Market entry strategies into the BRIC countries – a comparison of Danish family and non-family businesses

Britta Boyd* and Anna Marie Dyhr Ulrich

Department of Border Region Studies, University of Southern Denmark, Alsion 2, DK-6400 Sonderborg, Denmark
E-mail: bri@sam.sdu.dk
E-mail: amdu@sam.sdu.dk
*Corresponding author

Abstract: Based on a sample of 177 exporting SMEs, this study investigates what market entry strategy is used by Danish family and non-family businesses. From a resource-based view, three critical internal factors (risk, flexibility and control) affecting the entry mode choice into the BRIC markets are analysed. The effective management of firms’ resources and capabilities is influenced by the perception of these internal factors when expanding into foreign markets. Our results confirmed that family firms build up longer lasting relationships in the host country by choosing high commitment entry modes compared to non-family firms. Furthermore, the Danish exporters regarded China as being the most established of the four BRIC markets which could be seen in their willingness to use high control entry modes in China. Finally, non-family firms are more concerned about higher flexibility and lower control when entering the BRIC markets. In contrast, family firms choose high commitment entry modes which involve high risk and low flexibility when entering the BRIC markets. Further implications discuss the suitability of export strategies to BRIC markets for managers of Danish family and non-family firms.

Keywords: BRIC countries; entry mode; market entry strategy; family business; resource-based view; RBV; Denmark.

Reference to this paper should be made as follows: Boyd, B. and Dyhr Ulrich, A.M. (2014) ‘Market entry strategies into the BRIC countries – a comparison of Danish family and non-family businesses’, Int. J. Globalisation and Small Business, Vol. 6, No. 1, pp.15–36.

Biographical notes: Britta Boyd is an Associate Professor for Business Economics at the University of Southern Denmark. Her PhD on ‘Sustainable management in long-lived family businesses – a resource-based analysis of Northern German builder’s providers’ was awarded from the University of Flensburg in Germany. She has published articles in international journals and books within her research interests in the field of family business, entrepreneurship strategy, international marketing and sustainable management. At the University of Southern Denmark she mainly teaches on international marketing, business marketing, strategy and cost management and entrepreneurship.
Anna Marie Dyhr Ulrich is an Assistant Professor in International Marketing at the University of Southern Denmark. Her PhD on ‘A dyadic process model for the development of long-term business relationships’ was awarded from the University of Flensburg in Germany. Her research interests are within relationship marketing, channel marketing and internationalisation of companies. She has published articles in international journals and books within her research interests primarily in the field of international marketing. At the University of Southern Denmark she mainly teaches on global marketing, basic marketing and consumer behaviour.

This paper is a revised and expanded version of a paper entitled ‘Export strategies into the BRIC countries – a comparison of Danish family and non-family businesses’ presented at the 2013 EFMD Entrepreneurship Conference, Madrid, 4-5 March 2013.

1 Introduction

According to international research, family businesses in general show lower rates of internationalisation (Okoroafo, 1999; Fernández and Nieto, 2005; Graves and Thomas, 2006) but this also depends on factors such as experience, existing networks or ownership level (Ellis, 2000; Zahra, 2005; Astrachan, 2010; Rauch, 2001; Sciascia et al., 2012). Further critical internal factors for internationalisation are often seen in the level of risk, flexibility and control with regards to international activities and export strategies (Tsang, 2001; Zahra, 2003; Shimizu and Hitt, 2004; Casillas and Acedo, 2005; Sanchez-Peinado et al., 2007; Goldberg and Veitch, 2010). Internationalisation can be defined as doing business in many counties of the world, not going as far as globalisation where companies value chain activities are spread all over the world (Hollensen, 2011; Knight, 2000).

In family business research, the resource-based view (RBV) is one of the leading theoretical perspectives (Chrisman et al., 2005) and will here serve as a framework because of its potential to identify the resources and capabilities that make family firms unique (Habbershon et al., 2003; Habbershon and Williams, 1999). The focus of this study lies on managers’ entrepreneurial perception of international opportunities (Kor and Mahoney, 2004) regarding risk, flexibility and control which are similarly expressed in the corporate culture of family businesses (Kontinen and Ojala, 2010).

One of the main reasons for choosing Denmark was because Denmark is a small economy dominated by SMEs (Gertsen et al., 2012). Furthermore, a study based on accounting information collected between 1995 and 2002 showed that 89.2% of all privately held firms in Denmark are family owned (Bennedsen et al., 2004). This figure shows the importance of family firms for the Danish economy as being much higher than the percentage in other European countries (Donckels and Fröhlich, 1991; Klein, 2000).

Despite the long tradition of Danish family businesses only recently have they been recognised as an interesting field of research (Danholt, 2008). Publications on succession evolved in the late 1970s with articles on generational change (Thomsen, 1978; Nielsen and Lindencrona, 1983) followed by books and other publications in Danish language on family businesses and leadership (Wivel and Valther Hansen, 1997; Sørensen, 1998a, 1998b; Gren Svendsen and Ploger, 2000). A first representative survey on family
businesses in Denmark was conducted by Dansk Transport og Logistik (DTL, 2002) among 1,188 Danish haulage businesses. Publications in English language followed based on a national survey of family-owned businesses in Denmark (Bennedsen et al., 2007).

In recent years, the Danish export rate has increased but the majority of Danish exports goes to the nearby markets (Finland, the Netherlands, Great Britain, Sweden and Germany) which makes Danish exporters dependent on the neighbouring markets and their development (Danmarks Statistik, 2012). The global economy is undergoing a development in which emerging economies are becoming more noteworthy. The BRIC countries (Brazil, Russia, India and China) are already large and important players in the global economy. In 2011, they combined 15% of world GDP, and the International Monetary Fund (IMF) expects that the BRIC countries will exceed the EU economy in 2017 (Danmarks Statistik, 2012). The BRIC markets are further away and larger than the traditionally Danish export markets, which is considered a challenge for Danish SMEs. Therefore, this study focusing on the entry of Danish exporters to the BRIC markets is considered of high importance.

As already highlighted the Danish economy depends to a large extent on exporting, but research on internationalisation or entry mode choice is scarce (Madsen and Servais, 1997; Servais and Moller Jensen, 2001). Only a few studies have examined which factors influence the Danish SMEs choice of entry mode (Hollensen et al., 2011; Dyhr Ulrich et al., 2012). But no study has focused on how Danish family and non-family businesses internationalise and which internal factors influence their entry mode choice. Therefore, we consider market entry strategies of Danish exporting firms into the BRIC markets as a very relevant topic (Boyd et al., 2010) and will address the differences of family and non-family firms in this paper.

The above discussion leads to the following research questions:

• Which market entry strategies do Danish family businesses use into the BRIC countries?

• Are there differences in market entry strategies between family and non-family businesses?

• Do the three internal factors risk, flexibility and control influence family and non-family business choice of entry modes differently?

Answering these questions will explore what strategies are chosen by Danish exporting firms when entering the BRIC markets and how these decisions are connected to the aforementioned internal factors. Understanding what strategies are preferred by family firms and why will help to derive implications for family and non-family business management. The following part argues why the internal factors risk, flexibility and control were chosen as most important factors for the entry mode decisions of family firms.

2 Theoretical base: internationalisation of family businesses

The RBV serves as the underlying perspective for this study because it describes how internationalisation decisions are made within a framework of links between resources
and capabilities to gain competitive advantages (Penrose, 1959; Barney, 1991). Managers’ perceptions of the market opportunities as well as internal factors result in a certain market entry strategy.

The entry mode choice is the selection of an institutional agreement for organising and conducting international business activities (Root, 1994). The entry mode decision is regarded as one of the most critical decisions in international marketing because the chosen entry mode has substantial implications for performance (Canabal and White, 2008; Brouthers and Hennart, 2007). The selected entry mode determines the level to which the firm gets involved in the foreign market, the amount of control the firm has over its activities in the market, and the degree to which it succeeds in the target market (Anderson and Gatignon, 1986; Root, 1994). Therefore, control is an important construct in entry mode literature because it is an antecedent for determining potential risks and rewards (e.g., returns on assets) for firms entering new international markets (Anderson and Gatignon, 1986). Control is classified by Anderson and Gatignon (1986) as the ability to influence systems, methods and decisions. A high control mode can increase the profitability and the risk, and a low control mode diminishes the commitment of resources but frequently at the expense of profitability. Hollensen (2011) divides entry modes into the following three categories according to the level of control:

1. **High control modes**: Foreign direct investment (FDI) in form of wholly owned subsidiaries (WOS), or direct selling to big customers (OEMs), both entry modes are equal to full control with activities in foreign markets.

2. **Intermediate modes**: Strategic alliances (SAs) and joint ventures (JVs) are placed in-between high and low control modes. Within this category there is a common agreement among the partners to share resources, technology, profits, and supplement each other’s needs for a long period of time. Contrasting to a JV company, a SA does not involve the formation of a new company.

3. **Low control modes**: Indirect export represents the lowest degree of control of the activities in the foreign market. It occurs when the parent company uses independent organisations located in the parent company’s own country (or third country). Direct export is when the parent company sells directly to an agent, distributor or importer located in the foreign market. This presents a higher level of control than with indirect export, but still direct export is categorised under the low control modes. This can be explained by the parent company dealing directly with a foreign independent company, which can make its own independent decisions.

Research on family business internationalisation and market entry strategies supports different views. On the one hand, a negative relationship between family ownership and internationalisation could be observed in terms of lower export activities (Fernández and Nieto, 2005) and because of the long tenures of founders (Westhead et al., 2001; Zahra, 2005). According to Bell et al. (2003), family businesses follow an incremental or stepwise approach to internationalisation. Based on this so-called Uppsala model, companies start with sporadic export followed by export via independent representatives and later on establishing a sales subsidiary or foreign production units (Hollensen, 2011; Johanson and Wiedersheim-Paul, 1975; Johanson and Vahlne, 1977). On the other hand, so-called ‘born-again globals’ exist as next generation family SMEs that enter several countries at the same time (Kontinen and Ojala, 2010). However, the reason why most
family firms follow the Uppsala approach can be seen in a general tendency to lower the risk and increase the level of flexibility and control at the same time (Tsang, 2001; Casillas and Acedo, 2005; Claver et al., 2008). The Uppsala model applies mainly to SMEs and has gained strong support in internationalisation research (Hollensen, 2011). The connection between the Uppsala model and the above mentioned three internal factors states another reason for the focus of this study.

2.1 Risk

A positive influence of family involvement on internationalisation through better sharing of risk was discovered especially when the family owns a large percentage of shares (Zahra, 2003, 2005). Other research in that area has observed a conservative and more risk adverse attitude of family firms (Ward, 1998; Okoroafo, 1999; Fernández and Nieto, 2005; Kontinen and Ojala, 2010; Patel et al., 2012). Furthermore, Claver et al. (2008) found that the risk connected to the internationalisation of family firms was experienced by the family business managers as being more risky compared to the managers in non-family firms. The level of risk willingness can influence a company’s entry mode strategy where family businesses lag behind regarding managerial capabilities. This follows the statement of Casillas and Acedo (2005) that the higher the perception of risks, the lower the firm’s internationalisation level. The ability to commit and use financial resources is stated to be lower in family firms as they internationalise with smaller management teams (Gallo et al., 2004; Graves and Thomas, 2006, 2008; Kontinen and Ojala, 2010). Wang and Poutziouris (2010) found that the intensity of risk-taking correlates with the number of generations from the owner family that controls the business and with higher business performance. Therefore, the level of risk willingness of a company seems to be important when looking at entry mode strategies.

2.2 Flexibility

The second critical factor in this study is flexibility or the possibility to withdraw from the market. Flexibility can also be seen as a company’s capability to identify changing market opportunities and technologies, to react quickly to these changes by allocating resources and to apply the right commitment or ending the activities in the market (Sanchez, 1995; Shimizu and Hitt, 2004). According to research, flexibility has a positive influence on the firm’s performance and is therefore an essential asset to ensure long-term profits in family businesses (Lin, 2012; Grewal and Tansuhaj, 2001). Furthermore, Lin (2012) found that family ownership has a negative effect on the scope and regularity of internationalisation. A reason for this can be seen in a lack of managerial resources and expertise that limit the ability of family firms to adopt managerial processes which are required for international growth (Gallo and Pont, 1996; Fernández and Nieto, 2005; Graves and Thomas, 2008).

A family structure can add to flexibility because of fast and informal decision making that can help bridge cultural distances (Patel et al., 2012). The arrival of new generations was also stated to have a positive influence on the internationalisation of family firms (Menédez-Requero; 2005, Fernández and Nieto, 2005). Moreover, stable and patient capital flows enable family firms to adopt more creative and innovative strategies that add to flexibility in strategic decision making (Sirmon and Hitt, 2003; Teece, 1982;
The flexibility or the possibility to withdraw from the market is therefore a core factor to consider when internationalising.

2.3 Control

Being closely related to the level of resource commitment control is considered as the main construct in entry mode literature because it is an indicator for determining potential risks and returns on assets for firms entering foreign markets (Anderson and Gatignon, 1986).

According to research family, firms prefer a high level of control and commitment when internationalising and they use the available financial resources to develop the required capabilities (Lin, 2000; Graves and Thomas, 2008). The manager of family businesses wants to have control of everything, and has a strong involvement in establishing the international activities (Gallo and Sveen, 1991; Tsang, 2001). Therefore, family firms focus on a few foreign markets instead of rapidly internationalise to several markets at the same time (Zahra, 2003).

Lower risk and higher control over the international activities of family firms can be gained through alliances with other firms and interpersonal contacts (Okoroafo, 1999; Ellis, 2000; Fernández and Nieto, 2005).

From this literature review, it can be stated that the internal factors risk, flexibility and control play and important role for family firms when considering internationalising. This leads us to the following research model:

As shown in Figure 1, this study will look at how the three key internal factors influence the businesses choice of foreign entry mode into the BRIC markets. From a resource-based perspective differences between family and non-family firms as well as differences of entry modes strategies between the BRIC markets will be investigated.

Researchers agree that the resources controlled by a company limit the choice of markets it can enter (Wernerfelt, 1989; Barney, 1991). The question how specific internal resources affect the internationalisation decision of a company and its performance remains unanswered. For this study, the RBV serves as a theoretical framework because
the managers’ perception of the market potential strongly depends on the three internal factors (Penrose, 1959; Wernerfelt, 1989). Risk taking and maintaining control over a family firm has been widely discussed when looking at socio-emotional wealth (SEW) described as non-financial considerations of family firms such as issues of legacy, family control, long-term orientation and transgenerational intentions (Sharma et al., 2014; Zellweger and Dehlen, 2012). The concept of SEW serves as important differentiator of family firms and can explain their behaviour (Berrone et al., 2012). Gomez-Mejia et al. (2007) argue that family firms while maintaining control over the firm prefer a risk averse and less creative management to assure SEW. Therefore, the concept of SEW being closely related to the RBV offer a unique opportunity to explain different attitudes and market entry strategies of family firms.

3 Danish exporters focusing on BRIC markets

The abbreviation BRIC is used for the four large and fast-growing economies: Brazil, Russia, India and China. It is estimated that BRIC economies will overtake the G7 economies around 2025–2030. At this time, Denmark’s position herein will have changed. Denmark was in 1970 the world’s 20th largest economy, number 30 in 2010 and will in 2050 have slipped out of the top 30. The same applies to Sweden and Norway, which were also among the world’s largest economies in 1970, but in 2050 will not be among the top 30 (Ward, 2011).

The BRIC countries are important for the global economy, therefore is it critical that Danish exporters to a greater extent focus on and invest in the BRIC countries (Udenrigsministeriet et al., 2012). Brazil, Russia, India and China account together for 42% of the world’s population and app. 20% of the world’s GDP (World Bank, 2012). However, this percentage is expected to increase in future as a result of the increasing economic activity in the BRIC countries compared with the so-called old economies in Europe and North America. As a whole, the BRIC markets presented a GDP growth of 5.2% each year in 2010 and 2011, with China showing the highest annual growth of 7.4% (World Bank, 2012).

In China, both the export and the import rate have increased between 1990 and 2000. Exports then reached a peak in 2007 at almost 40% of GDP, while imports were around 30% of GDP. In the future, it is expected that Chinas imports and exports will stabilise. India’s economy is currently not globalised to the same degree as China’s, but is expected to follow a similar track. Towards 2030, India’s exports and imports are expected to move up to 35%. Russia already has a substantial foreign trade at around this level, which is expected to continue in the coming years. Brazil is currently the most closed and least globalised economy of the BRIC countries, where export and import each account for only 10% to 15% of the GDP (Danmarks Statistik, 2012).

Denmark’s imports from the BRIC countries have grown from 8.1% in 2005 to 10% in 2011, while exports have grown from 4.5% in 2005 to 7.3% in 2011. It is first and foremost trade with China which has been growing rapidly, but exports to Russia and Brazil have also grown significantly in the period. The potential for increasing Danish exports to the BRIC countries is significant. In the years from 2005 to 2011, the BRIC countries’ share of Danish exports has on average increased by half a percentage point
per year. It is expected that the BRIC countries in the coming years will continue to take an increased share of Danish exports (Danmarks Statistik, 2012).

4 Methodology and results

In August 2012, a survey was conducted among 498 Danish exporters mostly operating on the B2B market. The purpose of the investigation was to gain knowledge about how Danish exporters enter the BRIC markets and what factors influence this decision. The focus of this analysis now lies on Danish family and non-family businesses’ choice of entry strategies to the BRIC markets. The questionnaire used in this research consisted of 25 questions (see Appendix).

General characteristics of the sample are as follows:

• 83.5% of the companies have less than 200 employees.
• 43.9% of the responding SMEs perceived themselves as a family business.
• 85.1% of the responding SMEs have more than 10 years export experience, and 69% of the respondents export to 10 markets or more.
• 29% of the exporters were exporting to Brazil, 49% to Russia, 33% to India and 48% to China.

The companies were selected from the Kompass database (http://www.kompass.com), a database which includes data on app. 3.5 million companies worldwide. A primary selection criterion was the number of employees. The selected companies have a minimum number of ten employees which correspond with the European Commission (2012) definition of a SME. A sample of 498 Danish exporting companies was selected. The companies’ websites were screened for a valid or direct e-mail address to the person in charge of the internationalisation processes in company, for example director/owner, marketing, sales or export manager. That was done in order to reach the highest possible response rate.

A quantitative research technique was applied, and a survey was used as the data collection instrument. For the data collection process, the survey tool surveymonkey (http://www.surveymonkey.com) was employed. The questionnaire was sent out in mid-August 2012. Two reminders followed, the first one week after the initial mailing and the second one week later. 177 of the exporting companies answered the questionnaire, which results in a response rate of 32%.

In the survey, the entry mode categorisation was divided into the following groups:

• direct sale to international customers (e.g., OEM)
• online sale to international customers
• agents/distributors
• JV/SA
• establishing a 100% subsidiary
• other such as incubator offices, own man in-offices.
## Table 1: Correlation matrix of entry modes and internal factors

|          | Q3     | Q12a   | Q12b   | Q12c   | Q12d   | Q12e   | Q24a   | Q24b   | Q24c   | Q24d   | Q24e   | Q24f   | Q24g   | Q25a   | Q25b   | Q25c   | Q25d   | Q25e   | Q25f   | Q25g   |
|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Q3       | Non-fam. b. | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q12a     | Direct sale | -0.10  | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q12b     | Online sale | 0,00   | 0.03   | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q12c     | Agents/distributors | 0.09   | -0.05  | -0.03  | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q12d     | JV/strategic alliance | -0.01  | 0.02   | -0.11  | -0.01  | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q12e     | Subsidiary | 0.13   | 0.03   | -0.16  | 0.24   | 0.15   | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q24a     | BRIC: control | 0.11   | 0.09   | -0.08  | 0.18   | 0.11   | 0.26   | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |        |
| Q24b     | Flexibility | 0.16   | -0.01  | -0.03  | 0.20   | 0.05   | 0.10   | 0.06   | 1,00   |        |        |        |        |        |        |        |        |        |        |        |        |
| Q24c     | Riskwillingness | 0.03   | 0.17   | -0.12  | 0.15   | 0.04   | 0.20   | 0.13   | 0.07   | 1,00   |        |        |        |        |        |        |        |        |        |        |        |
| Q24d     | Product complexity | -0.13  | 0.07   | -0.07  | 0.03   | -0.08  | 0.10   | 0.22   | 0.03   | -0.08  | 1,00   |        |        |        |        |        |        |        |        |        |        |        |
| Q24e     | Intern. experience | 0.09   | -0.16  | -0.14  | 0.22   | 0.06   | 0.19   | 0.24   | -0.06  | -0.08  | 0.13   | 1,00   |        |        |        |        |        |        |        |        |        |        |
| Q24f     | Economic resources | 0.07   | -0.06  | -0.10  | 0.30   | 0.10   | 0.02   | 0.30   | 0.03   | -0.01  | 1,00   |        |        |        |        |        |        |        |        |        |        |        |
| Q24g     | Personnel resources | -0.02  | 0.00   | -0.12  | 0.10   | 0.17   | 0.13   | 0.01   | 0.14   | 0.07   | 0.00   | 0.42   | 1,00   |        |        |        |        |        |        |        |        |        |
| Q25a     | Non-BRIC: control | 0.07   | 0.00   | -0.09  | 0.27   | -0.02  | 0.19   | 0.71   | 0.26   | 0.12   | 0.14   | 0.20   | -0.03  | -0.06  | 1,00   |        |        |        |        |        |        |
| Q25b     | Flexibility | 0.14   | 0.11   | 0.01   | -0.02  | 0.12   | 0.02   | 0.10   | 0.47   | 0.03   | 0.06   | 0.00   | -0.03  | -0.06  | -0.01  | 1,00   |        |        |        |        |        |
| Q25c     | Riskwillingness | 0.05   | 0.13   | -0.12  | 0.17   | 0.09   | 0.28   | 0.18   | 0.03   | 0.77   | 0.05   | 0.00   | 0.28   | 0.08   | 0.10   | -0.02  | 1,00   |        |        |        |        |
| Q25d     | Product complexity | -0.03  | 0.10   | -0.09  | -0.06  | -0.11  | -0.04  | 0.14   | -0.14  | 0.57   | 0.02   | 0.02   | -0.07  | 0.19   | 0.09   | -0.13  | 1,00   |        |        |        |        |
| Q25e     | Intern. experience | 0.03   | -0.15  | -0.16  | 0.27   | 0.14   | 0.19   | 0.25   | 0.18   | -0.02  | 0.06   | 0.70   | 0.04   | 0.15   | 0.21   | 0.06   | -0.05  | -0.05  | 1,00   |
| Q25f     | Economic resources | 0.07   | 0.02   | -0.12  | 0.17   | 0.29   | 0.11   | 0.11   | -0.01  | 0.28   | 0.02   | -0.03  | 0.73   | 0.43   | 0.01   | -0.06  | 0.30   | 0.03   | -0.04  | 1,00   |
| Q25g     | Personnel resources | 0.02   | 0.04   | -0.14  | 0.11   | 0.14   | 0.11   | 0.00   | 0.03   | 0.10   | 0.06   | -0.01  | 0.37   | 0.81   | -0.13  | -0.08  | 0.15   | -0.02  | 0.10   | 0.42   | 1,00   |

**Market entry strategies into the BRIC countries**
The entry mode categorisation is based on the previously discussed framework of Hollensen (2011) which divides the entry mode according to the level of control that the firm has over its international activities. The first group representing the high control modes are: direct sale to international customers (e.g., OEM) and also online sale to international customers. The categorisation for online sale was chosen because the company has fully control over the whole sales process. Secondly, the intermediate mode includes JVs and SAs. The third group consists of the low control modes which contains export through agents, distributors or Danish intermediates. The last category was added to the questionnaire because it represents evolving entry modes such as incubator offices or own man in-offices. These other entry modes which are quite new to the market and primarily used to enter distant markets were placed between intermediate and low control modes. These new entry mode concepts support SMEs in starting up in a distant market by having an own local employee without high investments in the host market. This solution provides the SME with a higher degree of control and flexibility compared to the traditional low control modes.

Different statistical analyses are used to answer the research questions. The selection of the three internal factors is based on a correlation among all factors included in the original survey. Table 1 shows the correlation between entry modes and internal factors:

<table>
<thead>
<tr>
<th>Entry Mode Categorisation</th>
<th>Internal Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct Sale</td>
<td>Control</td>
</tr>
<tr>
<td>Online Sale</td>
<td>Flexibility</td>
</tr>
<tr>
<td>JV and SA</td>
<td>Risk Willingness</td>
</tr>
<tr>
<td>Export Through Agents</td>
<td>Economic Resources</td>
</tr>
<tr>
<td>Subsidiaries</td>
<td>International Experience</td>
</tr>
</tbody>
</table>

5 Data analysis and discussion

The answer to the research question about which entry mode strategies Danish family businesses prefer when entering the BRIC countries is illustrated in Figure 2.

The main differences in entry mode strategies between the BRIC countries can be seen to be that Danish family firms choose differently when entering China compared to the other BRIC markets. There is a tendency of a stronger commitment towards Chinese market entry. Even considering the different market sizes of the BRIC countries this result can be valued as significant.

China, the most established of the four BRIC markets, was much preferred by Danish exporters over the other countries for high control entry modes. This can be explained by the perception of China as low risk country and by the close affinity of China and Denmark because of a history of commercial relations of more than 250 years (Broedsgaard and Kirkebæk, 2001; Lin, 2000). Another explanation for choosing higher commitment modes when entering the Chinese market could derive from the highly regulated political system. In China, both political and personal connections are important when doing business and local firms may have an influence on the host policies (Lin, 2000; Chen and Hsu, 2009).
Figure 3 visualises the differences in entry mode strategies between family and non-family businesses.

**Figure 2** Entry modes of family businesses (see online version for colours)

![Figure 2](image)

**Figure 3** Entry modes of non-family businesses (see online version for colours)

![Figure 3](image)

Comparing Figures 2 and 3, it can be stated that non-family businesses chose lower commitment modes compared to family businesses. High commitment entry modes chosen by family businesses involve higher risk and lower flexibility when entering the BRIC markets. Contrary to the previously mentioned risk adverse attitude of family firms (Fernández and Nieto, 2005), the outcome of this study shows an opposite pattern. In general, family firms build up longer lasting relationships in the host country by choosing high commitment entry modes. The more short-term orientation of non-family businesses
could be a possible explanation for choosing entry modes which involve lower risk and control but higher flexibility (Patel et al., 2012).

**Figure 4** Comparison of internal factors entering the BRIC markets (see online version for colours)

**Figure 5** Comparison of internal factors entering the non-BRIC markets (see online version for colours)
Another noteworthy difference can be seen in non-family firms using other entry modes such as trade councils, incubator or own man in-offices more often that family businesses. A reason for this could be that family firms are usually smaller and are not open to working with the aforementioned external organisations that might help them when internationalising into distant markets (Shanker and Astrachan, 1996; Fernández and Nieto, 2005).

The companies’ answers to the last research question examining which of the three internal factors are most important when choosing an entry mode for the BRIC and non-BRIC markets is shown in Figures 4 and 5.

Comparing the BRIC and non-BRIC markets for all businesses the level of risk shows no huge differences. The level of control entering the BRIC markets was perceived as less important. This goes along with a higher flexibility to withdraw from the BRIC markets than from other markets which are assumed to be mainly European or Northern American. These established non-BRIC markets are well known and less risky to enter and therefore, a higher level of commitment and control over the international activities of Danish exporters was more important than flexibility.

The comparison of family and non-family firms entering the BRIC markets (see Figure 4) shows some interesting results regarding the three internal factors. The level of control that a company has over the international activities is of almost the same importance for family and non-family businesses when choosing an entry mode. Family businesses look for entry modes with higher involved risk or resource commitment but evaluate the possibility to withdraw from the market as of less importance than non-family businesses. This can be interpreted such that family businesses prefer a high investment mode with the perspective to keep this entry mode on a longer perspective. Especially in Brazil, India and China subsidiaries are more preferred by family than non-family businesses. Furthermore, Danish family businesses internationalising towards China more often use JV, SA or agents and distributors than non-family firms. These organisations are usually associated with the businesses and more trustworthy to family firms than the above mentioned other entry modes. This category of entry mode represents organisations that can be considered to be more external consultants to facilitate the internationalisation of a company.

The general risk adverse attitude of family firms also discussed in the concept of SEW (Berrone et al., 2012; Patel et al., 2012; and others) could not be shared when looking at the survey results for Danish exporting SMEs. The risk willingness of these family firms entering the BRIC markets can be explained by choosing a higher commitment entry mode which implies higher control over the international activities but also a higher involved risk. Moreover, the Danish family firm use rather a network approach when entering the BRIC countries as they prefer to build alliances or JV. Even when they setup a subsidiary, they need to cooperate with the local environment (Ellis, 2000; Fernández and Nieto, 2005). This results show also that socio-emotional values such as long-term orientation and family control are more important for Danish family firms than the risk averseness to financial losses when entering the BRIC markets (Berrone et al., 2012).
6 Conclusions and implications

The presented study investigated what entry mode strategy Danish family and non-family businesses preferred when entering the BRIC markets. The RBV served as a theoretical framework when analysing the three critical internal factors. These factors risk, flexibility and control were discussed from a family business perspective because managers of non-family owned businesses perceive them differently when entering foreign markets.

Based on the survey data, different statistical analyses were adapted to answer the research questions. First, a correlation revealed that the chosen factors risk, flexibility and control showed highly significant values compared to the other factors. The presented cross-tabulations gave further insights into the export strategies of Danish family and non-family firms into the BRIC markets.

Several conclusions can be drawn from the data analysis. Firstly, regarding networks our results show that family firms build up longer lasting relationships in the host country by choosing high commitment entry modes. Setting up a subsidiary, JV or SA requires a high resource commitment and family firms rather work with partners where they can build up a long-term relationship. Non-family firms prefer low commitment entry modes and tend to network with organisations in Denmark that facilitate exporting into the BRIC markets. These more independent or state owned organisations such as trade councils, incubator or own-man-in offices sell their services to firms that want to enter foreign markets and usually only last for a short period of time.

Secondly, Danish companies perceive China as being of lower risk compared to entering Brazil, India or Russia because of previous experiences in China. Lin (2000) pointed out that the level of market risk determines the resource commitment and flexibility. This could result from policies in China which do not always allow foreign businesses to choose low commitment modes. Therefore the initially chosen entry mode to China could be difficult to change without loss of time and money (Lin, 2000).

Finally, when looking at the internal factors, non-family firms are more concerned about a higher degree of flexibility when entering the BRIC markets and they accept that this involves lower control. For family firms, this means that they choose high commitment entry modes which involve high risk and low flexibility when entering the BRIC markets (Patel et al., 2012). One conclusion here can be that even if the level of control is almost of same importance for family and non-family businesses, the chosen low flexibility and high risk modes of family firms indicate that they prefer having high control over their export strategies. The results seen from the SEW perspective indicate that the risk averseness to socio-emotional values are more important for the investigated family firms than the risk of financial losses (Berrone et al., 2012). Moreover, as previous research points out, alliances between family businesses take longer to build up but in the end last longer than between a family and non-family business (Boyd et al., 2010). This means that Danish family firms would have a higher chance to collaborate on the same level which then results in choosing a long-term oriented export strategy.

Our results point out different export strategies of family and non-family businesses and how internal factors influence the entry mode choice. Further implications could be discussed regarding the suitability of export strategies to BRIC markets for managers of Danish family and non-family firms. Most large Danish companies have already entered the BRIC markets (i.e., Danfoss, Lego, and Bestseller) but for SMEs which still seek for opportunities, some of the study results may be of interest. Future research investigating
internal factors influencing entry mode decisions to each of the BRIC markets could lead to more precise implications but should be based on a larger sample.

References


Market entry strategies into the BRIC countries


Sørensen, P.O (1998a) *Den familieejede virksomhed*, Børsen ledelseshåndbøger, Copenhagen.

Sørensen, P.O (1998b) *Familievirksomhedens bivalente kendetegn*, Handelshøjskolen, Århus.


Appendix

Questionnaire (translated from Danish)

1. What is your title or function? Please only one answer
   - Company director/owner
   - Sales director
   - Marketing director
   - Supply director
   - Financial of personnel director
   - Other:

2. In what year was your company founded?

3. Do you consider your company as a family business? Please only one answer
   - Yes
   - No
   - Other:

4. Have you thought about handing over your family business yet? Please only one answer
   - Yes
   - No

5. How important are following intentions regarding the succession of your family firm? Please only one answer per line
   - Handing over to a family member
   - Handing over to an employee
   - Get a good price for selling the firm
   - Knowing that all employees are financially secured
   - Knowing that all family members are financially secured

6. How many employees of your company are employed in Denmark? Please only one answer
   - a) Less than 20
   - b) 20–49
   - c) 50–99
   - d) 100–199
   - e) 200–499
   - f) 500 employees or more

7. What was the turnover of your company in mill. DKK. in 2011? Please only one answer
   - 0–10 mill. kr.
   - 11–49 mill. kr.
   - 50–99 mill. kr.
   - 100 mill. kr. or more
8. How high was the export percentage of this turnover in 2011? Please only one answer
   - 0%–19%
   - 20%–39%
   - 40%–59%
   - 60%–79%
   - 80%–100%

9. Which market are you mainly acting on?
   a) B2C (consumer market)
   b) B2B (industrial market)

10. For how long have you exported your products? Please only one answer
    a) 0–5 years
    b) 6–10 years
    c) 10 years or more

11. To how many countries does your company export? Please only one answer
    a) 1–3
    b) 4–9
    c) 10 markets or more

12. What entry modes is primarily used by your company?
    a) Direct sale to international customers (e.g., OEM)
    b) Online sale to international customers
    c) Agents/distributers
    d) JV/SA
    e) Establishing a 100% subsidiary
    h) Other such as Incubator offices, Own Man In-offices. Please specify:

13. Have you exported to Brazil?
    a) Yes
    b) No

14. What entry mode have you used for the Brazilian market?
    a) Direct sale to international customers (e.g., OEM)
    b) Online sale to international customers
    c) Agents/distributers
    d) JV/SA
    e) Establishing a 100% subsidiary
    h) Other such as incubator offices, own man in-offices. Please specify:

15. Have you exported to Russia?
    a) Yes
    b) No
Market entry strategies into the BRIC countries

16 What entry mode have you used for the Russian market?
- a Direct sale to international customers (e.g., OEM)
- b Online sale to international customers
- c Agents/distributers
- d JV/SA
- e Establishing a 100% subsidiary
- h Other such as incubator offices, own man in-offices. Please specify:

17 Have you exported to India?
- Yes
- No

18 What entry mode have you used for the Indian market?
- a Direct sale to international customers (e.g., OEM)
- b Online sale to international customers
- c Agents/distributers
- d JV/SA
- e Establishing a 100% subsidiary
- h Other such as incubator offices, own man in-offices. Please specify:

19 Have you exported to China?
- Yes
- No

20 What entry mode have you used for the Indian market?
- a Direct sale to international customers (e.g., OEM)
- b Online sale to international customers
- c Agents/distributers
- d JV/SA
- e Establishing a 100% subsidiary
- h Other such as incubator offices, own man in-offices. Please specify:

21 What type of entry mode is the most used to other countries than the BRIC-markets?
- a Direct sale to international customers (e.g., OEM)
- b Online sale to international customers
- c Agents/distributers
- d JV/SA
- e Establishing a 100% subsidiary
- h Other such as incubator offices, own man in-offices. Please specify:
22 Which of the listed external factors are most important when choosing an entry mode for the BRIC-markets? Max. 3
- Cultural differences
- Political and economic risk
- Market potential
- Changes in demand
- Trade barriers
- Competition intensity
- Business networks in the country
- Other, please specify:

23 Which of the listed external factors are most important when choosing an entry mode to other than the BRIC-markets? Max. 3 factors
- Cultural differences
- Political and economic risk
- Market potential
- Changes in demand
- Trade barriers
- Competition intensity
- Business networks in the country
- Other, please specify:

24 Which of the listed internal factors are most important when choosing an entry mode for the BRIC-markets? Max. 3 factors
- Control over the international activities
- Flexibility (possibility to withdraw from the market)
- Risk willingness of the company
- Product complexity
- International experience
- Economic resources of the company
- Personnel resources in the company
- Other, please specify:

25 Which of the listed internal factors are most important when choosing an entry mode to other than the BRIC-markets? Max. 3 factors
- Control over the international activities
- Flexibility (possibility to withdraw from the market)
- Risk willingness of the company
- Product complexity
- International experience
- Economic resources of the company
- Personnel resources in the company
- Other, please specify: