Part Five
Global Strategy, Structure, and Implementation

Chapter Twelve

Country Evaluation and Selection

Chapter Objectives

- To grasp company strategies for sequencing the penetration of countries
- To see how scanning techniques can help managers both limit geographic alternatives and consider otherwise overlooked areas
- To discern the major opportunity and risk variables a company should consider when deciding whether and where to expand abroad
- To know the methods and problems when collecting and comparing information internationally
- To understand some simplifying tools for helping to decide where to operate
- To consider how companies allocate emphasis among the countries where they operate
- To comprehend why location decisions do not necessarily compare different countries' possibilities

Location

- Companies lack resources to take advantage of all international opportunities.
- Companies need to:
  - Determine the order of country entry.
  - Set the rates of resource allocation among countries.
- In choosing geographic sites, a company must decide:
  - Where to sell.
  - Where to produce.

Scanning

- Scanning techniques aid managers in considering alternatives that might otherwise be overlooked
- They also help limit the final detailed feasibility studies to a manageable number of those that appear most promising

Information that is important in Scanning

- Opportunities:
  - Sales expansion - Economic and Demographic Variables
  - Resource acquisition - Cost Considerations

Factors to Consider in Analyzing Risk

- Four broad categories of risk that companies may consider are:
  - political
  - monetary
  - competitive
  - natural disaster

Some Problems with Research Results and Data

- The amount, accuracy, and timeliness of published data vary substantially among countries
- Managers should be particularly aware of different definitions of terms, different collection methods, and different base years for reports, as well as misleading responses

Country Comparison Tools

- Companies frequently use several tools to compare opportunities and risk in various countries, such as grids that rate country projects according to a number of separate dimensions and matrices, such as one on which companies plot opportunity on one axis and risk on another
- When allocating resources among countries, companies need to consider how to treat reinvestments and divestments, the interdependence of operations in different countries, and whether they should follow diversification versus concentration strategies

Allocating Among Locations

- Companies may reduce the risk of liability of foreignness by moving first to countries more similar to their home countries
- Companies may contract with experienced companies to handle operations for them, limit the resources they commit to foreign operations, and delay entry to many countries until they are operating successfully in one or a few

Geographic Diversification versus Concentration

- Strategies for ultimately reaching a high level of commitment in many countries are:
  - Diversification—go to many fast and then build up slowly in each.
  - Concentration—go to one or a few and build up fast before going to others.
  - A hybrid of the two.

Reinvestment Versus Harvesting

- A company may have to make new commitments to maintain competitiveness abroad.
- Companies must decide how to get out of operations if:
  - They no longer fit the overall strategy.
  - There are better alternative opportunities.

Noncomparative Decision Making

- Companies often evaluate entry to a country without comparing that country with other countries
- This is because they may need to react quickly to proposals, to respond to competitive threats, and because multiple feasibility studies seldom are finished simultaneously