Review 3

Matching and Foreign Market Entry (FME)

The article for the third seminar is written by Ghauri and Holstius in 1996 and is about *matching* in the foreign market entry process. The final matching concept shows different perspectives to the progress of business relationships between companies in dissimilar countries. Matching consists steps taken at global, macro and micro levels (Ghauri & Holstius, 1996). Just because the countries have a close geographic distance does not mean that the operations match at those three levels.

In the article, the authors describe the use of the final matching concept. The final matching concept is used to overcome the differences in the cultural, political, legal and economic environment between western countries and transition economies. The final matching concept is also used to evaluate how different levels of government and business functions, in different phases of the establishment process, simplifies business entry into specific market (Ghauri & Holstius, 1996).

Before the explaining of the final matching concept, the article describes two models. The first model, the establishment process, is presenting three phases; the search phase, the project phase and the establishment phase (Ghauri & Holstius, 1996). Each phase has three network variables; the actors, the activities and the resources. The actors are the ones who controls the resources and perform the activities and have therefor an important part in the phase. In the search phase, the company is searching for information about the target foreign market. In the project phase, the company analyses the opportunities of the market and implement its entry decisions. In the establishment phase, the company has deep information about the target market, has built up a strong network and can gradually start its operations and find a position in the market. The authors mean that “the stronger position, the more successful is the firm in its entry process” (Ghauri & Holstius, 1996).

The second model, the matching concept, is presenting three levels; the global level, the macro level and the micro level (Ghauri & Holstius, 1996). The global level is the level where companies focuses on international agreements, communications and relationships. On the macro level, the company creates preconditions for market entry by focusing on legislation, trade delegations and overall measures taken by governments. The micro level is the level where the company acquire basic knowledge of the counterpart’s culture and work on realization of the market entry (Ghauri & Holstius, 1996).

When combining these two models you have the final matching concept. I interpret this model to be a guiding tool in order to reduce uncertainty when entering a foreign market. While some argue that “the more you know, the more certain you will be”, the authors of this article seem to argue that “the more you know, the more uncertain you will be” (Ghauri & Holstius, 1996). I would say that both states are correct, and that it is important that companies understand that both are correct. Going international, I find, is a bit of a gamble and means that companies will have to throw themselves out there in the wild. So, when we do not know what the future will be, we do our best in trying to see it anyway by collecting information and knowledge about the foreign market. And with time, it will be clear if the search of information helped the company or made it worse for the company.

I find that the article was good. The reason for why I find the article good is because of how it was written. The article had a clear disposition all the way through the article which I think made the content more understandable. The English language in the article was written in a comprehensible way with not too many advanced terms.

Discussion questions

- What consequences can occur when using the matching concept?
- How can a company use the matching concept in real life?
- Why is “stronger positioning” more successful for the firm in it’s entry process?