



**International MCDA Workshop on PROMETHEE:  
Research and Case Studies  
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**The Selection of the Entry Mode  
in International Expansion Using MCDA Methods  
Belonging to the PROMETHEE Family**

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# Agenda



Introduction

Motives of international expansion

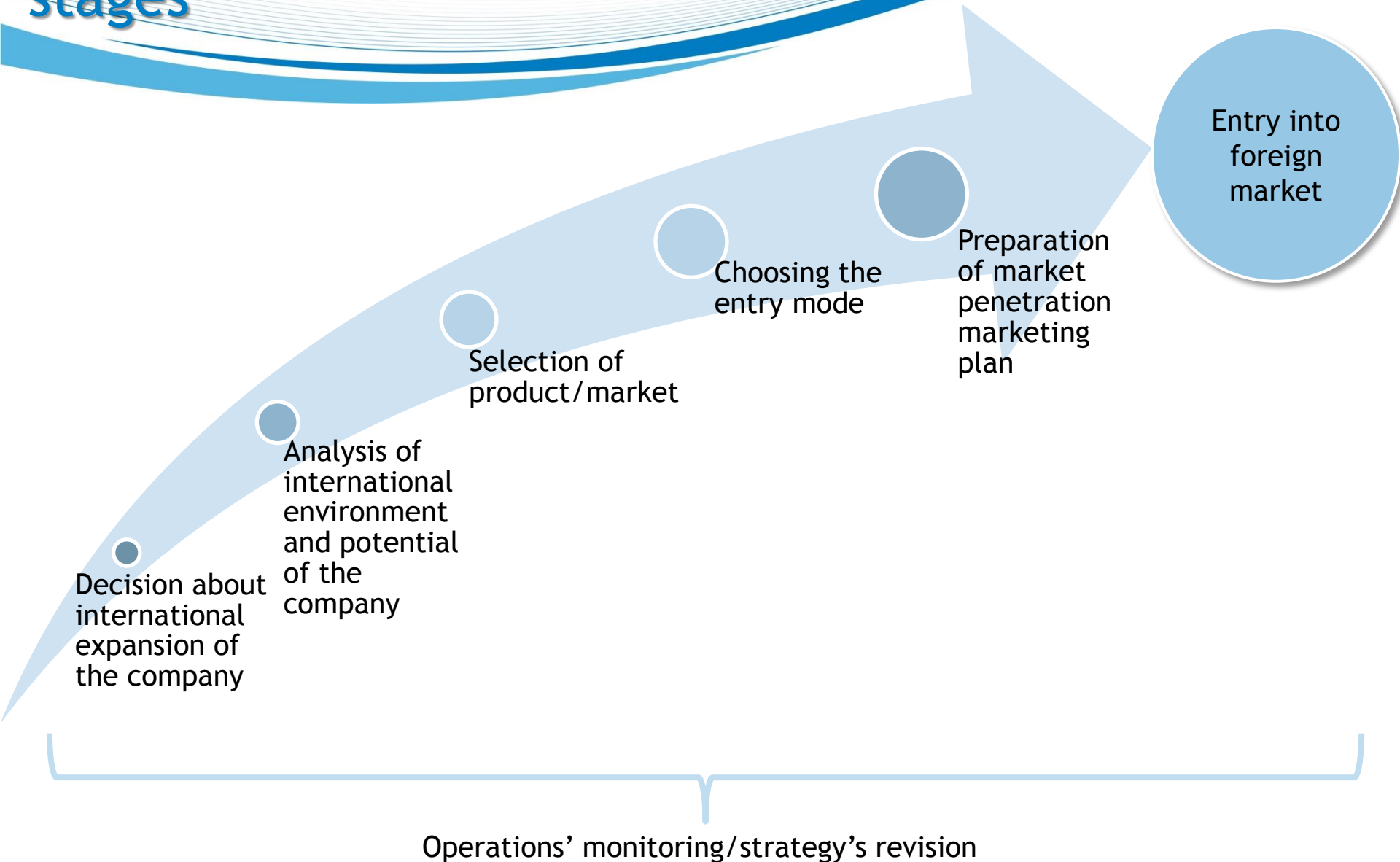
Stages of international expansion strategy

Entry mode selection

Case study

Conclusions

# International Expansion Strategy - stages

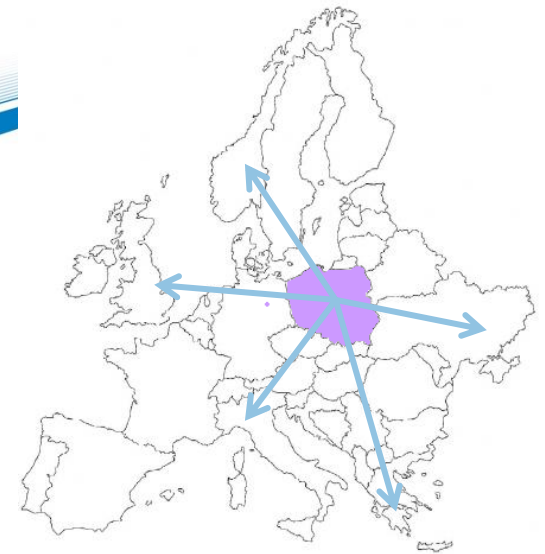


# Why do companies go abroad?

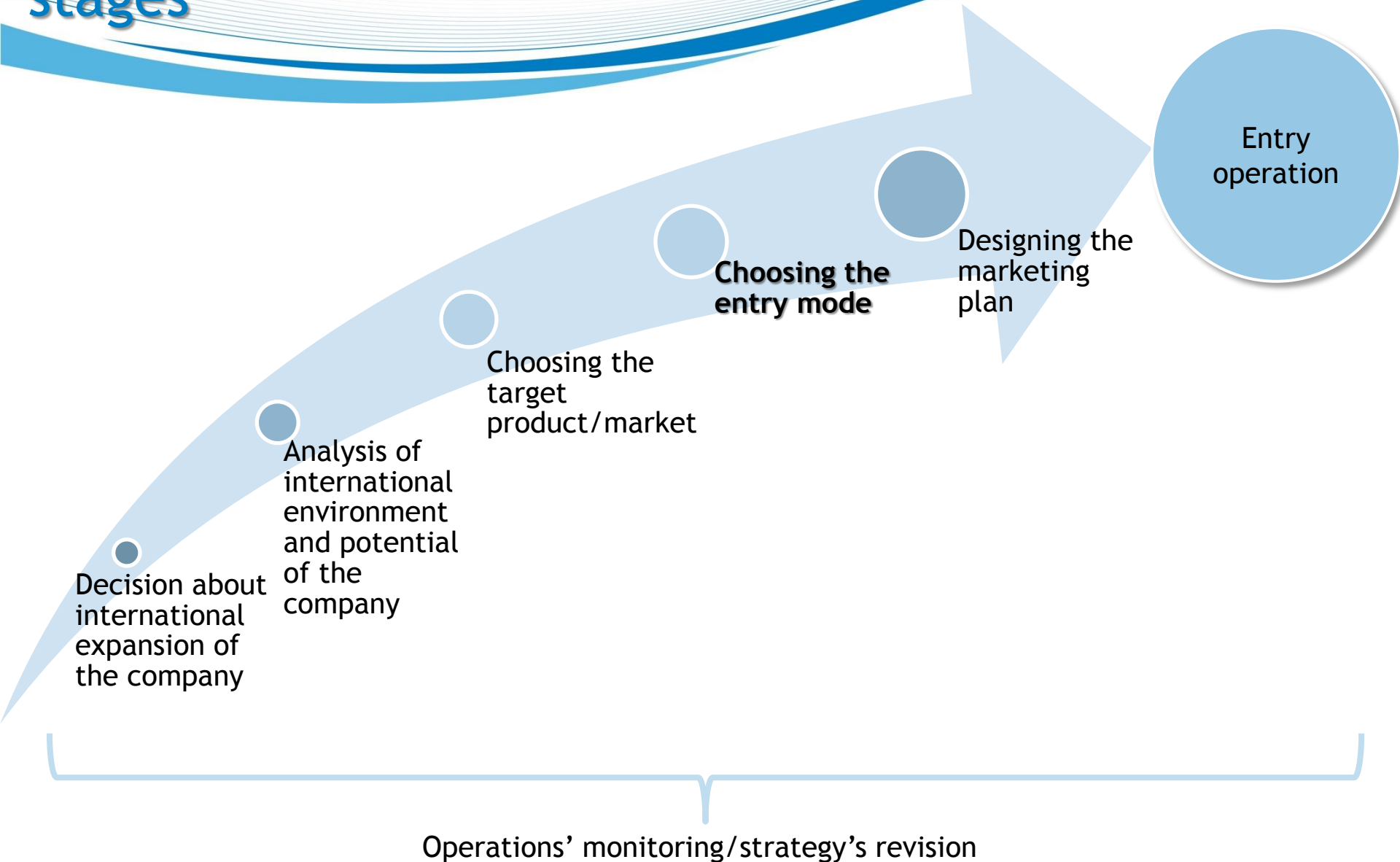


# Why do companies go abroad?

- ▶ Gain access to new customers,
- ▶ Spread business risk across wider market base,
- ▶ Obtain access to valuable natural resources,
- ▶ Need to achieve lower costs,
- ▶ Explore possessed resource and competencies better.



# International Market Entry Strategy - stages



Entry operation

Designing the marketing plan

Choosing the entry mode

Choosing the target product/market

Analysis of international environment and potential of the company

Decision about international expansion of the company

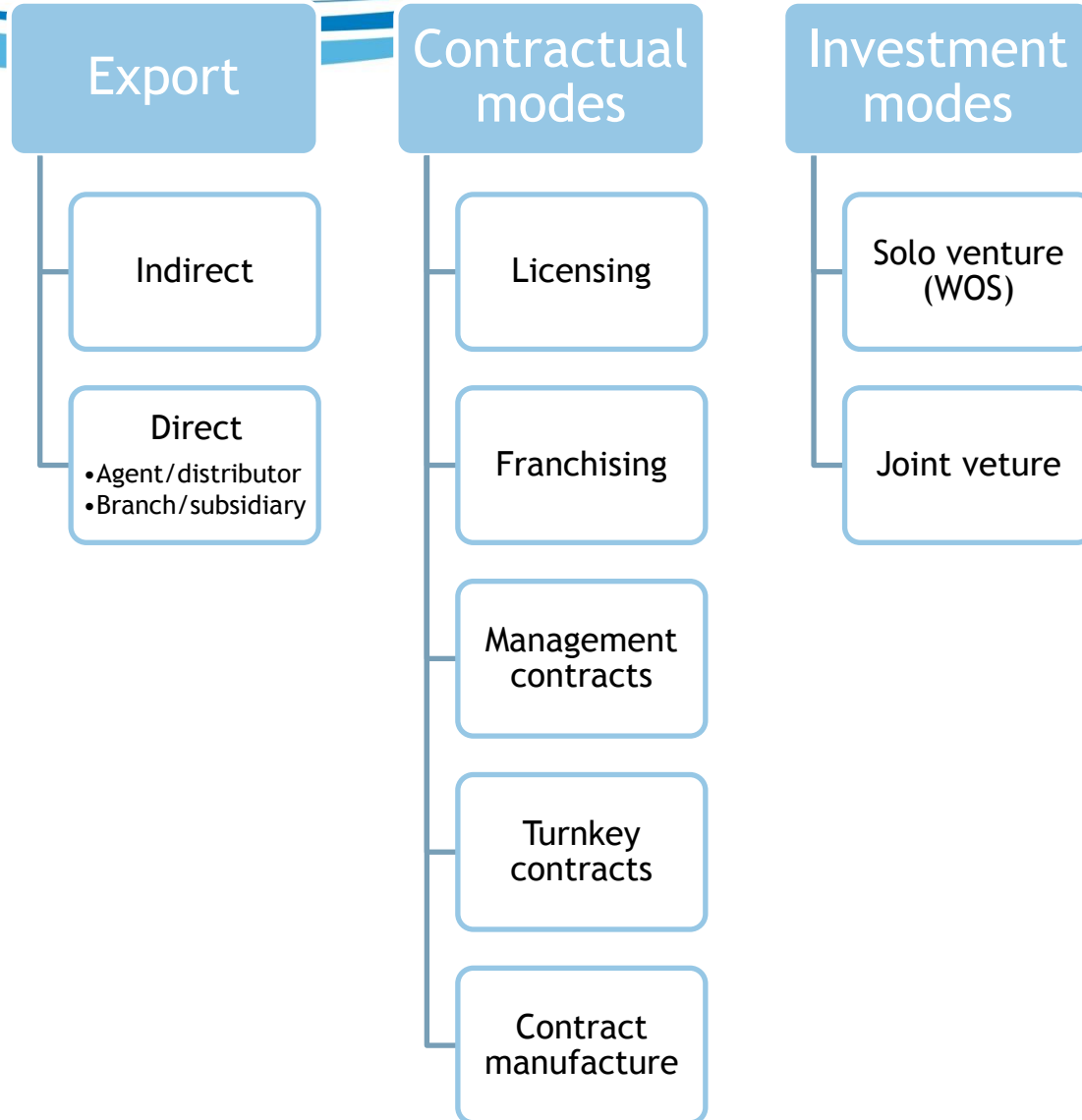
Operations' monitoring/strategy's revision



# How can companies enter into foreign markets?

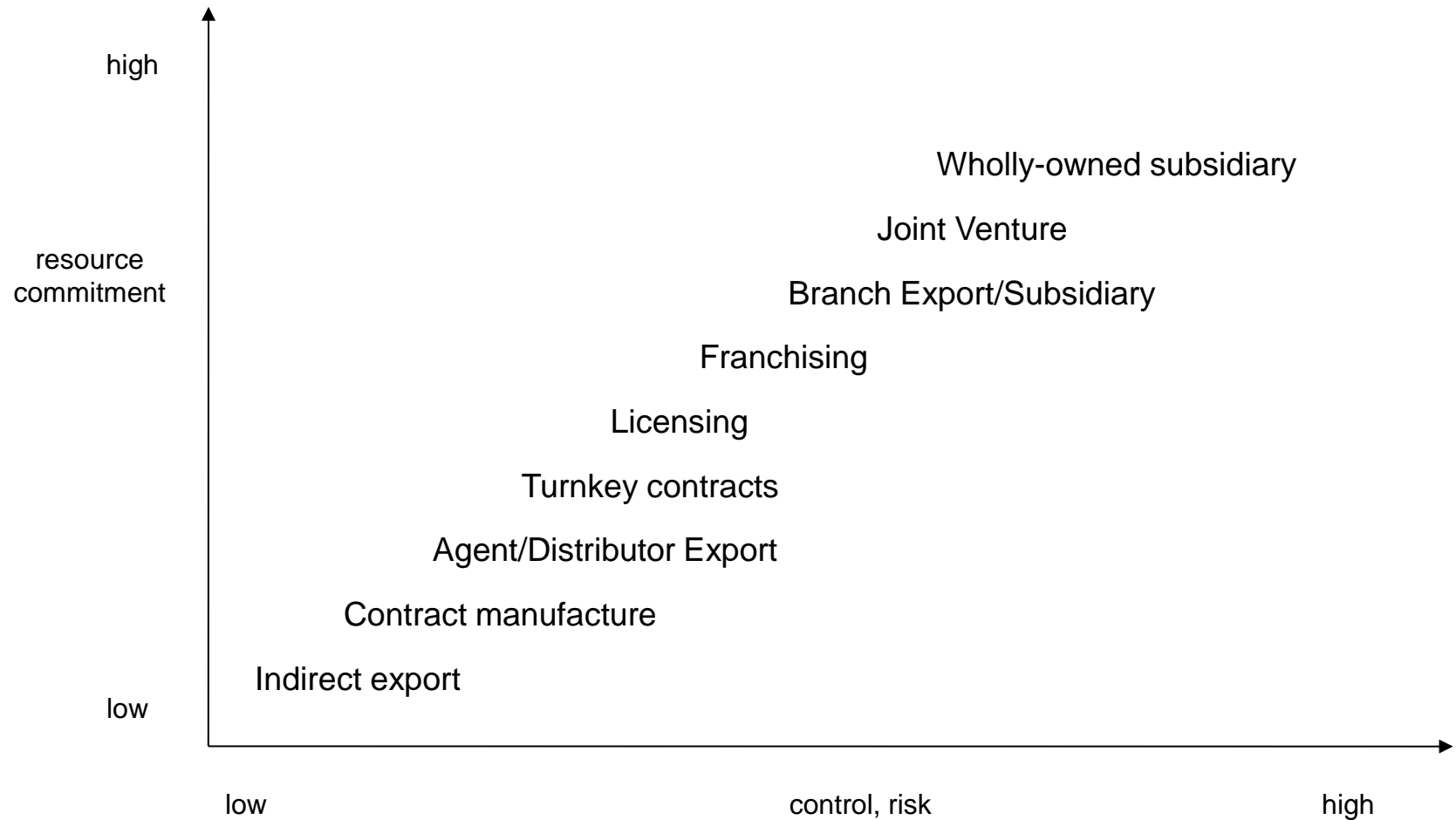


# Choosing the Entry Mode

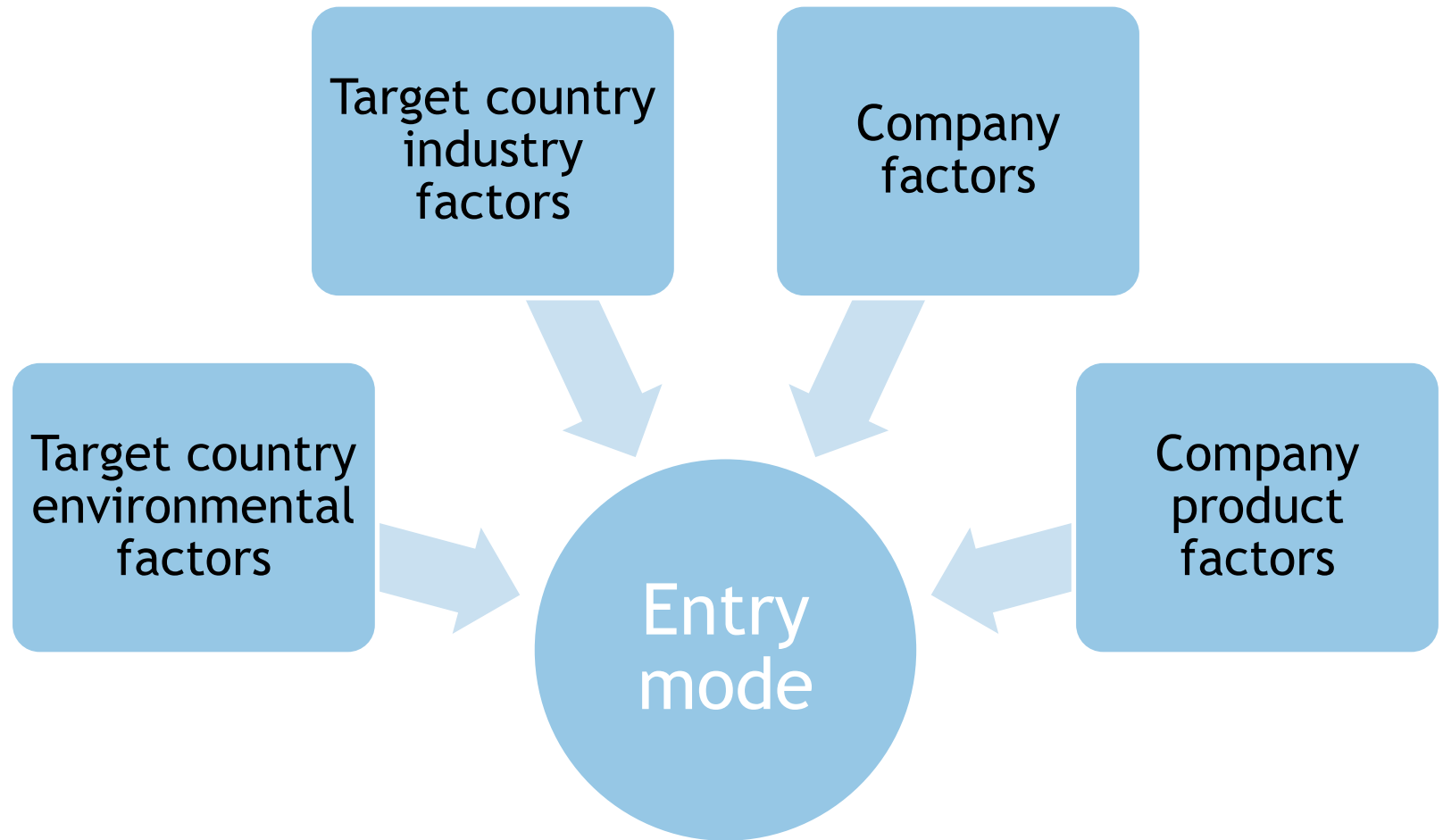




# Alternative entry modes depending on resource commitment, level of control and risk



# Decision framework for the choice of entry mode



# Factors affecting the foreign market entry mode decision

## Target country environmental factors

- Market potential
- Production factors
- Cultural distance
- Geographical distance
- Government policies and regulations
- Property right systems
- External economic relations
- Political risk

## Target country industry factors

- Marketing infrastructure
- Competitive structure
- Demand uncertainty
- Entry and exit barriers
- Relations with suppliers and buyers

## Company factors

- Size of the company
- International experience
- Corporate strategy
- Generic Marketing Strategies
- Nature of the strategic assets

## Company product factors

- Product adaptation
- Life Cycle stage of the product
- Customer service level
- Technical leadership
- Product image/reputation

# Case study - the company (1)

Enterprise of entirely Polish capital

One of leading manufacturers and suppliers of sanitary articles, cosmetics and medical devices

Composed of 51 companies



18 manufacturing companies (in Poland, Russia, Ukraine and India)

26 trade companies (in 14 European countries, India and the United States)

7 service (medical and IT) companies (in Poland and Russia)

Employing over 7.3 thousand of people

Selling its products in more than 75 countries worldwide (in Europe, Asia, Africa, America and Australia)

Cooperating closely with scientific institutions and manufacturing products using the most recent technologies

# Case study - the company (2)

 **TZMO SA**

**CAPITAL GROUP**

**51** companies in **16** countries  
distribution to **80** countries

*We are present in the area inhabited by one-third of the world's population.*

**FACTORIES**



**KOWALEWO POMORSKIE**  
POLAND



**BEREZAN** UKRAINE



**EGORIEVSK** RUSSIA



**TAMIL NADU** INDIA

**TRADING COMPANIES**



**BIESENTHAL** GERMANY



**TORUN** POLAND



**EGERSZALOK** HUNGARY



**BUCHAREST** ROMANIA



**BEREZAN** UKRAINE



**EGORIEVSK** RUSSIA



**NOVOSIBIRSK** RUSSIA



**LOGISTIC CENTRES**

# Entry mode assessment factors (I)

## - external factors

Market Potential (population, urban population, GDP growth rate, GDP per capita) - high

Production Factors (cotton production, labour cost) - high

Geographical Distance (distance between the capitals in km) - high

Cultural Distance (Cultural Distance Index) - high

Political Risk (Political Risk Index) - high

Government Policy (investment climate, import policy) - mostly unfree

Demand Uncertainty (product-market development) - growth

Marketing Infrastructure (modern trade density, number of outlets per thousand inhabitants) - poor



# Entry mode assessment factors (II)

## - internal factors

Size of the Company (number of employees, sales turnover) - large

International Experience (sales from foreign markets, number of markets, number of projects abroad) - high

Corporate Strategy (corporate strategy; global vs. multidomestic) - mostly global

Product Adaptation (product adaptation) - low

Generic Marketing Strategies (generic marketing strategies; concentration vs. diversification) - mostly concentration

Nature of the strategic assets (R&D intensity, product technical complexity) - medium

Life cycle stage of the product (PLC) - mature



# Approach

- **EXPROM:**

Diakoulaki D., N. Koumoutsos (1991), *Cardinal ranking of alternative actions: extension of the PROMETHEE method*, „European Journal of Operational Research”, 53, 337-347

- **PROMETHEE II with veto thresholds and stochastic dominances:**

Nowak M. (2005), *Investment project evaluation by simulation and multiple criteria decision aiding procedure*. “Journal of Civil Engineering and Management”, 11, 193-202.

- **EXPROM II with veto thresholds and stochastic dominances:**

Górecka D. (2011), *On the choice of method in multi-criteria decision aiding process concerning European projects*, [in:] *Multiple Criteria Decision Making '10-11*, T. Trzaskalik, T. Wachowicz (eds.), Publisher of the University of Economics in Katowice, Katowice, 97-101.

- **PROMETHEE II with veto thresholds:**

Górecka D., M.B. Pietrzak (2012), *Zastosowanie metody PROMETHEE II w procesie rankingowania projektów europejskich w ramach Regionalnego Programu Operacyjnego Województwa Kujawsko-Pomorskiego na lata 2007-2013*, „Studia Ekonomiczne Modelowanie Preferencji a Ryzyko '12. Zeszyty Naukowe Uniwersytetu Ekonomicznego w Katowicach”, 97, 87-89.

- **EXPROM II with veto thresholds:**

Górecka D., Szalucka M., *Country market selection in international expansion using multicriteria decision aiding methods*, [in:] *Multiple Criteria Decision Making'13*, Trzaskalik T., Wachowicz T. (eds.), Publisher of the University of Economics in Katowice, Katowice, in print.

# Model of preferences

| Criterion                       | Vector of weights no. 1 (H&S) | Vector of weights no. 2 (AHP) | Vector of weights no. 3 (Hinkle) | p | q | v |
|---------------------------------|-------------------------------|-------------------------------|----------------------------------|---|---|---|
| Market Potential                | 0,11                          | 0,1379                        | 0,140                            | 0 | 1 | 3 |
| Production Factors              | 0,11                          | 0,1379                        | 0,140                            | 0 | 0 | 1 |
| Geographical Distance           | 0,04                          | 0,0305                        | 0,013                            | 0 | 1 | 5 |
| Cultural Distance               | 0,06                          | 0,0520                        | 0,070                            | 0 | 1 | 5 |
| Political Risk                  | 0,09                          | 0,0861                        | 0,100                            | 0 | 1 | 3 |
| Government Policy               | 0,04                          | 0,0305                        | 0,013                            | 0 | 1 | 5 |
| Demand Uncertainty              | 0,09                          | 0,0861                        | 0,100                            | 0 | 1 | 2 |
| Marketing Infrastructure        | 0,06                          | 0,0520                        | 0,070                            | 0 | 0 | 1 |
| Size of the Company             | 0,09                          | 0,0861                        | 0,100                            | 0 | 1 | 3 |
| International Experience        | 0,11                          | 0,1379                        | 0,140                            | 0 | 1 | 3 |
| Corporate Strategy              | 0,06                          | 0,0520                        | 0,070                            | 0 | 1 | 5 |
| Product Adaptation              | 0,04                          | 0,0305                        | 0,013                            | 0 | 1 | 5 |
| Generic Marketing Strategies    | 0,02                          | 0,0195                        | 0,005                            | 0 | 1 | 6 |
| Nature of the Strategic Assets  | 0,04                          | 0,0305                        | 0,013                            | 0 | 1 | 5 |
| Life Cycle Stage of the Product | 0,04                          | 0,0305                        | 0,013                            | 0 | 1 | 5 |

# Rankings of the entry modes by PROMETHEE II with veto threshold

| PROMETHEE II with veto threshold |                              |                              |                              |     |
|----------------------------------|------------------------------|------------------------------|------------------------------|-----|
| No.                              | Vector no. 1                 | Vector no. 2                 | Vector no. 3                 | No. |
| 1                                | Joint Venture                | Joint Venture                | Joint Venture                | 1   |
| 2                                | Branch/ Subsidiary<br>Export | Branch/ Subsidiary<br>Export | Branch/ Subsidiary<br>Export | 2   |
| 3                                | Wholly Owned<br>Subsidiary   | Wholly Owned<br>Subsidiary   | Wholly Owned<br>Subsidiary   | 3   |
| 4                                | Agent/ Distributor<br>Export | Agent/ Distributor<br>Export | Agent/ Distributor<br>Export | 4   |
| 5                                | Licensing                    | Licensing                    | Licensing                    | 5   |
| 6                                | Indirect Export              | Indirect Export              | Indirect Export              | 6   |

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| 3                             | Wholly Owned<br>Subsidiary   | Wholly Owned<br>Subsidiary   | Wholly Owned<br>Subsidiary   | 3   |
| 4                             | Agent/ Distributor<br>Export | Agent/ Distributor<br>Export | Agent/ Distributor<br>Export | 4   |
| 5                             | Licensing                    | Licensing                    | Licensing                    | 5   |
| 6                             | Indirect Export              | Indirect Export              | Indirect Export              | 6   |



**Thank you for the attention**