

Factors Affecting Choice of International Entry Mode¹²³

Factor Category	Examples
Firm factors	<ul style="list-style-type: none"> International experience Core competencies Core capabilities National culture of home country Corporate culture Firm strategy, goals, and motivation
Industry factors	<ul style="list-style-type: none"> Industry globalization Industry growth rate Technical intensity of industry
Location factors	<ul style="list-style-type: none"> Extent of scale and location economies Country risk Cultural distance Knowledge of local market Potential of local market Competition in local market
Venture-specific factors	<ul style="list-style-type: none"> Value of firm—assets risked in foreign location Extent to which know-how involved in venture is informal (tacit) Costs of making or enforcing contracts with local partners Size of planned foreign venture Intent to conduct research and development with local partners

Potential Benefits and Costs to Host Countries of MNC Operations There⁴²

Benefits	Costs
Capital Market Effects	
<ul style="list-style-type: none"> • Broader access to outside capital • Economic growth • Foreign-exchange earnings • Import substitution effects allow governments to save foreign exchange for priority projects 	<ul style="list-style-type: none"> • Risk sharing • Increased competition for local scarce capital • Increased interest rates as supply of local capital decreases • Capital service effects of balance of payments
Technology and Production Effects	
<ul style="list-style-type: none"> • Access to new technology and R&D developments • Employee training in new technology • Infrastructure development and support • Export diversification • Introduction of new management techniques 	<ul style="list-style-type: none"> • Technology is not always appropriate • Plants are often for assembly only and can be dismantled • Government infrastructure investment is higher than expected benefits • Increased pollution
Employment Effects	
<ul style="list-style-type: none"> • Direct creation of new jobs • Introduction of more humane employment standards • Opportunities for indigenous management development • Income multiplier effects on local community business 	<ul style="list-style-type: none"> • Limited skill development and creation • Competition for scarce skills • Low percentage of managerial jobs for local people • Employment instability because of ability to move production operations freely to other countries

Source: Adapted from R. H. Mason and R. S. Spich, *Management: An International Perspective*, (202) (Homewood, IL: Irwin, 1987).