Market Entry Mode Strategies

– A study of Bangladesh Mobile Telecommunication Market for Foreign Companies

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Abstract

Title: Market Entry Mode Strategies – A study of Bangladesh Mobile Telecommunication Market for Foreign Companies.

Background: Now-a-days, the forces of globalization derive firms to go to international market. When a firm thinks to expand its business outside of the home market, it needs to explore the form of operation through which it will enter into the foreign market. International entry mode research deals with this matter. (Brouthers et.al.2007). Selection of an optimal entry mode strategy is very important because it is very difficult to change or correct and have a long-term impact on the firm’s foreign operation (Pedersen, Petersen, & Benito, 2002). Actually, it is very difficult for a firm to serve in the market on a permanent basis without a well formulated entry strategy. (Pehrsson A. 2008). Market entry mode strategies are influenced by both firm and country level factors and a firm must take into consideration these factors in choosing an appropriate entry mode.

Purpose: The basic purpose is to gain a deep knowledge about the critical factors in selecting an optimal international market entry mode strategy to enter into an emerging market. The minor purpose is to justify the suitability of the target market.

Methodology: Due to the dependency on subjective interpretation of text or other visual material and small sample was used to investigate the specific phenomena, qualitative method has been practiced in this research process. Secondary data has been mainly collected from e-sources, and primary data has been collected through phone interview with the three foreign mobile telecom companies in Bangladesh.

Findings: Bangladesh mobile telecommunication market is still attractive for the foreign entrants and the optimal entry mode strategy is joint venture to enter into the moderately attractive industry.

Implications: The study has showed that international entry mode strategy is affected by various organizational, economical, Institutional, and sociological factors (categorized as country and firm level factors). This research has also provided relevant information to the potential foreign firms about which country and firm level factors should consider in formulating a well entry mode strategy in perspective of an emerging market.

Keywords: Market entry mode, Entry types, Firm level factors, Country level factors, Bangladesh mobile telecom market.
Abbreviations:

CDMA = Code division multiple access
GSM = Global System for Mobile
WOS = Wholly Owned Subsidiary
ARPU = Average Revenue per User
USD = United States Dollar
SGD = Singapore Dollar
BTRC = Bangladesh Telecommunication Regulatory Commission
AMTOB = Association of Mobile Telecom Operators of Bangladesh
GDP = Gross Domestic Product
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Chapter: 1
Introduction

In this chapter, the reader is introduced to a short overview of Bangladesh mobile telecom sector followed by information about the country and the market. Afterwards, a research problem has been discussed which guides the research questions and the purpose. Finally, the chapter is ends with the delimitations and report structure.

1.1 Background:
The telecommunications industry is one of the best performing industries in the world. (Chartered Technofunctional Institute, 2012). This industry plays role not only in economics activates but also has considerable impact and influence on social stability, and national security. (Lin C. H, 2008)

This dynamic telecom industry has offered a lot of growth opportunities. It has been observed that previously booming telecom markets in Europe and North America are on the way to saturation. As a result, western telecom companies have been looking for new markets in Asia, Africa and South America. (Levi, 2006) Like other developing countries, the telecom sector’s growth in Bangladesh has exceeded all expectations and has made a transformative impact on the economy in terms of aggregate investment, FDI and productivity levels. (Islam, I 2010). Bangladesh is one of the densely populated countries in the world. More than 113.784 million people of the total population of 163.60 million have mobile phone subscription. (BTRC, 2014 & CIA, 2013). In spite of the fact that it is a low-income country, the mobile telecom sector is considered as the fastest growing sector of the country and there are yet a large number of potential customers. This indicates that new entrant has the opportunity to do profitable business. Due to the attractiveness of the telecom market, many foreign companies are now interested to invest in Bangladesh. This suitability of the market makes the country a significant hub for telecom business. The infrastructure (expand value added services, mobile tower sharing agreement among mobile phone operators, public private partnerships opportunities etc.) and low level of telephone density (the number of telephone connections for every hundred individuals living within an area) makes the market a perfect country for telecom business. (Assignment Point, 2014). The Government of Bangladesh’s commitment to a digital Bangladesh is likely to present major opportunities for the sector. (UK Trade & Investment, 2011)

Under these circumstances, Bangladesh may be a perfect place for doing business for international telecom companies.
1.2 The Country:

Bangladesh has great cultural values and is a nation with high self-esteem. The present Bangladesh was previously the eastern part of Pakistan, called East-Pakistan. Due to the great mismatch between the two parts, East Pakistan started war against West Pakistan in March 26th 1971. And after 9 months, in December 16th 1971, Eastern Pakistan became an Independent country, known as Bangladesh. (Virtual Bangladesh, 2013) It is located in the Southern Asia, bordering the Bay of Bengal with a coastline covering 580 km between Myanmar & India, with the land boundaries of 4,246 km. The boundaries to Myanmar are 193 km long and to India 4,053 km. The time difference is GMT+6. The total area of this country is 147,570 km². Bangladesh has a tropical monsoon-type climate, with a hot and rainy summer and a pronounced dry season in the winter. The seasons can be categorized as mild winter (October to March); hot, humid summer (March to June); humid, warm rainy monsoon (June to October). Bangla (Bengali) is the mother tongue and also used as official language. English is widely used in Government, Business and Universities. Of the total population, Muslims are 89.6 %, Hindu 9.3 %, Buddhist 0.5%, Christian 0.3% and Others 0.3%. (Yunus, H. & Co. Chartered Accountants, 2012)
Bangladesh has an amazing track record of growth and development. Though 47 million people live under the poverty line, poverty dropped by nearly a third coupled with increased life expectancy, food security, and literacy. It is expected that Bangladesh will be a middle-income country by 2021, based on accelerated export and remittance growth. (World Bank, 2013)

1.3 The market:

Bangladesh opened up its telecom sectors for mobile telephony services during the 1990s, before that, the Bangladesh Telephone and Telephone Board (BTTB) was the sole provider of telecommunications services. Accepting the global trend of exposing the telecommunication sector to competition, and in an effort to improve service accessibility and affordability by adopting new technologies, the Bangladesh government issued first mobile license in 1989. Earth shaking changes took place in the Bangladesh telecommunication markets during 1996-2006, when five more license were issued subsequently. From 1993 to 1996, the first mobile phone service providers, Pacific Bangladesh Telecom Ltd. monopolized the telecom market
by not letting the customer to be benefitted; the customer had no option to use the Subscriber Identity Module (SIM) card in any mobile phone set (since the company used CDMA technology instead of GSM), except the mobile phone set of the company (Yusuf et al., 2010). Later, with the entrance of Grameen Phone Limited and Aktel in 1997, price began to reduce. With the arrival of Banglalink in 2005, there was immense price competition. The intensity of competition forced the market players to reduce their price and increase the service quality. (Alamgir & Anand, 2008). At present, there are six mobile phone companies (service providers) in Bangladesh: Grameenphone, Banglalink, Robi, Airtel, Citycell, and teletalk. Except teletalk, the service providers are parts of big international corporations. These have invested a lot and have plans to continue to invest (Zamil & Hossen, 2012). The market is experiencing a significant growth during the last decade.

1.4 Problem Discussion:

Most companies need to enter foreign markets to stay competitive. There are several other reasons for going international: stagnating home market, faster growth in foreign market, following domestic competitors, countering foreign competitors’ entry on their home market, etc. Whatever the reason for international business, the basic purpose of doing business in the international market is the potential profits to be made (Root, 1994). Thomson et al. (2005) stated that when a company considers expanding its business activities to foreign markets, there are three questions that need to be answered: 1. Who are we? 2. Where do we want to go? 3. How will we go there? The first question answered by the company’s core competencies and values. The second question shows the place (foreign markets) where the company wants to establish itself. The last question identifies entry strategies of the company. The question related to entry strategy has strategic and long-term significance to the company, because it is difficult to choose entry mode and costly to reverse. Moreover, the initial selection of entry mode can have huge impact on the success of firms’ international operations (Uhlenbruck et al., 2006). Besanko et al. 2004 (cited in Friberg C.& Lovén G.2006) stated that strategy is difficult to reverse, once set. To draw the attention to the importance of entry mode selection, Agarwal and Ramaswami (1992) pointed out that since all of the entry modes involved resource commitments, (albeit at varying levels,) firms’ initial choice of mode is difficult to change without considerable loss of time and money. Therefore, entry mode selection is a very important, if not critical strategic decision. Since strategy is difficult to reverse and foreign market entry mode is a critical strategic decision, it becomes
crucial to investigate both entry mode choice and the performance effects of entry mode choices.

There are different options for entry ranging from licensing and franchising, to foreign direct investment (FDI) (joint ventures, acquisitions, mergers, and wholly owned new ventures) (Anderson & Gatignon, 1986; Domke-Damonte, 2000 in Rasheed 2005). Each of these modes has its own benefits and risks. For example, Joint ventures help firms to draw on the resources of local partner and share risks, as well as to penetrate regulatory and cultural barriers faster (Buckley & Ghauri, 1999). But like all partnership, Joint ventures have drawbacks: profits are diluted as they are shared, lack of adequate mechanisms to resolve disputes caused by different management philosophies of partners, etc. (Milton and Ryan, 2011). On the other hand, a wholly owned subsidiary (WOS) requires a large resource commitment, but the firm gains high control over the business. That’s why; these types of entry modes have been discussed since a long time and researchers have tried to understand how these work in a complex environment (Erramilli & Rao, 1993). They have also attempted to find out which of the entry modes are the optimal options for the international companies (Blomstermo et al., 2005; Contractor et al., 2003).

The decision about the mode of entry is not easy and it is a critical element of international expansion. It significantly influences firms’ resource commitment, investment risk, degree of control, and profits from international operations (Shrader, 2001 in Uhlenbruck et al., 2006). Entry mode selection is also influenced by firm-level factors, such as firm size, requirements for complementary resources, availability of internal financial funds, experience and strategic orientation (Doh, Hildy, & Mudambi, 2004; Shrader, 2001), as well as country-level factors such as investment risk (political risk), institutional characteristics, corruption and national culture (Henisz and Delios, 2001; Rosenzweig and Singh, 1991; Yiu and Makino, 2002 in Uhlenbruck et al., 2006). Thus foreign market entry mode is a multilevel phenomenon, which is influenced by host country environments, parent firm’s characteristics, international experience, risk preference and motivation of the firm as well as the nature of the activity to be performed at the foreign market.

The target country, Bangladesh is an emerging economy country among ten new emerging countries in the world (Dhaka Tribune, 2014). In spite of having well prospective, the target country has a lot of problems such as political instability, economic fluctuations, corruption, cultural barriers etc. The mobile telecom market of Bangladesh has become one of the
attractive sectors for foreign investment. But there are many competitors which have already taken mentionable shares of the market. In this case, a potential foreign firm need to take into account the profitability of the investment. Therefore, International firms need to justify the suitability of the potential market.

From the above discussion, it is obvious that the assessment of potential foreign market as well as optimal entry mode selection is crucial in firm’s internationalization process. It demands more importance in case of entering into an emerging market. Therefore the research problem is “examining the critical factors impacting on the selection of optimal entry mode strategy to enter into the emerging market.

1. 5 Research Questions:

1. Is Bangladesh mobile telecom market still an attractive market place for foreign investors?
2. Which critical factors should be considered by foreign companies before entering into Bangladesh mobile telecom market and what could be an optimal entry mode for the foreign companies to enter this emerging market?

1.6 Purpose:
The basic purpose of the research is to determine a suitable entry mode for foreign companies to enter the Bangladesh telecom market successfully. The basic purpose is divided into two minor purposes, which are mentioned below.

These are:
1) The first minor purpose is to analyze the present scenario of the Bangladesh telecom market.
2) The second minor purpose is to arrive at a set of recommendations for the target audience.

1.6 Delimitations:
For academic purpose this paper is delimited to the study of a sole market: Bangladesh mobile telecommunication market for foreign entrants in general. Thus the results might be different if the market is studied for a specific potential company. Beside this, all kinds of determinants for foreign entry mode selection were not discussed in this paper rather narrow down to only determinants that are relevant for the host country variables.

1.7 Outline of the thesis:
This thesis paper contains seven parts. In the first introduction part, background of research topic, a short description of the target market and target country is presented. This part also
contains problem discussion, research questions, purposes, delimitations, and report structure. In the second part of the paper, relevant theories are written together with a conceptual framework has been developed. The third part consists of methodology of the research paper from which reader can know about the guidelines of solving the research problem as well as about reasons of choosing this specific research methodology. Thereafter, empirical data has been presented in line with purpose of the research. In the next part, empirical data has been analyzed based on the data analysis models which are followed by the two assumptions. Afterwards, the collected data of three case companies have been discussed in relation to the previous research. At last, in conclusion and recommendation sections, the authors present the result of the research paper, weakness of the study and make some recommendations for the target audience as well.

**Figure: Report Structure**
Chapter 2:
Literature Review

In this chapter, relevant theories related to the thesis topic: entry mode strategies have discussed. Porte’s five forces model is also presented here to analyze the industry’s competitiveness. At the end of the chapter, two assumptions have been developed in the text of state-of-the-art.

Market Entry Modes:

Root (1987) stated that a foreign market entry mode is an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country. Sharma & Erramilli (2004) defined an entry mode as “a structural arrangement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (e.g., via export modes), or both production and marketing operations thereby itself or in partnership with others (contractual modes, joint ventures, wholly owned operations)”. According to Pehresson (2008), a market entry mode is a significant method for the delivery of a company’s product, technology, and human and financial resources into a foreign market.

The selection of an optimal entry mode is considered as one of the most significant issues in international market entry strategy (Young, Hamill, Wheeler, & Davies, 1989 cited in Peinado et al. 2007). Wind and Perlmutter (1977 cited in Erramilli et al. 1993) pointed that entry mode choice as a “frontier issue” in international marketing. In this regard, Cateora and Graham (2002 cited in Sadaghiani et al. 2011) stated that those companies which think to enter international markets, must decide about the type of entry strategy and its effect on foreign operation of the company. Brouthers (2002) mentioned that international entry mode research is important because the chosen entry mode has significant implications for performance. Arregle et al., (2006) added that it determines whether a company has full control over the foreign unit or has to share control with a partner.

2.1 Types of entry modes:

Researchers have classified market entry mode based on level of control, resource commitment, and risk involvement. Albaum and Duerr (2008) bring up the fact that companies are considering different types of entry modes when expanding in the international market. They also stated that the different entry modes differ not only for the level of control, but as well as the level of commitment, risk and involvement. Canabal & White (2008) argued that entry mode can be divided into two categories; equity and non-equity. Both categories
differ regarding investment requirements and control. Pan & Tse (2000) has developed a hierarchical model of market entry modes which can be classified as equity-based and non-equity-based. In equity-based entry mode, the local enterprise is either partially owned or wholly owned (Tang & Liu 2011) and it infers effective management control (Agarwal & Ramaswami, 1992). Equity based entry modes can be categorized as wholly owned operations (e.g., greenfield and acquisitions) and equity joint ventures (EJV) (minority EJV, 50% share EJV, and minority EJV). Beside these, FDI (Foreign Direct Investment) involves equity-based modes of entry (Zekiri & Angelova, 2011). On the other hand, non-equity modes can be defined as modes that do not entail equity investment by a foreign entrant (Erramilli, Agarwal and Dev 2002). Within non-equity modes, a firm has to choose between contractual agreements (e.g., licensing, R&D contracts, and alliances) and export (e.g., direct export and indirect export).

From the above discussion, we can classify the entry modes as follows:

1. Non-Equity Modes: A. Exporting (Direct exporting and Indirect Exporting)  
   B. Contractual Agreements (Licensing, Strategic Alliances)

2. Equity Modes: A. Joint Ventures  
   B. Wholly Owned Subsidiary (Greenfield, Acquisition)

Of these different types of entry modes, some entry modes that are relevant to the topic are discussed below:

2.1.1 Contractual Entry modes:

Contractual Agreement is a binding contract between the firm and an agent to produce and distribute the goods in the foreign market in return for some form of economic rents. It can be classified as non-equity modes of entry because considerably lesser resource commitment is required from the firm. (Kumar & Subramaniam 1997) Previous studies found that if firms have more mature technology and greater levels of product standardization, they favor contractual modes (Liang, Musteen, and Datta 2009). Contractual entry modes have different forms, such as, licensing, R & D contracts, and Alliances.

Licensing:

Licensing is an attractive entry mode for companies when they want to expand their business (Mottner & Johnson, 2000). Root (1994) defined licensing as a way of transferring intangible assets that are not a subject for import restrictions. According to a Johnson & Tellis (2008) licensing mode is “a formal permission or right offered to a firm or agent located in a host
nation to use a home firm’s proprietary technology or other knowledge resources in return for payment”. A company gives license to a foreign company that enables them to use, for example, manufacturing, processing, trademark, or name for selling purposes. The most frequently used licensing type nowadays is franchising.

Small and medium-sized companies consider licensing as one of the most favorable type of entry modes. The advantages associated with licensing are as follows: it is effective as a mode of entry when capital is limited or when restrictions forbid other entry-mode. (Cateora & Ghauri 2006), It provides firms to earn profit from a foreign market without committing sizable funds and taking rampant international construction risks (Chen & Messner, 2009). It is considered as the fastest and easiest way of entering into international market as some countries prefer licensing (Terpstra and Sarathy 1997).

The disadvantages of licensing are as follows: In licensing, the return from investment can be lower than from other modes of direct foreign market investment (Chen & Messner, 2009) and a low level of control may undermine licensor’s trademark and reputation (Schirmer 1996 cited in Chen & Messner, 2009). Licensing limits firms’ ability to coordinate the worldwide strategy where it is crucial for the firms to survive in the global competition market (Hill & Jones 1998)

**Strategic alliances:**

Strategic alliances enable a firm to compete in the global market by building new sources of competitive advantages. It helps a firm in gaining access to desired strategic capabilities by linking to a partner with complementary resources, or by pooling its internal resources with a partner processing similar capabilities (Nohira & Garcia-Pont, 1991; Porter & Fuller, 1986 cited in Chen & Chen 2002). Chen & Messner (2009) added that a firm can form a strategic alliance with local firms, firms from its own country, or firms from another country. When a firm forms alliance with other firm, they agree to share technology, resources, profits, and supplement each others’ needs for a long period of time. According to (Tse et al. 1997 cited in Chen & Messner, 2009), strategic alliance can help entrants to reduce investment risks, share technology, and improve efficiency, enhance global mobility, and strengthen global competitiveness. They mentioned that the main advantages of forming strategic alliance with another firm are risk sharing, asset protection, resource pooling, and the ability to react quickly to market changes. There are some disadvantages of strategic alliances too. These are high risk of losing control over technology, disagreement in strategies to be adopted, and inequality in sharing different resources etc.
2.1.2. Equity Modes:

Joint Ventures:

As a mode of entry, a joint venture is very common in international market. Joint venture means the shared ownership of two partners of which one located in the home nation and the other located in the host nation (Johnson & Tellis, 2008). It is also known as consortium, contractual joint venture, or contractual alliances. As an important means of international expansion, international joint ventures (IJVs) have been implemented with increasing frequency (Osborn and Hagedoorn, 1997; Hitt et al., 2000; Dhanaraj and Beamish, 2004 cited in Lu & Beamish 2006). For the strategic importance in today’s global competition, both multinational companies and smaller firms depend on joint ventures for international market entry and expansion (Li 2007). The equity share of the international company can vary from 10% to 90%, but generally it is between 25% to 75% (Levi 2006). The main feature of joint venture is that ownership and control are shared (Albaum & Duerr, 2008). A joint venture project helps a company to be strategically and organizationally flexible in the target market and the foreign entrant can save money by using a host country partner’s infrastructure and liability limitation (Chen & Messner, 2009). Compared to other partner options, in a joint venture, a local partner has more knowledge about various aspects such as: about needs and tastes of the local consumers, local competitors. The benefits of joint ventures are access to financial resources, pooled research efforts, product development and wider distribution channels (Wilson 2005). International joint ventures are formed between firms belonging to different countries. As a result, they can exchange knowledge about different markets which make joint ventures as a popular entry choice for foreign companies. In addition, international joint venture is effective for foreign firm to share the risks that exist in the overseas market with the local partner.

Disagreement over the strategies to be adopted, lack of mutual control over management, lack of clear decision making policy, lack of adequate mechanisms to resolve the dispute, high risk of losing control over technology to a venture partner, and diluting the profits are the drawbacks of a joint venture.

Wholly owned subsidiary: As a more integrated entry mode, a wholly owned subsidiary allows a company with a transitional strategy to use profits generated in one market to improve its competitive position in another market (Hill, 2011). In this type of entry mode, a company can establish operations in a foreign country without direct involvement of the
company from that country (Ling et al, 2005). According to Hill & Jones (1998) a wholly owned subsidiary can be set up either by acquisition or by establishing a completely new entity (Greenfield investment).

The advantages of wholly owned subsidiary are: 1) it helps a company to achieve long-term profitability; 2) it helps a company to establish direct contact with local actors such as customers, suppliers, intermediaries, or governmental institutions, and 3) by launching wholly-owned subsidiaries, a company can enhance its global performance on the basis of competitive advantages.

The drawbacks of this entry mode are: 1) It requires higher commitments in terms of the firm’s resources and capabilities, 2) it’s a lengthy, complex, and costly process, 3) since this entry mode involves extensive local investment in the host country, it represents the substantial risk and uncertainty. 4) it demands more intensive dealings with particular social and cultural variables in minimizing potential problems.

2.2 Influential factors in the choice of market entry mode:

The influential factors in choosing market entry mode can be divided into firm-level factors (internal factors) and country-level factors (external factors).

2.2.1 Firm-level factors:

*Experience in using market entry modes*: The experience of a particular entry mode affects in choosing entry mode. The market entry mode selection process is obviously influenced by how many times, how recently, in what circumstances a firm or its competitors have used any particular entry mode in earlier market entries (Paliwoda and Thomas, 1998; Root, 1994; Van Fleet, 1991 cited in Koch 2001). Companies prefer to invest resources into business ventures rather than contractual modes if they have gained considerable knowledge about the market of the region (Koch 2001). Thus prior experience can reduce the drawback of alien status (Caves 1971). When a company has limited international experience, it prefers to use a low-involvement mode of operation, for example exporting and later it may involve in equity investment (Sadaghiani et al 2011). Researchers have found a positive relationship between international experience and the use of full-control entry modes. According to Chen and Mujtaba (2007, cited in Santamaría et al. 2008), great international experience favors a higher-control entry mode. Kennedy (2005) stated that a linear pattern is followed by
manufacturing firms in their entry behavior, favoring low control modes of operation in early stages of internationalization and higher control modes as they gain more experience.

**Complementary resources and Strategic issues:** The capital intensive firms, such as telecommunications, prefer low control modes to enter into countries with changing environment conditions (Peinado et al., 2007). Entry mode decision is also influenced by the need for complementary resources and the degree of their availability. Hennart 2000 (cited in Brouthers et al. 2007) argued that a firm chooses contractual agreements such as joint ventures when the host firm and the local firm contribute the complementary inputs to each other efficiently. If the local inputs can be purchased on the market, the foreign firm will set up a WOS in the target country. Conversely, if the assets held by the foreign firm can be easily purchased on the market; local firms will license the complementary technology and set up a domestic WOS. If local and foreign assets are hard to obtain, a joint venture may be chosen by the two firms. (Brouthers et al. 2007) Again, strategic consideration plays an important role in the selection of entry modes in foreign market (Hill et al., 1990). If a company lacks the requisite level of knowledge and can’t develop such knowledge within an accepted period of time, it can also use collaborative modes of operation to gain new knowledge (Huber, 1991)

**Company size:** According to Koch (2001), since smaller companies’ very limited resources may not simply allow, or discourage from some market entry mode, they usually have fewer market serving options. Actually, firm size places a constraint on what a firm can do. A large firm has the ability to absorb the high costs and risks involved in international expansion through sole ownership of foreign affiliates and small firms are known to favor exporting (Buckley and Casson, 1976; Porter, 1990 cited in Ekeledo et al. 2004). Peinado et al. (2007) stated that the possibility of choosing a full-control mode is increased with the greater size of firms. Agarwal and Ramaswami (1992) added that since larger firms have a greater ability to expand resources and absorb risks than small and medium-sized ones, they prefer to select high-control and resources commitment modes.

**Level of control:** The decision process of selection entry mode is also affected by the level of control of the company that it requires over the operation in the foreign market. Each entry mode falls into one of the two levels of control, such as, high or full control modes (sole ownership), and low or shared control modes (collaborative modes of operation). A firm that entails substantial commitment of resources and wants full control over the development of
the foreign market may choose wholly owned subsidiaries because this mode of entry provides the most control. Conversely, mode of entry with minimal resource commitment such as exporting and licensing provides very little control or no control, and joint venture also limits the degree of management control over the operation of the foreign market. (Levi, 2006)

**Risk:** The perception of risks associated with individual market entry modes may affect a firm’s entry decision to foreign market considerably (Koch 2001). The scale of risk connected to entry mode is varied. According to Miller (1998), the degree of risk increases in the order of exporting, licensing, franchising, strategic alliances and joint venture, and wholly owned subsidiaries. Though a full control mode (wholly owned subsidiaries) requires the highest commitment of company resources, exposes the company to the highest level of business risk, but it allows the highest return on investment, while a shared-control mode requires low-to-moderate business risk, and allows the company low-to-moderate return on investment (Anderson and Gatignon, 1986; Douglas and Craig, 1995 cited in Ekeledo et al. 2004).

**Objective of the company:** A firm favors exporting or licensing, if it has limited objectives for entering a new market. On the other hand if it want to be proactive and aggressive in the foreign market to increase its market share, it prefer different mode of entry such as a strategic alliances, joint venture or setting up of a wholly owned subsidiary. (Levi, 2006)

**2.2.2 Country level factors:**

**Business Environment of Foreign Markets:**

International business environment is not always business friendly rather it is associated with political instability and economic fluctuations. Both the need for local knowledge and the exposure of assets are determined by country risk. Hence, if a firm faces high country risk and seeks local knowledge, it tries to shift the risk to local firms through agreements or joint ventures (Aulakh & Kotabe, 1997; Erramilli & Rao, 1993; Kim & Hwang, 1992 cited in Peinado et al. 2007). Peinado et al. (2007) stated that due to the country risk in the host market, high control and resource commitment modes are not in favor of the firm. Similarly, a highly competitive business environment may lead to the company entering through less resource intense entry modes as these type of market entry are effective to avoid unnecessary risk. If the political condition is not stable and certain in the foreign market, firms will not
employ resources through WOS. Firms avoid wholly owned subsidiaries in high-risk countries (Gatignon and Anderson 1988 cited in Chung et al. 2001).

**Institutional environment:**

International strategy decisions such as enter to a foreign market is influenced by cross-national variation in institutional environments of host countries. Scott (1995 cited in Yiu et. 2002) told that the institutional environment consists of three pillars, such as regulatory institutions (rules and laws), normative institutions (domain of social values, cultures, and norms), and cognitive institutions. Researchers have examined these dimensions of institutional environment and have found that market entry mode choice is influenced directly by these factors. Institutional advancement environment favors to establish a Greenfield subsidiaries and to transfer tacit knowledge, because this type of entry mode would become too expensive as well as technology transferred would not be sufficiently protected against property rights infringements without a satisfactory level of institutional environment (Dikova et al. 2007). Corruption in host country can also be introduced as an important and independent factor which influences the mode of entry (Uhlenbruck et al. 2006). Firms avoid WOS and prefer joint venture when there is high levels of corruption in the host country (García et al. 2009 cited in Teixeira et al. 2012). Demirbag (2009 cited in Teixeira et al. 2012) stated that where the perception of corruption is high, the probability of opting for a majority owned joint venture increases. Through a joint venture with a local partner, a firm can reduce uncertainty associated with arbitrary corruption by receiving information on how to deal with it (Uhlenbruck et al. 2006).

**Market size and growth rate:**

The size of the host country market and growth potential can be expected to be of considerable significance in the selection of entry mode. Markets with high sales potential is suitable for a firm to involve in equity investment, and branch/subsidiary exporting since these type of entry mode can expect high breakeven sales volumes. Conversely, small market size favor entry modes that have low breakeven sales volumes, such as licensing, indirect and agent/ distribution exporting, and some contractual arrangements (Root, 1994). If the market growth rate is faster but it seems that the rate is not sustainable over several years, firms are suggested to use indirect or direct exporting to tap the opportunity. On the other hand, in case of anticipating high demand in the foreign market, but only for several years, firms are advised to establish own manufacturing /marketing subsidiaries. (Koch 2001).
**Cultural distance:**

The choice of target counties is influenced by cultural distance because firms prefer to enter those countries that have cultural similarity with home country (Root 1994). Previous studies showed that firms tend to enter the host country via a joint venture than via a wholly owned subsidiary if the cultural distance between home and host country is large (Agarwal 1994, Kogut and Singh 1988 cited in Yiu et. 2002). Peinado et al. (2007) considered cultural distance as one major source of uncertainty. To mitigate this uncertainty, firms are advised to retain flexibility and avoid high levels of ownership (Williamson 1975 cited in Peinado et al. 2007).

2.2.3 **Summary of Entry mode determinants:**

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Generally Favors</th>
<th>Author(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of control (High)</td>
<td>Wholly Owned Subsidiary</td>
<td>Levi, 2006</td>
</tr>
</tbody>
</table>
Level of control (Low)  | Joint Venture  | Levi, 2006  
---|---|---  
Level of risk (High)  | Joint Venture  | Miller 1998; Anderson and Gatignon, 1986; Douglas and Craig, 1995  
Firm’s intention to increase the market Share  | Wholly owned subsidiary / Joint Venture  | Levi, 2006  
Unfavorable Business Environment of host country  | Joint Venture  | Aulakh & Kotabe, 1997; Erramilli & Rao, 1993; Kim & Hwang, 1992; Peinado et al. 2007; Gatignon and Anderson 1988  
Favorable Institutional environment of host country  | Wholly owned subsidiary  | Dikova et al. 2007  
Unfavorable Institutional environment of host country  | Joint Venture  | García et al. 2009; Demirbag, 2009; Uhlenbruck et al. 2006  
Market size and growth rate (High)  | Wholly owned subsidiary  | Root, 1994, Koch 2001  
Cultural distance (High)  | Joint venture  | Agarwal 1994, Kogut and Singh 1988, Williamson 1975  

2.3 The Competitive Environment: Before entering into a market, firms should understand various competitive forces. Porter (2008:4) has mentioned five competitive forces which influences the business environment. He has stated that the evaluation of these forces helps a firm to determine the competitiveness of a market as well as to develop a strategy to gain long-term profits. Porter’s five forces are:

1. Threat of New Entrants

2. Bargaining power of Buyers

3. Bargaining power of suppliers
4. Threat of Substitute products or services.

5. Rivalry among existing competitors.

1. Threat of new entrants:

The incumbents hold down prices or increase their investment to prevent new entrants. The threat of entry is related with the height of entry barriers. If there are low entry barriers, existing firms expect more threat of new entrants and vice versa. Incumbents’ supply-side economics of scale, demand-side benefits of scale, customer switching costs, capital requirements, incumbency advantages independent size, unequal access to distribution channels, and restrictive government policy work as entry barriers for potential entrants. (Porter 2008: 8)

2. Bargaining power of suppliers:

The suppliers are considered to be powerful if suppliers serving many industries, switching cost of industry participants are high, and suppliers offer differentiated and unique products. If suppliers are available and switching cost is low, the bargaining power of suppliers become weak. (Porter 2008: 13)

3. Bargaining power of buyers:

If the bargaining power of buyers is high, it can reduce the potential profit of sellers. Buyers are considered to be powerful if there are few buyers who purchase large volumes compare to the size of total sales, seller’s products are undifferentiated, buyers face few switching cost in changing sellers, the quality of the product’s is not so considerable matter to buyers etc. Powerful customers force the sellers to down the product’s price, demand better quality or service, and play role in increasing the competition among the sellers. (Porter, 2008: 14)

4. Threat of Substitutes:

Sellers’ profitability suffers from the threat of substitutes. The threat of substitute is high if it offers an attractive price-performance (product’s ability to deliver performance for its price) and the customer’s cost of switching to the substitute is low. (Porter, 2008: 18)
5. Rivalry among existing competitors:

The presence of numerous competitors bound the existing firms to introduce new product, downward prices, improve products/services. High competitions among existing firms limit their profits but buyers can enjoy better service/product with low price. The following factors increase competition among the existing firms (Porter, 2008: 18-19):

1. Firms are roughly equal in size and power.
2. Industry’s growth rate is slow.
3. Exit barriers are high.
4. The commitment of the firms to the business is high and they have strong desire to be a leader in the industry.

2.4. State of the Art:

Though different authors have researched significantly on entry modes; numerous questions may be found as unexplained regarding this topic. In this paper, we have tried to highlight the gaps in the past literatures as well as have tried to provide guidance for the future research efforts.

Various literatures have identified several factors that determine the choice of a specific foreign market entry mode such as micro-level (e.g., firm size, contractual risk, and asset value) and macro-level (e.g., country risk and market potential) (Agarwal and Ramaswami, 1992); cultural distance, tacit knowledge, strategic motivations, and global synergies (Kim and Hwang, 1992); industrial growth and advertising intensity (Kogut and Singh, 1988); international experience (Erramilli, 1991). (Luo, 2001) Andersen (1997 cited in Sadaghiani et al 2011) has stated that a firm’s entry strategy choice involves various factors and one single theoretical perspective is not adequate to provide a comprehensive explanation. Beside this, most of research related these issues have been conducted on developed market economies and researchers should study critical factors underlying entry mode selection in perspective of emerging markets. (Luo, 2001). So, further research could be carried on combining and integrating different factors to determine a suitable entry mode strategy to enter into an emerging market.

In this paper, we’ll focus on many organizational, economical, Institutional, and sociological factors (categorized as country and firm level factors) to derive an optimal entry mode strategy to enter into Bangladesh mobile telecom market. The collected primary and
secondary data will be verified by the established theories to produce the empirical findings. Beside these, the competitiveness of the target industry will also be assessed.

With a view to perform the upon tasks, we’ve two assumptions. These are:

*Assumption 1:* The target industry is attractive for foreign entrants.

*Assumption 2:* Market entry mode strategy is influenced by various organizational, economical, Institutional, and sociological factors.
Chapter: Three

Methodology

In this part, the authors have described the methodology that was used to conduct the research. From here readers can get the clear insight into the work and create an understanding of the work process.

3. Methodology:

Research Methodology is a guideline or principle of a set of rules to solve a research problem in a systematic way. In this part, the authors describe the methodology that will be used to conduct the research. From here reader can get the clear insight into the work and create an understanding of the work process.

3.1. Research Method:

Research method can be classified as qualitative research method and quantitative research method (Ghauri et al 2005:155). Qualitative research method allows the researcher to provide elaborate interpretations of market phenomena without depending on numerical measurement. On the other hand, Quantitative research addresses research objectives through empirical assessments that involve numerical measurement and analysis approaches. (Zikmund et al 2010: 133). There are many arguments regarding the superiority of these two research methods. One can argue for using qualitative research method and vice versa. In this regard, Zikmund et al (2010: 134) stated that the key to using either is to match the right method to the right research context. Since, the authors relies more on subjective interpretations of text or other visual material and small samples will be used to investigate the specific phenomena, qualitative method is preferred to conduct the research.

3.2 Research Approach:

Case Study: A case study is a powerful research approach which focuses on individual and (sometimes) group interviews with record analysis and observation. In this research approach, Information are collected from company brochures, annual reports, sales receipts, and newspaper and magazine articles, along with direct observation, and combine it with interview data from participants (Donald et al, 2006:217). When a researcher conducts a case study, S/ he needs the cooperation of the party whose history is being studied (Zikmund et al 2010:140). The interview participants are requested to tell about the gained experience within
perspective of the same situation or process to permit depth of perspective (Donald et al, 2006:217). Case study can be conducted for different reasons: to provide description (Kidder, 1982), generate theory (e.g., Gersick, 1988), or test theory (Pinfield 1986; Anderson, 1983). (Eisenhardt K. M, 1989: 535). Theory becomes more logical when it is applied into a real case. In this research paper, the relevant theories have been applied into these real cases to explore the crucial factors to select entry mode strategies.

3.3 Data Collection:

Yin (2014:105) mentions six sources of evidence for doing case study research: documentation, archival records, interviews, direct observations, participant-observation, and physical artifacts. Since each source has its comparative advantages and drawbacks, and works as complementary, he suggests to use as many sources as possible to enhance the quality of case study.

Internet is the main source for collecting various documents and archival records. With a view to collect information about the industry, the case companies and the host country, the authors have visited web pages of five foreign mobile companies in Bangladesh, Bangladesh Telecommunication Regulatory Commission, Board of investment Bangladesh and other business portals. Journal, articles, research reports, newspaper clippings regarding Bangladesh mobile telecom market have also been collected from different e-sources.

Interview is very much researcher-dependent. Telephone interview was conducted to gather data in this research paper. Before the final interview with the participants, the authors introduced themselves, the topic of the study and the purpose of the data collection were explained. In addition, the semi-structured driven questionnaire was explained ahead of time to the participants. They were informed about the questionnaire’s topic and hence, rich empirical data was expected from them.

During the phone interview, the participants were free to provide information where the authors didn’t suggest any possible answer to them. When it was difficult to understand any answer or in case of receiving a short answer, the respondents were asked to explain in detail for clarification of the information. The authors tried to collect information as much as possible, though few questions were ignored by the respondents. The average time of the length of the interview was one and half an hour. The interviews were conducted in local language (Bengali) and recorded as written documents. Due to confidentiality, it was not
possible for the authors to use any audio tape for recording the interview conversation. Here, it could not be ignored that it was difficult for the authors to check the authenticity of the interviewees in this data collection process.

After conducting the phone interviews, the received information from the interviewees were rechecked without any delay to be sure that these are accurate and in line with the questions’ possible answers.

3.4 Sampling:

Sampling is very important for later analysis (Miles et al 1994: 27). Miles et al. mentions that researcher needs to take two actions in qualitative sampling: defining the aspect of the case (s) which directly connected with the research question (s), and developing a frame to perform the basic process of sampling. Donald et al (2006:404) states that a good sample must be valid in terms of measurements and the validity depends on two considerations: accuracy (absence of bias) and precision (close representation of population).

Out of the five existing foreign mobile telecom companies, three companies have answered the questionnaire. The response rate is 60%. Among the respondents, two companies are in the leading positions in the market and other is in the bottom position.

3.5 Data Analysis:

The empirical data will be analyzed to find out the research questions in this paper. Miles et al (1994: 10) states that qualitative data analysis consists of three concurrent flows of activity; such as data reduction (selecting, focusing, simplifying, abstracting, and transforming data), data display (organizing and compressing data), and drawing conclusion & data verification. According to Yin (2014:132), data analysis consists of examining, categorizing, tabulating, testing, or otherwise recombining evidence, to produce empirically based findings. He suggests that in case of analyzing data, one of the four general strategies should be adopted to link between case study data and some concept of interest. These are: relying on theoretical propositions, working researcher’s data from the very beginning, developing a case description, and examining rival explanations. These strategies give researcher a sense of direction in analyzing the data. After selecting a general strategy, five analytic techniques (pattern matching, explanation building, time-series analysis, logic models, and cross-case syntheses) are effective in constructing the groundwork for high quality case studies (Yin, 2014: 170).
In this research paper, the collected data will be guided by the theoretical orientation. In the first section of the data analyzing part, the target industry's competitiveness is analyzed in light of Porter’s five forces model. In the next section, the empirical data of three existing companies will be compared with each other to find out similarities and differences regarding their entry mode strategies.

Model 1: The Industry’s competitiveness
Model 2: Comparison among three companies regarding influential factors in selecting their entry mode

<table>
<thead>
<tr>
<th>Company’s Name</th>
<th>Factors</th>
<th>GrameenPhone (Telenor Group)</th>
<th>BanglaLink (Global Telecom Holding)</th>
<th>CityCell (SingTel)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Firm level factors</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td></td>
<td>Country level factors</td>
<td>......</td>
<td>......</td>
<td>......</td>
</tr>
<tr>
<td>Selected Entry Mode Strategy</td>
<td>Joint Venture</td>
<td>Wholly Owned Subsidiary</td>
<td>Joint Venture</td>
<td></td>
</tr>
</tbody>
</table>

3.6 Criteria for judging Research Quality:

The two major criteria for evaluating measurements of research quality are validity and reliability. Researchers use these four criteria to establish the quality of any research.

3.6.1 Validity:

Validity is the accuracy of a measure or the extent to which a score truthfully represents a concept (Zikmund et al 2010: 307). In relates with the question about whether researcher is accurately measuring what s/he actually wish to measure. Kvale's (1989b in Miles et al 1994:278) defined validity as a process of checking, questioning, and theorizing, not as a strategy for establishing rule-based correspondence between our findings and the “real world”. According to Zikmund et al (2010: 307), researchers use four basic approaches to establishing validity. These are: face validity, content validity, criterion validity, and construct validity. Face validity reflects the concept what was intended to be measured. Content validity is the degree that a measure covers the domain of interest. Criterion validity provides a more rigorous empirical test. Construct validity identifies correct operational measures for the concepts being studied.

In this research paper, the theoretical oriented questionnaire represents various variables to the respondents. To make the questionnaire comprehensible and to be sure that the required data is available to the respondents, the questionnaire has been explained before the final
interview. When it has been informed that respondents are ready to provide the information, phone interview has been performed. So, it can be stated that this measurement procedure has reflected the concept what the authors intended to measure.

3.6.2 **Reliability:**

Yin (2014:240) defines reliability as the consistency and repeatability of the research procedures used in a case study. According to Zikmund et al (2010: 305), it is an indicator of a measure’s internal consistency. Yin (2014) adds that the goal of reliability is to minimize the errors and biases in a study.

Since both of the interviewers and respondents were from the same county (Bangladesh), the telephone interview was conducted in the native language (Bengali). Then, the collected data was translated into English. Due to taking care in translation and being unbiased in collecting the information, it is believed that the similar result (may not be same result) will be produced again, if the same data collection procedure is followed.
Chapter: Four

Empirical Findings

There are two sections of this part. In the first section, general information about the target country and target market has been presented. In the next section, the collected data from three case companies have been introduced along with a short description of three foreign parents companies.

1. The target country: Bangladesh

a. Economic:

The economy of Bangladesh is market based. Despite poor infrastructure, corruption, political instability, slow implementation of economic reforms, and insufficient power supplies, Bangladesh economy has a consistent GDP growth rate of around 6% per year since 1996 (Appx. 2) in a world which has experienced near zero or negative growth. (CIA 2013) International monetary fund (IMF) expects that the growth to be over 6% pa over 2012-2014. The country economy has also experienced noticeable fluctuation over the last few years. (Crawford D, 2102). The main sector is agriculture (45%), though more than half of GDP comes from the service sector. The country’s economy was resilient during the global financial crisis and recession (2008-2009). The main industries are garments, jute, leather, paper, fertilizer, petroleum products, drugs and pharmaceuticals, ceramics, edible oil, fabricated metal products, tobacco, electricity and natural gas. Like many other third-world countries, Bangladesh is export-oriented country. At present, the country export consists of garments, knitwear, agricultural products, frozen food (fish and seafood), jute and jute goods, leather, etc. The USA is the main export market (19.4%), but mentionable trade partners are also Germany 16.5%, UK 10%, France 7.3%, Italy 4.4%, Spain 4.2%, and Netherlands 4.2% (2011). Bangladesh imports machinery and equipment, chemicals, iron and steel, textiles, foodstuffs, petroleum products, cement. The import comes from China 18.2%, India 13.5%, and Malaysia 4.9% (2011). (CIA, 2013)

b. Political risk and legal system:

Political stability is the pre-requisite for smooth economic development. Foreign and domestic investment is reduced in presence of political violence. Like other south Asian countries, Bangladesh is not free from political unrest. The political parties have failed to establish decent democratic competition environment in the country. In the last few decades, a
significant progress has been occurred in the socio-economic arenas. But due to the political instability, the economic development is far behind from its expected targets. (Dhaka chamber of commerce, 2013). A World Bank’s report of political indicators states that Bangladesh is in the lower level compare to other South Asian and OECD countries (appx.3). (Crawford D, 2102)

Greater autonomy and independence to the judiciary is one of the most important pre-requisite for foreign investment. Government has taken initiative for the establishment of confidence in the judicial system. A permanent Law Reform Commission has been set up in order to ensure greater transparency and predictability for implementing the rules and regulations in proper direction. (Alam & Co. U. S. S 2014)

c. Rules and regulations for foreign investment:

Bangladesh is one of the most attractive investment locations with its 163 million populations and modest but consistent economic growth having strong and growing domestic demand. Being situated next to India, China and ASEAN markets, the country gets strategically importance. (Board of Investment Bangladesh, 2014) In order to attract the foreign investment, Bangladesh government has offered special foreign incentives which are as follows: (ibid & Mundi L., 2011)

1. Tax exemptions from 5 to 7 years.
2. No double tax for foreign investors on the basis of bilateral agreements.
3. Opportunities for repatriation of invested capital, income and profits.
4. With the unrestricted exit policy, foreign investors can wind up investments and repatriate the sales proceeds through proper authorization from the Bangladesh Bank (Central Bank).
5. Foreign investors can set up ventures allowing 100% foreign equity or in partnership with a local partner.
6. Infrastructural facilities and logistic support are available for foreign investors.

According to World Bank-International Financial Corporation report (6th September, 2006), Bangladesh ranks third position as the easiest country for business in South Asia (Appx.4 ) and the country has undertaken initiative and introduced new regulations to improve its business climate (Appx.4 ). (Crawford D. November, 2012)
d. Corruption:

Though corruption in Bangladesh has been reduced at significant level in the last decade, still it has a strong presence in political parties, public administration, the judiciary and the police department. Transparency International 2011 Corruption Perception Index ranked Bangladesh as one of the most corrupt country in the world (120th out of 183 countries with a score of 2.7 on a scale from 0 (highly corrupt to) to 10 (very clean)). The World Economic Forums Global Competitiveness Report 2012-2013 mentions that just after insufficient supply of infrastructure, corruption is considered as the second most significant barriers for doing business in Bangladesh. (Wickberg S. 2012)

2. The target market: Bangladesh mobile telecom market

a. The Competitors:

At present, there are six mobile telecom companies in Bangladesh. The competition among the six mobile telecom companies is acute. Each company is trying to increase its market share by offering better service with reduced call rates as well as providing different value added services. (Uddin M.M, 2012) Grameenphone is in the top positon with 47.110 million subscribers. Through best commercial efforts, Airtel Bangladesh and Robi Axiata have increased their market share. (www.budde.com.au) In December, 2013, Grameen phone had 47.110 million subscribers (42%), followed by Orascom Telecom Bangladesh Limited (Banglalink) with 28.387 million (25%), and then Robi Axiata Limited (Robi) with 25.380 million (22%), Airtel Bangladesh Limited with 8.269 million (7%), Teletalk Bangladesh Ltd. (Teletalk) with 2.822 million (2%), and Pacific Bangladesh Telecom Limited (Citycell) with 1.365 million (1%). (BTRC 2014)

1. Grameen Phone:

The Norwegian multinational telecom company, Telenor group entered into the Bangladesh mobile telecom market in partnership with Grameen Telecom on March 26, 1997 under the brand name Grameenphone. (Grameenphone, 2010) It has presence in 13 mobile telecom markets in worldwide. (Telenor, 2014) Of the existing six mobile telecom companies in Bangladesh, Grameenphone is the largest mobile phone company in terms of subscribers, revenue and network coverage with 47.110 million subscribers and 42% market share (BTRC 2014).
2. BanglaLink:

Banglalink digital communication limited is a wholly owned subsidiary of Global Telecom Holding (previously Orascom Telecom Holding) which has commenced operations in February, 2005. (Banglalink 2014) Global Telecom Holding has mobile telecom operation in 9 countries. Orascom Telecom bought 100% share from Sheba Telecom (Sheba was granted GSM license in 1997) and renamed as Banglalink. The entry of Banglalink into the market has definitely boosted the competitive environment. With its mission “bringing mobile telephony to the masses”, it made mobile telephony an affordable option for customers with different market segments. After Grameenphone, Banglalink is in the second position with 28.387 million subscribers and a market share 25%. (BTRC 2014)

3. Robi:

Robi Axiata Limited (Formerly known as Telekom Malaysia International, Bangladesh) is a joint venture between Axiata Group Berhad, Malaysia (91.59%) and NTT DOCOMO INC, Japan (8.41%). (Robi, 2014) Axiata Group has mobile service operation in 7 countries. Telekom Malaysia International, Bangladesh launched its services in 1997 with the brand name AKTEL which was given new name as Robi on 28th march 2010 by Robi Axiata Limited. The company is in the third position based on subscribers (25.380 millions) (BTRC 2014). Its market share (22%) is near to Banglalink but far behind from the market leader Grameenphone.

4. Airtel:

Bharti Airtel Limited started its journey in Bangladesh mobile telecom market by purchasing a majority stake (70%) from Warid Telecom in January, 2010 and rebranded warid as Airtel on December 20, 2010. (Islam, I 2010) Later, Bharti Airtel Holdings Pte Limited (A concern of Bharti Airtel) purchased. The parent company, Bharti Airtel has global presence in 20 countries. (Airtel, 2013) It is expected that the company will create significant competition among the existing top three companies- Grameenphone, Banglalink and Robi since it has the experience of rural penetration in neighbour country India. (Islam, I 2010) At present, it is in the fourth position with subscribers 8.229 million and market share 7% (BTRC 2014).

5. Citycell:

As the first mobile telecommunication company of Bangladesh, Citycell entered into the market with CDMA technology in 1989. At present, multinational telecom company, SingTel Asia Pacific Investments Pte Ltd. has 45 % stake and remaining stake belongs to Pacific
Motors Limited (31.43%), Far East Telecom Limited (23.57%). (Citycell, 2012) Though CDMA technology based mobile phone was popular in the market in late 1990s, but with the introduction of GSM technology based mobile phone in Bangladesh mobile telecom market, Citycell lost its market share to other mobile telecom companies. Now the company is in the bottom position with 1.344 subscribers and 1% market share (BTRC 2014).

6. Teletalk:

Teletalk Bangladesh Limited is a state owned mobile telecom company in Bangladesh. The Government of the Peoples Republic of Bangladesh owns 100% share of this company. It has started its operation on 26 December 2004. (Teletalk, 2011) The Company has 2.822 million subscribers and 2% market share. (BTRC 2014)
The competitors in Bangladesh mobile telecom market (At a glance):

<table>
<thead>
<tr>
<th>Company</th>
<th>Active Subscribers (in millions)</th>
<th>Market share</th>
<th>Market position</th>
<th>Entry types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grameen Phone Ltd. (GP)</td>
<td>47.110</td>
<td>42%</td>
<td>1</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Banglalink Digital Communications Limited</td>
<td>28.387</td>
<td>25%</td>
<td>2</td>
<td>Wholly Owned Subsidiary (WOS)</td>
</tr>
<tr>
<td>Robi Axiata Limited (Robi)</td>
<td>25.380</td>
<td>22%</td>
<td>3</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>Airtel Bangladesh Limited (Airtel)</td>
<td>8.269</td>
<td>7%</td>
<td>4</td>
<td>Wholly Owned Subsidiary</td>
</tr>
<tr>
<td>Teletalk Bangladesh Ltd. (Teletalk)</td>
<td>2.822</td>
<td>2%</td>
<td>5</td>
<td>Wholly Owned Subsidiary</td>
</tr>
<tr>
<td>Pacific Bangladesh Telecom Limited (Citycell)</td>
<td>1.365</td>
<td>1%</td>
<td>6</td>
<td>Joint Venture</td>
</tr>
</tbody>
</table>

b. Market size and growth rate:

The number of mobile subscribers has grown from 7000 in 1997 to 113.784 million in 2013. Due to high consumer demand, Bangladesh mobile telecom market has been enjoying a rapid growth since 2006 (appx. 5) (Islam, I. 2010) and the growth is one of the fastest in Asia (appx. 6). It is clearly visible from the data (appx.5) that the number of mobile subscribers has been increased dramatically in last 8 years. The figure has become nearly six times more in 2013 than the year 2006. So, it can be stated that the market growth rate is satisfactory and it
is expected that if government decreases the relatively high SIM tax, it will be continue (The Daily Prothom Alo, 2013 & Islam, I. 2010). It indicates a great potential market.

c. Key highlights:

- Bangladesh mobile telecom market is a golden investment place with many opportunities. A large number of potential customers, moderate buying capability of the actual and potential customers, availability of cheap skilled manpower, flexible telecom regulations, government initiatives for foreign investment, increasing demand for internet, newly launched 3G technology, and huge market growth potential- new and existing companies can be motivated from these opportunities. (Uddin M.M, 2012)
- Some preliminary research on Bangladesh digital media business (digital content delivered over internet or mobile) supports that Bangladesh can be next destination for their venture investment. (UK Trade & Investment, n.d)
- Investors have feasible entry (through partnership with local entrepreneur or acquisition of start-up) and exit options. (UK Trade & Investment, n.d)
- Bangladesh mobile communication sector is considered as one of the fastest growing industries in the country and the sector has a great contribution in country’s economic and social development by generating employment, increasing productivity in business as result of mobile phone usage, as well as provides education and health services facilities for common people. (BTRC 2014)
- A report of ICT Development Index 2009 of International Telecommunication Union (ITU) stated that the average tariff of a pre-paid mobile and call charges in Bangladesh are one of the lowest in the world. These matters make mobile phone services available to the low income group across the country. (BTRC 2014)
- Due to increased mobile penetration in the market, general people now have the access of E-health, E-education, E-Governance, E-payment, E-banking and Agri-service from remote areas. (BTRC 2014)
- Mobile industry is playing an important role in socioeconomic development of Bangladesh. The sector has become lucrative for the local and foreign investors for the lowest tele-density rates and highest market growth rates in the world. (Grameenphone, 2014)
- Due to high level of competition and low switching cost, the bargaining power of customers is extremely high in this industry. Customers of remote areas have low
bargaining power as network of all cell phone service providers are not available there. (Uddin M.M, 2012)

- The number of fixed line telephony subscribers in Bangladesh is low compare to the number of mobile phone subscribers. According to the report of Bangladesh Telecommunication Regulatory Commission (BTRC), the number was 961,589 with a growth rate of 2.76% as of 31st December, 2013. (TeleGeography, 2014)
- Beside the fixed line telephony, people use VoIP service, Google Talk, Yahoo Messenger, and Skype as a substitute of Mobile telephony service. (Uddin M.M, 2012). But only few people have internet access to use these substitutions. The number of active internet subscribers in Bangladesh is 36128.592 thousand at the end of February, 2014. (BTRC, 2014)

d. Equipment Suppliers:
Different multinational companies such as Ericsson, Nokia, Siemens, Huawei, Cisco, Motorola, Oracle, HP, Sun, VimpelCom, ACME Tele Power Ltd provide telecommunication equipments and other technical supports to the existing mobile telecom companies. Among these companies, the three giant companies namely Ericsson (Sweden), Nokia (Finland) and Siemens (German) have strong position in the respective market. (www.scribd.com) These companies have strong brand image with global business experience and competence. Alamgir, R. and Anand, N. (2008) Beside these three companies, the Chinese multinational networking and telecommunications equipment and services company, Huawei technologies Co. Ltd. has also played an important role in upgrading the network infrastructure of the existing mobile telecom companies in Bangladesh. (Gaji S. 2013)

e. Telecom Regulatory Institution:
Bangladesh Telecommunication Regulatory Commission (BTRC) was established on 31st January of 2002, according to the Bangladesh Telecommunication Regulatory Act 2001. This independent regulatory commission looks after the interest of the subscribers of different mobile telecom companies as well as monitors the activities of telecom service providers to ensure that they abide by the telecom law. (BTRC 2014) Through introducing favourable regulations and reducing the mobile phone tariff, the commission has ensured a competitive environment among the cell phone operators. (Uddin M.M, 2012) Beside these, the existing Telecommunication Regulatory Act 2001 encourages potential local and foreign investors to invest in this sector. (BTRC 2014)
**Case Study:** Telenor Group (GrameenPhone Limited), Global Telecom Holding (BanglaLink Digital Communications Limited), SingTel (Citycell).

**Telenor Group:** Telenor is a Norwegian multi-national telecommunication company which was founded in 1855. It has mobile operation in 13 countries of which are in the Nordics, Central and Eastern Europe and Asia. It is a leading tele, data, and media services in these regions where its business mainly focus on mobile operations. The company has 166 million mobile subscribers worldwide and it earned 104 billion NOK (Norwegian krone) revenue in 2013. It has 33,000 numbers of employees across the world. Telenor Group wants to play the role as a predominantly retail operator by adding new services to get into digital services. (Telenor Group, 2014)

The company chose wholly owned subsidiary entry mode to enter into Pakistan, Myanmar, Norway, Denmark, Hungary, Montenegro market and joint venture to enter into Bangladesh, Bulgaria, , India, Malaysia, Sweden, Thailand, Serbia market.

**Global Telecom Holding:**

Global Telecom Holding is a multinational telecommunication company which came to the mobile telecom business by lunching mobile operation in Egypt in 1998. The company established itself as a global brand in the last decade and now it has telecom operation in Asia, Africa, and North America. According to the financial report of Global Telecom Holding (as of September 30, 2013), the company earned USD 2.6 billion as revenue. It has 89 million subscribers and employed 14,000 numbers of employees worldwide. (Global telecom holding, 2012)

Global Telecom Holding selected wholly owned subsidiary to enter into Bangladesh, Pakistan, Burundi, Algeria, The Central African Republic and joint venture entry mode to enter into Zimbabwe, Egypt, and Canada.

**SingTel:**

The Singaporean based multinational company, SingTel is the Asia’s leading communication company which provide voice, data and video services to its subscribers. The company was established in 1879. The company focuses on long term strategic investment, and cooperative work with its associates with a view to leverage its scale in networks, customer reach and extensive operational experience. It has global presence in Indonesia, Philippines, India,
Thailand, Bangladesh, Singapore, and Australia. It earned SGD 18.183 billion (as of March 2013) revenue from its global telecom business. It has over 400 million mobile customer base and 21000 staffs across the world. (SingTel, n.d)

SingTel chose joint venture entry mode to enter into Bangladesh, Thailand, India, Philippines, Indonesia and wholly owned subsidiary to enter into Australia and Singaporean mobile telecom market.

Question A: How did the firm level factors influence in selecting this international market entry mode strategy?

- *Experience in using market entry modes in other international markets:*

A foreign entry mode is influenced by the regional market knowledge, and level of experience in using the market entry mode in different markets.

Telenor Group has mobile operation in 13 countries across Europe and Asia. The company used wholly owned subsidiary entry mode (eight times) more than joint venture entry mode (five times) in entering different markets. Again, it selected different entry modes for different Asian Markets. For example: it selected wholly owned subsidiary mode for Pakistan and Myanmar but joint venture was selected to entry into Bangladesh and India. So, according to the respondent, the previous experience in international market did not play an important role in selecting entry mode for Bangladesh mobile market. In case of Global Telecom Holding, wholly owned subsidiary entry mode has been used more than joint venture entry mode. The company used wholly owned entry mode to enter into the Pakistan mobile country (the market is in South Asia Region). It is noticeable that the entry mode for Bangladesh was influenced by the regional market knowledge and the international experience of using market entry mode. The respondent adds that in few cases, the company purchased 100% share of existing companies and established a wholly owned subsidiary. Like Telenor, SingTel choose joint venture in entering Bangladesh mobile telecom market. According to the respondent, the company selects different entry modes based on the country circumstances where collaboration entry mode has always been preferred to enter into the Asian countries’ business arena.
- Complementary resources and strategic issues:

International venture demands complementary resources such as local contacts, technology and considers strategic issue such as sufficient knowledge about the host country’s market. For example: lack of local inputs or lack of required level of market knowledge may hamper the smooth foreign operation. Telenor had no sufficient knowledge about the local market. In this regard, the respondent states that Grameen Telecom’s in-depth knowledge about local market and the strong field network were effective for Telenor to reach the first growing rural customers. Global Telecom Holding bought an existing company for which they got the required complementary resources from the company. The respondent says that acquisition of Seba telecom helped Global holdings to get local inputs. In case of SingTel, this factor affected the entry mode decision. According to the respondent, the company had no sufficient knowledge about Bangladesh mobile telecom market and as a newcomer in this region; it needed local partner to meet the demand of local inputs as well.

- Company size:

When a foreign firm considers itself to enter into a foreign market, obviously its size plays an important role. For example, having sufficient resources, large firm can set up wholly owned subsidiary in international market rather than enter through international joint venture. Telenor group was one of the largest multinational telecom companies in the world but it entered into Bangladesh mobile telecom market through collaboration with Grameen Telecom. The respondent states that this factor affected the entry mode selection but not in a large extent. On the other hand, Global Telecom holding selected wholly owned subsidiary entry mode based on their capabilities. In this regard, the respondent states that the management, financial and technological capabilities of the company enabled to set up a wholly owned subsidiary (through acquisition) to lunch its mobile operation in Bangladesh. SingTel also selected joint venture entry mode in spite of being one of the largest telecom companies. The respondent argues that the reason behind this was to avoid the risk.

- Level of control:

Level of control can’t be overlooked in international business because a full control mode provides a foreign company to strategic control over management In spite of this, Telenor overlooked this issue in entering the market. Global Telecom holdings emphasized on level of control. In this regard, the respondent states that this factor was crucial in the selection
process of entry mode strategy for Bangladesh as the company would be benefited from various issues related with management. SingTel’s market entry mode strategy was not affected by this factor.

- **Risk:**

Foreign firms need to invest huge capital in international market. So a high risk is associated with the investment. But the risk depends on the type of entry mode. For example, a joint venture is less risky than a wholly owned subsidiary. Telenor selected joint venture considering the country risk. Global telecom holding opted wholly owned subsidiary in expect of getting highest return on investment. In case of SingTel, the company avoided the wholly owned subsidiary entry mode to reduce the political, regulatory, competitive, infrastructural risks in Bangladesh.

- **Objective of the company:**

The foreign entry mode is also affected by the objectives of the company. In case of Telenor, the respondent states that the company’s objective was to go for long-term business operation and increase the market share through partnership. Global telecom holdings were aggressive to increase its market share and to get high return. The respondent says that in spite of buying Seba telecom was a risky venture, considering the huge market opportunity, it selected wholly owned subsidiary entry mode. SingTel has been doing mobile telecom business for 130 years. The extensive operating experience encouraged the company for long term investment to increase its market share.

**Question B: How did the country level factors influence in selecting this international market entry mode strategy?**

- **Business environment of Bangladesh:**

International business environment is an important determinant in selecting entry mode for foreign company. Regarding this matter, the respondent states that due to the political instability, weak financial market, and bad technological infrastructure of Bangladesh, Telenor group preferred a joint venture instead of a full ownership venture to enter in Bangladesh mobile telecom sector. He adds that a wholly owned subsidiary would be a risky entry mode for this telecom company in such a situation. Despite the political unrest, Global Telecom Holding selected a wholly owned subsidiary entry mode. The respondent states that Bangladesh government’s initiative to attract more foreign investment and favorable foreign
investment policy encouraged the company to enter in the market as a single entity. But taking into account the unfavorable business environment, SingTel avoided wholly owned subsidiary entry mode and selected joint venture entry mode.

- **Market size and growth rate:**

International firms are always attracted by the large market size and a promising growth rate. Telenor entered in the market in 1997. Before the year, Citycell was the only mobile telephony service provider in this industry but only few people had the subscription compare to the market size. So, there was an opportunity for Telenor to capture the market share. But the respondent argues that other relevant factors such as lack of local market knowledge, high country risk, influenced the company to select a contractual alliance. On the other hand, Global telecom holding selected wholly owned subsidiary to capture the market share as a single entity. When SingTel entered into the market, there was no competitor in the market. The company had the opportunity to occupy the large market share as a single entity but it entered in Bangladesh mobile telecom market as a partner of Pacific Motors Limited and Far East Telecom Limited. The respondent states nothing about this factor.

- **Institutional environment:**

Institutional advancement environment favors wholly owned subsidiary. On the other hand, absence of it, foreign firms prefer alliance-based foreign expansion due to environmental uncertainty. The institutional environmental factors were not in favor of Telenor to set up a wholly owned subsidiary in Bangladesh mobile telecom market. On the other hand, in spite of having barriers such as corruptions, bribery, Global Holdings Telecoms selected wholly owned subsidiary entry strategy considering government initiative to develop the institutional environment. SingTel chose collaboration entry mode to reduce the risk related with institutional environment. The respondent mentions that corruption, lack of effectiveness of laws and regulations, and bureaucratic complexity were visible at the time of entry in Bangladesh mobile telecom market.

- **Cultural distance:**

It is essential for service firms like telecommunication to have a local presence in a foreign market as customers are directly involved in the service process. For this reason a service firm should consider the cultural distance before crossing national boundaries. If the cultural distance is large, firms prefer a joint venture rather than a wholly owned subsidiary and vice-
a-versa. In case of Telenor Group, The Company was European and the market was in Asia. It considered the cultural distance between the two continents and selected joint venture entry mode to reduce the uncertainty due to cultural gap. SingTel gave the factor highest priority in its internationalization process. In this regard, the respondent states that cultural distance influences the quality of services. He adds that since the cultures of the host and home country were not similar, the company chose a collaboration entry mode to ensure the better service through the local participation. No explanation has been received from the respondent of Global Telecom Holdings about the influence of this factor.
Chapter: Five

Analysis

The analysis has been done according to the data analyzing models which focus on two assumptions. In this section, the empirical data of three existing companies has been compared (a cross case analysis) to find out similarities and differences regarding their entry mode strategies as well.

Assumption 1: The target industry is attractive for foreign entrants.

5.1. The Industry’s competitiveness:

1A. Threat of new entrants:

Bangladesh government is very liberal for foreign investment. Government has introduced different types of special incentives to attract the foreign investors. Long term (5 to 7 years) tax exemption, no double tax for foreign investors, flexible telecom regulations and unrestricted entry and exit policy are in favor of new entrants.

1B. Bargaining power of Mobile phone subscribers:

Due to high level of competition among the mobile phone companies and low switching cost of the mobile phone subscribers, customers have high bargaining power. Due to unavailability of all cell phone service providers’ network, customers of remote area (Hill tracks areas) have limited bargaining power.

1C. Bargaining Power of Equipment Suppliers:

There are a lot of multinational companies which provide telecom related equipments and other technical supports to the existing six mobile telecom companies in Bangladesh. For this reason, bargaining power of suppliers of this industry is low.

1D. Threat of Substitute Products or Services:

Some people use fixed line telephony, VoIP service, Google Talk, Yahoo Messenger, and Skype as a substitute of Mobile telephony service. But these products do not have strong presence in the industry. Because of limited number of subscribers and a slow growth rate of these substitute products, the threat for replacing mobile telephony is weak.
1E. Rivalry Among Existing Mobile Phone Companies:

The industry has been experiencing a satisfactory market growth rate for last eight years. The existing six mobile companies are trying to increase its market share by offering various promotional packages. This intention has created hard competition among the market players. So, rivalry among the existing competitors is high.

The following table represents the summarization of Porter’s five forces in analyzing Bangladesh mobile telecom industry.

<table>
<thead>
<tr>
<th>Five Forces</th>
<th>Level of Strength</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entry Barriers</td>
<td>Low</td>
</tr>
<tr>
<td>Bargaining power of Mobile phone subscribers</td>
<td>High</td>
</tr>
<tr>
<td>Bargaining Power of Equipment Suppliers</td>
<td>Low</td>
</tr>
<tr>
<td>Threat of Substitute Products or Services</td>
<td>Low</td>
</tr>
<tr>
<td>Rivalry Among Existing Mobile Phone Companies</td>
<td>High</td>
</tr>
</tbody>
</table>

High bargaining power of mobile phone subscribers and high competition among the existing mobile phone companies may reduce the ARPU (Average Revenue per User) of new entrants. But the continuous market growth and mentionable underserved customers can be taken into account by the potential entrants in case of considering Bangladesh as their potential target market. In addition, new entrants can be benefited from low entry barriers, low bargaining power of equipment suppliers and low threat of substitute products and services because the level of these forces can give the advantages of easy admission into the market, reduce the investment cost, and long term sustainability of mobile telecom companies’ products and services in the industry. After analyzing five forces, it can be stated that the industry is moderately attractive for new entrants.
Assumption 2: Market entry mode strategy is influenced by various organizational, economical, Institutional, and sociological factors.

5.2. Cross case analysis:

The empirical findings shows that Telenor gave most importance on complementary resources and market knowledge of the local partner, unfavorable business environment (political instability, weak financial market, and bad technological infrastructure) as well as unfavorable institutional environment (Ineffectiveness of the laws enforcement institution, cultural barriers, and a wide dimension of corruption) in selection a joint venture entry strategy to enter into Bangladesh Mobile Telecom Market. Prior experience in entering international market, level of control, market size and growth rate were not get preference by the company in this entry selection process. On the other hand, the entry mode of Global Telecom Holdings was influenced by previous experience in using market entry modes in other international markets, complementary resources and market knowledge of local partner, company size, level of control (controlling managerial decision in the target country), aggressive risk taking tendency, market size and growth rate. Conversely, considering government’s foreign incentives, and finding some active institutions (BTRC, AMTOB), the company ignored the problematic business and institutional environment of Bangladesh and opted for a wholly owned subsidiary to enter into this country. In case of SingTel, the company’s entry mode for Bangladesh mobile telecom market was affected by lack of complementary resources and local market knowledge, purpose of long term strategic investment, risks that are existed in Bangladesh business environment (economic, political, regulatory, competitive, infrastructure and technological risks), unfavorable institutional environment (corruption, bureaucratic complexity), and cultural gap. Experience in using market entry modes in other international markets, company size, level of control, and market size and market growth rate were not considerable factors in choosing joint venture entry mode of this company.

From the above discussion, it is found that the market entry mode strategy of Telenor group, Global Telecom Holding, and SingTel was influenced by various organizational, economical, institutional, and sociological factors. Global Telecom Holding and SingTel selected joint venture to minimize the country risk due to political instability, economical fluctuation, corruption, cultural gap etc. as well as expecting complementary resources and local market knowledge from the local partner. On the other hand, Global Telecom Holding chose a wholly owned subsidiary in order to optimize organizational control over foreign operation,
and aiming at capture the huge market size as a single entity where the country risk were overlooked. It was common for the three multinational companies that they had lack of local inputs and local market knowledge of the target market.

*Comparison among the three companies regarding influential factors in selecting entry mode:* The following table represents the summary of cross case analysis (Section 3)

<table>
<thead>
<tr>
<th>Company’s Name</th>
<th>Firm level factors</th>
<th>Country level factors</th>
<th>Selected Entry Mode Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>GrameenPhone (Telenor Group)</td>
<td>Complimentary resources and Strategic issues, Risk, Firm’s intention to increase the market Share,</td>
<td>Business Environment of host country, Institutional environment of host country, Cultural distance</td>
<td>Joint Venture</td>
</tr>
<tr>
<td>BanglaLink (Global Telecom Holding)</td>
<td>Prior Experience in International market, Complimentary resources and Strategic issues, Company Size, Level of control, Firm’s intention to increase the market Share</td>
<td>Market size and growth rate,</td>
<td>Wholly Owned Subsidiary</td>
</tr>
<tr>
<td>CityCell (SingTel)</td>
<td>Complimentary resources and Strategic issues, Firm’s intention to increase the market Share</td>
<td>Business Environment of host country, Institutional environment of host country, Cultural distance</td>
<td>Joint Venture</td>
</tr>
</tbody>
</table>
Chapter: Six

Discussion

In this section, the empirical data has been discussed in light of previous research.

6.1.1 Firm-level factors:

Experience in using market entry modes:

Previous studies (Koch 2001; Chen and Mujtaba 2007; Kennedy 2005) shows that great international experience, and considerable regional market knowledge influence a firm to choice wholly owned subsidiary entry mode to enter into a foreign market. The entry mode selection of Telenor and SingTel don’t support the previous findings. Though both of these multinational companies had extensive international experience, and regional market knowledge, they preferred joint venture. But the entry choice of Global Telecom holdings supports the view that there is a positive relation between international experience and the use of full-control entry mode. This company had previous international experience and the company set up a wholly owned subsidiary by acquisition. Here, the empirical findings are partially consistent with the previous studies.

Complementary resources and Strategic issues:

Previous studies (Hennart 2000; Brouthers et. al. 2007; and Huber 1991) shows that firms prefer joint venture in case of having lack of local inputs as well as lack of requisite level of local market knowledge. The empirical findings of the three multinational companies support this statement. Telenor and SingTel had no sufficient knowledge about the Bangladesh mobile telecom market and both of the companies considered local inputs of the host country’s partner(s). Similarly, the respondent of Global Telecom Holdings told that the company might select joint venture as it had lack of proper local market knowledge.

Company Size:

Researchers (Buckley and Casson, 1976; Porter, 1990, Peinado et al.2007, Agarwal and Ramaswami 1992) argues that large firm’s ability to absorb high costs and risks, and the ability in expanding resources increase the possibility of selecting a full-control mode. From the empirical findings, it is noticeable that Telenor, Global Telecom Holding, and SingTel are the three largest multinational companies in terms of business operations, revenues and employees. Moreover, these companies have management, financial and technological
capability to set up wholly owned subsidiaries in foreign market. In spite of this, Telenor and SingTel select joint venture which contradicts with the previous research. On the other hand, the selected entry mode of Global telecom supports the view. So, the previous studies are partially supported by the present findings.

**Level of Control:**

According to Levi (2006), a firm with substantial commitment of resources may choose wholly owned subsidiaries if it wants to full control over the development of the foreign operation because a joint venture limits the degree of management control over the foreign market. Telenor and SingTel overlooked this factor and choice joint venture where Global Holdings telecom emphasized on level of control and selected wholly owned subsidiary that are consistent with the Levi’s theory.

**Risk:**

The level of risk associated with each mode of entry is varied. According to Miller (1998), a wholly owned subsidiary is more risky than a joint venture entry mode. Considering the risk, Telenor and SingTel selected joint venture which supports Miller’s theory. Anderson and Gatignon, (1986), Douglas and Craig, (1995) argues that the first one allows firm in the highest return on investment. Global Holdings overlooked the risk in expect of getting highest return on investment.

**Objective of the company:**

Levi (2006) states that if a firm intends to be proactive and aggressive in the overseas market to increase the market share, it considers a joint venture or setting up a wholly owned subsidiary. The empirical findings show that each three companies’ target was to increase market share and that’s why they went for long term investment by selecting a joint venture or setting up a wholly owned subsidiary that support the Levi’s theory.

**6.2 Country level factors:**

**Business environment of Foreign Markets:**

Researchers found that firms avoid wholly owned subsidiary entry mode if they faces high country risk. Aulakh & Kotabe, (1997); Erramilli & Rao, (1993); Kim & Hwang, (1992) state that firms prefer joint venture in entering a high country risk market. Peinado et al. (2007)
supports the statements by stating that high control and resource commitment modes are not in favor of the firm in case of entering such type of market. Gatignon and Anderson (1988) also mention that firms avoid wholly owned subsidiaries in high-risk countries. The political instability, noticeable economical fluctuations turn Bangladesh into a high country risk market. The collected data (App. 2) shows that the economy has been experiencing noticeable fluctuation since 1997 and the inflation rate is still high (more than 6%). A report of Dhaka Chamber of Commerce states that the political instability of Bangladesh hinders its expected economic development. According to the World Bank report (App. 3), Bangladesh is in the lower level compare to South Asia and OECD countries in case of political instability. Telenor and SingTel avoided a wholly owned subsidiary considering the high country risk market. On the other hand, Global Telecom Holdings chose wholly owned subsidiary in spite of finding political unrest and economic fluctuation. Therefore, the previous studies are partially supported by these empirical findings.

**Institutional environment:**

According to Dikova et al. (2007), Institutional advancement environment of host country favors foreign firms to establish Greenfield subsidiaries. Uhlenbruck et al. (2006); García et al. (2009); Demirbag (2009) state that firms avoid WOS and prefer joint venture where the perception of corruption is high. Bangladesh government has been trying to improve the institutional environment for many years. For example, Bangladesh Telecommunication Regulatory Commission (BTRC) was established to monitor the mobile telecom market. Moreover, Bangladesh government has set up a permanent Law Reform Commission with a view to ensure greater transparency and predictability for implementing the rules and regulations in proper direction. But the institutional environment was not in favor of smooth business operation from the very beginning. The existing mobile telecom company has recognized several barriers associated with the institutional environment. These are corruption, lack of effectiveness of laws and regulations, and bureaucratic complexity. The country has been ranked as one of the most corrupt country in the world by the Transparency International and The World Economic Forums Global Competitiveness Report 2012-2013 has recognized corruption as the second most significant barriers for doing business in Bangladesh. Considering the unfavorable institutional environment, Telenor and SingTel selected joint venture that is consistent with the past studies. On the other hand, Global Telecom Holding’s entry mode selection is inconsistent with the past studies as the company
selected wholly owned subsidiary. So, the previous researches’ results are partially supported by the present findings.

**Market Size and growth rate:**

Root (1994) states that firms are influenced by the market with high sales potential to involve in equity investment and conversely, small market size favors some contractual arrangements. According to Koch (2001), firm should establish own manufacturing (wholly owned subsidiaries) in case of anticipating high demand in the foreign market. Due to the large market size and faster market growth rate, Bangladesh mobile telecom market is always a lucrative industry for local and foreign investors. The empirical findings show that mentionable potential customers (33.104 million) are waiting to take the service of mobile telephony. Beside this, the market has been showing high growth rate (app. 5) for last few years which is one of the fastest growth rates in Asia (app. 6). According to the prediction of past researches, Global Telecom Holdings selected wholly owned subsidiary considering the high market growth rate to capture the market share as a single entity. Conversely, the past studies are contradicts with entry selection of Telenor and SingTel as they favored joint venture instead of wholly owned subsidiary. Here, the empirical findings of three companies partially support the positive relation of large market size, and high market growth rate with selection of wholly owned subsidiary.

**Cultural distance:**

Previous research (Agarwal 1994, Kogut and Singh 1988, Williamson 1975) shows that firms avoid high level of ownership (a wholly owned subsidiary) and choice a joint venture when the cultural difference between home and host country is large. Out of three companies, Telenor (Norway) is a European company, SingTel (Singapore) is an Asian Company, and Global Telecom Holdings (Egypt) is an African company. Due to the cultural gap between the home countries and host country, Telenor and SingTel chose joint venture where Global Telecom Holdings preferred a wholly owned subsidiary. Therefore, the empirical findings are partially consistent with the past studies.
**Summarization of the Findings:** The following table represents the summarization of the findings of the discussion part:

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Generally Favors</th>
<th>Case 1- GrameenPhone (Telenor)</th>
<th>Case 2- BanglaLink (Global Telecom Holdings)</th>
<th>Case 3- Citycell (SingTel)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior Experience in International market</td>
<td>Wholly Owned Subsidiary</td>
<td>Contradicts</td>
<td>Validates</td>
<td>Contradicts</td>
</tr>
<tr>
<td>Lack of Complimentary resources and local market knowledge</td>
<td>Joint Ventures</td>
<td>Validates</td>
<td>Validates</td>
<td>Validates</td>
</tr>
<tr>
<td>Company Size (Large)</td>
<td>Wholly Owned Subsidiary</td>
<td>Contradicts</td>
<td>Validates</td>
<td>Contradicts</td>
</tr>
<tr>
<td>Level of control (High)</td>
<td>Wholly Owned Subsidiary</td>
<td>Contradicts</td>
<td>Validates</td>
<td>Contradicts</td>
</tr>
<tr>
<td>Level of risk (High)</td>
<td>Joint Venture</td>
<td>Validates</td>
<td>Contradicts</td>
<td>Validates</td>
</tr>
<tr>
<td>Firm’s intention to increase the market Share</td>
<td>Wholly Owned Subsidiary/ Joint Venture</td>
<td>Validates</td>
<td>Validates</td>
<td>Validates</td>
</tr>
<tr>
<td>Unfavorable Business Environment of host country</td>
<td>Joint Venture</td>
<td>Validates</td>
<td>Contradicts</td>
<td>Validates</td>
</tr>
<tr>
<td>Unfavorable Institutional environment of host country</td>
<td>Joint Venture</td>
<td>Validates</td>
<td>Contradicts</td>
<td>Validates</td>
</tr>
<tr>
<td>Market size and growth rate (High)</td>
<td>Wholly owned subsidiary</td>
<td>Contradicts</td>
<td>Validates</td>
<td>Contradicts</td>
</tr>
<tr>
<td>Cultural distance (High)</td>
<td>Joint venture</td>
<td>Validates</td>
<td>Contradicts</td>
<td>Validates</td>
</tr>
</tbody>
</table>
Chapter: Seven

Conclusion and Recommendations

In the conclusion section, the answers of the mentioned research questions have been presented and in the recommendations section, the research findings, limitations of the study, practical advices, and some recommendations for further studies have been provided.

Research Question 1: Is Bangladesh mobile telecom market still an attractive market place for foreign investors?

Constant GDP growth rate, Special foreign incentives by Bangladesh government, Favorable rules and regulations for foreign investment, Introduction of new regulations to improve business climate, Being the easiest country for business in South Asia, Low level of tele density, Huge market size and fastest market growth potential, A large number of potential customers, Moderate buying capability of the actual and potential customers, Availability of cheap skilled manpower, Flexible telecom regulations, Potentiality of digital media business (digital content delivered through mobile’s internet such as E-health, E-education, E-Governance, E-payment, E-banking and Agri-service from remote areas) etc. factors can be considered by the foreign investors in justifying the suitability of the emerging market.

It is noticeable that in spite of having high competition in the market, as well as political, institutional, economical, and cultural problems, Bangladesh mobile telecom market is a suitable investment sector for international companies as it offers a lot of opportunities to the local and foreign inventors. Question may arise about the potential customers of the market. Out of 163.60 million people, 113.784 million (69.55%) people have already been subscribed to six mobile phone companies. Since, 18.699 million people (33% of total population) are under 14 years (appx.1); this portion cannot be considered as potential customers. There is still available a lot of potential customers (31,117 million people) and the market is not empty for potential entrants. The international companies have the opportunity to capture this share of the market. Therefore, it can be stated that the Bangladesh mobile telecom market is still an attractive market place for foreign investors.

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Research Question 2: Which critical factors should be considered by foreign companies before entering into Bangladesh mobile telecom market and what could be an optimal entry mode for the foreign companies to enter this emerging market?

The comparison table of three companies’ entry mode strategy shows that there are some factors that are very relevant in perspective of entering Bangladesh mobile telecom market. These are complementary resources and local market knowledge, objective of the company (aggressive or risk averse), market size and growth rate, business and institutional environmental variables, and cultural distance are mentionable. These critical factors should be considered by the foreign companies before entering into Bangladesh mobile telecom market. From the literature review part, it is found that a joint venture entry mode is effective in using local partner’s resources, getting knowledge about the needs of the local customers, sharing the risks with the local partner, and breaking in regulatory and cultural barriers while, a wholly owned subsidiary entry mode is useful in achieving long-term profitability, and having competitive advantages. Considering the merits and demerits of these two entry modes and in light of empirical analysis, it can be stated that Joint venture is the optimal entry mode for the foreign companies in entering this emerging market.

Recommendations:

The two most important matters in internationalization process of a foreign firm are to select the right place (target market), and select the right way (entry mode strategy) to go there. This research has justified the suitability of an emerging market, as well as examined various firm and country level factors in order to reach the decision about which entry mode strategy is optimal to enter into the target market. In light of collected information, we recommend that foreign firms should consider Bangladesh mobile telecom market as their potential market. Analyzing the various determinants of entry mode selection, foreign entrants are advised to select joint venture entry mode in entering the market.

One of the weaknesses of this study is that the authors were mostly dependent on secondary sources for data collection and primary data was collected without any physical investigation. Moreover, the study has been conducted in general i.e.; not for a specific potential foreign entrant. So the results may be different in case of studying the market for a specific potential foreign firm. It is noticeable that there are some inconsistencies between the previous studies and the collected empirical data which suggests to conduct further research in this area. Though we do believe that this research would provide a deeper knowledge to the target
audience in justifying the suitability of the Bangladesh mobile telecom market for foreign investment as well as understanding the critical factors in selecting an optimal entry mode strategy to enter into the emerging market, further research can be done in the following fields:

- Study of these firm and country level factors in selecting an entry mode strategy in perspective of other emerging markets.
- Study of these firm and country level factors in selecting a entry mode strategy for a specific foreign firm which may enter into the Bangladesh mobile telecom market.
- Comparative study between emerging market and a developed market regarding influential factors in selecting entry mode strategy.
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Appendix:

Appx 1.

Figure 1: Population pyramid: Bangladesh (Source: The world fact book, CIA, December, 2013)
Figure 2: Real GDP and Inflation of Bangladesh (Source: IMF cited in Crawford D., November, 2012)
Figure 2: Country percentile rank: Bangladesh (Source: Crawford D., November, 2012)
Figure 4: Business Climate indicators. (*Source: World Bank cited in Crawford D., November, 2012*)

### Appx. 5

<table>
<thead>
<tr>
<th>Year</th>
<th>Subscribers (in millions) (approx.)</th>
<th>Market growth rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>20 (1)</td>
<td>…..</td>
</tr>
<tr>
<td>2007</td>
<td>34 (1)</td>
<td>70.00</td>
</tr>
<tr>
<td>2008</td>
<td>45 (1)</td>
<td>32.35</td>
</tr>
<tr>
<td>2009</td>
<td>52 (1)</td>
<td>15.55</td>
</tr>
<tr>
<td>2010</td>
<td>69 (1)</td>
<td>32.69</td>
</tr>
<tr>
<td>2011</td>
<td>85 (1)</td>
<td>23.19</td>
</tr>
<tr>
<td>2012</td>
<td>97 (2)</td>
<td>14.12</td>
</tr>
<tr>
<td>2013</td>
<td>114 (2)</td>
<td>17.52</td>
</tr>
</tbody>
</table>
Figure 5. Mobile subscribers by year: (2006 to 2013) (Source: Islam, I 2010 & BTRC 2014)

Figure 6: Comparison of market growth rate among the Asian countries. (Source: Islam, I 2010)
Appendix: 7.1 Questionnaire used for Interview

Name of the Respondent:

Company Name:

Date:

1. What are the main business activities of the company in Bangladesh mobile telecom market?
2. What were the reasons for choosing this market?
3. Which market entry mode strategy (For example: Joint Ventures, Wholly owned subsidiary etc.) did the company select to enter in Bangladesh mobile telecom market?
4. How did the firm level factors influence in selecting this international market entry mode strategy?
5. How did the country level factors influence in selecting this international market entry mode strategy?
Appendix 7.2: Answers From the Respondent

Name of the Respondent: Zia Mohammad Sajid

Company Name: Grameenphone Limited (Telenor Group)

Date: 19/02/2014

A. 1: The main business activities of Grameenphone are:

- Pre-paid mobile service
- Post-paid mobile service
- Internet
- Mobile based solutions (such as: Healthline, Cellbazaar, Billpay, and other value added services.

A. 2: Less competition and empty space to develop own network infrastructure were the key reasons to choose this market.

A. 3: It was a joint venture enterprise between Telenor Group of Norway and Grameen Telecom Corporation of Bangladesh.

A. 4: Influence of Firm level Factors:

Experience in using market entry modes in other international markets:
Telenor Group has mobile operations in 13 countries across Europe and Asia. Beside Bangladesh, it has mobile telecom business in Pakistan (wholly owned subsidiary), India (Joint venture), Thailand (Wholly owned subsidiary) and Myanmar (Wholly owned subsidiary) in Asian region. Telenor has entered into Myanmar mobile telecom market recently. Out of Asia, the company used wholly owned subsidiary five times and joint venture entry mode two times to enter into remaining eight countries’ mobile telecom market. The previous experience in using entry modes in other international markets didn’t affect in selecting market entry mode for Bangladesh.

Complementary Resources and strategic issues:

Telenor Group had technical know-how and managerial expertise to set up an international standard mobile phone operation in this South Asian country but it had lack of local market knowledge. On the other hand, its partner, Grameen
Telecom had local market knowledge and strong field network. The efficient bundles of Telenor’s and Grameen Telecom’s inputs were necessary to start a venture in Bangladesh mobile telecom market. The local partner’s in-depth knowledge about the local market and field network in the rural market were effective for Telenor to reach to the fast growing rural potential customers. These issues influenced in selecting joint venture as a market entry mode.

**Company Size:**

The selected entry mode was influenced but not in a large extent by the size of the company.

**Level of control:**

International joint venture can reduce the level of management control over foreign operation. In spite of this, this type of entry mode was chosen to enter into this market.

**Risk:**

A wholly owned subsidiary was a risky venture in an underdeveloped country like Bangladesh. But Telenor selected this market considering the potentiality of market growth. It was optimal for the company to select a joint venture because this type of entry mode reduced the risk from high to moderate.

**Objective of the company:**

The company’s target was to increase the market share through local partnership and stay in the market for long-term.

A. 5: *Influence of Country level factors:*

**Business Environment of foreign markets:**

This business environment of this country has been fragile since independence. Many international companies don’t consider the country as their potential market place due to the political instability, weak financial market, and bad technological infrastructure. Under these circumstances, a wholly owned subsidiary would be a risky venture for Telenor group in starting telecom business in Bangladesh.
Market Size and growth rate:

The sector had been experiencing a moderate growth since 1989 (when Bangladesh government issued first cellular license) and later it has been experiencing a sharp growth since 1997 when Grameenphone, Aktel (present name Robi) and Sheba (present name BanglaLink) entered in the Market. Before the year 1997, Citycell was the only mobile telephony service provider in this sector and the number of subscribers of this company was few compare to the market size. The market size was large and there was an opportunity for Telenor to tap this market share as a single entity. But considering other relevant factors such as lack of local market knowledge, high country risk etc., the company entered in the market on partnership basis.

Institutional environment:

Due to ineffectiveness of the laws enforcement institution, cultural barriers and a wide dimension of corruption, a joint venture was effective over wholly owned subsidiary for Telenor to invest in this market.

Cultural distance:

Asian culture is different from the European culture from different perspectives. Telenor was a European company and the target market was in Asia. In that case, the company needed a local partner which can reduce the uncertainty due to cultural distance.
Name of the Respondent: Nasir Uddin Sarker

Company Name: BanglaLink Digital Communications Limited (Global Telecom Holding)

Date: 25/02/2014

A. 1: Main activities are Pre-paid and Post-paid mobile service and other value added services includes:

• Mobile internet services (GPRS Packages), Mobile banking, International roaming, 3G services and so on.

A.2: The Reasons were:

• Return on Investment (ROI) in telecom sector of Bangladesh was very high.
• Large customer base for mobile telecom industry.
• Favorable government policy for telecom sector.

A.3: Wholly owned subsidiary.

A. 4: Influence of firm level factors:

Experience in using market entry modes in other international markets:

Global Telecom Holding (previous name Orascom Telecom Holding), parent company of BanglaLink, has business operations in Bangladesh (wholly owned subsidiary), Pakistan (wholly owned subsidiary), North Korea (Joint venture), Zimbabwe (Joint Venture), Egypt (Joint Venture), Burundi (wholly owned subsidiary), Algeria (wholly owned subsidiary), The Central African Republic (wholly owned subsidiary) and Canada (Joint Venture). In few cases, it bought an existing company of a particular country and formed a wholly owned subsidiary. The company purchased 100% share of Seba telecom to enter into the Bangladesh mobile telecom market.

Complementary resources and strategic issues:

The multinational company Global Telecom holdings had the financial, managerial and technological capabilities to start business in Bangladesh as a single entity. But it had lack of local market contact and local market knowledge. It might select a joint venture entry mode if it didn’t purchase the existing mobile telecom company (Seba telecom). Since the company bought an existing company, it received the required complementary resources.
**Company Size:**

As one of the largest company in the world telecom market, Global Telecom Holding had capabilities (management, financial and technological) to invest required capital as well as to take the challenge of risks in international business. These capabilities made it possible to set up a wholly owned subsidiary (through acquisition) to start its business in this country.

**Level of control:**

It was a very important factor in selection the entry mode strategy for Bangladesh mobile telecom market. In this case, the company thought that a wholly owned entry mode would help to take quick strategic decisions, implement the company’s policies and control over management in the target market.

**Risk:**

The company outweighed return of investment than risk. So, it selected wholly owned subsidiary instead of joint venture.

**Objective of the company:**

Global Telecom is known for its aggressive risk taking tendency. Buying facilities in foreign country is a risky venture. But still then Global telecom holdings took the decision to buy Seba telecom of Bangladesh and rebranded as BanglaLink. Selection of the entry mode was led by huge market opportunity with a view of assuming high risk which was targeted to increase the market share and in effect to get high return.

A. 5: *Influence of Country level factors:*

**Business environment of Bangladesh:**

Favorable business environment encourages local and foreign investment. Due to political unrest in Bangladesh, it was always a big problem for investors here. It was a big challenge for the company to enter in such market as wholly owned subsidiary. But, as the country wanted to attract more Foreign Direct Investments as well as Bangladesh government promoted the development of IT sector, foreign firms were interested to invest in this sector. In addition, the policy level support was there. These
encouraged Global telecom holdings to select the wholly owned subsidiary entry mode.

**Market size and growth rate:**
Bangladesh is the twelfth densely populated country in the world. The mobile market was an underserved market when Global telecom holdings entered in 2005. So in order to capture the market share as a single entity it chose wholly owned subsidiary entry mode.

**Institutional Environment:**
There were some active institutions such as Bangladesh Telecommunication Regulatory Commission (BTRC), Association of Mobile Telecom Operators of Bangladesh (AMTOB) to look after the telecom market in Bangladesh. Bangladesh government also reformed rules and regulations to encourage foreign investment. In spite of having some critical problems such as wide extent of corruptions, bribery, the company opted for wholly owned subsidiary.

**Cultural distance:**
No comment.
A 1: Voice, SMS, Internet, 3G (video call), Mobile Banking, Utility Pay (Gas, water, electricity bill), registration services for various educational institutions and programs, and other value added services.

A 2: Untapped market, low license fee, easy procedure to getting registration, huge opportunity in terms of population, growing economy, lower investment cost, high ROI, scope for huge business etc.

A 3: Joint Venture.

A 4: Influence of Firm level factors:

Experience in using market entry modes in other international markets:

For SingTel the experience in Asian countries is extensive. The company has mobile telecom business in Indonesia, Philippines, India, Thailand, Bangladesh, Singapore and Australia. It has chosen different ventures for different regions according to the market’s circumstances. The company entered into Bangladesh mobile telecom market by taking partnership with Motors Limited and Far East Telecom Limited.

Complementary resources and strategic issues:

SingTel had lack of knowledge about the Bangladesh telecom market. As a new comer in Bangladesh, the company chose local partners to access complementary resources as well. It shared partial ownership with PBTL (Pacific Bangladesh Telecom Ltd) and Far East Telecom Limited. In this case, access of corresponding complementary inputs of the local collaborators played an important role.

Company size:

SingTel is one of the largest telecom companies in the world in terms of networks, employees, and mobile customers. But for risk-averse strategy, the company selected joint venture entry mode to enter into this market.
Level of control:
   The company didn’t consider this factor in entry mode selection process.

Risk:
   There were different forms of risks that existed in Bangladesh business environment such as: economic, political, regulatory, competitive, infrastructure and technological risks. In this situation, a joint venture was effective for SingTel in reducing these types of risks.

Objective of the company:
   In communication’s hub SingTel gains the most extensive operating experience (more than 130 years) that make it leader in telecommunications. The company believes on long term strategic investment to grow the business by extensive operational experience.

A. 5: Influence of Country level Factors:

Business environment of Bangladesh:
   As political or other circumstances were not stable during the entry time of SingTel in this country, it decided to enter through Joint Ventures instead of Wholly Owned Subsidiary to reduce the country risk.

Market size and growth rate:
   No comment.

Institutional Environment:
   Institutional environment was an important consideration in case of choosing a market entry mode for Bangladesh by international firm. Like other underdeveloped countries, Corruption, lack of effectiveness of laws and regulations, bureaucratic complexity were visible in Bangladesh where government was trying to minimize these kinds of problems to create a better business environment. Partnership with a local partner could reduce the risk associated with this kind of institutional environment. So, SingTel selected Pacific Motors Limited and Far East Telecom Limited as venture partners to enter in this market.
Cultural distance:

As an international leading company, SingTel has experience in different markets across the world. The company considers various variables to select a suitable entry mode for each market. Among the various variables, cultural variable is one of the most important variables in SingTel’s internationalization process. Cultural distance affects customization and delivery of services which demands the presence of local participants. There was no exception of this when the company thought to enter in Bangladesh mobile telecom market. Due to the cultural distance, the company selected joint venture entry mode to enter in this market. It should be mentioned that though both the home country and host country situate is in Asia, but the cultures are not similar.