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Influence of country and company characteristics on international business decisions: A review, conceptual model, and propositions

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ABSTRACT

This research advances four propositions and a conceptual model of country and company characteristics influencing key International Business Decisions (IBDs). The IBDs in this study are country selection and evaluation, entry mode, segmentation-targeting-positioning, and the marketing mix – the first two in the international business domain, and the latter two in the international marketing field. The conceptual model and related four propositions are advanced, based on an extensive literature review and subsequent in-depth review of 169 published research papers on major IBDs and their determinants, namely, country characteristics, including opportunities, risks, and various distances between the host country and home country, and company characteristics, which include international business experience, assets/resources, and expansion/growth strategies. Managerial implications and directions for future research are discussed.

1. Introduction

In today's global economy, more and more companies are expanding beyond the home country. Globalization is fueled by two distinct and opposing forces – companies are either attracted to vast opportunities outside their home country (pull force), or have no choice but to seek markets abroad because domestic markets have become so competitive that the companies are literally expelled out of their home market (push force). For example, several U.S. multinationals, such as Apple, Avon, Boeing, IBM, Intel, Johnson & Johnson, and Mondelēz, derive more than fifty percent of sales revenue from markets abroad, demonstrating a strong "pull" effect of foreign markets (Cateora, Gilly, Graham, & Money, 2016). In contrast, several U.S. companies have foreign homes – for example, 7-Eleven, Japan; Budweiser, Belgium; Chrysler, Italy; Gerber, Switzerland; *The Wall Street Journal*, Australia; and T-Mobile, Germany, – demonstrating the "push" force at play (Cateora et al., 2016.) The two forces are referred to as "Pull" and "Push" effects in international business (IBM - Introduction, 2017). International marketers, thus, face the challenge of entering foreign markets and establishing operations there to succeed, or even to survive, creating a dynamic international landscape. With the challenges that international markets present, it is essential for academic research "to be in perfect synchrony" with this complex landscape (Kumar, 2015, p. 6), and to understand strategies thought to lead to success abroad – the purpose of the present study.

Firms must weigh a multitude of factors, gather information, and formulate strategies that consider characteristics of both the company, as well as the foreign country. The first decision a company faces is to select and evaluate a foreign market (Aliouche & Schlentrich, 2011a) – a country's macro environment greatly influences its attractiveness for foreign investment and business. The second decision involves the selection of entry mode from options ranging from exports to contractual agreements, to foreign direct investment. Madhok (1996) suggested that country competitive forces and firm capabilities influence a company's mode of entry. Next, a company must identify market segments in its chosen country, select the segment(s) it desires to target, and develop a positioning strategy that demonstrates how the company's products and services better meet the needs of consumers better than competitors (Hassan and Craft 2014; Sausen, Tomczak, & Herrmann, 2005). Positioning paves the way for the fourth decision, the marketing mix. The 4 Ps of marketing – product, price, place, and promotion – must be developed carefully to support the company position and image and ensure success in the new markets (Sousa, Martínez-López, & Coelho, 2002). While assessing marketing performance is a challenge (Hanssens & Pauwels, 2016; Katsikeas, Morgan, Leonidou, & Hult, 2016), specific approaches to international marketing mix decisions are more likely to lead to success. Firms may opt for: (i) Standardization, recommended when foreign and home markets are similar; (ii)

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Adaptation, recommended when the foreign and home markets are different; and (iii) Contingency, based on situational factors.

Cereal Partners Worldwide, a joint venture between rivals General Mills and Nestlé created to gain market share in the rapidly growing cereal market in Europe, where Kellogg had been present for nearly a century, underscores the importance of entry mode selection for overall firm performance. The joint venture provided General Mills and Nestlé an opportunity to join forces to be competitive and benefit from the anticipated growth in Europe, and, later, in other world markets (Yu, Subramaniam, & Cannella, 2013). Despite General Mills' production knowhow and strong cereal brands, they could not have entered the European market alone because of lack distribution access, with Kellogg dominating the continent, and with the cereal business being capital intensive both in manufacturing and marketing (Cateora et al., 2016). Unlike General Mills, Nestlé had a strong reputation in Europe, a network of plants, and an established distribution. The reciprocal strengths of the partners, where General Mills contributed production knowhow, technology, equipment, and well-known cereal brands, while Nestlé provided the marketing muscle, offered the joint venture an edge to fight Kellogg and build enough sales volume to be profitable despite vast capital requirements. Opting for a joint venture as an entry mode was a strategic decision that enhanced both companies' capabilities and, thus, their performance.

All four IBDs discussed above are influenced by both the country-, as well as company-specific variables. The country characteristics are reflected in the opportunities and risks in the foreign market and the 'distance' of the foreign country from the home country. 'Distance' includes geographic, cultural, socio-economic, as well as historic considerations (Drogendijk & Martín, 2014). Company characteristics include the company's international business experience, assets/resources, and expansion/growth strategies.

In this research, we conduct an extensive and in-depth review of the determinants of the four IBDs discussed above. The review covers both country and company characteristics, and summarizes key findings. Based on these findings, four propositions and a conceptual model of the determinants of IBDs are advanced, as depicted in Fig. 3. While the subject of IBDs and determinants has attracted attention of the researchers and a number of articles have been written on the subject, the extant state of research is fragmented and partial. For example, decades after Anderson and Gatignon (1986) conceptualized the different entry modes, and scholars extensively analyzed their performance effects, "research has continued to progress in a somewhat fragmented manner" (Zhao, Ma, & Yang, 2017, p. 653), where the comprehensive influences on entry modes are difficult to discern. Similarly, country and company influences on country selection, segmentation, targeting, and positioning, and the marketing mix, are difficult to determine. Although processes of internationalization indeed represent a well-trodden path, no research to date has provided a framework that adequately addresses country characteristics and company characteristics – as defined in our study – as determinants for International Business Decisions that pertain to country evaluation and selection, entry mode, segmentation-targeting-positioning, and the marketing mix. While the international business literature offers several integrative perspectives that examine factors that lead to success in international markets, none, to date, have tackled internationalization from this important angle.

This article has seven sections. The next section reviews the literature on the four IBD. Section III reviews country characteristics and, Section IV, company characteristics that influence IBDs. Sections III and IV provide an analysis of studies (theoretical and empirical), supporting the relationships between country/company characteristics and the four IBDs. Key findings of studies supporting these relationships are also provided. The relationships and links discussed in earlier sections help develop four propositions and a conceptual model, the latter presented in Section V. Section VI discusses findings and managerial implications of this research, and Section VII presents conclusions and directions for future research.

2. Method

We deployed multiple search techniques to identify published research papers that explored the effect of country characteristics and company characteristics on international business decisions. To achieve coherence among the articles, we constrained our keywords search to "country characteristics" and "company characteristics" (referred to as Characteristics) in relation to international business decisions (referred to as Decisions), which we identified as "country selection" decisions, "entry mode" decisions, "segmentation," "targeting" and "positioning" decisions, and decisions related to the four p's, namely, "product," "distribution" (for place), "price," and "promotion." We paired each of the 2 Characteristics with each of the 9 Decisions, leading to 18 separate searches limited to years 1970-Present. The 18 paired searches were conducted with each of the following databases: Business Source Complete, Google Scholar, and Web of Science. The search yielded 721 articles, which were then further reduced to 128 articles that directly addressed the subject under investigation and were retained.

We then performed a manual search of articles in the most relevant academic journals in international marketing and international business that published articles exploring the effect of country characteristics and company characteristics on international business decisions. The journals reviewed applying the inclusion criteria are: *Journal of International Business Studies, International Business Review, Journal of International Marketing, Journal of Marketing,* and *Journal of Business Research*. This yielded another 6 articles that had not been selected in the initial database search.

The last step in the selection involved identifying relevant articles in the references of the 134 articles previously identified. This yielded an additional 35 articles in journals such as *International Marketing Review* and *Strategic Management Journal*, among many other publications. The total number of articles identified was 169, which we now introduce in the analysis that follows.

3. Country evaluation and selection

The first stage in any international marketing expansion plan is evaluation of (i) non-domestic markets/country selection. Country selection requires an in-depth analysis of the target country. Aliouche and Schlentrich (2011a, 2011b) identify optimal markets for expansion as those markets, which have "optimal opportunity/risk profiles, with the most desirable profile being a large opportunity combined with low risk" (Aliouche & Schlentrich, 2011a, p. 78).

Countries' attractiveness is determined by their macro environment, as, for instance, their economic, political, and social stability, favorable government policy, market size and growth rate, competitive landscape, natural resources, low-cost advantages, and infrastructure; it is adversely affected by corruption, inflation, lack of human development, political risk (Brown, Cavusgil, & Lord, 2014). In the country identification and selection stage, organizations systematically asses the risks and opportunities of the selected countries.

Country research and evaluation require an in-depth analysis of country characteristics. An effective approach to researching a new market involves gathering information about firms already existing in these markets. Finally, firms choose markets that are the best match for the firm's corporate objectives (Kumar, Stam, & Joachimsthaler, 1994).

4. Entry Mode decisions

Once the country is selected, the firm must decide the entry mode. Firms have different market entry options – in order of increasing control and cost, and decreasing risk, these options are: exporting, contractual agreement, franchising, licensing, joint venture and wholly owned subsidiary. Madhok (1996) – drawing upon the evolutionary theory of the firm (Nelson & Winter, 1982) for explaining firms' past pattern of experience and resulting capabilities – posits that competitive

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forces and a firm's capabilities influence entry mode decisions. Firm capabilities are the result of individual skills, organization, and technology "blended through dynamic and interactive routines, which evolve gradually over time and through experience" (Madhok, 1996; Nelson & Winter, 1982, p. 342). The entry-mode is thus determined by the compatibility of the firm's existing knowledge base and capabilities required for successful operations in the country (Madhok, 1996: Tallman, 1991; Johanson & Vahlne, 1977).

The Uppsala model of internationalization suggests that firms expand first to psychically close countries, and, subsequently, move to distant ones; this implies that firms favor low-resource commitment entry modes, such as exporting and licensing, and move to higher-commitment entry modes as they gain experience in foreign markets (Aliouche & Schlentrich, 2011a). Further, companies that have accumulated knowledge of foreign cultures and business practices through experience are more capable of coping with the uncertainties and thus consider high-control entry modes as less risky than firms without international experience (Baena, 2013).

A revisited Uppsala model (Almodóvar & Rugman, 2015) also suggests that embeddedness in business relationships and networks is necessary to succeed abroad. Almodóvar and Rugman (2015) found that insiders perform better than outsiders in terms of firm-specific advantages (FSAs), cost minimization, international expansion and return on sales, but they also suggest that outsiders can compensate in terms of FSAs through strong technological skills.

Firms learn from prior entry-mode experiences and are thus likely to reuse the successful entry mode in other markets in order to reduce risk (Chang, 1995). Positive entry-mode experience leads to confidence in the same mode, and negative entry-mode experience leads to bias against the same mode (Welch, Benito, & Petersen, 2008).

5. Segmentation, targeting, and positioning

Firms operating internationally face diverse markets and thus market segmentation is essential for superior marketing outcomes (Craft, 2004a). International market segmentation identifies homogenous segments transcending national boundaries or cultural groups by detecting similarities across borders, and assessing domestic differences within the target country (1997, Foedermayr & Diamantopolous, 2008; Hassan & Katsanis, 1991; Helsen, Jedidi, & DeSarbo, 1993; Kale & Sudharshan, 1987; Ko et al., 2012; Ter Hofstede, Steenkamp, & Wedel, 1999; Walters, 1986; Schlegelmilch, 2016). This permits firms to identify commonalities in needs, values, consumption patterns, and expectations, which allow the formation of cross-national homogenous market segments (Foedermayr & Diamantopolous, 2008; Hassan & Samli, 1994; Ter Hofstede et al., 1999; Wang, 1997).

The decision to segment world markets lies in understanding the degree of globalization in a given market. If there are no mass markets in individual countries one should hardly expect a single universal marketing strategy to be effective worldwide (Cova, Pace, & Park, 2007; Schuiling & Kapferer, 2004; Hung, Gu, & (Bennett) Yim, 2007). However, if segmentation criteria or bases exist for market segmentation that cut across national boundaries, then marketing strategies might be developed that will work for similar segments around the globe (Aurifeille, Quester, Lockshin, & Spawton, 2002; Solberg, 2002; Wright & Nancarrow, 1999). These inter-market segments create important opportunities and challenges for firms seeking to establish brand positions in multiple markets - an increasingly common strategic goal (Hassan & Craft, 2012).

International market segments are highly receptive to global offerings and can be targeted with standardized strategies that focus on consumers' common needs; these strategies create economies of scale, as well as a coherent and consistent image of their offerings (Baalbaki & Malhotra, 1993; Hassan & Craft, 2005; Foedermayr & Diamantopolous, 2008. A good segmentation strategy allows firms to better react to market changes, and to increase their adaptability to environmental uncertainty; it also leads to a more efficient allocation of marketing expenditures, which will reduce marketing costs (Foedermayr & Diamantopolous, 2008).

Targeting requires matching a firm's offerings and marketing initiatives to the specific needs of the segment. It involves an in-depth understanding of customer requirements and of the differences between various customer segments (Abratt, 1993; Danneels, 1996; Dibb, 1995; Erem & Mengüc, 1997; Gupta, 1987). Given the international markets' economic and social heterogeneity, targeting all consumers is impractical: firms must conform to host-market dynamics and only target specific segments across different countries (Baalbaki & Malhotra, 1993; Xie, 2012). A focused offering, addressing specific needs of customers, can be better tailored to that customer group. Targeting also helps to align marketing and communication strategies specific to the customer segment (2001, Craft, 2004b; Dibb & Simkin, 1997; Dibb & Wensley, 2002; Dibb, Stern, & Wensley, 2002; Hassan & Blackwell, 1994; Meadows & Dibb, 1998).

Marketing programs are tailored in terms of product and service variations, rather than variations in price, salesforce, promotion, or distribution efforts; this is attributed to customers' attaching greater importance to additional benefits offered through product feature variations and less to modifications in distribution and advertising campaigns (Abratt, 1993; Cross, Belich, & Rudelius, 1990).

Organizational effectiveness is achieved through congruence between the organization and its contextual settings (Fry & Smith, 1987). Businesses need to differentiate strategies in response to the international context. They differentiate strategic positioning according to specific requirements in international environments. Positioning aims at successfully placing and communicating a position of the firm and its offerings in the mind of the consumers – a position superior to competitors and their offers (Erem & Mengüc, 1997; Meadows & Dibb, 1998; Sausen et al., 2005). Firms can better communicate their positioning and increase brand awareness when they know the market well (Erem & Mengüc, 1997; Hassan & Craft, 2005; Hassan, Craft, & Kortam, 2003; Walters, 1986).

Positioning refers to the firm's decision to determine the place that its brand and corporate image occupy in a given market, including the benefits emphasized and the segments to be targeted (Douglas & Craig, 1995; Ries & Trout, 1986; Ries, 1996). In international marketing, positioning decisions must be based on the understanding of differences and similarities between markets (Solberg, 2002). Thus, international market positioning should identify and direct marketing resources among target market segments, helping the firm meet its own objectives for aligning the brand with consumers (Hassan & Craft, 2012, pp. 345–346).

6. Marketing mix decisions

Well-thought and executed international marketing strategies for specific markets result in success in international markets (Sousa et al., 2002). International marketing strategies differ from established domestic marketing strategies due to difference in the international market setting (McDougall & Oviatt, 1996). International marketing involves a greater environmental complexity, as firms deal with multiple uncertainties in their decisions. Success of an international marketing strategy depends on the firm's ability to reduce uncertainty in decision-making (Schmid & Thomas, 2011). Jones, Coviello, and Tang, (2011) found that entrepreneurial orientation and network capabilities of a firm determine its success in an uncertain international environment. Furthermore, firms with an entrepreneurial orientation deal better with uncertain environments by quickly adapting to the changing environments (Kraus, Rigtering, Hughes, & Hosman, 2011).

The international marketing mix literature stresses three approaches: (i) Standardizing the marketing mix; (ii) Adapting the marketing mix; and (iii) Contingency approaches. Many authors favor standardization for its ability to generate economies of scale (Levitt,

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1983). Adaptation stresses the need to react to cultural differences, new competition, and foreign market regulations (Diamantopoulos, Schlegelmilch, & DuPreez, 1995; Douglas & Wind, 1987). The contingency research stream believes that the marketing-mix strategy depends on situational factors, and it is a matter of degree, rather than absolute position (Cavusgil & Zou, 1994; Cavusgil, Zou, & Naidu, 1993; Jain, 1989; Zeithaml, Varadarajan, & Zeithaml, 1988. Standardization is the most appropriate response when the foreign and home market are similar; adaptation is a better approach when the psychic distance between the foreign and home market is high (Cavusgil & Zou, 1994; Cavusgil et al., 1993; Sousa & Bradley, 2005).

7. Country characteristics influencing International business decisions

7.1. Opportunities

A firm expands into foreign markets to vastly increase the number of customers and earn higher revenues and profits. Firms favor expanding into countries with greater market opportunity, such as higher gross domestic product (GDP), a larger population, and greater purchasing power (Aliouche and Schlentrich, 2011a; Lafontaine & Leibsohn, 2005). They also favor low economic and business risks, lower transportation, communication and labor costs, growth-friendly policies, greater natural resources, and robust judicial systems (Baena, 2013). Firms prefer to invest in markets with higher economic, political and social stability, and with rules regulating entry and operation of business. Firms invest only when location and ownership advantages make production abroad profitable; in the alternative, firms use lower-equity modes, such as licensing, or limit their involvement to trade (Haider & Anwar, 2014).

The critical variables that influence a firm's investment in emerging economies are: 1) Size of the domestic market; 2) Inflation; 3) Exchange rate volatility; and 4) Interest rates and macroeconomic policies (Pfeffermann & Madarassy, 1992). The size of the domestic market and capacity utilization are positively related to market attractiveness and foreign direct investment (FDI), whereas inflation and volatile exchange rates have negative effects on market attractiveness and FDI. As an example of positive impact on market attractiveness, Australia gained its economic prosperity in the 1960s from natural resources, followed by 1970s economic reforms, and subsequent internationalization of trade policy measures in the 1980s and 1990s, resulting in substantial growth of international capital and exports (Aliouche & Schlentrich, 2011a; Cousins, 2005).

7.2. Country risk – risk to business profitability and assets

Country risk is the probability of future events within a state that may have an adverse effect on a firm's business (Bouchet, Clark, & Groslambert, 2003; Fitzpatrick, 1983; Harland, Brenchley, & Walker, 2003; Jensen & Young, 2008). Evaluating country risk is used to forecast the risk to business profitability and assets when assessing a country as a potential international market. Major credit-rating agencies assess country risk using: 1) country risk, determined by political and economic policy, economic structure, and liquidity-specific investment risk for a country; and 2) specific investment risk, determined by currency risk, sovereign debt risk, and banking sector risk – these risks are common across firms operating in the respective country (Cantor & Packer, 1996; Diaz Weigel & Gemmill, 2006).

7.3. Political risk

Political risk is the risk of a government action that will negatively affect the cash flows of a company engaging in international investment (Bekaert, Harvey, Lundblad, & Siegel, 2014). The most direct form of political risk involves government seizures of private assets or outputs, including creeping forms of expropriation and unexpected taxes or royalties levied on profits (Bekaert et al., 2014; Knudsen, 1974). Political risk also includes instability of government policies (1993, Brewer, 1983) and strength of the legal system, and conflicts, such as general strikes, terrorism, and (civil) war" (Bekaert et al., 2014). Research shows that a 1% point reduction in political risk spreads is associated with a 12% increase in net-inflows of foreign direct investment (Bekaert et al., 2014).

Root (1987) classifies political risks into: 1) general instability risk, representing uncertainty about the future viability of a host country's political system; 2) ownership/control risk, representing uncertainty of host government actions that would destroy or limit ownership or effective control in the host country; 3) operation risk, defined as uncertainty of host government policies or act sanctioned that would constrain investor operations in the host country; and 4) transfer risk, defined as uncertainty of government acts that would restrict transfer of profits out of the host country, or lead to currency depreciation. To illustrate, in estimating the impact of terrorism on GDP growth, FDI, and foreign worker remittances, Mehmood (2014) found that Pakistan lost 33 percent of its real national income between 1973 and 2008, during a period of heightened terrorism (Haider & Anwar, 2014). In another example, Chinese firms' investments are greatly influenced by the Chinese government and its policies, as the government offers Chinese companies substantial support for internationalization.

The definition and scope of political risk is changing with the increase in globalization and interconnectivity. Transition to a market economy and the advent of globalization render earlier conceptualizations of political risk obsolete (Sambharya & Rasheed, 2012). Managers must move from nation-state-based political risk to comprehensive and holistic risk conceptualizations (Sambharya & Rasheed, 2012). Political risk affect the technological environment, as with the Russian hacking of foreign websites; alternatively, outsourcing may be subject to political risk both from home country protectionist action and from the traditional risk of operating abroad (Sambharya & Rasheed, 2012). Risk impacts are not constrained by geographical or systemic boundaries, as global interconnectivity leads to risk contagion across countries, spreading risk, and thus increasing firm vulnerability (Sambharya & Rasheed, 2012).

7.4. Inflation

Inflation is a major deterrent to FDI. High inflation and rising inflation rates heighten costs of imported capital goods and inputs, and an unstable exchange rate creates foreign exchange risk and an uncertain investment climate (Pfeffermann & Madarassy, 1992). A high inflation adversely affects private investment, increasing long-term investments' risk, reducing the average maturity of commercial lending, and distorting information content of relative price (Root & Ahmed, 1988). A high inflation reduces exports' competitiveness and foreign exchange earnings, and places pressure on current account and exchange rates (Obadan, 1994).

7.5. The Robinson country risk index (RCRI)

A newer country risk index is the RCRI, incorporating four dimensions: Governance, Economics, Operations, and Society (GEOS), and 70 sub-dimensions for 126 countries, and 8 years of data (Brown et al., 2014). Governance is central to risk analysis, and risk analysis is determined by political risk (Brown et al., 2014). The Governance dimension, drawn from the World Bank Worldwide Governance Indicators (Kaufmann, Kraay, & Mastruzzi, 2010), is based on more than 300 variables, distilled into six categories: 1) Voice and accountability; 2) Political Stability and absence of violence/terrorism; 3) Government effectiveness; 4) Regulatory quality; 5) Rule of law; and 6) Control of corruption (Brown et al., 2014).

The economic framework of a country is the musculoskeletal framework within which an organization operates (Brown et al., 2014).

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RCRI groups economic risks into: 1) Macroeconomic indicators, comprising GDP, GDP per capita, current account, inflation rate, and unemployment rate; 2) Market access, comprising trade index and barriers to trade, investment profile, FDI flows, and FDI stocks; and 3) Currency over/undervaluation. The operations dimension is analogous to the state of the circulatory system or the framework of economic institutions and infrastructure an organization must assume to be successful in a country (Brown et al., 2014). RCRI categorizes operations into: 1) Business transaction, that is, the ease of starting or closing a business, obtaining credit, paying taxes, and enforcing contracts; 2) Logistics, comprising the shipping infrastructure, timeliness, tracking ability, and customs; 3) Operational landscape, that is, innovation, sophistication, infrastructure, tech readiness, business environment, and market efficiency; and 4) Short term currency fluctuation (Brown et al., 2014). Finally, social outcomes pump life into a country and help spark a feedback loop, which leads to more inclusive political and economic institutions. RCRI divides the society macro dimension into six sub-dimensions: 1) Health; 2) Education; 3) Demographics; 4) Gender gap; 5) Middle class propensity; and 6) Environmental sustainability (Brown et al., 2014).

7.6. Distance

Countries differ in those traits relevant to international business, such as their economic, social, political, cultural, and historical settings (Estrin, Baghdasaryan, & Meyer, 2009; Salomon & Wu, 2012). The differences create attractive business environments; however, the greater the differences between countries, the more difficult it is to use strategies in the host market similar to those in the home market (Boyacigiller, 1990; Brewer, 2007b; Drogendijk & Martín, 2014; Farrell, 2010; Gaston-Breton & Martín Martín, 2011; Steenkamp & Ter Hofstede, 2002; Ambos & Håkanson, 2014).

The distance between a firm's country of origin and the international marketing destination has three key dimensions: 1) Socio-economic development distance; 2) Cultural and historical distance; and 3) Physical distance (Drogendijk & Martín, 2014). The socio-economic development distance is reflected in education and in the political and economic development distance between two countries (Berry, Guillén, & Zhou, 2010). The level of education and economic development affects the availability of information and the ease with which information flows to potential investors (Brewer, 2007a; Dow & Karunaratna, 2006. Education influences how people present information and construct arguments. The difference between education levels and the political systems of two countries may lead to uncertainty and confusion in the transmission and interpretation of information (Dow & Karunaratna, 2006). Differences in the political systems and political instability make it difficult to assess the risks related to government action (Henisz, 2000). Differences in the levels of economic development and education in political systems reflect diverging characteristics, regulatory, normative, and cognitive institutional domains, which might influence the business organization and the fit of practices in the new environment (Kostova, 1999; Drogendijk & Martín, 2014). Economic distance is the level of economic development of the host country relative to that of the home country Ghemawat, 2001), and it reveals the discrepancies in wealth and economic size, which are often reflected in factor costs, technological capability, infrastructure, and so on (Tao, Zhanming, & Xiaoguang, 2013).

There are two types of economic distance: one where the economic development level of the host country is higher than home country, the other is where lower than that of the home country (Tao et al., 2013). There are always location-specific factors in more developed host countries, such as advanced technologies, new business models, customers with a high purchasing power, a well-developed industry chain, and so on (Galan, González-Benito, & Zuñiga-Vincente, 2007; Tao et al., 2013). For instance, Indonesian multinationals going abroad accessed and developed ownership advantages they had not previously possessed, which improved their management expertise, exports, quality, and cost control (Donald, 1993).

Where there is a large economic distance, multinational enterprises (MNEs) can develop their advantages further by accessing low cost factors (including natural resources and labor forces); moreover, host countries with a lower economic level have less developed infrastructures, a lower level of technical advancement and innovative abilities, and slim inter-industrial reciprocities (Galan et al., 2007). Thus, local firms likely lag in their value chains, in technological creativity, managerial expertise, marketing experience, and so on, and thus are less competitive than their foreign competitors (Luo & Tung, 2007; Tao et al., 2013). Therefore, in host countries that are less developed than their home countries, FDIs will have better chances to survive, and exploit their technological and managerial advantages (Tao et al., 2013).

The cultural and historical distance between a firm's home and target country is the extent to which norms and values differ between countries (Hofstede, 1980; Kogut & Singh, 1988). Cultural and historical distance comprises language distance, distance between religions, and colonial ties. Language differences distort information flow, increase uncertainty (Brewer, 2007a; Johanson & Wiedersheim-Paul, 1975), and may result in communication, transfer, and information interpretation inefficiency – language may even be a proxy for cultural distance (West & Graham, 2004). Similarly, religion directly affects cultural differences (Ronen & Shenkar, 2013). Religious differences may result in misunderstandings, and affect interactions and information flows (Dow & Karunaratna, 2006). The most often debated differences are in the views of Christians and Muslims on interest, eating and drinking habits, and the roles of men and women in society and business (Dow & Karunaratna, 2006). Finally, a history of colonial ties influences countries' cultural links, potentially compressing psychic distance (Child, Ng, & Wong, 2002; Johanson & Wiedersheim-Paul, 1975). Colonial links are informal historical ties with a persisting effect on economic linkages between two countries (Makino & Tsang, 2011). Colonial ties increase mutual knowledge and understanding, allowing information to flow more easily between a firm and the foreign market (Brewer, 2007a; Drogendijk & Martín, 2014).

Gollnhofer and Ekaterina (2015) suggest that cultural distance can predict entry mode, increasing the probability of greenfield investment and decreasing the probability of a joint venture. Management prefers high-resource-commitment entry modes in the case of high cultural distance in order to maintain greater control and successfully implement its business model; this suggests that global strategy and sector particularities may influence the relationship between cultural distance and entry mode (Gollnhofer & Ekaterina, 2015). For instance, fast food, a staple of U.S. consumption, has met with different degrees of enthusiasm elsewhere. For example, Wimpy was a failure in France, but met with an enthusiastic response in the United Kingdom, closer to the United States in terms of cultural distance. On the other hand, McDonald's has met with some success, but also with substantial opposition in France, while KFC has received a warm welcome from Europe to China. The specific characteristics of the respective consumer markets, their distinctive living patters, habits, and values – that is, cultural influences (Douglas & Dubois, 1977) – account for the divergent reception of fast-food brands.

Finally, physical distance, encompasses the time and geographical distance between two countries, and plays a major role in internationalization decisions (Ghemawat, 2001; Håkanson & Ambos, 2010), even after shrinking geographical distance as a result of globalization. A greater geographical distance results in increased transportation and communication costs, reducing trade and investment flows (Berry et al., 2010). Time-zone differences increase uncertainty in the speed of communication (Dow & Karunaratna, 2006), resulting in delays and loss of accuracy in information transfer across time zones (Drogendijk and Martin 2014).

Although many scholars in the literature have used cultural distance

Table 1
Research Studies and Their findings Supporting Relationships between Country Characteristics and Four IBDs.

Country Characteristics	Findings
Country Selection: Knudsen (1974); Johanson and Wiedersheim-Paul (1975); Hofstede (1980); Brewer (1983); Fitzpatrick (1983); Root (1987); Kogut and Singh (1988); Root and Ahmed (1988); Pfeffermann and Madarassy (1992); Brewer (1993); Obadan (1994); Cantor and Packer (1996); Kostova (1999); Henisz (2000); Child et al. (2002); Bouchet et al. (2003); Harland et al. (2003); Cousins (2005); Lafontaine and Leibsohn (2005); Diaz Weigel and Gemmill (2006); Jensen and Young (2008); Estrin et al. (2009); Berry et al. (2010); Håkanson and Ambos (2010); Kaufmann et al. (2010); Ghemawat (2001); Makino and Tsang (2011); Aliouche and Schlentrich (2011a); Salomon and Wu (2012); Sambharya and Rasheed (2012); Baena (2013); Ronen and Shenkar (2013); Tao et al. (2013); Bekaert et al. (2014); Brown et al. (2014); Drogendijk and Martín (2014); Haider and Anwar (2014); Mehmood (2014)	Country selection involves an in-depth macro-environmental analysis, which involves assessing country risk to business profitability and assets, and examining factors such as political risk, inflation, economic structure, currency risk, and banking-sector risk. A newer index for measuring country risk, the RCRI, takes into account governance, economics, operations and society, and examines similar factors, such as political stability, inflation, market access and infrastructure, and market efficiency, but also includes social criteria, as well such as education and demographics. Social, cultural, and historical characteristics, such as shared norms, language, religion, and history of colonial ties, significantly influence country selection and create different types of distances between countries – such as socio-economic, cultural, and physical distance, – that management must evaluate to decide which countries to enter.
Mode of Entry: Pfeffermann and Madarassy (1992); Donald (1993); Galan et al. (2007); Luo and Tung (2007); Håkanson and Ambos (2010); Ghemawat (2001); Tao et al. (2013); Bekaert et al. (2014); Haider and Anwar (2014); Gollnhofer and Ekaterina (2015)	Firms investing in new markets are more likely to engage in direct investment if production is profitable, or if the host country is less developed and, thus, less competitive. However, they will use lower equity modes, such as licensing, if production is less profitable, or if there is high competition. Greater cultural distance results in high-commitment entry modes to allow control.
Segmentation, Targeting, and Positioning: Douglas and Dubois (1977); Walters (1986, 1997); Kale and Sudharshan (1987); Helsen et al. (1993); Ter Hofstede et al. (1999); Ko et al. (2012); Schlegelmilch (2016).	The divergent reception of brands is due to specific characteristics such as distinctive living patterns, habits, and values of the respective consumer market. A company must understand a country's characteristics to be able to position effectively its offering in the target market.
Price, Promotion, Place, Product: Johanson and Wiedersheim-Paul (1975); Douglas and Dubois (1977); Boyacigiller (1990); Donald (1993); Kostova (1999); Henisz (2000); Steenkamp and Ter Hofstede (2002); West and Graham (2004); Dow and Karunaratna (2006); Galan et al. (2007); Luo and Tung (2007); Brewer (2007a), 2007b; Berry et al. (2010); Farrell (2010); Gaston-Breton and Martín Martín (2011); Tao et al. (2013); Ambos and Håkanson (2014); Drogendijk and Martín (2014)	Differences in cultural influences determine how well-received a product will be in a particular market, as well as how effectively a company will be able to promote its product to consumers. Cultural differences that must be assessed include levels of economic development and education, religion, and language – language differences distort information and compromise the clarity and interpretation of information. The greater the differences between a home country and host country are, the more difficult it will be to use a similar strategy.

and psychic distance interchangeably, Sousa and Bradley (2006) provide empirical evidence to distinguish the two concepts as conceptually two different and unique concepts. Based on field interviews of 300 managers, Sousa and Bradley (2006) demonstrated that psychic distance is determined by cultural distance and individual values of the international business decision makers.

7.7. Relationships between Country characteristics and IBDs

This review is organized by variables, research papers related to the variables, and major findings. We have used a format similar to that used in Szymanski, Troy, and Bharadwaj, (1995), a review paper published in the *Journal of Marketing*. Table 1 provides the above information separately for the four IBDs, namely, country selection, mode of entry, segmentation-targeting-positioning, and marketing-mix decisions. Table 2 provides complete details of the research studies supporting the relationships between country characteristics and four IBDs. The research studies are classified as theoretical or empirical, and, for the empirical studies, sample sizes are provided. Table 3 gives the number of studies supporting links between country characteristics and the four IBDs. This information is offered in Fig. 1.

8. Company characteristics influencing International business decisions

8.1. International business experience

Internationalization process theory states that a firm is motivated to go abroad to exploit a knowhow-based advantage, and the entry-mode choice is the one that minimizes transaction costs; the risk of conducting international operations is highly firm specific (Figueira-de-Lemos, Johanson, & Vahlne, 2011). International business risks are related to the firm's ability to perform in foreign markets. A firm's lack of knowledge of a foreign market (for example, ignorance of regulations and norms) will likely increase the cost of internationalization (Eriksson; Eriksson, Johanson, Majkgård, & Sharma, 1997), creating managerial challenges (Fenwick, Edwards, & Buckley, 2003), leading to market withdrawal (O'Grady & Lane, 1996). Firms capable of developing such knowledge are more successful and profitable (Eriksson, 2014; Lu & Beamish, 2001,2004).

Experience in multiple markets helps firms learn and solve internationalization-process-issues, building a procedural knowledge base for internationalization (Eriksson, Johanson, Majkgård, & Sharma, 2000; Eriksson, Johanson, Majkgård, & Sharma, 2000). Mohr and Batsakis (2014) found that both intangible assets and international experience are essential for rapid firm internationalization – and a lack of these resources will prevent firms from internationalizing rapidly: firms need intangible resources to internationalize rapidly.

The distances between countries of expansion and the country of the firm play a critical role in determining and broadening this knowledge base (Henisz & Delios, 2002). A firm may operate in numerous countries, but, if these countries belong to the same cultural cluster, then that limits the firm's internationalization experience (Shenkar, 2001). There is support for positive effect of different types of international experiences; however, they depend on whether the firm adopts a regional vs. a global approach to operations (Mohr & Batsakis, 2014). Managers must be mindful of the potential effects of their international experience: in-depth international experience from operations in a small set of countries in the home region might actually prevent firms from internationalizing rapidly (Mohr & Batsakis, 2014). Firms must assess their international experience and its applicability in subsequent international expansion; MNCs benefit from a better understanding of the determinants of internationalization speed given the importance of rapid internationalization in general (Chang & Rhee, 2011), and in the services-sectors in particular (e.g. Heskett, Sasser, & Hart, 1990; Mentzer, Min, & Zacharia, 2000; Mohr & Batsakis, 2014).

A firm's experience is also measured by the amount of time the firm has had international operations (Delios & Henisz, 2003; Eriksson, 2014; Erramilli, 1991). The relationship between international experience and performance is described as an inverted U-shape (Barkema & Vermeulen, 1998). Firms learn extensively from their initial experiences, but, subsequently, their learning levels off, as they become overwhelmed with coordination problems, and have difficulty managing operations in many countries (Eriksson, 2014; Hitt, Hoskisson, &

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Table 2
Research Studies (Theoretical - Empirical) Supporting Relationships Between Country Characteristics and Four IBDs.

IBDs	Year	Author(s)	Publication	Sample Size
Country Selection	1974	Knudsen, H.	*Journal of International Business Studies*	21
	1975	Johanson, J., Wiedersheim-Paul, F.	*Journal of Management Studies*	4
	1980	Hofstede, G.	*Culture's Consequences: International Differences in Work-Related Values*	40
	1983	Brewer, T. L.	*Journal of International Business Studies*	115
	1983	Fitzpatrick, M.	*Academy of Management Review*	Theoretical
	1987	Root, F. R.	*Entry Strategies for International Markets*	Theoretical
	1988	Kogut, B., & Singh, H.	*Journal of International Business Studies*	288
	1988	Root, F. R., & Ahmed, A. A.	*Journal of International Business Studies*	41
	1992	Pfeffermann, G., & Madarassy	*Trend in Private Investment in Developing Countries, 1992 edition*	Theoretical
	1993	Brewer, T. L.	*Journal of International Business Studies*	Theoretical
	1994	Obadan, I. M.	*Real Exchange Rates in Nigeria: A Preliminary Study*	Theoretical
	1996	Cantor, R., & Packer, F.	*Federal Reserve Bank of New York Economic Policy Review*	2
	1999	Kostova, T.	*Academy of Management Review*	Theoretical
	2000	Henisz, W. J.	*Journal of Law, Economics and Organization*	3,389
	2002	Child, J., Ng, S., & Wong, C.	*Int'l Studies of Management and Organizations*	5
	2003	Bouchet, M. H., Clark, E., & Groslambert, B.	*Country Risk Assessment: A Guide to Global Investment Strategy*	Theoretical
	2003	Harland, C., Brenchley, R., & Walker, H.	*Journal of Purchasing and Supply Management*	4
	2005	Cousins, S.	*Contemporary Australia*	Theoretical
	2005	Lafontaine, F., & Leibsohn, D.	*Proceedings of the 19th Annual Conference on the International Society of Franchising*	29,872
	2006	Diaz Weigel, D., & Gemmill, G.	*Journal of International Money and Finance*	4
	2008	2008 Jensen, N. M., and Young, D. J.	*Journal of Conflict Resolution*	129
	2009	Estrin, S., Baghdasaryan, D., and Meyer, K. E.	*Journal of Management Studies*	6
	2010	Berry, H., Guillén, M. F., and Zhou, N.	*Journal of International Business Studies*	4
	2010	Håkanson, L., and Ambos, B.	*Journal of International Management*	25
	2010	Kaufman, D., Kraay, A., and Mastruzzi, M.	*The Worldwide Governance Indicators: Methodology and Analytical Issues*	200
	2011	Ghemawat, P.	*Harvard Business Review*	Theoretical
	2011	Makino, S., and Tsang, E. W. K.	*Journal of International Business Studies*	1,846
	2011	Aliouche, E. H., & Schlentrich, U.	*New Developments in the Theory of Networks*	143
	2012	Salomon, R., & Wu, Z.	*Journal of International Business Studies*	89
	2012	Sambharya, R. B., & Rasheed, A. A.	*Organizational Dynamics*	Theoretical
	2013	Baena, V.	*Latin America Business Review*	Theoretical
	2013	Ronen, S., & Shenkar, O.	*Journal of International Business Studies*	70
	2013	Tao, B., Zhanming, J., & Xiaoguang, Q.	*International Journal of China Marketing*	Theoretical
	2014	Bekaert, G., Harvey, C. R., Lundblad, C. T., & Siegel, S.	*Journal of International Business Studies*	43
	2014	Brown, C. L., Cavusgil, S. T., & Lord, A. W.	*International Business Review*	119
	2014	Drogendijk, R., & Martín, O. M.	*International Business Review*	106
	2014	Haider, M., & Anwar, A.	*SSRN Electronic Journal*	10
	2014	Mehmood, S.	*Defense and Peace Economics*	4,500
Mode of Entry	1992	Pfeffermann, G., & Madarassy	*Trends in Private Investment in Developing Countries*	47; 74
	1993	Donald, J. L.	*Journal of International Business Studies*	24
	2007	Galan, J. I., González-Benito, J., & Zuñiga-Vincente, J. A.	*Journal of International Business Studies*	103
	2007	Luo, Y., & Tung, R. L.	*Journal of International Business Studies*	Theoretical
	2010	2010 Håkanson, L., & Ambos, B.	*Journal of International Management*	25
	2011	Ghemawat, P.	*Harvard Business Review*	Theoretical
	2013	Tao, B., Zhanming, J., & Xiaoguang, Q.	*International Journal of China Marketing*	Theoretical
	2014	Bekaert, G., Harvey, C. R., Lundblad, C. T., & Siegel, S.	*Journal of International Business Studies*	43
	2014	Haider, M., & Anwar, A.	*SSRN Electronic Journal*	10
	2015	Gollnhofer, J. F., & Ekaterina, T.	*Cross Cultural Management*	44
Segmentation, Targeting, and Positioning	1977	Douglas, S., & Dubois, B.	*Columbia Journal of World Business*	Theoretical
	1986	Walters, P.G.,	*Journal of International Business Studies*	Theoretical
	1987	Kale, S. H., & Sudharshan, D.	*International Marketing Review*	Theoretical
	1993	Helsen, K., Jedidi, K., & DeSarbo, W.	*Journal of Marketing*	Database
	1997	Walters, P.G.	*Journal of Marketing Management*	Theoretical
	1999	Ter Hofstede, F., Steenkamp, J.-B., & Wedel	*Journal of Marketing Research*	4,906
	2012	Ko, E. Taylor, C. R., Sung, H., Lee, J., Wagner, U., Navarro, D. M., & Wang, F.	*Journal of Business Research*	1,031
	2016	Schlegelmilch, B.	*Global Marketing Strategy*	Theoretical

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Table 2 (*continued*)

IBDs	Year	Author(s)	Publication	Sample Size
4 P's: Price, Promotion, Place, and Product	1975	Johanson, J., & Wiedersheim-Paul, F.	*Journal of Management Studies*	4
	1977	Douglas, S., & Dubois, B.	*Columbia Journal of World Business*	Theoretical
	1990	Boyacigiller, N.	*Journal of International Business Studies*	84
	1993	Donald, J. L.	*Journal of International Business Studies*	24
	1999	Kostova, T.	*Academy of Management Review*	Theoretical
	2000	Henisz, W. J.	*Journal of Law, Economics and Organization*	3,389
	2002	Steenkamp, J. B. E. M., & Ter Hofstede, F.	*International Journal of Research in Marketing*	1
	2004	West, J., & Graham, J. L.	*Management International Review*	51; 19; 49
	2006	Dow, D., & Karunaratna, A.	*Journal of International Business Studies*	38
	2007	Galan, J. I., González-Benito, J., & Zuñiga-Vincente, J. A.	*Journal of International Business Studies*	103
	2007	Luo, Y., & Tung, R. L.	*Journal of International Business Studies*	Theoretical
	2007a	Brewer, P. A.	*Journal of International Marketing*	25
	2007b	Brewer, P. A.	*Australian Journal of Management*	26
	2010	Berry, H., Guillén, M. F., & Zhou, N.	*Journal of International Business Studies*	4
	2010	Farrell, A. M.	*Journal of Business*	Theoretical
	2011	Gaston-Breton, C., & Martín Martín, O.	*International Marketing Review*	27
	2013	Tao, B., Zhanming, J., & Xiaoguang, Q.	*International Journal of China Marketing*	Theoretical
	2014	Ambos, B., & Håkanson, L.	*Journal of International Management*	Theoretical
	2014	Drogendijk, R., & Martín, O. M.	*International Business Review*	106; 2

Table 3
Number of Studies Supporting Links Between Country Characteristics and International Business Decisions.

International Business Decisions	Theoretical Studies	Empirical Studies	Total Studies
Country Selection	12	26	38
Mode of Entry	3	7	10
Segmentation-Targeting-Positioning	5	3	8
Marketing Mix	6	13	19
Total	26	49	75

Kim, 1997).

Buckley (2014) found that, over the past 40 years, MNEs have changed dramatically, and internalization theory explains these changes and continues to help in understanding networked, knowledge-intensive MNEs (Buckley & Hashai, 2007; Buckley, 2014). The theory explains MNEs' strategic decisions, and helps in understanding and predicting them: the direction of MNE growth can be predicted by having a clear idea of the changing locational costs of different activities, the links between activities, and the optimal configuration of locations and flows (2005, Buckley & Hashai, 2004; Buckley & Hashai, 2009; Buckley, 2014). "By analyzing the opportunities to internalize markets in knowledge-intensive products and services, and the counterbalancing attributes of productive outsourcing, the strategic decisions of MNEs can be explained" (Buckley, 2014, p. 242). Buckley (2014) suggests four applications of internalization theory that will likely endure into the next decade: (1) networked multinationals and the global factory; (2) emerging country MNEs (EMNEs); (3) the increasing importance of location and economic geography; and (4) implications for growth, development and welfare of the evolution of the MNE.

Evolutionary theory explains a firm's entry mode decision based on its past experience and the capabilities that arise from it (Nelson & Winter, 1982). The evolutionary theory differs from the internationalization argument above in that it clearly distinguishes between knowledge or information, and knowhow (the cumulative acquired expertise within the firm) or the ability to use the information (Kogut & Zander, 1992). Evolutionary theory – in the context of market-entry – focuses on the compatibility between the capabilities required for successful market conduct of operation and the firm's existing knowledge base (Johanson & Vahlne, 1977; Madhok, 1996; Tallman, 1991). If the firm already has the knowledge base, internationalization is the preferred manner of undertaking the activity, as implementation costs would be substantially lower since existing routines could be used (Galbraith & Kay, 1986; Madhok, 1996). Alternatively, the capability

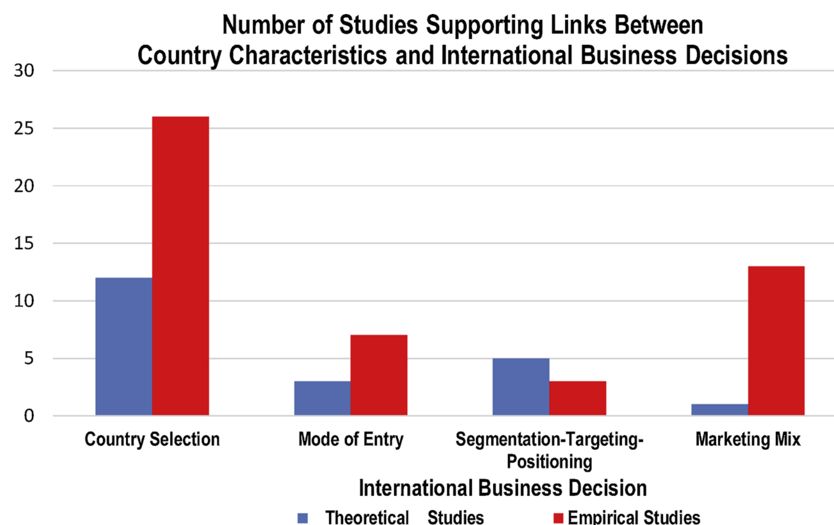

Fig. 1. Number of Studies Supporting Links Between Country Characteristics and International Business Decisions.

constraint becomes important when a firm enters into an unfamiliar area of activity, where "the technological and market distance of the activity is further away from the firm's store of knowledge" (Madhok, 1996, p. 342). In such cases, collaborations provide complementary routines required for the success of the operation and help solidify and diversify the firm's knowledge base (Badaracco, 1991; Kogut, 1988; and Madhok, 1996).

Competitive forces play a major role in a firm's entry decision. Market entry strategies are shaped by the market's competitive landscape (Madhok, 1996). Collaborations can improve competitive positioning because they provide more flexible entry and exit options (Harrigan, 1988; Madhok, 1996). Collaborations leverage a firm's resources and facilitate rapid build-up of strategic presence; collaborations are driven by cost-reduction and revenue-enhancing considerations – both overcome and serve as barriers to entry (Madhok, 1996). A firm's past entry-mode choice also plays a key role in subsequent entry mode choices (Benito, Peterson, & Welch, 2009). Organizaitons persists in continuing the same type of activities over time: the theory of organizational inertia (Romanelli & Tushman, 1986) suggests that successful firms institutionalize established activity patterns in order to avoid change. Firms prefer using the same entry modes because they need to consider the compatibility between their existing knowhow and the knowhow required to be successful in the new market (Madhok, 1997; Zander & Kogut, 1995). Positive entry-mode experiences are likely to lead to growing knowledge and to the reuse of the same mode, whereas negative entry-mode experiences are likely to lead to a bias against using the same mode (Welch et al., 2008).

8.2. Company assets and resources

Market knowledge (Prashantham & Young, 2011), internationalization knowledge (Fletcher & Harris, 2012), and technological knowledge (Fletcher & Harris, 2012) are fundamental for firm internationalization. The theory of internationalization emphasizes the importance of technological knowledge in influencing a firm's international expansion (Kogut & Zander, 1992; Kyläheiko, Jantunen, Puumalainen, Saarenketo, & Tuppura, 2011). Garnering technological knowledge compensates for the deficiencies of the firm that create constraints to international expansion (Lu & Beamish, 2001). Firms leverage new technologies in order to adapt products for foreign markets (Autio, Sapienza, & Almeida, 2000) and technological advancements enable firms to capitalize on market dynamism through rapid new product development (McCann, 1991).

Both Asian firms and their Western counterparts require technology acquisition to expand internationally. The collective-good characteristic of technological resources suggests that they can be replicated and shared without incurring the full costs of re-creating them in every transfer (Arsyad & Hwang, 2014; Caves, 1996; Martin & Salomon, 2003). Technology-intensive firms are motivated to increase their international presence to make better use of the resources in more foreign locations (Arsyad & Hwang, 2014, p. 106). Embeddedness of knowledge assets in activities, product, and services improves the ability of the firm to see and exploit opportunities at the global level (2005, Dhanaraj & Beamish, 2003; Oviatt & McDougall, 1994; Zahra, Ireland, & Hitt, 2000).

However, the impact of technology on international expansion depends on the industry, as firms differ in the way they exploit resources and capabilities, and on the characteristics of the firm: for instance, high labor intensity positively moderates the impact of technological resources on multinationality (Arsyad & Hwang, 2014). High labor-intensive firms with international certification have higher export sales than low labor-intensive firms with international certification, thus, high labor-intensive firms obtain greater benefit of technological resources (Arsyad & Hwang, 2014). Research also suggests a positive relationship between R&D intensity and international performance (Filatotchev & Piesse, 2009; Oviatt & McDougall, 2005; Rodriguez & Rodriguez, 2005), especially in high-tech industries. However, R&D investment is an input to the process of new knowledge generation, and R&D expenditure are not directly correlated to knowledge assets. Knowledge assets have a positive impact on international sales performance only up to a point; it is necessary to balance knowledge assets with complementary assets like specialized manufacturing resources, access to distribution channels, service networks, and complementary technologies (Rothaermel & Hill, 2005) for a higher international performance. Since knowledge assets create value only in combination with other complementary assets, the relationship between intangible knowledge assets and international performance is subject to diminishing returns (Denicolai, Zucchella, & Strange, 2014, p. 56).

A very high knowledge asset will likely signal reduced interest in overseas sales, first, since a high proportion of knowledge assets may imbalance the resource and capabilities base, impairing the firm's ability to grow and succeed abroad (Cuervo-Cazurra, Maloney, & Manrakhan, 2007; Hu, 1995). Secondly, patents, licenses, etc., protect against competition, offering a quasi-monopoly in the home country, though not necessarily in foreign markets, resulting in the firm choosing to concentrate on the domestic market (1987, Denicolai et al., 2014; Rumelt, 1984).

Gatignon and Anderson (1988) propose that high-control entry modes are more efficient for products that are highly proprietary, unstructured, and ill-understood, or in introductory or growth stages. The higher costs of transferring proprietary assets lead firms to choose a high-control entry mode. Establishing a physical presence overseas requires capital investments (Hill & Kim, 1988), strains the company's capital and human resources, and increases its business and political risks (Contractor & Lorange, 1988; Hennart, 1988). Research established that, with the increase in investments costs, a firm would be more inclined to choose a shared control mode of entry (Erramilli & Rao, 1993; Gatignon & Anderson, 1988).

8.3. Expansion/growth strategies

Alliances leveraged for entry into foreign markets are largely influenced by a firm's growth strategy. Alliances can be classified as either equity or non-equity. The primary type of equity alliance is the joint venture, the creation of an independent legal entity, separate from the parent company (Hennart, 1988). Non-equity alliances include a wide range of contractual agreements, such as licensing agreements, franchises, and long-term contracts (Tallman & Shenkar, 1994). Transaction cost theory suggests that the choice between a contractual alliance and an ownership-based alliance is the choice between governance by market or governance by hierarchy; the form of governance chosen depends on the desired degree of commitment, control, and flexibility (Contractor & Lorange, 1988; Hagedoorn & Narula, 1996).

In terms of expansion strategies, they involve company growth into related areas of business, either in terms of products, or markets, or both. Hence, expansion requires alternatives that offer the advantage to leverage its existing resources and assets, without incurring any major risks. The most common forms of expansion are through organic growth, or through cooperation with other companies in the same field. Since companies already possess the knowledge required to carry out their expansion strategy, they will opt for strategies with a greater degree of control (Hennart & Park, 1993; Mudambi & Mudambi, 2002).

Companies opt for diversification growth strategies to cope with market volatility and uncertainty, offering access to new businesses with which to experiment and learn, while avoiding high costs (Naylor & Lewis, 1997). Cooperation allows companies to achieve a balance between the need for ownership and the desire for sufficient flexibilities to implement diversification strategies successfully – and joint ventures are a good method for diversification, offering great flexibility and synergies for the company (Naylor & Lewis, 1997).

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Table 4
Research Studies and Their Findings Supporting Relationships between Company Characteristics and Four IBDs.

Company Characteristics	Findings
Country Selection: Rumelt (1984, 1987); Hu (1995), Hitt et al. (1997), Lu and Beamish (2001); Shenkar (2001); Henisz and Delios (2002); Lu and Beamish (2004); Cuervo-Cazurra et al. (2007); Prashantham and Young (2011), Denicolai et al. (2014), Eriksson (2014); Mohr and Batsakis (2014)	Firms are more successful and profitable in markets where they exploit a knowhow-based advantage. Knowledge base is determined by distance between host and home country, number of countries of operation, and the diversity between the countries. Knowledge assets greater than resource capabilities or exclusive property rights could cause a firm to choose its domestic market over a foreign one.
Mode of Entry: Johanson and Vahlne (1977); Nelson and Winter (1982); Rumelt (1984); Galbraith and Kay (1986); Romanelli and Tushman (1986); Rumelt (1987); Contractor and Lorange (1988); Gatignon and Anderson (1988); Harrigan (1988); Hennart (1988); Hill and Kim (1988); Kogut (1988), Heskett et al. (1990), Badaracco (1991); Erramilli (1991); Tallman (1991); Kogut and Zander (1992); Erramilli and Rao (1993); Hennart and Park (1993); Oviatt and McDougall (1994); Tallman and Shenkar (1994); Hu (1995); Zander and Kogut (1995); Caves (1996); Hagedoorn and Narula (1996); Madhok (1996); O'Grady and Lane (1996); Eriksson et al. (1997); Hitt et al. (1997); Madhok (1997); Nelson and Winter (1982); Barkema and Vermeulen (1998); Mentzer et al. (2000); Zahra et al. (2000); Eriksson et al. (2000a), 2000b; Lu and Beamish (2001); Mudambi and Mudambi (2002); Delios and Henisz (2003); Dhanaraj and Beamish (2003); Fenwick et al. (2003); Martin and Salomon (2003); Buckley and Hashai (2004); Lu and Beamish (2004); Buckley and Hashai (2004); Oviatt and McDougall (2005); Rodriguez and Rodriguez (2005); Rothaermel and Hill (2005); Buckley and Hashai (2007); Cuervo-Cazurra et al. (2007); Welch et al. (2008); Benito et al. (2009); Buckley and Hashai (2009); Filatotchev and Piesse (2009); Chang and Rhee (2011); Figueira-de-Lemos et al. (2011); Kyläheiko et al. (2011); Prashantham and Young (2011); Fletcher and Harris (2012); Arsyad and Hwang (2014); Buckley (2014); Denicolai et al. (2014); Eriksson (2014); Mohr and Batsakis (2014)	Internationalization process theory claims that a firm's choice of entry mode is determined by knowledge assets, and the entry-mode goal is to most efficiently minimize transaction costs. Evolutionary theory states that the entry-mode decision is based on a firm's past pattern of expansion and the capabilities that arise from it, and requires both knowledge and knowhow, or the cumulative acquired ability to use knowledge. When knowhow is limited, collaborative entry modes help strengthen the firm's knowledge base. Collaborations are also useful when the foreign market is very competitive, or when there are barriers to entry; therefore, firms must be aware of a market's competitive forces before entrance. Firms examine past entry mode choices to see which experiences were positive and led to increased knowledge – firms prefer to use previously successful entry mode strategies because of the existing knowhow. Entry mode choice also depends on the degree of commitment, control, and the flexibility a firm desires in their growth strategy, as well as the characteristics of its market offering. Firms will choose high-control entry modes when products are unstructured, ill-understood, or in introductory stages, or when they already possess a high level of knowledge. Firms with products that require a high capital and human investment in the physical location of the host country, or possess a lesser degree of knowledge, will choose shared control or a cooperative mode of entry.
Segmentation, Targeting and Positioning: Oviatt and McDougall (1994); Zahra et al. (2000); Dhanaraj and Beamish (2003); Oviatt and McDougall (2005); Buckley (2014)	Firms are able to determine the best opportunities through embeddedness of knowledge assets in activities, products, and services.
Price, Promotion, Place, and Product: McCann (1991); Oviatt and McDougall (1994); Autio et al. (2000); Zahra et al. (2000); Dhanaraj and Beamish (2003); Buckley and Hashai (2004, 2005); Oviatt and McDougall (2005); Rodriguez and Rodriguez (2005); Rothaermel and Hill (2005); Buckley and Hashai (2009); Filatotchev and Piesse (2009); Buckley (2014)	Technology resources encourage increase in international presence to make better use of assets. Firms use technology to adapt products to markets and capitalize on market dynamism through new product development. Knowledge assets must be balanced with complementary assets to create a successful international combination.

8.4. Relationships between company characteristics and IBDs

Again, this review is organized by variables, research papers related to the variables, and major findings. As stated before, we have used a format similar to that used in Szymanski et al. (1995) in their *Journal of Marketing* review paper. Table 4 provides the above information separately for the four IBDs, namely country selection, mode of entry, segmentation-targeting-positioning, and marketing mix decisions. Table 5 provides complete details of the research studies supporting the relationships between company characteristics and the four IBDs. The research studies are classified as theoretical or empirical and sample sizes are provided for the empirical studies. Table 6 gives the number of studies supporting links between company characteristics and four IBDs. This information is illustrated in Fig. 2.

8.5. Propositions and conceptual model

Based on our analysis of the numerous international marketing research studies summarized in this paper, we identify two key aspects that largely influence a firm's international business decisions. These are (i) Country characteristics of the identified host country, and (ii) Company characteristics of the company making the international decisions. Specifically, an examination of the findings summarized in Table 1 and Table 4 suggest that country and company characteristics interactively affect each of the four IBDs. We, therefore propose the following:

Proposition 1. Country characteristics and company characteristics jointly influence the country selection decision.

Proposition 2. Country characteristics and company characteristics jointly influence the mode of entry decision.

Proposition 3. Country characteristics and company characteristics jointly influence the segmentation-targeting-positioning decision.

Proposition 4. Country characteristics and company characteristics jointly influence marketing mix decisions.

We further categorize country characteristics as the (i) opportunity, (ii) risk, and (iii) distance of the country. A country's opportunity is a firm's incentive to expand into foreign markets to vastly increase the number of its potential customers and earn higher revenues and profits. A country's attractiveness is determined by high economic development and prosperity, greater market opportunity, larger population, greater purchasing power (Lafontaine & Leibsohn, 2005), low economic and business risks, lower transportation, communication and labor costs, growth friendly policies, greater natural resources, and a robust judicial system (Baena, 2013). A country's risk is the aggregation of economic, regulatory, political, terrorism, currency, and inflation risks that directly impact the companies conducting business in the country. International operations have higher levels of risks, and firms strive to minimize risks in international business decisions. A country's 'distance' is the geographical and psychological distance of the new country from the company's country of origin. We included cultural, socio economic and historical distance in evaluating psychological distance.

We believe a company's international business decisions are greatly impacted by its (i) international business experience, (ii) assets and resources, and (iii) expansion and growth strategies. A company's *international business experience* is a summary of the length of time it has conducted business in markets other than its host country, the number of countries where it has business operations, and the nature and extent of experience in its international ventures. A *company's assets and*

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resources is a company's financial position, technical knowhow, manpower, market power, research and development capabilities, and patents held. A company's *expansion and growth* strategy is the genesis behind a firm's growth initiatives. Some firms may be risk takers while others are risk averse, some believe in rapid organic growth, while others are followers of steady inorganic growth. For example, "Nestle's Way" is to dominate the market – a strategy that is concordant with its long international business experience, its substantial assets and resources, and its expansion and growth strategies. Nestlé is a world leader in many product categories including chocolate. Its strategy in entering international markets may be understood by closely examining the way it challenged Wedel, the Polish chocolate market leader in Poland, one of the largest markets in the former Eastern Bloc. Nestlé decided at the outset, as it has done in several international markets in the past, not to build a plant, and, instead, to build the Nestlé brand awareness from scratch. At first, they attempted to acquire the best-selling chocolate company, Wedel, but did not succeed. Instead, they bought Goplana, the second-best-selling chocolate brand in Poland (Cateora et al., 2016). Over time, they brought the product to bring it to Nestlé's standards and undertook a massive marketing campaign to challenge the market leader. Coca-Cola, also in line with its expansion and growth strategies, took a similar approach, acquiring Thums Up, the best-selling cola in India, to take the number one position in the Indian soda market and to beat Pepsi, as well as other local competitors in sales revenue and market share (Cateora et al., 2016). Both Nestlé and Coca-Cola benefited from an extensive international expansion experience, leveraging their substantial assets and resources; they took risks, Nestlé acquiring the second best-selling chocolate in Poland, shepherding it to the number one position, and Coca-Cola acquiring Thums Up to gain the number one position in the Indian soda market.

We summarized the country and company characteristics addressed herein, and we explained how they interact to influence the key international business decisions in the conceptual model presented in Fig. 3.

9. Findings and managerial implications

A firm will invest in a country only when location and ownership advantages make production abroad profitable; alternatively, firms will cover overseas markets through lower equity modes of entry such as licensing or export. In the past decades, Asia attracted foreign firms with a skilled, low-cost labor and rapidly-growing markets. At that time, Africa, was considered the "forgotten continent" (c.f. Quelch & Austin, 1993, p. 107) for multinationals, serving primarily as an export market. Today, sub-Saharan Africa, with the world's fastest growing population, is an economic powerhouse, where business and infrastructure are booming, prompting comparisons with China decades ago (McNew, 2015). It is thus likely that managers will opt for higher equity modes to serve the African market and to benefit from its young labor force and the promising market dynamics. Marriott, for example, has recently acquired the largest African hotel chain, and today it is the market leader in the subcontinent; Yum! Brands has over 1000 KFC restaurants in Africa, and it is now rapidly franchising Pizza Hut restaurants (McNew, 2015).

Firms planning to enter the sub-Saharan African and other promising, rapidly-growing, and previously-underserved markets will likely benefit from location advantages in these regions. There, local production will likely be profitable. Had development been stagnant in sub-Saharan Africa, firms would have opted to enter the markets through a lower-equity mode, such as export, and would have avoided the rapid expansion we are currently witnessing.

Firms will favor a low-resource-commitment mode of entry and will move to higher commitment modes as they gain experience in international operations. Moreover, firms that have accumulated knowledge of international operations through experience will better manage the uncertainties associated with international operations, and will ultimately perceive high control modes of entry as less risky than firms without international experience (Baena, 2013). Firms learn from prior entry-mode decisions and reuse successful entry mode strategies in newer markets to reduce risks (Chang, 1995). For Yum! Brands, its success with KFC franchises in Africa, prompted management's decision to introduce another franchise, Pizza Hut, in 2014 (McNew, 2015). KFC's popularity in sub-Saharan Africa, where there is minimal competition for fast-food restaurants, prompted Yum! Brands' managers to reuse this successful entry mode with Pizza Hut. In 2017, Pizza Hut became the first international restaurant chain in Africa's most populous country, Ethiopia (Manek, 2017) – its success in other African markets with KFC, and its recent success with Pizza Hut prompted Yum! Brands to bet on a new market for fast food, Ethiopia.

Yum! Brands and Marriott have acquired extensive internationalization experience worldwide; their more recent inroads in Africa were small at first, but they accelerated their investments after their initial success, suggesting that accumulating knowledge of international operations through experience in Africa would help them better manage uncertainty – in the case of Yum! and Marriott, reusing their successful entry-mode strategies in their new markets. This is similarly the case with other large multinationals, such as Coca-Cola and Exxon Mobil. It is likely that H&M, which recently opened its first stores in the subcontinent, in the Republic of South Africa, will also use the same strategies expanding in the rest of Africa in the near future.

Similarly, French group Renault's Dacia automobile, manufactured in Romania, was first produced under license and sold only in the Eastern Bloc. The region's transition to a market economy brought prosperity and, ultimately, a greater involvement of the licensor;

Table 5
Research Studies (Theoretical – Empirical) Supporting Relationships between Company Characteristics and Four IBDs.

IBDs	Year	Author(s)	Publication	Sample Size
Country	1984	Rumelt, R. P.	*Competitive Strategic Management*	Theoretical
Selection	1987	1987 Rumelt, R. P.	*The Competitive Challenge*	Theoretical
	1995	Hu, Y. S.	*California Management Review*	Theoretical
	1997	Hitt, M.A., Hoskisson, R. E., & Kim, H.	*Academy of Management Journal*	295
	2001	2001 Lu, J. W., & Beamish, P. W.	*Academy of Management Journal*	164
	2001	Shenkar, O.	*Journal of International Business Studies*	Theoretical
	2002	Henisz, W., & Delios, A.	*The New Institutionalism in Strategic Management*	Theoretical
	2004	Lu, J. W., & Beamish, P. W.	*Academy of Management Journal*	1,489
	2007	Cuervo-Cazurra, A., Maloney, M. M., & Manrakhan, S.	*Journal of International Business Studies*	Theoretical
	2011	Prashantham, S., & Young S.	*Entrepreneurship Theory and Practice*	
	2014	Denicolai, S., Zucchella, A., & Strange, R.	*International Business Review*	290
	2014	Eriksson, K.	*The Routledge Companion to Financial Services Marketing*	
	2014	2014 Mohr, A., & Batsakis, G.	*International Marketing Review*	144

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Table 5 (*continued*)

IBDs	Year	Author(s)	Publication	Sample Size
Mode of Entry	1977	1977 Johanson, J., & Vahlne, J.	*Journal of International Business Studies*	Theoretical
	1982	Nelson, R., & Winter, S.	*An Evolutionary Theory of Economic Change*	Theoretical
	1984	Rumelt, R. P.	*Competitive Strategic Management*	Theoretical
	1986	Galbraith, C., & Kay, N. M.	*Journal of Economic Behavior and Organization*	Theoretical
	1986	Romanelli, E., & Tushman, M. L.	*Management Science*	Theoretical
	1987	Rumelt, R. P.	*The Competitive Challenge*	Theoretical
	1988	Contractor, F. & Lorange, P.	*Cooperative Strategies in International Business*	Theoretical
	1988	Gatignon, H., & Anderson, E.	*Journal of Law, Economics and Organization*	1,267
	1988	Harrigan, K. R.	*Strategic Management Journal*	Theoretical
	1988	1988 Hennart, J. -F.	*Strategic Management Journal*	44
	1988	Hill, C. W. L., & Kim, W. C.	*Strategic Management Journal*	Theoretical
	1988	Kogut, B.	*Strategic Management Journal*	Theoretical
	1990	Heskett, J. L., Sasser, W. E. J., & Hart, C. W. L.	*Service Breakthrough*	15
	1991	Badaracco, J. L.	*The Knowledge Link*	2
	1991	Erramilli, M. K.	*Journal of International Business Studies*	151
	1991	Tallman, S. B.	*Strategic Management Journal*	16
	1992	Kogut, B., & Zander, U.	*Organization Science*	Theoretical
	1993	Erramilli, M. K., & Rao, C. P.	*Journal of Marketing*	381
	1993	Hennart, J. -F., & Park, Y. -R.	*Management Science*	270
	1994	Oviatt, B. M., & McDougall, P. P.	*Journal of International Business Studies*	Theoretical
	1994	Tallman, S. B., & Shenkar, O.	*Journal of International Business Studies*	Theoretical
	1995	Hu, Y. S.	*California Management Review*	Theoretical
	1995	Zander, U., & Kogut, B.	*Organization Science*	44
	1996	Caves, R. E.	*Multinational Enterprise and Economic Analysis*	Theoretical
	1996	Hagedoorn, J., & Narula, R.	*Journal of International Business Studies*	5,063
	1996	Madhok, A.	*International Business Review*	14
	1996	O'Grady, S., & Lane, H. W.	*Journal of International Business Studies*	32; 271
	1997	Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D.	*Journal of International Business Studies*	362
	1997	Hitt, M. A., Hoskisson, R. E., & Kim, H.	*Academy of Management Journal*	295
	1997	Madhok, A.	*Strategic Management Journal*	Theoretical
	1998	Barkema, H. G., & Vermeulen, F.	*Academy of Management Journal*	25
	2000	Mentzer, J. T., Min, S., & Zacharia, Z. G.	*Journal of Retailing*	Theoretical
	2000	Zahra, S. A., Ireland, R. D., & Hitt, M. A.	*Academy of Management Journal*	1,345
	2000	Eriksson, K., Johanson, J., Majkgård, A., & Sharma, D. D.	*International Studies of Management and Organization*	362
	2000	Eriksson, K., Majkgård, A., & Sharma, D.	*Management International Review*	262
	2001	Lu, J. W., & Beamish, P. W.	*Academy of Management Journal*	164
	2002	Mudambi, R., & Mudambi, S. M.	*International Business Review*	576
	2003	Delios, A., & Henisz, W. J.	*Strategic Management Journal*	3,857
	2003	Dhanaraj, C., & Beamish, P. W.	*Journal of Small Business Management*	855
	2003	Fenwick, M., Edwards, R., & Buckley, P. J.	*International Business Review*	20
	2003	Martin, X., & Salomon, R.	*Journal of International Business Studies*	Theoretical
	2004	Buckley, P.J. & Hashai, N.	*Journal of International Business Studies*	Theoretical
	2004	Lu, J. W., & Beamish, P. W.	*Academy of Management Journal*	1,489
	2005	Buckley, P.J. & Hashai, N.	*International Business Review*	Theoretical
	2005	Oviatt, B. M., & McDougall, P. P.	*Entrepreneurship: Theory & Practice*	Theoretical
	2005	Rodriguez, J. L., & Rodriguez, R. M. G.	*International Business Review*	1,234
	2005	Rothaermel, F. T., & Hill, C. W. L.	*Organization Science*	566
	2007	Buckley, P. J.	*Scandinavian Journal of Management*	Theoretical
	2007	Cuervo-Cazurra, A., Maloney, M. M., & Manrakhan, S.	*Journal of International Business Studies*	Theoretical
	2007	Welch, L. S., Benito, G. R. G., & Petersen, B.	*Foreign Operation Methods: Theory, Analysis, Strategy*	Theoretical
	2009	Benito, G., Peterson, B, & Welch, L.	*Journal of International Business Studies*	Theoretical
	2009	Buckley, P.J. & Hashai, N.	*Journal of International Business Studies*	Theoretical
	2009	Filatotchev, I., & Piesse, J.	*Journal of International Business Studies*	1,110
	2011	Chang, S.-J., & Rhee, J. H.	*Journal of International Business Studies*	276
	2011	Figueira-de-Lemos, F., Johanson, J., & Vahlne, J.	*Journal of World Business*	Theoretical
	2011	Kyläheiko, K., Jantunen, A., Puumalainen, K., Saarenketo, S., & Tuppura, A.	*International Business Review*	300
	2011	Prashantham, S., & Young S.	*Entrepreneurship Theory and Practice*	Theoretical
	2012	Fletcher, M., & Harris, S.	*International Business Review*	10
	2014	Arsyad, N., & Hwang, P.	*Journal of Asia Business Studies*	4,056
	2014	Buckley, P. J.	*Multinational Business Review*	Theoretical
	2014	Denicolai, S., Zucchella, A., & Strange, R.	*International Business Review*	290
	2014	Eriksson, K.	*The Routledge Companion to Financial Services Marketing*	Theoretical
	2014	Mohr, A., & Batsakis, G.	*International Marketing Review*	144
Segmentation, Targeting, and Positioning	1994	Oviatt, B. M., & McDougall, P. P.	*Journal of International Business Studies*	Theoretical
	2000	Zahra, S. A., Ireland, R. D., & Hitt, M. A.	*Academy of Management Journal*	1,345
	2003	Dhanaraj, C., & Beamish, P. W.	*Journal of Small Business Management*	855
	2005	Oviatt, B. M., & McDougall, P. P.	*Entrepreneurship: Theory & Practice*	Theoretical
	2014	Buckley, P. J.	*Multinational Business Review*	Theoretical

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Table 5 (*continued*)

IBDs	Year	Author(s)	Publication	Sample Size
4 P's: Price, Promotion, Place, and Product	1991	McCann, J. E.	*Journal of Business Venturing*	100
	1994	Oviatt, B. M., & McDougall, P. P.	*Journal of International Business Studies*	Theoretical
	2000	Autio, E., Sapienza, H., & Almeida, J.	*Academy of Management Journal*	134
	2000	2000 Zahra, S. A., Ireland, R. D., & Hitt, M. A.	*Academy of Management Journal*	1,354
	2003	Dhanaraj, C., & Beamish, P. W	*Journal of Small Business Management*	855
	2004	Buckley, P.J. & Hashai, N.	*Journal of International Business Studies*	Theoretical
	2005	2005 Buckley, P.J. & Hashai, N.	*International Business Review*	Theoretical
	2005	Oviatt, B. M., & McDougall, P. P.	*Entrepreneurship: Theory & Practice*	Theoretical
	2005	Rodriguez, J. L., & Rodriguez, R. M. G.	*International Business Review*	1,234
	2005	Rothaermel, F. T., & Hill, C. W. L.	*Organization Science*	566
	2009	Buckley, P.J. & Hashai, N.	*Journal of International Business Studies*	Theoretical
	2009	Filatotchev, I., & Piesse, J.	*Journal of International Business Studies*	1,110
	2014	Buckley, P. J.	*Multinational Business Review*	Theoretical

Table 6
Number of Studies Supporting Links between Company Characteristics and IBDs.

International Business Decisions	Theoretical Studies	Empirical Studies	Total Studies
Country Selection	7	6	13
Mode of Entry	31	32	63
Segmentation-Targeting-Positioning	3	2	5
Marketing Mix	6	7	13
Total	47	47	94

ultimately, Renault bought Dacia in 1999 – it is now a Renault wholly-owned subsidiary.

Small to midsize firms prefer to expand to a country in close geographical proximity and then gradually move to more distant ones. Companies expanding for the first time prefer to target countries that are closer in both geographical and psychological distance. Firms move to higher-commitment modes of entry only when they gain experiential knowledge in foreign markets (Aliouche, Schlentrich, & Frazer, 2012). Firms favor high-equity entry modes when market conditions are favorable, and lower equity modes when consumer demand is stagnant in foreign markets (Lu, Karpova, & Fiore, 2011). IKEA, for example, entered the U.S. in the mid 1980s, and, despite its long presence there, this market accounts for less than 15% of its global sales revenue. A key reason for its slow growth is IKEA's very close assessment of potential franchisees for strong financial background and experience in retailing. They carefully fit a strategic template to a new international market using an approach they refer to as "flexible replication." Although IKEA operates in 41 countries including India and China, more than 70 percent of its global sales revenue comes from European countries (Cateora et al., 2016; Gupta, 2017), indicative of its preference to expand to countries in close geographical and psychological proximity.

As mentioned, the Dacia automobile was initially produced under a Renault license and sold only in the Eastern Europe, in target countries that were closer geographically and psychologically. After the fall of communism, Dacia, a wholly-owned subsidiary of Renault since 1999, expanded worldwide to countries at greater geographical and psychological distance.

10. Conclusion and directions for future research

This paper attempted to compile a synopsis of a large number of research articles on International Business Decisions and summarize their findings into one conceptual model that can be used by managers in their evaluation of their international business decisions. We realize that there is a substantial body of research on evaluating country opportunity and risk and in selecting the entry mode, as well as on how a firm's experience and knowhow shapes its international business decisions. Our research aggregates the findings on the subject of IBDs and its determinants into an overall conceptual model. For this purpose, we have selected all articles that were identified by the databases and by our manual journal search. A limitation is that we were not able to conduct an exhaustive search: our ability was limited by the coverage of the databases, and we may have missed proceedings papers, books, or book chapters that we should have included.

Our research is conceptual in nature. A limitation is that the study was not empirical in nature, presenting and testing a testable model. However, the study presents ample opportunities for hypotheses development and empirical work. The model should be further

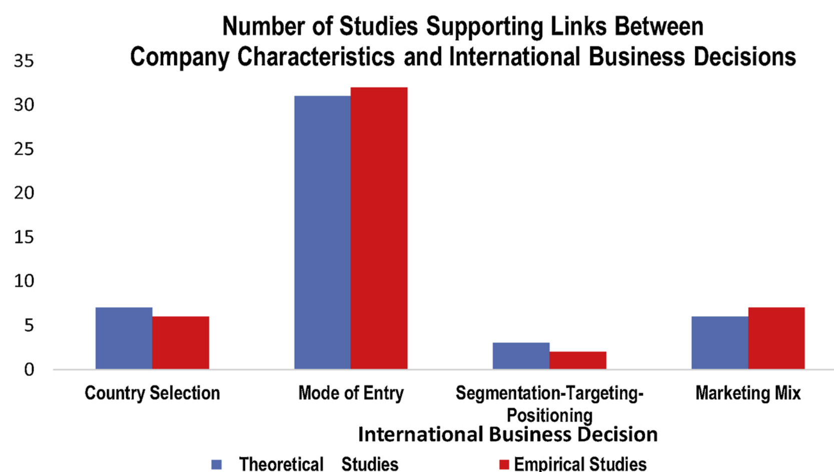

Fig. 2. Number of Studies Supporting Links Between Company Characteristics and International Business Decisions.

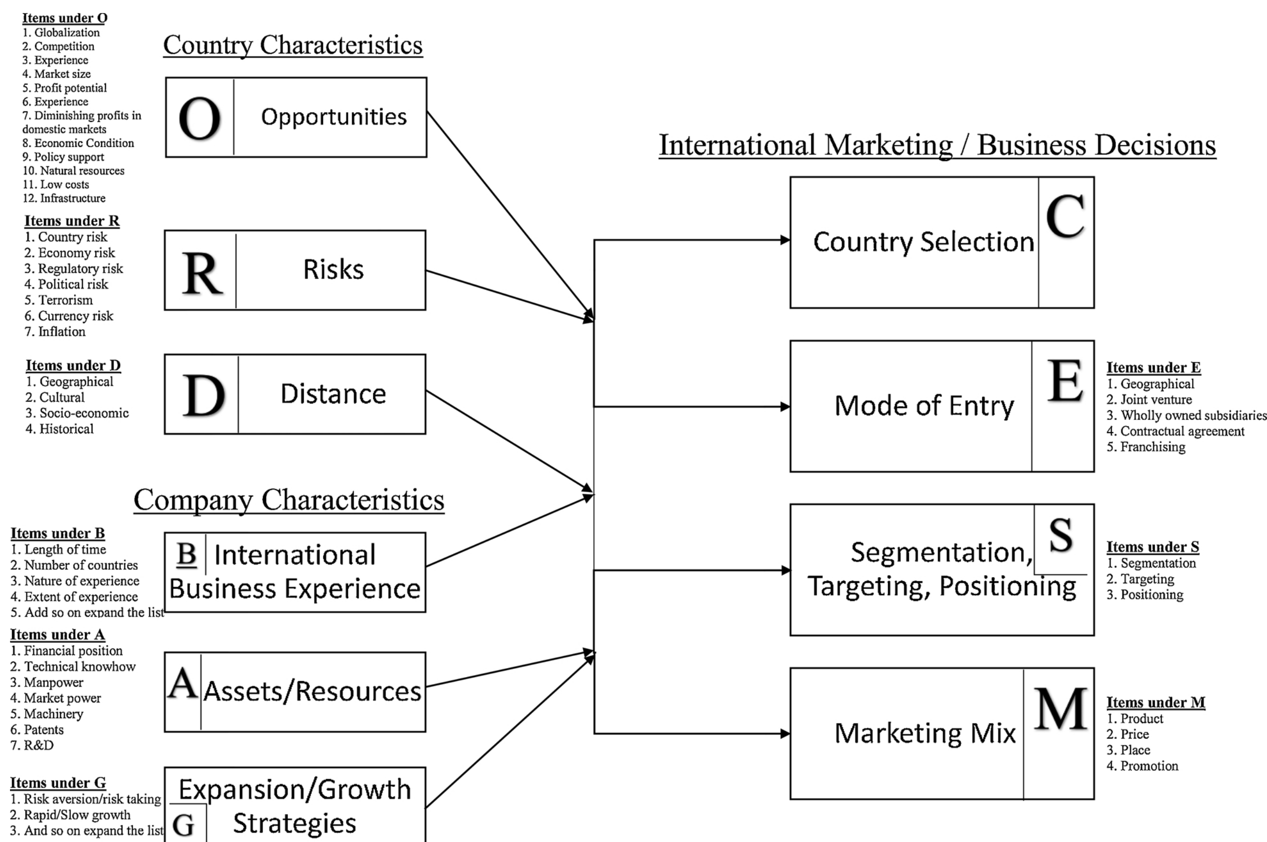

Fig. 3. Conceptual Model.

investigated in future research, developing hypotheses to test different aspects of the model; the testing will then focus on the measurement of the impact of the determinants on International Business Decisions. For example, one possibility is to conduct survey research examining the extent to which various determinant factors are considered by companies in making IBDs, and how they affect performance in the foreign markets.

There are some important findings related to the number of research studies supporting different relationships depicted in our conceptual model given in Fig. 1. Table 3 reported the number of studies supporting links between country characteristics and four IBDs. As can be seen, IBD of country selection has been relatively much more researched topic compared to the other three IBDs. Similarly, Table 4 reports number of studies supporting links between company characteristics and four IBDs. As can be seen, in this case, the mode-of-entry decision has been researched to a much greater extent compared to the other three IBDs. These findings suggest that there is scope for research on mode of entry, segmentation-targeting-positioning, and marketing mix decisions as influenced by country characteristics. Similarly, there is scope for research on country selection, segmentation-targeting-positioning, and marketing mix decisions as influenced by company characteristics.

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