, Spain, Peru and Paraguay.

- Financial consultancy firm Director and Director of the board of several small and medium sized retail and finance companies, who introduced the consultancy business abroad to several LA markets and helped financial and retail companies to move abroad. His experience is mostly from banking industry and family business consultancy, having today businesses and consultancy with companies in Peru, Ecuador, Colombia, Venezuela, Brasil, Paraguay, Central America countries and United States.

Despite this size of the sample, there is an indication of a tendency on the main question about the weight of the three dimensions and other comments that will enrich this study.
Qualitative Results.

From a qualitative point of view, the answers received gave some comments that must be considered, all which are extracted on Exhibit 5.

On Cultural Differences.

“Yes, companies consider the three aforementioned dimensions. Cultural one is the most important for services, mass consumption and retail companies, but less relevant for natural resources.”

All interviewees gave a strong view on cultural differences as one of the top requirements and dimensions of a market entry strategy, with plenty of comments about it. When considering a Latin American company going to another country in the same region, two aspects were considered as new and seldom mentioned in the scholar review: the nationalism and the same language cultural trap.

On the nationalism, the experience that they had was mostly related with mass consumption products or services, whereas the highly educated or highly business focused customer don’t have any major feeling on any product or service from other country that had skirmishes with in the past, but on medium and low education or business level, the feelings can be high and two of the interviewees mentioned losing business or leaving a country due to this factor, having in some cases to “hide” the fact that they came from a certain country in order to prosper, or had to associate themselves with a local partner to not just learn the market, but also to avoid the nationalism feelings against them.

“One of the biggest issues that I have faced when entering a country is that in some of them the nationalism feelings are bigger than in ours”, and (...) feel like not being able to be penetrated from a nationalism point of view…”

“In U, we had a local competitor so we thought about buying them but finally was not done. Also the level of nationalism was something not expected and we had to erase the "Made in Chile" to have a better chance to compete.”
"In our experience, the three dimensions were relevant, being the most relevant the cultural aspects (defense of the national branded product) and the blockade of our entry strategy (closing the entrance to local business associations)."

Another highlight from the interviews was what one of them called "the same language trap", described as:

"People tend to simplify the cultural aspect, don't understand it, and who goes abroad will have many problems if they do not look into it. The biggest trap is when you have the same language because you assume that will be similar, but there are large differences, especially in a personal level, on how you interact with people."

The reasoning behind comes from the experience that this person had on entering into other Latin American countries and Spain, where the strategy planning considered that the cultural differences should be minimal since they had the same language, so if any difference arise, the same language will help to deal with it. In fact, this person mentioned that they had lots of troubles on how to make businesses, especially in Spain, since the commercial and personal ways were quite different from the home country.

**On the strategy and planning.**

"The strategies that I had worked out with my clients depend on the area of the industry where they are. They are completely different from one area to another"

All interviewees did have a high consideration on the strategy to be used to enter a country, which is something not surprising, but they highlighted two new considerations: keep the identity and internal competences, and the need to consider a partnership but being aware of some possible issues.

On the former, the interviewees talked about doing the entry strategy keeping in mind what is the identity and internal competence of the company and keep them. The identity is what makes unique a company, giving competitive advantages, and the internal competences are mostly the processes, way of doing and experience. Regarding this:

"To analyze a success or failure, put all in perspective: the people, your identity, the process, the steps, etc., and understand the details. Plan with a focus on your identity"

"One possible failure of some retailers in Chile is that they do not transmit, in a proper way, to the public what is their concept and identity. After a while, they just blended into another kind of retailers, different from what they know and became unidentifiable, losing their competitive advantage".
"Internal competencies are the ones that distinguish international companies from locals, especially on international experience" 

Therefore, the message behind is that a company must know itself and understand its competitive advantage compared with local competitors and the resources found in the new market, before they move out.

Regarding the partnership with a local company, the interviewees mentioned that possibility, but seems that there is a lack of proper understanding on how to deal with them.

Have you ever thought to associate with other company when entering some countries? "That's important but I have to think on the risk of them copying me"

"The entry strategy has been key for the success of these companies, since having a local partner is very important in countries with a highly different culture, too far away or too big"

"The main problem that Chilean companies have when moving abroad is the lack of resources and the lack of experience in far away countries like in Asia. Also on how to deal with foreign partners".

Therefore, local partnership is something that is considered in the strategic plans, but there is no expertise on how to deal or what process they will have with them (entry strategy with the partner, transition, growth and exit).

On the Management Selection to Move Abroad.

None of the interviewees gave a high prioritization on this, despite that one of them initially relied completely on a person and his personal contacts to start to build businesses in other countries. One of the highlights about this dimension is that is not a static decision, but dynamic depending on the phase where the entry into the new market is, especially on entry and sustain phases. The management to be required on one phase might be completely different form another phase.

"... the transition from an initial deployment process to the steady state must be planned and executed properly. So in the case of some failures in Chile, is not that the people were right or wrong, most probably they were very good, but it is possible that the transition was not properly done. Some people are good to deploy, and other are good to sustain, and both phases are completely different, having the second to show financial results."
"The lack of discrimination of those phases, not having the right people for each one, also not sticking to your identity, makes you to build the business plan in the middle of both phases. It may jeopardize the overall operation."

Therefore, the recognition of the different phases and transitions of a business in a new market is necessary to be included in the strategic plan and must have to deal on what kind of management is needed for each one of them.

**On other dimensions to be considered.**

All the interviewees gave other dimensions to be considered in a market entry strategic plan, being two of them the most clearly mentioned: legal aspects and competition analysis.

"First, to ensure that you are abiding to the local regulations and laws, since the cost of not doing it is too high. Second, to verify the strategy and limitations, like logistics, finance, mobility, language, etc., (...) Also, and if it's required and accepted, to deal with the internal competencies."

"... the same dimensions as mentioned above, internal and external competences of the company. The Chilean market is easy for a company looking to become an international player since here the context is stable (...). I would just add one analysis of the local competitors. Many times, companies forget to do this analysis"

On the local politics and economics as a possible dimension, only one of the interviewees mentioned it but considered that local politics is not a major player according to his experience:

"Country politics and government don't make a new aspect to review, because most of the countries created an open framework to foreign investments and entrepreneurs during the 90's and 00's, so it was easy for me to get into most countries. The internal economics is what drives the chance to raise businesses in the countries. Politics are more a style that is governing, but as long as there is no political convulsion, the business can keep going"

This last comment goes against the mass belief that politics make a major consideration into business making in a country, but actually is the economics rules and level of internal convulsion that should be measured before going abroad.

**Quantitative Results.**

As part of the questionnaire and in order to confirm the hypothesis and question of this thesis, it was asked to the interviewees a few closed questions, being the most important to put an order of priority to the three dimensions that were previously identified: cultural, entry strategy and
management. The ranking was not forced, so two or more dimensions could have the same number of priority.

Again, we must be bear in mind again that the answers were provided by opinion experts, chosen by their previous work or assistance on companies moving abroad to other Latin American countries, so their ranking is supported by their experience and candid story on successes and failures.

The results, despite of the low number of answers received, provide a distinction on this ranking as follows:

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>Average</th>
<th>Std Dev</th>
<th>Variance</th>
<th>Confidence</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1.5</td>
<td>0.50</td>
<td>0.25</td>
<td>0.44</td>
<td></td>
</tr>
<tr>
<td>Strategy</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>2.5</td>
<td>0.87</td>
<td>0.75</td>
<td>0.76</td>
<td></td>
</tr>
<tr>
<td>Management</td>
<td>2</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>2.75</td>
<td>0.83</td>
<td>0.69</td>
<td>0.73</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>1</td>
<td>4</td>
<td>4</td>
<td>3.25</td>
<td>1.30</td>
<td>1.69</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Table 2: Priority Ranking of Market Entry Strategic Dimensions.

They show a tendency to consider the cultural dimension as the most important one, with the entry strategy as a second and management a third. The large variance in the strategy dimension and the management indicate that the shown tendency can change with further results. The confidence level considering a significance level of $\alpha=5\%$ is low to moderate due to the low level of answers received.

The management dimension got a close third place to strategy, situation that given further answers and considering the level of standard deviation might become vice versa in order. Nevertheless, considering the qualitative results, the entry strategy should keep the second place.

Despite the low amount of answers received, and therefore the statistical analysis is not possible with a high level of confidence, the results show a tendency that can’t be ignored, especially on stating that Culture is the most relevant of all three.
Overview of the Main Results.

On answering the thesis question of if all new market strategic dimensions are equally relevant for a MNC when arriving to Latin America, the results show a tendency to state that at least the cultural dimension has a higher relevance on the definition of the dimensions of the strategy, followed by strategy and management. Nevertheless, this doesn’t mean that the last one is the least relevant when the decision making comes, since that is not the purpose of this question, but to mention that management decision will come when the other two are properly sorted out and, as the interviewees stated, the phases and transitions are identified.

The inclusion of the legal aspects and the competition is important to notice them and consider, but at least the second one should be part of the cultural aspect and strategic dimension of the plan.

Conclusions.

The conclusions extracted from this thesis can be summarized in two groups.

Relative to Qualitative View on the Dimensions.

Apart from the ranking, the interviewees had a willingness to tell their experiences in a rich talk where other conclusions can be extracted and already mentioned:

- Management Selection must consider the different phases of the country deployment.
- Cultural differences (especially nationalism feelings and local uniqueness on doing business) have been poorly understood or not properly considered by many companies, deeming the effort as difficult or even as a failure.
- Competition analysis and legal aspects must be considered too as relevant for an entry strategy.
- Internal politics might not be relevant in the entry strategy as long as the economic and business rules are clear and stable, except on politic convulsion periods.
- The entry strategy must consider the own company’s identity and a review of the internal competences that create a competition advantage.

Relative to Quantitative View on the Dimensions.
The ranking provided from the questionnaire shows that there is a tendency to consider cultural aspects as the most relevant to be included in an entry strategy, with a first or second place. Strategy itself is in second, which is part of the normal procedure for a company to go abroad, but the variance and standard deviation is high enough to make it rival with the management selection dimension, obscuring a clear ranking on both. Despite this blurred results on second and third place, adding the trends from the qualitative results we can see a trend on where the companies should pay attention on a new market as a checklist and to the academic studies to be able to focus on the prioritized dimensions and on what a company should focus on, which is also supported by the scholastic literature on company failures when moving abroad.

**Recommendations.**

This thesis results are mostly based on the interviews made on some entrepreneurs, academics or decisions makers and despite that several invitations (by email and phone) were made to have a meeting or at least to participate via a short questionnaire sent by email, few answers were received. This creates a short sample base to provide a highly robust statistical result and certainly, the first recommendation is to find a way to increase the number of answers via either a university contact base, which should be stronger and easier to incentivize the contacted people to answer or via an industrial chamber or group of companies.

Also, this thesis mostly based their answers on Chile due to easiness of contacts and follow up and considering the wave of internationalization that many local companies had during the late 90’s and through the 00’s since they had to growth out of an already highly concentrated market. Therefore, a second recommendation is to further broaden this questionnaire to other Latin American countries or from other regions, as a whole and not a study for each country by country.

A third way of enhancing the results is to do the same study focusing on different areas of industry that had to deal with successes and failures when moving abroad with offices or branches, like Retail, Manufacturing, Services, among others. As stated in the literature review, the results from one industry should not be extrapolated to another industry area.

Finally, a fourth recommendation would be to segregate the size and/or the structure of the companies that are represented by the interviewees, certainly setting also another category for
academics. The experiences, know how, best practices and procedures from a large MNC might be completely different from a small family run business, despite that all of them might be using the support from specialized third parties or consulting firms.

All four recommendations might give a completely different result to this thesis, but the basis of the methodology and the hypothesis should be the same to be able to compare results and mostly the experiences and learnings related by the interviewees. Furthermore, the inclusion of this recommendations might create a series of dimensions with different results depending on the specific kind of company that is being sought by size, the structure, the region and the industry area.
## Annex. Exhibits

### Stores per Region as of 2012

#### ASIA

<table>
<thead>
<tr>
<th>Country</th>
<th>First store</th>
<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Hard Discounters</th>
<th>Cash &amp; Carry</th>
<th>Convenience Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taiwan</td>
<td>1989</td>
<td>00</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>1995</td>
<td>231</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1995</td>
<td>18</td>
<td>23</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>2000</td>
<td>7</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Oman</td>
<td>2000</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Qatar</td>
<td>2009</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2004</td>
<td>13</td>
<td>4</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jordan</td>
<td>2006</td>
<td>1</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Singapore</td>
<td>2007</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ahrain</td>
<td>2008</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Iran</td>
<td>2009</td>
<td>3</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2009</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Syria</td>
<td>2009</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Lebanon</td>
<td>2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: (*) despite the list as of 2012, this was included.

#### AFRICA

<table>
<thead>
<tr>
<th>Country</th>
<th>First store</th>
<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Hard Discounters</th>
<th>Cash &amp; Carry</th>
<th>Convenience Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morocco</td>
<td>2000</td>
<td>5</td>
<td>30</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mauritania</td>
<td>2001</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Algeria</td>
<td>2011*</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Tunisia</td>
<td>2001</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Egypt</td>
<td>2002</td>
<td>8</td>
<td>14</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: (*) despite the list as of 2012, this was included.

#### EUROPE

<table>
<thead>
<tr>
<th>Country</th>
<th>First store</th>
<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Hard Discounters</th>
<th>Cash &amp; Carry</th>
<th>Convenience Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>1760</td>
<td>221</td>
<td>1,021</td>
<td>897</td>
<td>346</td>
<td>2,245</td>
</tr>
<tr>
<td>Greece</td>
<td>1973</td>
<td>172</td>
<td>115</td>
<td>3,912</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Portugal</td>
<td>1999</td>
<td>-</td>
<td>-</td>
<td>265</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Italy</td>
<td>1993</td>
<td>45</td>
<td>485</td>
<td>-</td>
<td>268</td>
<td>1,035</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1993</td>
<td>73</td>
<td>99</td>
<td>510</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Poland</td>
<td>2007</td>
<td>84</td>
<td>277</td>
<td>-</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Slovenia</td>
<td>1999</td>
<td>15</td>
<td>12</td>
<td>6</td>
<td>2</td>
<td>1,984</td>
</tr>
<tr>
<td>Belgium</td>
<td>2000</td>
<td>45</td>
<td>376</td>
<td>-</td>
<td>-</td>
<td>225</td>
</tr>
<tr>
<td>Slovakia</td>
<td>2002</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Romania</td>
<td>2001</td>
<td>25</td>
<td>77</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cyprus</td>
<td>2006</td>
<td>7</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2009</td>
<td>5</td>
<td>3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Albania</td>
<td>2011</td>
<td>2</td>
<td>15</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Georgia</td>
<td>2012</td>
<td>2</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Moldova</td>
<td>2012</td>
<td>7</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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</tbody>
</table>

#### AMERICAS

<table>
<thead>
<tr>
<th>Country</th>
<th>First store</th>
<th>Hypermarkets</th>
<th>Supermarkets</th>
<th>Hard Discounters</th>
<th>Cash &amp; Carry</th>
<th>Convenience Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1995</td>
<td>110</td>
<td>34</td>
<td>802</td>
<td>833</td>
<td>7</td>
</tr>
<tr>
<td>Argentina</td>
<td>1995</td>
<td>50</td>
<td>103</td>
<td>265</td>
<td>-</td>
<td>5</td>
</tr>
<tr>
<td>Chile</td>
<td>1995</td>
<td>25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mexico</td>
<td>1996</td>
<td>24</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Colombia</td>
<td>1998</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Peru</td>
<td>1999</td>
<td>12</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Venezuela</td>
<td>2006</td>
<td>3</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Paraguay</td>
<td>2008</td>
<td>5</td>
<td>15</td>
<td>-</td>
<td>46</td>
<td>29</td>
</tr>
</tbody>
</table>

#### Former States

<table>
<thead>
<tr>
<th>Country</th>
<th>First store</th>
<th>Left</th>
<th>Number of States</th>
<th>Stores</th>
<th>Amount (€Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chile</td>
<td>1972</td>
<td>2000</td>
<td>7</td>
<td>0.6</td>
<td>101</td>
</tr>
<tr>
<td>Colombia</td>
<td>1999</td>
<td>2012</td>
<td>93</td>
<td>Carrefour</td>
<td>2,000</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1998</td>
<td>2005</td>
<td>8</td>
<td>Tesco</td>
<td>57.4</td>
</tr>
<tr>
<td>Hungary</td>
<td>1995</td>
<td>2000</td>
<td>4</td>
<td>Closed</td>
<td>-</td>
</tr>
<tr>
<td>Israel</td>
<td>1998</td>
<td>2005</td>
<td>8</td>
<td>ADOH</td>
<td>-</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2002</td>
<td>2012</td>
<td>23</td>
<td>AEON</td>
<td>-</td>
</tr>
<tr>
<td>Mexico</td>
<td>1995</td>
<td>2005</td>
<td>29</td>
<td>Chatino</td>
<td>-</td>
</tr>
<tr>
<td>Portugal</td>
<td>1995</td>
<td>2007</td>
<td>12</td>
<td>Sissel</td>
<td>663</td>
</tr>
<tr>
<td>Russia</td>
<td>2007</td>
<td>2012</td>
<td>2</td>
<td>Closed</td>
<td>-</td>
</tr>
<tr>
<td>South Korea</td>
<td>2009</td>
<td>2009</td>
<td>35</td>
<td>Island</td>
<td>-</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2007</td>
<td>2007</td>
<td>35</td>
<td>Coop</td>
<td>200</td>
</tr>
<tr>
<td>Thailand</td>
<td>1996</td>
<td>2011</td>
<td>Big C Supermarche</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1988</td>
<td>1988</td>
<td>3</td>
<td>Tes Co Asia</td>
<td>-</td>
</tr>
<tr>
<td>United States</td>
<td>1953</td>
<td>1954</td>
<td>2</td>
<td>Discounter</td>
<td>-</td>
</tr>
</tbody>
</table>

Note: (*) includes 9 petrol stations.

**Exhibit 1: List of countries where Carrefour is present as of 2012.**

<table>
<thead>
<tr>
<th>Author(s) and year</th>
<th>Research question</th>
<th>Theory/framework</th>
<th>Empirical basis/method</th>
<th>Core findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Edgar/ Riechmann-Moore (2007)</td>
<td>Analyse the quality of managerial decision-making as a cause of failure</td>
<td>Mention implicitly the role of resource-based and internal factors</td>
<td>Primary data (n = 143)</td>
<td>Determinants of market failure: quality of strategic decision-making, management of the local entity, and quality of cooperation between the international retail chain and its local entity. The quality of tactical decision-making is less important.</td>
</tr>
<tr>
<td>Alexander/ Cairns (2005)</td>
<td>Analysis of failure in the retailing industry</td>
<td>Industry-specific retail failures: DIs in the retailing industry mostly after being present abroad for 10 years</td>
<td>Secondary data (n = 152; 1987-2002)</td>
<td>No differences by country of origin on promness of the DI</td>
</tr>
<tr>
<td>Burt/ Davey/ Sparks (2004a, 2004b)</td>
<td>Analysis of geographical and M&amp;S-based form of DI in European food retailing</td>
<td>Analytical perspectives</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palmer/ Quinn (2007)</td>
<td>Analysis of DI within the scope of the whole internationalisation process</td>
<td>Failure and non-failure of the selected cases</td>
<td>Case study (n = 1); primary data (Ahold, HUQuaL)</td>
<td>Operational and non-operational forms of DI; reasons for failure are not always consistent, but can be strategic in internationalisation processes.</td>
</tr>
<tr>
<td>Banicki (2009)</td>
<td>Systematic composition of reasons for failure of Home Depot in China</td>
<td>Institutional perspective</td>
<td>Case study (n = 1); expert interviews and secondary data (Ahold, HUQuaL)</td>
<td>Customer needs and behaviour of the management.</td>
</tr>
<tr>
<td>Jackson/ Melkonyan/ Sparks (2009)</td>
<td>Analysis of the exit process based on Marks &amp; Spencer in France</td>
<td>Process perspective</td>
<td>Case study (n = 1); Department Stores (Mark &amp; Spencer)</td>
<td>From an economic point of view, exits a good decision and is rewarded with a rise in share prices.</td>
</tr>
<tr>
<td>Palmer/ Quinn (2007)</td>
<td>Importance of DI in internationalisation and learning from DI on the example of Tesco (1993) and the experience of Young &amp; Mood-Firm (2001)</td>
<td>None; five types of restructuring according to Bowman/Sparks (2002) and organisational studies (OS) perspective, as well as Marks &amp; Spencer (2002)</td>
<td>Case study analysis (n = 1); primary data (Tesco)</td>
<td>DI are not considered as an options during internationalisation process and have a negative association.</td>
</tr>
<tr>
<td>Burt/ Davey/ Sparks (2003)</td>
<td>Definition and conceptualisation of a framework for &quot;failures&quot; in retailing</td>
<td>Conceptual</td>
<td>Failure in a country leads to the following options for action: DI as an option (reduction of investments), closure (closure of outlets distribution channels), restructuring (change in organisational structures) and exit (complete exit).</td>
<td></td>
</tr>
<tr>
<td>Wrigley/ Currah (2003)</td>
<td>Organisational challenges during internationalisation in countries with different environments</td>
<td>Comparative study of forms of industrial capitalisation, especially White (2001)</td>
<td>Case study analysis (n = 1); primary data (Ahold, HUQuaL)</td>
<td>Little conceptualisation of the process of DI.</td>
</tr>
<tr>
<td>Alexander/ Quinn (2002)</td>
<td>Analysis of DI of Marks &amp; Spencer and Ahold in Ahold</td>
<td>Perspective of the decision process according to Golder (1997)</td>
<td>Case studies (n = 2); secondary data (Ahold) and department stores, UKQualitative</td>
<td>Process of DI: first stage, decision-making phase; 2. process of DI (financial) effects according to Golder (1997).</td>
</tr>
<tr>
<td>Melkonyan/ Sparks (2002)</td>
<td>Analysis of external factors influencing the crisis of Marks &amp; Spencer</td>
<td>Combination of RO and OS perspective, internal and external influencing factors</td>
<td>Case studies (primary data Ahold, store) and department stores, UKQualitative</td>
<td>External factors are main reason for the crisis of the firm, especially management failures by doing nothing, understating the situation and inappropriate reaction.</td>
</tr>
<tr>
<td>Lane/ Hunter/ Hildebrand (2000)</td>
<td>Analysis of reasons for DI</td>
<td>Customer-oriented reasons: customer preferences</td>
<td>Case study, primary data (n = 4); CAN, overall</td>
<td>Customer-oriented reasons: customer preferences, retailing strategy, access to suppliers and conditions, management knowledge.</td>
</tr>
<tr>
<td>DI = divestment, DIY = do-it-yourself, IO = industrial organisation, OS = organisational studies, RF = retail firm, MES = market entry strategy.</td>
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Exhibit 2: Studies dealing with failures and foreign divestments.

Swoboda/Zentes/Elsner, Internationalisation of Retail Firms: State of the Art after 20 Years of Research, MARKETING JRM 2/2009 pp. 105-126.
Exhibit 3: A few economic and retail indicators of five countries in LA.
Exhibit 4. Questionnaire.

We would like to talk about the strategies that are being used by your company when arriving to a new country or region.

Many possible aspects or dimensions are being taken into consideration when preparing a strategy. For our study, we want to start to focus on three of them, among many others:

- **Cultural**: differences between the home and new countries and listening what the local customers, suppliers, players, market are saying.
- **Speed and suitability of entry strategy**: did the strategy consider an adequate size, speed and focus into the reaction from local competitors?
- **Internal fit**: how is the chosen local branch management capability? Do you found any local expertise availability?

This study focuses on these three dimensions and tries to determine if the companies give an equal weight to them or there are different ones.

Closed Questions.

CQ1. Where is your company main headquarters and decision making based? If you choose “Other”, please state the home country next to it.

   a) Argentina
   b) Brasil
   c) Chile
   d) United States/ Canada
   e) United Kingdom/ France/ Germany
   f) India/ China / Japan
   g) Other: ___________

CQ2. Have you entered other country/ regional market abroad from your home country? If Yes, where (mention the most relevant one)?

   a) No
   b) Yes. Where: ______________
CQ3. Have you ever used the following strategic dimensions when planning your arrival to a new country? Please mark the ones that you know were discussed and designed an action plan.

__ Cultural Differences

__ Speed and size of entry

__ Format of entry (Joint Venture, Acquisition, etc.)

__ Internal issues (management)

CQ4. Among the same dimensions, which one do you consider the highest priority when landing to a new country? Please rank them (1 is highest priority, 2 second tier, 3 third tier, and so on). You can give the same mark to more two or more dimensions.

__ Cultural Differences

__ Speed and size of entry

__ Format of entry (Joint Venture, Acquisition, etc.)

__ Internal issues (management)

Open Questions.

OQ1. What issues did you face in your last deployments that is worth to consider in your future new markets landing plans? Anyone different from the three aforementioned?

OQ2. What other main dimensions do you consider as a company when landing into a new region / country?

OQ3. Among those not discussed here (apart from cultural, speed and suitability and Internal) and referred on Q2, which one do you, as a company consider, the most relevant?

OQ4. And if we include all the dimensions and the others that you referred, what would be the order of relevance and priority given by your company?
OQ5. Have you studied the market entry strategies from your foreign competitors when landing in your home country and applied suitable responses to answer? Which ones and how?

OQ6. When going to other countries, did any of the local players made any attempt to leverage their local knowledge to make it harder for you to land? Which ones and how? How did you answered?

Thank you for your answers and comments. As convened, the details on names and positions will be handled as confidential matter and only the thesis student, the advisor and the revision committee from FGV will have access to them.
Exhibit 5. Some extracts from the interviews.

Names, positions or any other data that allow to identify the people is not given.

On Strategy and Plan.

"Yes, companies consider the three aforementioned dimensions. Cultural one is the most important for services, mass consumption and retail companies, but less relevant for natural resources."

"The strategies that I had worked out with my clients depend on the area of the industry where they are. They are completely different from one area to another”

Have you ever thought to associate with other company when entering some countries? “That’s important but I have to think on the risk of them copying me”

Regarding what to consider ...“ When moving a business from one place to another, we normally follow the procedures, which are the ones taught in classes. Also, we try to replicate what we have in the main office. The business projections are always correct from a formal economic point of view. The bank is happy because you bring papers they understood and fitted to bank’s forms. But when is an entrepreneurship, immediately you wonder why the failure rate is 90%, 90%!.

Many people will say that this failure rate is normal and almost required, meaning that you must fail to learn so next time you will succeed. I strongly oppose to that thought. There are details that drive you to a failure. Neither the macro nor the projections, which are fine and you know the numbers, are the reason. Managers who are measured by numbers and results tend to look abroad for growth. They need it to fulfil expectations and plans. Very often this leads to failures and the origin is always the same, care for details”.

"To analyze a success or failure, put all in perspective: the people, your identity, the process, the steps, etc., and understand the details. Plan with a focus on your identity”.

“Internal competencies are the ones that distinguish international companies from locals, especially on international experience”.

“The entry strategy has been key for the success of these companies, since having a local partner is very important in countries with a highly different culture, too far away or too big”
“Since we didn’t have any experience abroad, we hired a person who had lots of international experience in the Latin American countries and lots of personal contacts. So our entry strategy was through personal contacts and then building from that on.”

On Culture.

“One of the biggest issues that I have faced when entering a country is that in some of them the nationalism feelings are bigger than in ours’, and (...) feel like not being able to be penetrated from a nationalism point of view. For instance, people in ‘X, ‘Y, ‘Z countries have a high level of nationalism, but people from ‘W and ‘S are very open minded since they do travel a lot to the US” (Note: name of the countries have been stroked out in this extract). “In ‘T country depends on the activity sector: finance is sophisticated, industrial area is relatively sophisticated but commercial area is an anachronism with lots of manual transactions. In ‘R, depends on the social economic tier. In the high income and education tier, all is technologically advanced and open minded, but in medium and low, lots of manual transactions, even more than in ‘T country.”

“The prioritization among cultural, strategic and internal aspects depends on the customer. If it’s a well-educated audience, who looks to learn, the cultural aspect is not so relevant because they want to do the things right from an onset and are very open to new things, breaking the cultural barriers. Nevertheless, at micro up to small-medium level entrepreneurs it might easily be first priority and can have a high weight above all the rest”.

“From a corporate point of view, the European and the American cultures are completely different. The European culture is hierarchical (pyramid), the American is way much flatter. From this perspective, Colombia is like the American culture, so a European company will have difficulties if they don’t recognize that. In Chile and Argentina case, they are more European.”

“One possible failure of some retailers in Chile is that they do not transmit, in a proper way, to the public what is their concept and identity. After a while, they just blended into another kind of retailers, different from what they know and became unidentifiable, losing their competitive advantage”.

“People tend to simplify the cultural aspect, don’t understand it, and who goes abroad will have many problems if they do not look into it. The biggest trap is when you have the same language
because you assume that will be similar, but there are large differences, especially in a personal level, on how you interact with people.”

“First is the sensitivity to the culture and the details (as defined before), then should go the economics, process, etc. because numbers are the same everywhere”.

“The main problem that Chilean companies have when moving abroad is the lack of resources and the lack of experience in far away countries like in Asia. Also on how to deal with foreign partners”.

“In our experience, the three dimensions were relevant, being the most relevant the cultural aspects (defense of the national branded product) and the blockade of our entry strategy (closing the entrance to local business associations).”

“We chose as entry markets M, O and P since we considered them similar to Chile from a commercial and cultural point of view. Nevertheless, the experience was different as thought. In M despite many meetings, accolades to our products and offers, they never wanted to reach a deal. They just waited and never wanted to do the decision. In O our product line was associated to a low quality kind of products, despite that they were well made, but the image there was historically not good. In P, we had a local competitor so we thought about buying them but finally was not done. Also the level of nationalism was something not expected and we had to erase the “Made in Chile” to have a better chance to compete.”

On Country Politics.

“Country politics and government don’t make a new aspect to review, because most of the countries created an open framework to foreign investments and entrepreneurs during the 90’s and 00’s, so it was easy for me to get into most countries. The internal economics is what drives the chance to raise businesses in the countries. Politics are more a style that is governing, but as long as there is no political convulsion, the business can keep going”
"... the transition from an initial deployment process to the steady state must be planned and executed properly. So in the case of some failures in Chile, it is not that the people were right or wrong, most probably they were very good, but it is possible that the transition was not properly done. Some people are good to deploy, and other are good to sustain, and both phases are completely different, having the second to show financial results."

"When you don’t do a good transition plan, you do not reach the planned numbers. Because of it, you tend to go to side businesses to reach them. In this way you make it broader in their activities, you lose identity. Also, you go out of focus from their strength position."

"The lack of discrimination of those phases, not having the right people for each one, also not sticking to your identity, makes you to build the business plan in the middle of both phases. It may jeopardise the overall operation."

On other dimensions to consider.

"From a commercial - industrial point of view, first have to check that the brand is able to be used from a legal and trade mark point of view in the new market. Second do the right certification of the products, which are required but hadn’t any own norm so I had to use third country certification as a way to do it. Third is the legal framework. Here many countries have taken the Chilean framework as a model, particularly in Central America. Mexico use US framework."

On the dimensions considered by foreign companies coming to Chile. "... the same dimensions as mentioned above, internal and external competences of the company. The Chilean market is easy for a company looking to become an international player since here the context is stable (...). I would just add one analysis of the local competitors. Many times, companies forget to do this analysis"

On other companies entering the home country (as a way to make difficult to enter the home market), "In our case, we privileged the quality of our products and the speed of our service to be above our competitors, as a cultural aspect facilitated by the local logistics."

On other dimensions to consider, "First, to ensure that you are abiding to the local regulations and laws, since the cost of not doing it is too high. Second, to verify the strategy and limitations,
like logistics, finance, mobility, language, etc., (...) Also, and if it’s required and accepted, to deal with the internal competencies”.

“There is an important aspect to consider that goes through the three aforementioned dimensions, which is the technology, and the state of the art and penetration, used. For instance, smartphones, web payments, etc.”
References and Bibliography.


