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THE EMPIRICAL LINK BETWEEN ENTRY MODE SELECTION AND BARRIERS TO INTERNATIONALIZATION

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ABSTRACT

This study examines the impact that various barriers to internationalization have on entry mode selection for Australian firms entering foreign markets. The study considers a comprehensive set of potential barriers to internationalization identified from the literature and the four major market entry modes. The study was based on an empirical investigation of Australian firms that had operations in foreign markets. The sample of firms came from a wide cross section of industries. The list of firms comprising the sample was provided by a state government department. The findings indicate that venture management characteristics, distribution access, foreign practices incompatible with domestic business, adapting to foreign market needs and foreign market attractiveness as barriers to internalization were the significant determinants of entry mode selection for direct exporters, joint ventures, contract manufacturers and wholly owned subsidiaries.

Keywords: Barriers to internationalization, antecedents, Australia, direct export, joint ventures, contract manufacturing, wholly-owned subsidiaries.

Biographical Notes:
Craig C. Julian, PhD is a Senior Lecturer in Marketing in the School of Commerce and Management at Southern Cross University in Tweed Heads, New South Wales. He has won competitive research grants, including a prestigious large ARC Discovery Grant, and has over 80 publications to his name. His work has appeared in quality international journals such as the *European Journal of Marketing*, *Journal of Small Business Management*, *Journal of Macromarketing*, the *Journal of Business Research* and many others. His primary research interests are aligned to the international marketing discipline and include strategic alliances, international joint ventures and export marketing.

INTRODUCTION

An understanding of the barriers to internationalization and their effect on entry mode selection is important because they can assist in determining why international marketers are unable to exploit their full potential and why many firms fail or incur financial losses in their international activities (Chung, 2003). Understanding the barriers to internationalization at a national level provides government policy makers with key strategic guidelines and evaluative insights into preparing their national trade policies (Julian & O'Cass, 2004). Furthermore, understanding the barriers to internationalization could lead to minimizing their effect resulting in better entry mode selections and ultimately an improvement in various countries trade performance.

The primary focus of previous research on the barriers to internationalization was to describe their perceived importance, frequency, intensity and their negative effect on the internationalization of firms (Shoham & Albaum, 1995). Limited empirical research has been conducted on the impact of various barriers to internationalization on entry mode selection, especially from an Australian perspective (Maitland & Nicholas, 2002). Therefore, a comprehensive empirical study is required on the impact of certain barriers to internationalization on entry mode selection for Australian firms operating in other countries. This is primarily because firms operating in different countries tend to perform differently depending on the entry mode and the product/service they are marketing in different countries (Zou, Taylor & Osland, 1998). Given the importance of a positive trade balance to the Australian economy (Julian, 1995) and the limited research that has been conducted on identifying the country-specific factors that influence the success of Australia's firms in foreign markets (Julian & O'Cass, 2004) the purpose of the present study is to examine the impact of certain barriers to internationalization on the selection of various entry modes for Australian firms operating in foreign markets.

LITERATURE REVIEW

Many barriers to internationalization have been identified in the international marketing literature, however, the general consensus in the literature appears to be that the primary barriers to internationalization include: market attractiveness, foreign business practices being incompatible with domestic business, venture management characteristics, access to distribution channels, adapting to foreign market needs, government policy and competition (Albaum & Tse, 2001; Gencturk & Kotabe, 2001; Karakaya, 1993; Katsikeas, 1994; Katsikeas & Morgan, 1994; Lages, 2000; Pindyck & Rubinfeld, 1997). What follows, is a discussion of these barriers to internationalization in relation to their possible impact on entry mode selection with hypotheses being offered for testing.

Market attractiveness as a barrier to internationalization includes such issues as difficulty providing after sales service, high costs associated with selling abroad including high transportation costs to ship products to foreign markets and problem quoting prices with fluctuating exchange rates. For example, with regards to high transportation costs to ship products to foreign markets, when going international firms tend to incur costs that would not normally be incurred in domestic settings and high transportation costs is one of them. High transportation costs result in higher product costs. The company has to increase the price of the product in order to absorb the extra cost associated with transportation, which can make the product less attractive in the foreign market. As such, acting as a barrier to internationalization (Da Silva & Da Rocha, 2000). In such a case, it may be best to internalize the firm specific advantages that the firm has and establish a joint venture or local assembly with a local partner as opposed to direct export (Beamish & Banks, 1987). As such, it is hypothesized that:

H1: Market attractiveness will have a significant impact on entry mode selection.

With respect to foreign business practices being incompatible with domestic business this includes foreign business practices being difficult to understand, confusing import regulations and procedures and risks involved in selling abroad. According to the international business literature firms find international business opportunities more risky than domestic ones, because in going global firms often encounter new types of risks and by doing so they incur costs that normally would not occur in domestic settings. International risk also may affect performance through losses due to host country government actions, such as the enactment of legislature that restricts the actions of the firm like voluntary import quotas or other import restrictions. However, the most common risk firms' face in their international business activities is the exchange rate risk, which can create losses in other wise profitable operations when a currency is devalued (Grady & Lane, 1996). As a result, firms may wish to reduce their risk by joint venturing with a local partner or using some form of local assembly or contract manufacturing as opposed to direct export or a foreign manufacturing subsidiary. As such, it is hypothesized that:

H2: Foreign business practices that are incompatible with domestic business will have a significant impact on entry mode selection.

Venture management characteristics as a barrier to internationalization includes such issues as managerial indifference towards the value of internationalization, management emphasis on developing domestic markets, insufficient personnel to manage international trade activity and a lack of capacity for international expansion (Julian, 2003). As far as having insufficient personnel to manage international trade activity is concerned, the international business literature suggests that small firms have a general problem with inadequate expertise and skills at managerial, supervisory and production employees level (Holmund & Kock, 1998). Some managers tend to misinterpret the available information. Even if the opportunities for market expansion are recognised, these managers are deterred by their misperceptions regarding difficulties, risks involved and inaccurate ideas about laws, currencies, financing, taxes, trade and exchange control and documentation. These misperceptions result in underestimating the potential opportunities and on many occasions missing the opportunities altogether. Some managers can suffer from unrealistic fears. Other managers could suffer from managerial inertia, which is a failure of management to act even when other barriers are not a problem. Regardless, of whatever the case may be, misperceptions, fears, or managerial inertia, they all result from insufficient personnel to manage international activities. Thus, this insufficient management personnel acts as a barrier to internationalization and is likely to impact entry mode selection (Barker & Kaynak, 1992). As such, it is hypothesized that:

H3: Venture management characteristics will have a significant impact on entry mode selection.

With respect to the lack of access to distribution networks, it has been suggested that distribution is the key to overseas success (O'Cass & Julian, 2003). Some firms prefer to distribute goods via company owned channels, whilst others contract with independent organizations (Anderson & Coughlan, 1987). Because many firms are unable to integrate vertically into global distribution, the non-integrated market entry modes of foreign distributor and agent are frequently used. Therefore, access to distribution channels is limited and complicated and as such they can act as a barrier to entry and significantly impact entry mode selection (Karakaya, 1993). As such, it is hypothesized that:

H4: Distribution access will have a significant impact on foreign entry mode selection.

Adapting to foreign market needs as a barrier to internationalization relates to differences in product usage in foreign markets, language and cultural differences and the need to adapt products to meet foreign customer preferences (O'Cass & Julian, 2003). It has been widely acknowledged that when a firm enters a foreign market, local competition will inspire the firm to adapt its strategies to accommodate the needs of the local market. The increased knowledge of local markets will stimulate the firm to develop products that better meet the local needs and tastes. However, whether to adapt and how much to adapt is a decision based on the costs of a localized strategy and the respective benefits of better serving the local market. As a result of increased costs it could be concluded that the need to adapt products to meet foreign customer preferences could be a barrier to internationalization for some companies and necessitate the need to take on a local partner versus going it alone. As such, it is hypothesized that:

H5: Adapting to foreign market needs will have a significant impact on entry mode selection.

Government policy as a barrier to internationalization involves the lack of government assistance in overcoming the various barriers and the lack of a tax incentive provided by the home country government for companies that internationalize. In relation to the lack of government assistance in overcoming the various barriers to internationalization, the international marketing literature suggests that internationalizing firms need government assistance when barriers are created by foreign governments in order to reduce the barriers under their control (Shoham & Albaum, 1995). It has also been suggested that a firm's commitment to international activities occurs in stages with each stage representing a different market entry mode and presenting different problems. Therefore, internationalizing firms need different types of assistance at the different stages of internationalization (Gencturk & Kotabe, 2001). As such, it is hypothesized that:

H6: Government policy will have a significant impact on entry mode selection.

Competition as a barrier to internationalization incorporates competition from local firms in foreign markets and competition from foreign firms in foreign markets. According to microeconomic theory entry of new firms into a competitive market reduces the profits of the market participants. If local firms enter their own market, they not only have to compete with foreign firms, but also with each other, which could result in reduced profits. Thus, competition from local and foreign firms in foreign markets can act as barrier to internationalization (Pindyck & Rubinfeld, 1997). In order to reduce the competitive intensity a foreign firm, for example, may joint venture with a local competing firm. Therefore, competition, as a barrier to internationalization can have a significant impact on entry mode selection. As such, it is hypothesized that:

H7: Competition in a foreign market will have a significant impact on entry mode selection.

Internationalization has been used to describe the process of adapting firms' operations to international environments (Calof & Beamish, 1995). As such, the term internationalization can be applied to a variety of organizational elements including but not limited to strategy, organizational structure and products. Here, the internationalization dimension used is mode. Modes are the institutional arrangements that allow firms to use their products/services in a country. Mode forms include but are not limited to direct export, contract manufacturing, joint venture and wholly owned subsidiary.

Each mode change (from direct export, contract manufacturing, joint venture to wholly owned subsidiary) involves an increased commitment to international activities. Commitment increases as firms learn more and therefore become less uncertain about foreign markets (Calof & Beamish, 1995). In particular, firms move from one stage to another as they gain experiential knowledge in a particular foreign market and decision makers' perceptions of the costs and benefits of involvement in that market change. For example, as a barrier to internationalization, firms in the early stages of internationalization perceive export costs as higher and revenues as lower than firms farther along in the internationalization process. As such, it is believed that the various barriers to internationalization will impact entry mode selection differently thereby necessitating the need for each entry mode to be studied separately and the driving force behind this study.

RESEARCH DESIGN

The study was based on an empirical investigation of Australian firms that had operations in foreign markets. The sample of firms was comprised of firms from a wide cross section of industries including manufacturing, services, construction, and many others. The sampling frame was provided by a government department. In order to obtain valid and reliable measures of the variables, previously validated scales were used for all of the constructs in this study. The questionnaire was developed and pre-tested using a small sample of firms with the final instrument mailed to the sample. All items were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5) (Cavusgil & Zou, 1994).

To ensure valid and reliable measures, questionnaire development followed several steps. First, the relevant literature was reviewed to identify the various barriers to internationalization. Second, to ensure content validity, several exporters reviewed the questionnaire and provided input for revision. Finally, to reach the most knowledgeable key informants, the questionnaire was directed to the Managing Director of the firm. From the results of the pre-test, it was expected that the Managing Director would be the person most knowledgeable about the organization's performance and the various barriers to internationalization. The case, where the Managing Director was not knowledgeable about the various barriers to internationalization it was expected that the Managing Director, as Chief Executive Officer, would re-direct the questionnaire to the appropriate executive within the organization.

In this study the Managing Director was used as the key informant. Managing Directors or CEOs have been used as key informants in similar research on innovation-based competitive strategy (Li & Calantone, 1998). Although some researchers have advocated the use of multiple informants (Hogarth & Makridakis, 1981), others have found that CEOs provide data that is as reliable and valid as multiple informants (Zahra & Covin, 1993). Data on strategy gathered from middle and lower managers have been argued to have questionable validity because these managers typically do not have access to information about how the total system operates (Snow & Hrebiniak, 1980). CEOs possess the most comprehensive knowledge of the characteristics of the organization, its strategy and inter-organizational relationships (Snow & Hrebiniak, 1980).

The instrument contained items identified by the literature as measuring barriers to internationalization such as market attractiveness (Katsikeas & Morgan, 1994), foreign practices being incompatible with domestic business (Katsikeas, 1994), venture management characteristics (Lages, 2000), distribution access (Karakaya, 1993), adapting products/services to meet foreign market needs (Albaum & Tse, 2001), government policy (Gencturk & Kotabe, 2001) and competition (Pindyck & Rubinfeld, 1997). Market attractiveness was measured via items tapping the difficulty of providing after sales service, high costs of selling abroad including high transportation costs to ship products to foreign markets and problems associated in quoting prices with fluctuating exchange rates (Katsikeas & Morgan, 1994). Foreign practices being incompatible with domestic business were measured via items tapping foreign business practices being difficult to understand, confusing import regulations and procedures, risks involved in selling abroad, and difficulty collecting payment from foreign customers (Katsikeas, 1994). Venture management characteristics was measured via items tapping managerial indifference towards the value of international operations, management's emphasis on developing domestic markets and insufficient personnel to manage international trade activity together with a lack of capacity dedicated to a continuing supply for international operations (Lages, 2000). Distribution access was measured via items tapping the lack of foreign channels of distribution and the difficulties associated with selecting a reliable distributor together with the difficulty in gathering information on foreign markets (Karakaya, 1993). Adapting to foreign market needs was measured via items that tapped the differences in product usage, language and culture, and the need to adapt products to meet foreign customer preferences (Albaum & Tse, 2001). Government policy was measured via items tapping a lack of government assistance in overcoming the various barriers to internationalization, lack of a tax incentive by the home country government for companies that engage in international business, enforcement of a high export tax by the home country government and high foreign tariffs on imported products by foreign country governments (Gencturk & Kotabe, 2001). Finally, competition was measured via items tapping competition from local and foreign firms in foreign markets (Pindyck & Rubinfeld, 1997). The choice of entry mode as a dependent variable was reduced to four options, direct export, contract manufacturing, joint venture or wholly owned subsidiary, as these four options were identified as the four principal entry modes Australian firms use when entering foreign markets.

After the pilot test the questionnaire was mailed to a purposeful sample of 694 firms who were identified as being involved in direct exporting, yielding 146 useable questionnaires being returned accounting for an effective response rate of 21.0 percent and considered to be adequate (Groves, 1990).

DATA ANALYSIS

Prior to analyzing the primary data the issue of non-response bias is discussed. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong & Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample of 146 Australian export ventures and the target population of 694 based on their industry classification. No significant differences were identified between the sample and the target population for this classification variable. Therefore, as the results suggest that there were no significant differences between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about Australian export ventures for the issues under study.

Next, a description of the sample is provided. As far as the type of organization the firm was, the majority of respondents were from national companies or were sole traders with 32.2 percent and 26.0 percent respectively indicating that a large percentage of the responding firms were reasonably large in size. In relation to firm size the international marketing literature suggests that firm size is directly related to internationalization as larger companies have a higher propensity to engage in international business activities than do smaller ones. Firms with limited international business experience perceive greater barriers to internationalization and are more prone to concentrate on their domestic market (Ahmed *et al.,* 2004).

As far as the age of the firm was concerned, the majority of the firms were over 21 years old with 45.9 percent of the respondents' organizations being over 21 years old. Additionally, 62.3 percent of the sample respondents indicated that they had been engaged in international business for at least seven years prior to joining their current organization. This indicates that a large percentage of the firms had significant experience in international business and were most capable of assessing the important barriers to internationalization. Furthermore, the international business literature suggests that international business experience is inversely proportional to the perceptions of barriers to internationalization as firms with more experience in internationalization perceive less barriers to internationalization (Da Silva & Da Rocha, 2000).

As far as the industry in which the firm competed was concerned, the dominant industries represented include manufacturing (45.2 percent), services (21.2 percent) and construction (8.9 percent). The findings indicate that the majority of the firms belong to the manufacturing, services and construction industries with 75.3 percent of the sample coming from these industries.

The primary data were initially analysed using principal components analysis to assess the psychometric properties of the instrument. The primary concern was interpretability of the factors. All items loaded appropriately and no cross loadings above .2 were identified with only factor loadings of above .5 being accepted.

Each scale was reviewed using factor analysis to establish that they were unidimensional. A test of reliability for the seven factors resulted in Cronbach's alpha of .74, .81, .76, .70 respectively for the factors "market attractiveness", "foreign practices incompatible with domestic business", "venture management characteristics" and "distribution access" suggesting high reliability. A test of reliability for the factors "adapting to foreign market needs", "government policy" and "competition" resulted in Cronbach's Alpha of .60, .67 and .61 respectively suggesting modest reliability. Though, .60 is acceptable for a four-item scale or less (Anderson & Coughlan, 1987). As such, the measure was judged adequate to examine the hypothesized relationships.

Four multiple regression analyses were then conducted to examine the relationship between entry mode choice (direct export, joint venture, contract manufacturing and wholly owned subsidiary) as a dependent variable and the seven barriers to internationalization (Table 1) with the industry the firm competes in as a control variable because of the cross-sectional nature of the sample. The analyses resulted in an R^2 = .302, .244, .316 and .264 respectively for direct export, joint venture, contract manufacturing and wholly owned subsidiary suggesting that the seven barriers to internationalization explained 30.2 percent of the variation in entry mode choice for direct export, 24.4 percent of the variation in entry mode choice for joint ventures, 31.6 percent of the variation in entry mode choice for contract manufacturing and 26.4 percent of the variation in entry mode choice for wholly owned subsidiaries for Australian firms having operations in foreign markets.

The results also show only two barriers to internationalization, “venture management characteristics” and “distribution access”, as having a significant influence on all entry mode options for Australian firms with operations in foreign markets. However, in addition to “venture management characteristics” and “distribution access”, “adapting to foreign market needs” as a barrier to internationalization had a significant influence at the 95 percent confidence interval on Australian firm’s decision to select the direct export entry mode option. For both the joint venture and contract manufacturing entry mode options as well as “venture management characteristics” and “distribution access”, “incompatible foreign business practices” as a barrier to internationalization had a significant influence at the 95 percent confidence interval on Australian firm’s decision to select these entry mode options. Finally, for the wholly owned subsidiary entry mode option, as well as “venture management characteristics” and “distribution access”, “foreign market attractiveness” and “adapting to foreign market needs” as barriers to internationalization also had a significant influence at the 95 percent confidence interval on Australian firm’s decision to select that entry mode option. As such, partial support was provided for H1, H2 and H5, full support was provided for H3 and H4, with H6 and H7 being rejected.

Table 1 – Multiple Regression Analysis

Variable (Direct Export)	Sig T	Variable (Joint Venture)	Sig T
Market Attractiveness	.084*	Market Attractiveness	.224
Incompatible Foreign Practices	.195	Incompatible Foreign Practices	.014**
Venture Mgt. Characteristics	.000****	Venture Mgt. Characteristics	.000****
Distribution Access	.010**	Distribution Access	.028**
Adapt to foreign market needs	.000****	Adapt to foreign market needs	.612
Government Policy	.531	Government Policy	.465
Competition	.141	Competition	.102
R^2 = 0.302 n = 146 df = 8		**R^2 = 0.244 n = 146 df = 8**	

**p<.10*
***p<.05*
****p<.01*
*****p<.001*

Table 1 – Multiple Regression Analysis (Continued)

Variable (Contract Manufacturing)	Sig T	Variable (Wholly Owned Subsidiary)	Sig T
Market Attractiveness	.615	Market Attractiveness	.021**
Incompatible Foreign Practices	.037**	Incompatible Foreign Practices	.997
Venture Mgt. Characteristics	.000****	Venture Mgt. Characteristics	.009***
Distribution Access	.000****	Distribution Access	.006***
Adapt to foreign market needs	.086*	Adapt to foreign market needs	.011**
Government Policy	.724	Government Policy	.248
Competition	.157	Competition	.357
R^2 = 0.316 n = 146 df = 8		**R^2 = 0.264 n = 146 df = 8**	

**p<.10*
***p<.05*
****p<.01*
*****p<.001*

DISCUSSION

The barriers to internationalization having a significant impact on entry mode choice were identified as foreign market attractiveness, foreign business practices being incompatible with domestic business, venture management characteristics, distribution access and adapting to foreign market needs. However, only venture management characteristics and distribution access had a significant influence in determining the selection of all entry mode options. This study's findings have clearly demonstrated that when the firm has limited capacity and resources for international marketing and is predominantly occupied with the domestic market, when the firm has to make substantial adaptation to its product strategy and when there is sufficient access to foreign channels of distribution and the firm experiences no difficulty in selecting a reliable distributor these foreign market conditions suggest the need to use the direct export entry mode option for international marketing success. It is important for the management of any firm to be aware of these characteristics when determining the optimum strategy or mode for foreign market entry.

Furthermore, when the firm has limited capacity and resources for international marketing; when the firm is predominantly occupied with the domestic market; when there is sufficient access to foreign channels of distribution and the firm experiences no difficulty in selecting a reliable distributor; when the firm has difficulty in gathering accurate information on foreign markets; together with foreign business practices being difficult to understand, confusing import regulations and high risks involved in selling abroad when all these characteristics are prevalent it suggests the need to use either the joint venture or contract manufacturing entry mode option for international marketing success. The reason being is that when these conditions are prevalent they will necessitate the need for the firm to have a partner that has a reliable distribution network, local manufacturing and local market knowledge. Otherwise distribution and successful market penetration will be next to impossible and many studies have already identified the importance of distribution access for international marketing success (Julian, 2003; Karakaya, 1993; Makino & Delios, 1996).

Finally, when the firm has limited capacity and resources for international marketing; is predominantly occupied with the domestic market; when there is sufficient access to foreign channels of distribution and the firm experiences no difficulty in selecting a reliable distributor; when the firm has to make substantial adaptation to its product strategy together with experiencing the high costs of selling abroad this will necessitate the use of the wholly owned subsidiary market entry mode option for international marketing success. The reason being is that when the costs of selling abroad are very high e.g., significant transportation and product adaptation costs the firm is likely to have far greater international marketing success by setting up its own fully owned operation in order to internalize its firm specific advantages (Beamish & Banks, 1987).

Internalization theory was developed to provide a basis for the development and proliferation of the multinational enterprise (MNE). Multinational enterprises are firms that establish operations in a foreign market as a means of serving that market rather than engaging in transactions with market intermediaries from a distance. The theory of internalization suggests that because of the transaction costs that occur as a result of doing business in imperfect markets it is more efficient (or less expensive) for the firm to use internal structures rather than market intermediaries to serve a foreign market (Beamish and Banks, 1987).

Williamson's (1975) conclusions suggest that these imperfect markets occur when two primary conditions are prevalent in the environment of the foreign market, these two primary environmental conditions being uncertainty and a small number of market agents. When these circumstances exist in a foreign market with two sets of human factors, opportunism and bounded rationality, Williamson suggested that the costs of conducting business with market intermediaries from a distance are greater than the costs of internalizing the market. That is, if a MNE faced a complex, uncertain marketing infrastructure and business environment that had few potential channel members to utilize it would be more profitable performing the distribution function itself if there was a strong likelihood that market agents would try to take advantage of the firm's lack of market knowledge and the MNE was unable to specify all possible future transaction contingencies (Beamish and Banks, 1987).

Researchers in international business have been very successful in providing a sound basis for the development and proliferation of an MNE as a way to participate in imperfect markets using the transaction cost theory (See Beamish and Banks, 1987; Park and Russo, 1996). When extending this rationale to international markets, international business researchers have often evaluated separately the strategies of vertical integration and horizontal diversification because the cause of market failures is different in each case. The rationale behind the internalization of markets with vertical integration is about the failure of markets in intermediate goods. As far as horizontal diversification is concerned it is about the failure of markets in intangible assets for such things as management know-how, trade name or licensed technology. Although the completeness of the transaction cost framework has provided the theory of internalization with sound reasoning, it is still inconclusive in relation to some aspects as a general theory for the MNE. The major limitation, as concluded by Beamish and Banks (1987), was that the theory up to 1987 only included one kind of organizational structure, that being the wholly owned subsidiary. As such, it is important for the management of any firm to be aware of these issues for international marketing success.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Prior to discussing the directions for future research some of the study's limitations are noted. One of the limitations of this study is its cross sectional design. The results from this investigation should be considered in this light. Taking this study as a point of departure longitudinal research is encouraged to examine the effect of these barriers to internationalization on entry mode selection over time. The significance of the different barriers to internationalization is likely to change over time as more and more bilateral trading relationships are formed between countries and as the world moves closer towards its ultimate goal of global free trade. As such, future research should continue to monitor and evaluate the different barriers to internationalization in entry mode selection. Future research should also replicate this study in a developing country of South East Asia to see if the findings of this study can be validated using a developing country as a sampling frame especially in view of increased intra regional trade in South East Asia (Julian & O'Cass, 2002).

From a methodological perspective, a potential concern might be that all measures are self-reported. While regression modeling is a robust technique, future research could utilize multiple means by which to measure the variables in order to reduce common method variance. Efforts were made in this study to minimize the problem by pre-testing the instrument and selecting measures that minimize item overlap. While utmost care is taken in the development and administration of the instrument, respondents still might not interpret all questionnaire items uniformly. The sample size is also smaller than desirable. Future research should replicate the study with a larger sample. Finally, a replication of this study with a much larger sample should examine whether the relationships between the variables still would hold true on an industry by industry basis as some industries may use different entry modes just to satisfy government regulations or to overcome high tariff barriers.

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