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The relative importance of types of information in the foreign market selection process

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Abstract

Guided by classic decision making theory, this paper presents the results of an empirical study designed to investigate export decision making. It specifically examines the relative importance of foreign market information used by international managers when choosing export markets. The authors identify three levels of export market selection information (primary environmental dimensions, subsidiary export dimensions and specific decision variables). Findings indicate practicing, experienced export managers consider numerous pieces of information to be important. In particular, information related to *market potential* (i.e. foreign buyers' ability to pay for imported products, and the nature of competition in export markets), and *legal environment* (i.e. non-tariff and tariff barriers) was rated most important when selecting export markets. Somewhat counter intuitive (given its recognized importance in the literature), information related to the *cultural environment* was rated as least important. Discussion of findings offer insights to explain these results and call for extended research. © 2001 Elsevier Science Ltd. All rights reserved.

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1. Introduction

Managers faced with the decision of which foreign markets to target have, from a normative perspective, been provided with numerous factors to consider (see Papa-

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dopoulos, 1988 for a review). However, academic literature investigating actual managerial decision making during the selection of foreign market targets is more rare. As stated by Andersen and Strandkov (1998), “Traditional international market selection [IMS] approaches have excluded the idiosyncrasies of decision makers and the complexity of contingent decision-making in favor of universal, normative guidelines” (p. 66). These authors argue that increased study of managerial decision making (along the lines of the body of literature related to consumer behavior decision making) would enrich our understanding of international target market selection:

Scholars of managerial practice have instead pointed at indirect or experiential information collected in an ad hoc and informal manner as the most important influence on managerial decision-making connected with international market selection...Moreover, studies of the decision-making process rather than normative prescriptions on how to conduct decisions, given ideal (and unrealistic) conditions have long been called for...(Andersen & Strandkov, 1998, p. 69)

Classic decision making theory would assume that managers investigating a potential export market would first identify relevant evaluative criteria, or specific decision variables, appropriate for appraising alternative target market options. Second, managers would assign importance weights to the various criteria identified. Specific information about foreign market reality or performance related to relevant criteria would then be collected. Finally, one or more decision rules would be applied to the information collected in order to identify the best alternative target market (see Hodgson & Uyterhoeven, 1962; Stobaugh, 1969; Armstrong, 1970; Green & White, 1976; Harrell & Kiefer, 1981).

This paper investigates the first two steps of this overall decision making procedure by addressing three fundamental questions. First, what type of information do experts consider generally relevant for appraising export markets? Second, in terms of the decision making process, what types of specific information are considered important as evaluative criteria by experienced exporters in their efforts to identify ‘good’ international markets? And third, once potential criteria are identified, what relative weights do export managers attach to the various criteria? Specifically, this paper presents the findings of an empirical study designed to identify the perceived relative importance of potential evaluative criteria within the export decision making process. We begin with the development of an export environment information framework.

2. An export environment information framework

In order to address the three questions posed, an extensive literature search was undertaken. This was followed by a series of personal interviews and one focus group session that led to the development of a comprehensive information framework relevant to export market evaluation. In turn survey research was employed to examine the perceived relative importance of information contained within the framework.

As noted, existing literature, both empirical and theoretical, related to *international*

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