Abstract

The choice of foreign entry mode is a crucial aspect in international business. This choice has a major impact on the success of a firm's international operation. The Foreign Entry Mode choice is influenced by several factors and thus, it is essential to properly understand the influence of each factors on the choice of entry mode.

The primary objective of this research is to test the variables that influence the choice of foreign entry mode adopted by U.S. manufacturing multinationals in Thailand. This research has identified six variables namely, global strategy, international experience, diversification, relative size, firm-specific asset and reputation. This study focuses on U.S. multinationals established in the manufacturing sectors of Thailand and operating with the Board of Investment promotional privileges. The mode of foreign entry is restricted to wholly owned subsidiary and joint ventures, both of which are forms of investment based modes of entry

The data collected from 140 U.S. multinationals are used to test the six hypotheses constructed in the research. The hypotheses were tested using the chi-square test: Pearson's chi-square and Cramer's V as a basis for interpretation. All the variables except the relative size of the affiliate proved to be statistically significant with the dependent variable: mode of foreign entry. Analysis revealed that there was a higher tendency to setup wholly owned subsidiary rather than joint ventures by *manufacturing U.S. multinationals.*

Statistical analysis revealed that global strategy of the firm, higher international experience and higher degree of transfer of firm-specific asset to the affiliate increased the probability of wholly owned subsidiaries and similarly, higher perceived reputation of the firm increase the probability for wholly owned subsidiaries. The probability of joint ventures increased with higher degree of diversification of the affiliate from the parents core operations.

The analysis provides valuable managerial implications for mangers of multinational firms, that they should be aware of these factors in order to make the correct choice of foreign market entry. Also, policy makers are suggested to enforce regulations that permit majority ownership and control, patent protection for technology and enforcement of contracts, which will have a positive impact on the investors' attitude. Moreover, new policies should be designed to promote flow of foreign direct investment and transfer of sophisticated technology.