

Factors affecting soft service companies' foreign entry modes

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Production management

Abstract- A comprehensive framework that ranked the most important factors to consider was developed. The factors were concluded to be: Internal resources with emphasis on financial resources, capabilities with emphasis on international experience, strategic objective and legal considerations.

Index Terms- Entry mode decision, Foreign market entry mode, Internationalization, Soft service

I. INTRODUCTION

With the forces of globalization, previously safe home markets open up to foreign competition. This urges companies to expand internationally to keep growing. Current literature on how a company should enter a foreign market, namely the choice of entry mode, is based on findings for manufacturing firms and studies on service firms are scarce. In recent years, the service sector has grown steadily and stands for an increasing share of the overall economy, leading to studies on service companies gaining importance.

II. STUDIED ORGANIZATIONS

Soft service companies are generally identified as companies where the production and consumption of a product cannot be

separated, ruling out export as an entry mode. Five soft service companies were interviewed when developing the framework: Max Burgers, Nordic Choice Hotels, BrewDog, O'Learys and Espresso House. The cases were selected based on their international experience and industry criteria. Each company represents a different sector within soft services to ensure conclusions from contrasting companies within soft services. The factors with substantial support from theory and emphasized as important in the interviews were categorized as primary factors.

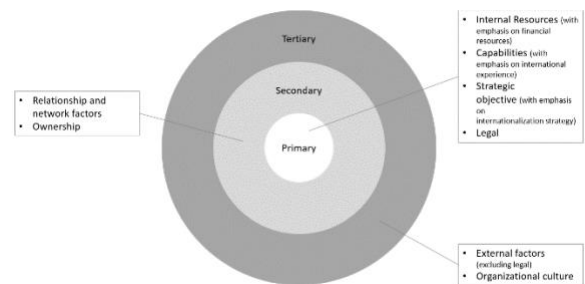
III. RESULTS

The identified primary factors affecting choice of entry mode for soft service companies were: Internal resources with emphasis on financial resources, capabilities with emphasis on international experience, strategic objective and legal considerations. The interviews also revealed the complex relationship among factors, which limit the applicability of general models and decision trees. A further discovery was that the relationship between the degree of control and chosen entry mode was not as strongly supported as theory suggests, with multiple companies stating that franchise, considered

a low-control entry mode, enabled sufficient control. Furthermore, companies within the soft service sector experience difficulties in finding the right franchisees or master franchise in foreign countries, a problem a number of the interviewed companies pointed at. This problem could in some cases change their choice of entry mode.

IV. CONCLUSION AND FUTURE RESEARCH

As seen in the framework to the right, factor groups affecting the choice of entry mode for soft service firms were identified and prioritized. The framework is applicable to all service firms but emphasizes certain factors which affect soft service firms to a greater extent. When deciding on foreign entry modes the framework enables companies to focus on certain factors if time is a constraint, which is often the case decisions within organizations.



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