Reflections on Entry Mode Choice

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Abstract

This paper contributes to the recent debate within the entry mode choice literature on future directions for research in the area. Each of the approaches to entry mode choice is discussed. The paper argues that the literature, whilst rich and varied, is complex and sometimes confusing offering a large number of variables that might have a bearing on the entry mode decision. It is further argued that it may not be possible to integrate the large number of variables and fully model the decision. A model is put forward which breaks the entry mode decision down into its component parts. It is suggested that a more fruitful direction for future research might be to concentrate on the nature of the decision itself and the interactions between those component parts.

INTRODUCTION

The literature concerned with entry mode choice and international channel design is both rich and mature, some dating back in origin to the nineteen thirties (eg Transaction Cost Analysis can be traced back to Commons 1934 and Coase 1937). It is an extensive area of study incorporating ideas and research on internationalisation, entry mode choice and distribution management among others. Unsurprisingly, it has become complex and unwieldy with no real consensus or a unified theory within the literature (Gannon 1993, Andersen 1993, Leonidou & Katsikeas 1996). Recently, a number of authors (eg Andersen 1993, 1997, Sarkar & Cavusgil 1996, Leonidou & Katsikeas 1996) have attempted to synthesise this large body of literature and suggest directions for future research. The purpose of this paper is to contribute to that debate. It draws on a literature review for research work in progress on export entry modes and summarises the key difficulties of interpreting the literature as it stands. One major difficulty is that it may not be possible to fully model the entry mode decision due to its complexity and the fact that it is highly situation specific. It is argued that a more fruitful direction for the future might be to concentrate on the nature of the decision itself and a model is put forward which breaks down the entry mode decision into component parts and considers the interactions between those components.

LITERATURE REVIEW - A HISTORICAL PERSPECTIVE

The historical development of the literature largely follows a pattern where new approaches extend or move away from previous ones. This review discusses each of the approaches following that historical development. A number of different perspectives can now be identified, each developing and extending earlier work. To add to the complexity, researchers seem to have alternative perceptions of how these approaches should be grouped and labelled[1].

Incremental Approach

The incremental approach, developed in the 1970s (Johanson & Wiedersheim Paul 1975, Johanson and Vahlne 1977) is largely concerned with the internationalisation process. As such the form of entry mode is discussed as one element of the internationalisation process. Within this stream of literature, broadly two sub-strands can be identified (Andersen 1993, Morgan & Katsikeas 1997). One strand, the 'Uppsala' school (for example Johanson & Vahlne 1977, 1990, Sullivan & Bauerschmidt, 1990) is based on the idea of export expansion as a series of gradual steps which are driven by increasing knowledge and commitment.

Alternatively, the other strand (for example, Bilkley & Tesar 1977, Lim, Sharkey & Kim 1991) consider that firms make these steps, not continuously, but in a stop-go format. They experience reasonably stable periods, interspersed with more volatile times where changes in entry mode are made, either to reflect new strategic developments within the firm, or to respond to changes in the external environment (Morgan & Katsikeas 1997). As such the *steps* become 'a series of innovations for the firm' (Clark, Pugh & Mallory 1997). A number of models have been developed identifying various stages of the process. Leonidou & Katsikeas (1996) cite eleven, empirically tested models specifying between three and six stages to internationalisation. Although the two schools of thought view the process differently, they both share the same perspective - that internationalisation is driven by organisational learning - hence they are sometimes grouped together as the behavioural approach (eg Gannon 1993, Morgan & Katsideas 1996)[2].

Thus, from this perspective, entry mode choice becomes a function of knowledge, both objective and experiential and the willingness to commit resources to international operations. Firms are likely therefore to choose the entry mode that either builds on prior learning or enables them to gather knowledge and experience for the future. Brooke (1992) for example uses the concept of 'inadequacy'. His premise is that exporters will not move on to the 'next' form of entry unless and until the current mode becomes inadequate. Thus an exporter will not explore other forms of international venture until current modes of entry are not meeting the current challenges of the market.

It could also therefore be said that, with this approach, only inexperienced exporters are likely to choose independent intermediaries or experienced exporters will, in each market, employ an intermediary first, before moving on to other modes involving a greater degree of knowledge and commitment.

The incremental approach has been much criticised and tested. Tests have shown mixed support for the approach. Empirically tested stages models, for example Bilkley & Tesar (1977), Czinkota (1982), Rao & Naidu (1990) and studies such as Millington and Bayliss (1990), do find support for the theory but equally, many studies find, at best, only partial support (for example Turnbull 1987, Clark, Pugh & Mallory 1997). Major criticisms include, the fact that the approach does not include co-operative modes (Andersen 1997), and that it is deterministic - assuming that all firms will follow a predetermined pattern moving forwards from one institutional form to the next (Reid 1983, Rao & Naidu 1992). Johanson and Vahlne in their 1990 defence of the approach, admit that it does not necessarily cover all market situations, for example it is not necessarily applicable to service industries (supported by Erramilli & Rao 1990), nor does it explain the internationalisation of born globals - firms who aim for a global market from inception (Madsen & Servais 1997). Leonidou & Katsikeas (1996), carried out an integrative review of the internationalisation process literature and grouped criticisms of the approach into three main areas - structural, conceptual and methodological citing over 20 different criticisms in total.

Despite these many criticisms, the approach is widely accepted and remains the main approach discussed in most international marketing textbooks[3]. Leonidou and Katsikeas

(1996), despite their catalogue of recorded criticisms saw the issue more in terms of the need for more (and better) research, than in terms of difficulties with the theory per se.

The Economic Approach

Economic approaches to entry mode choice are concerned with efficiency (Williamson 1981), defined as 'the maximisation of the risk-adjusted rate of return' (Anderson & Gatignon 1986). Entry mode choice is therefore seen as a rational decision, considering the costs and the benefits of each alternative mode (Young et al 1989). Like the incremental approach, this area of entry mode choice theory includes several alternative, but related concepts. Jeannet & Hennessey (1998), for example, see it is as a matter of identifying cost and risk factors and balancing them against the requirements/characteristics of each entry. The Jeannet and Hennessey model turns the decision into a purely financial one. Although it acknowledges that environmental factors do have an impact on entry mode, the nature of this impact is not discussed, nor is the relationship between environmental factors and costs.

Transaction Costs

Although the idea of transaction costs is not new, (the first major developments in transaction cost theory can be traced back to the 1930s (Commons 1934; Coase 1937)[4]), it was first applied to entry mode choice in the 1980s (for example, Anderson 1985, Anderson & Gatignon 1986). Transaction costs occur when an exchange takes place between two different economic entities. Coase (1937) called them 'the costs of running the system'. In other words, a transaction is a single market and/or mode of operation and transaction costs are the costs of planning and carrying out operations specific to that transaction. Williamson (1981) likens them to friction in an engine, so anything which hampers the smooth running of the operation is a transaction cost. Concerning entry mode choice and channel management, Klein, Frazier & Roth (1990), distinguish between production costs and transaction costs; the former are the costs of carrying out channel operations, the latter the costs of managing those operations. This smooth running, or management, can be constrained by a number of factors which hamper or prevent perfect decision-making. The transaction cost approach therefore assumes a situation of market failure (Klein, Frazier & Roth 1990, Madhok 1997, et al).

With the transaction cost approach, the entry mode decision is narrowed to a dichotomous choice - make or buy - dependent upon whether or not the firm can perform the relevant activities at a lower cost than market contractors (Klein, Frazier & Roth 1990). Based on this, early papers therefore classified entry modes purely as either independent (for example foreign agents and distributors) or integrated (sales or production subsidiaries), but later work also considered intermediate, or quasi-integrated modes such as joint ventures, licensing, etc. (for example Klein & Roth 1990, Klein, Frazier & Roth 1990, Osborne 1996).

Anderson & Gatignon (1986) saw entry mode choice as largely dependent on the level of control required. They viewed the decision as a trade-off between the cost of resource commitment (or risk) and control. Usually, the higher the level of control, the higher the level of resources required to set up and run the governance system (Anderson & Gatignon 1986). A number of factors have been identified as affecting the level of transaction costs. Table 1 summarises those factors identified by a number of studies in the field. This is not a comprehensive review, but the studies included do reflect the development of the transaction cost viewpoint. Some of these studies also considered production costs (given in italics in table 1). In these studies, there is strong support for the production cost factors but support for the transaction cost factors is mixed. All of the studies found asset specificity important in determining entry mode choice, but the results for environmental uncertainty show mixed support. Most studies show a relationship between the level of integration and environmental uncertainty, but this seems mostly to do with the volatility of the environment, rather than the diversity of markets in which the firm operates (Klein, Frazier & Roth 1990, Bello & Lohtia 1995).

Table 1 - Factors Affecting the Level of Transaction Costs

Anderson & Gatignon 1986	**Anderson & Coughlan 1987**	**Klein & Roth 1990**
Transaction-Specific Assets External Uncertainty Internal Uncertainty Free-Riding Potential	Transaction Specificity Maturity of Products Service Requirements Product differentiation Legal Restrictions Existing Channels Centrality of Product Strength of Patent Competitive Behaviour Psychic Distance	Asset Specificity Uncertainty Psychic Distance* Experience*
Klein, Frazier & Roth 1990	**Bello & Lohtia 1995**	**Osborne 1996**
Asset Specificity External Uncertainty a) diversity b) volatility *Channel Volume*	Asset Specificity Environmental Volatility Environmental Diversity *Export Volume* *Export Intensity*	Transaction-Specific Assets Cultural Similarity Uncertainty Service Levels *Export Value & Volume*

There is significant support for the transaction cost approach, as can be seen from the above discussions, but the results are often mixed and the approach has also attracted some criticisms. Although Bello & Lohtia (1995), were able to differentiate between foreign agents and distributors, earlier studies found it more difficult to differentiate between degrees of partnership, (Gatignon and Anderson 1988). Andersen (1997) criticised transaction cost research on a methodological basis, pointing out that given the basic presumption of the theory, transactions should be the unit of analysis, but most studies in this area still focus on the firm. Klein, Frazier & Roth, (1990) acknowledge that transaction costs are difficult to measure and that approximations have to be used. Osborne (1996) points out that transaction costs are not the only issues to be taken into account when making the entry mode decision. She points particularly to the lack of behavioural perspective, although it should be noted that early studies did consider the behavioural constructs of bounded rationality and opportunism (Williamson 1981, Anderson 1985, Anderson & Gatignon 1986, et al).

The economic approaches, in particular the concepts of production and transaction costs, add key issues to the entry mode choice framework. Despite the mixed support in the literature for some of the concepts, the perspective of examining the transaction rather than the firm does yield useful insights into entry mode choice. It offers the potential for a portfolio approach to be taken and to balance products and markets to obtain the optimum entry mode choice. Many of the individual factors identified by researchers as having the potential to affect transaction costs are also found elsewhere in the literature, notably environmental uncertainty and psychic distance. Their importance is therefore reinforced. The ‘make or buy’ framework also adds a perspective to the entry mode decision. The concept of asset specificity is well supported and can thus be seen as having an important impact on entry mode choice.

Dunning's Eclectic Paradigm

The eclectic paradigm (Dunning 1981, 1988) is an economic approach in the sense that it draws on economic theory, but is eclectic in the sense that it draws on different strands of economic theory, for example internalisation, ownership and location in the original work and factor endowment and market failure in his later restatement. In simple terms the eclectic paradigm states that a firm is likely to engage in overseas production if it has ownership advantages compared to other foreign firms in the market, if it is more profitable to serve those markets with factor endowments located there and if it is more beneficial to carry out those activities internally than to allow them to be carried out by an independent firm. (Dunning 1988, Paliwoda & Thomas 1998). Dunning himself acknowledged that the paradigm cannot explain all forms of international production; Itaki (1991), following Dunning's (1988) restatement, also argued that the ownership advantage is redundant and the location advantage is ambiguous. Despite these criticisms, the eclectic paradigm does offer the insight that firms must balance profitability with other economic issues, namely the consideration of whether or not advantages can be gained from being located in a foreign market and, in a similar way to the transaction cost perspective, whether or not it would be more beneficial to internalise foreign activities.

The Business Strategy Approach

A third stream examines the strategic implications of market entry choice and seeks to find a 'best fit' between the organisation's strategy and its objectives within the market. Here too one can find alternative strands of theory, together with Root's (1994) management model. The Root model identifies a series of variables, grouped under a range of headings which reflect the 'best fit' approach, ie they are concerned with the match between the organisation's capabilities and the constraints imposed by the environment in which it operates. The model suggests entry modes suitable under different circumstances and provides a framework, so that managers can assess their firm's situation and make judgements about the most appropriate entry mode. As such, the Root model takes a pragmatic approach, relying on managers' judgements and perceptions and accepting that different factors will be important to managers at different times and in differing circumstances. It is incomplete in that the range of factors is not comprehensive (for example factors such as firm size, brand reputation, etc. are not mentioned) and research would be needed to establish whether further factors should be added in to the model.

Organisational Capability Approach

Broadly within the scope of the Business Strategy approach recent researchers have taken an organisational capability perspective towards entry mode choice (for example, Madhok 1997; Aulakh & Kotabe 1997). The basic premise of the organisational capability approach is that strategic decisions are often driven by the capabilities of the firm (Prahalad & Hamel 1990). Porter (1980) identified that profitable firms have sustainable sources of competitive advantage and the organisational capability approach recognises that often, potential sources of competitive advantage lie within the capabilities of the firm (Madhok 1997). A company that has particular skills in particular ways of doing business is likely to have an advantage over its competitors where those advantages are in areas desirable to customers (Porter 1980). The organisational capability perspective therefore considers the value of the firm's capabilities.

The argument is that capabilities provide both an advantage and a constraint (Madhok 1997). The application to entry mode choice is that firms will seek entry modes which either take advantage of, or minimise the constraints of, a firms' capabilities as appropriate. Therefore, although there are links with the transaction cost approach, (Madhok 1997; Aulakh & Kotabe 1997), the perspective is quite different. Rather than focusing on the costs of transactions, the organisational capability approach concentrates on the value of a firm's capabilities and the benefits to be obtained from those capabilities (Madhok 1997).

A firm's capabilities can be divided into two types; those which are firm-specific (embedded) and those general capabilities which all firms might have (generic). It may not be appropriate to transfer these capabilities to outside firms if they are important, or not easily transferable (ownership effect) or, if they are context specific, they may not easily be transferable to other contexts (location effect). Madhok (1997) puts forward a series of propositions which suggest different entry modes based on the different levels of capabilities, combined with either the ownership effect, or the location effect.

The organisational capability approach is relatively new (although rooted in earlier theory), and as yet, has been little tested. It seems to offer an interesting perspective on entry mode choice, worth exploring further, although capabilities, like transaction costs, might prove difficult to measure in practice.

The Network Approach

This approach is a development from the IMP interaction model (Hakar 1982) and, like the incremental approach, views entry mode choice as one element of the process of internationalisation, which, it is argued, is largely driven by the firm's network of relationships (Johanson & Gunnar-Mattsson 1995, Welch & Welch 1996). There are strong links to the incremental approach, and the network model is, to some extent, a development of it (Johanson & Gunnar-Mattsson 1995). However, it could also be considered a substrand of the business strategy approach as it takes the perspective of the firm's strategy and considers how internal, networking processes feed in to the firm's strategic foundation (Welch & Welch 1996). It is also seen as an alternative to the marketing mix paradigm (Johanson & Gunnar Mattsson 1995). Entry mode choice is seen therefore as dependent upon the firm's networks and how far they are already established (Johanson & Gunnar Mattsson 1995). Firms may even find themselves locked in to an entry mode which is less than optimal because it is chosen to fit in with existing networks (Welch & Welch 1996). Madsen & Servais (1997) examined the concept of 'born global' firms from a network perspective and suggest that born globals are more likely to rely on hybrid structures in their distribution channels, using and building on, networks of relationships to cope with their faster process of internationalisation.

Integrated and Contingency Approaches

One of the more recent developments within the entry mode choice literature is to integrate the different approaches in some way. Hill, Hwang & Kim (1990) and Gannon (1993) pull together variables from different approaches into single frameworks; Chi & McGuire (1996) used a stochastic model to examine the interactions between the transaction costs and strategic options. Other authors, for example Kumar & Subramaniam (1997), Minor, Wu &

Choi (1991), acknowledge the complexity of the decision and take a contingency viewpoint considering how variables and/or aspects of the decision interact together.

All of these studies are, to some extent, partial as none deals with all of the approaches discussed above, nor considers all the factors identified as having an impact on entry mode choice. Also, none of these frameworks has, as yet, been fully tested.

DISCUSSION AND SUGGESTIONS

It is clear from the foregoing that each of the different approaches to entry mode choice has something to offer but that none, in themselves, is a full explanation of the decision. Even recent work attempting to integrate the various approaches, is still incomplete. The fact that these different approaches exist, each offering different but relevant insights, suggests that the decision itself is actually too complex and too situation-specific to be fully explained by theoretical perspectives.

A Wealth of Measures

A further consequence of the volume and variety of studies relevant to the entry mode decision is that a large number of variables which are likely to affect entry mode choice have been identified. They have been variously grouped by different authors. Gannon (1993) groups them as marketing strategy variables, organisation-specific variables, industry-specific variables, target country variables. Sarkar & Cavusgil (1996) identified the general themes as product market factors, firm-foreign venture-specific variables, host market factors, cultural factors, global industry structure, global strategic motivation and global corporate objectives. Root (1994) specifies target country market factors, target country environmental factors, target country production factors, home country factors, company product factors and company resources/commitment factors.

Table 2 below lists those variables identified in the literature under two headings. These lists are by no means comprehensive as they represent the results of a literature review still in progress and the space limitations of this paper would not permit the inclusion of all the variables identified so far. This table is included merely to illustrate the point that the number of variables identified in the literature to date is so large that it would be impossible for one study to test them all fully, especially as it is likely that different variables will interact with each other differently in different situations. These lists also illustrate the complexity of the task. Some authors, for example, Bello & Lohtia (1995) specifically identify human asset specificity and physical asset specificity, whereas others, Klein, Frazier & Roth (1990) for example, simply refer to asset specificity encompassing all possible assets including product specificity. There are also distinct overlaps between variables. Bell (1995) cites the length of the product life cycle as one factor, whereas Anderson & Gatignon (1986) and Anderson & Coughlan (1987) cite product maturity. The maturity of a product is a factor in the length of the product life cycle - it could even be possible to include the two items as one variable.

Given the difficulties discussed above, how can this complex and sometimes confusing volume of studies be clarified? One approach could be to consider the decision from a process standpoint. Studies which have taken a contingency view (Kumar and Subramaniam 1997, Minor, Wu and Choi 1991) are moving in this direction, but still suffer from the problem that it is not possible to fully test for all contingencies. Rather than trying to integrate the volume of work in some way, it might be more fruitful to clarify the entry mode decision itself. To do this, it is first necessary to identify and define the decision's component parts.

Mode Characteristics

Each entry mode has certain inherent characteristics each of which has a different level of importance, depending on the perspective taken. Anderson and Gatignon (1986) cite control and risk as key mode characteristics due to their impact on long run efficiency.

Table 2 - Factors Affecting Entry Mode Choice

Products		**Firms**	
Service Requirements	Anderson & Coughlan (1987), Bell (1995), Berman (1996), Hlavacek & McCuistion (1983)	Experience	Johannson & Vahlne (1977, 1990), Anderson & Gatignon (1986), Craig & Beamish (1989), Driscoll (1995), Gatignon & Anderson (1988)
Differentiation	Anderson & Coughlan (1987)	Resources	Madhok (1997)
Strength of Patent	Anderson & Coughlan (1987)	Human Asset Specificity	Bello & Lohtia (1995)
Maturity	Anderson & Coughlan (1987), Anderson & Gatignon (1986)	Physical Asset Specificity	Bello & Lohtia (1995)
Asset Specificity	Anderson & Coughlan (1987), Bello & Lohtia (1995)	Comparative Export Volume	Bello & Lohtia (1995)
Proprietary Nature of Product	Anderson & Gatignon (1986), Bell (1995), Gatignon & Anderson (1988)	Export Growth	Bello & Lohtia (1995)
		No of Export Employees	Bello & Lohtia (1995)
Level of Buyer Understanding	Anderson & Gatignon (1986), Hlavacek & McCuistion (1983)	Export Intensity	Bello & Lohtia (1995)
Standardisation/ Customisation	Anderson & Gatignon (1986), Bell (1995), Berman (1996), Jackson & d'Amico (1989), Jones, Wheeler & Young (1992)	Size	Craig & Beamish (1989), Driscoll (1995), Reid (1982), Bell (1995), Jones, Wheeler & Young (1992)
Brand Value	Anderson & Gatignon (1986)	Reputation	Craig & Beamish (1989)
Length of Life Cycle	Bell (1995)	Service Capabilities	Craig & Beamish (1989)
Quality Assurance Requirements	Berman (1996)	Customer Contacts	Craig & Beamish (1989)
Lot Size	Berman (1996), Hlavacek & McCuistion (1983), Klein, Frazier & Roth (1990)	Corporate Policy	Driscoll (1995)
		Firm-Specific Advantages	Driscoll (1995)
Assortment	Berman (1996)	Value of Firm-Specific Know-How	Hill, Hwang & Kim (1990)
Availability Requirements	Berman (1996)	Tacit Nature of Know-How	Hill, Hwang & Kim (1990)
Simplicity/Complexity of Logistics	Berman (1996)	Asset Specificity	Klein, Frazier & Roth (1990)
Product Knowledge	Craig & Beamish (1989)	Managerial Personnel	Reid (1982), Kumar & Subramaniam (1997)
Customer Base for	Hlavacek & McCuistion (1983)	Nature of Decision	Kumar & Subramaniam (1997)
Delivery	Hlavacek & McCuistion (1983)	Importance of Decision	Kumar & Subramaniam (1997)
Margin	Jackson & d'Amico (1989)	Sales Volume	Fina & Rugman (1995)
Technical Complexity	Jackson & d'Amico (1989)		
Importance of Purchase	Jackson & d'Amico (1989)		
Search Time	Jackson & d'Amico (1989)		

Hill, Hwang and Kim (1990) also cite control but define risk more closely as dissemination risk. They also identify resource commitment (financial, human and physical) as a mode characteristic. Driscoll (1995) has flexibility (the ability to react to change) and ownership (level of equity participation) as additional characteristics. Again, this is not a comprehensive list, but illustrates the point.

These inherent characteristics mean that individual modes will be more or less suitable in different situations. Exporters and international marketers will need to take this into account when choosing an entry mode for a specific market. How they do this will depend on what is important to them - ie their criteria for choice.

Firm's Criteria for Choice

Whether explicit or implicit each firm will have its own criteria for choice. Some firms need to retain control over foreign market operations to protect the integrity of their brand name, others need a mode with low risk as the consequences of a failed investment in the market would have a severe impact on the future of the firm, etc. These criteria may not always be formally articulated but they are the basis for the firm's choice. There is little in the literature about firms' criteria for choice. Paliwoda and Thomas (1998) list the following criteria:

- Speed of market entry desired
- Direct and indirect costs
- Flexibility required
- Risk factors
- Investment payback period
- Long term profit objectives

Anderson and Gatignon (1986) talk about firms making a trade-off between risk and control but identify risk and control themselves as mode characteristics.

Decision-Modifying Variables

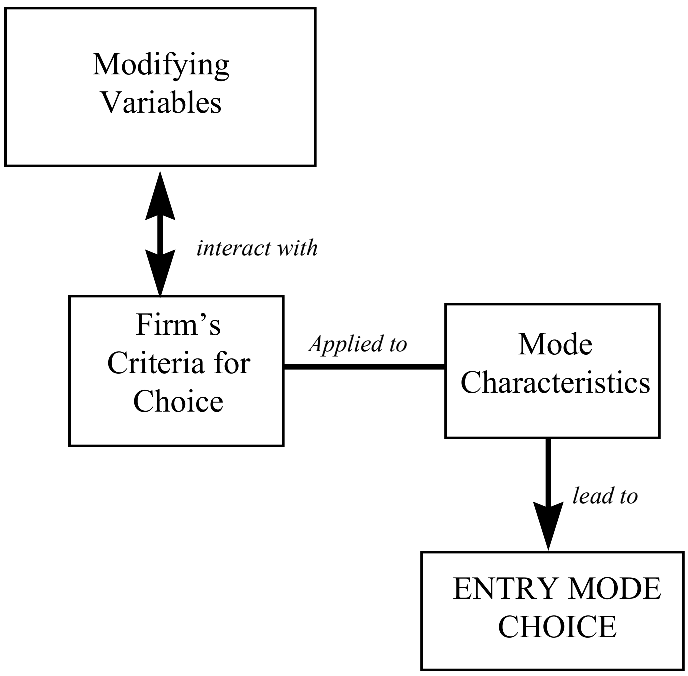
As has been seen, the literature identifies a huge number of variables which have an impact on entry mode choice (see table 2 above). These variables carry greater or lesser importance depending upon the firm's criteria for choice; so if a firm sees control as the overriding issue, those factors which most strongly affect control will be most important and the firm will give most attention to those variables that have an impact on control.

Decision Model

Firms will choose the entry mode that most closely matches their requirements for that market, those requirements in turn are likely to be determined by a number of factors. For example where a firm has a strong brand whose international reputation needs protection, then key criteria for that firm will be control and dissemination risk. Dissemination risk is likely to be affected by both asset specificity and opportunism. Thus it can be seen that criteria modify variables and vice versa. However, this process happens either implicitly or explicitly *before* application to the mode characteristics. It is the interaction between the firm's criteria and the mode characteristics that forms the actual entry mode decision.

The decision could therefore be modelled as follows:

Figure 1 – A Model of the Entry Mode Choice Decision



CONCLUSIONS

This paper has argued that the current situation in the literature related to entry mode choice is one where there is a large volume of research but that research is rather fragmented with no real specific and consistent unified theory. A range of perspectives have been identified with overlaps and links between them. There is also some confusion of vocabulary and terms. Each of the different approaches to entry mode choice offers different and useful insights into the factors that affect the decision. A result of this is that a very large number of factors have been identified with mixed results when tested. A further difficulty is that these factors will interact with each other and this interaction will be different in different situations. The authors therefore conclude that it may not be possible to fully model entry mode choice because of its complexity and because the decision is so situation-specific.

There would however, seem to be a case for reconsidering the nature of the decision, rather than simply developing lines of thought which have already been considered, or trying to integrate alternative perspectives into models which contain too many inter-relationships to be testable. An examination of the decision shows that it consists of three component parts, the firm's criteria for choice, the mode characteristics and modifying variables and that the modifying variables do not act directly on the decision itself but via the firm's criteria for choice. These criteria for choice are then applied to the characteristics of alternative modes being considered in order for the decision to be made.

It is therefore suggested that future directions for research could concentrate on the entry mode decision. Depth interviews taking a cross-firm or case study approach could be used to examine decisions already made by exporting and international firms. Depth interviews will allow researchers to identify and explore interactions closely and despite the limitations of the case study approach in terms of wider applicability, the richness of data gained will provide valuable insights into the decision process in relation to the model and will enable researchers to explore interactions between the various component parts. One approach might be to examine how their criteria for choice drive firms' selection and application of decision modifying variables. Alternatively, the interaction between alternative criteria for choice and mode characteristics could be examined. The end result of this could be to build a flexible framework within which export and international firms can identify and consider the issues important to them.

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Notes

[1] For example Dunning's eclectic paradigm draws on different strands of economic theory, so is eclectic in one sense, but is not the same as later eclectic models (eg Hill, Hwang & Kim 1990) who draw on economic, behavioural and other strands of theory.
[2] To further illustrate the point made in note 1 above, this approach is variously referred to as the incremental approach, (Young et al 1989), the behavioural approach as cited in the text, the chain of establishment approach (Andersen 1993, 1997), export development models (Leonidou & Katsikeas 1996), and so on.
[3] In an initial review of 16 current international marketing texts carried out for current research, only four mentioned alternative approaches beyond the 'traditional' incremental approach.
[4] For a history of the development of transaction costs and their application to marketing, see Rindfleisch, A & Heide, JB, (1997), *Transaction Cost Analysis: Past, Present and Future Applications*, Journal of Marketing, 61 (4), pp 30-54

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