



“EXPANDING THE HERITAGE ABROAD”

A foreign market entry screening tool

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Management summary

Bolletje is a Dutch industrial bakery with its headquarters in Almelo. It employs more than 500 people distributed over three bakeries: Almelo, Heerde and Amsterdam. Bolletje produces over 60 different products assorted over six different segments. They also operate as an individual A-brand for over fifty years. Bolletje relies heavily on its the home market the Netherlands, about 75 percent of the turnover is obtained here. The remaining 25 percent comes from export, which is done through three channels: business to business, international retailers and importers/ distributors. The focus of the export lies in Europe, but besides Europe Bolletje exports to homesick countries like: Australia, Canada, New-Zealand and the United States. Bolletje would like to be less dependent on the home market. This can be done by increasing the export, which is currently being done. Bolletje is interested in penetrating markets via joint venture/alliance.

The purpose of this thesis is to assist Bolletje in making a quick and informed decision when faced with the opportunity to start a joint venture/alliance partnership.

This has led to the following research question:

What evaluation tool can be developed for Bolletje to assess the attractiveness of a potential partnership?

To answer this research question, a foreign market screening tool has been developed during this research. The screening tool is a systematic and logical process that assesses the attractiveness of foreign venture. It focuses on two areas, the market screen and the partner screen.

When searching the literature for market screening two models were found: the “checkpoint in the foreign investment entry decision process” from Root (1994) and “selection of foreign markets” from Ball et al. (2006). Both models deal with market screening in a step-by-step way, assessing the environmental factors influencing the entry to that market. The models were integrated, adapted/modified to suit the needs of Bolletje. If the steps are passed successfully it is advisable to continue the investigation otherwise it should be terminated immediately.

Once a country passes the market screen the next step is to asses if there is a positive fit between the potential partner and Bolletje. A framework by Douma et al. (2000) was used; the framework structures and supports the complex and dynamic process of alliance building. The framework states having a good “fit” between partners could make the difference between success and failure. There are several aspects of fit to be addressed in a mutual relationship. For each aspect the expected degree of fit is analyzed.

To assess the relative strength of each criterion in the market and partner screen, two multi criteria decision methods were used. A three point scale (low, medium and high) is used to determine the relative strength of the different criteria; next the Analytic Hierarchy Process (AHP) is used to determine the relative weights of evaluation criteria.

The tool was tested using two test cases. The 1st starting a partnership with a German importer/distributor and the 2nd starting a partnership with a Swiss company similar to

Bolletje. In both cases they scored well on the market and the partner screen, the German case scored a bit higher on the market screen showing that it is more attractive than the Swiss market. In the partner screen the difference was small, showing that partner wise they are about an equal fit. In both cases a positive advice was given to start a partnership.

Recommendations are to: use the tool in the sequential orders it is given. The process is highly dynamic and time-related. Market conditions change, partner performance may fluctuate and competitive intensity will increase. Therefore the management of Bolletje should constantly evaluate the different steps and the decision that have been made during the process. The management must be open to making course changes as circumstances dictate.

Make sure to have a capable manager in charge that is able to execute the screening tool, because focusing on export strategies will result in several additional tasks. These tasks have to be assigned to a manager who is capable and knowledgeable of international business.

Critical steps to be taken once the decision to start a partnership is made are to start contract negotiations and have an exit strategy ready. An exit strategy is necessary because there is no guarantee for success.

Acknowledgements

I first want to start by thanking Ir. S.J. Maathuis and Mr. J. Vlietman for helping me find and develop an academic thesis assignment. It was through Ir. S.J. Maathuis's prior knowledge of Bolletje that I came in contact with them. A meeting was then planned with Mr. J. Vlietman, Ir. S.J. Maathuis and I and the assignment came to life.

However due to the fact that Ir. S.J. Maathuis was starting a new challenge in another department, I got a different supervisor from the University. I want to wish Ir. S.J. Maathuis all the best with his new function. Dr. Ir. S.J de Boer and Prof. Dr. Ir. E.J de Bruijn formed the new supervisor committee. I would like to thank them both for their valuable advice and support throughout the process. I would also like to mention that I am glad Mr. de Boer could resume his supervisor role after having some health problems, I am glad that he is doing better.

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1. Research Plan

1.1. Introduction

To finalize the Master's program and obtain my masters degree in Business Administration (track International Management), this research consultancy assignment has been executed. This assignment requires the use of knowledge and skills acquired during the courses. The assignment is performed for Bolletje. The main objective of the research is to assist Bolletje to expand their heritage and become less dependent on the home market. This chapter outlines the background, the objectives of the research project, and a concise description of the problem. Following this a strategy to solve the problem is elaborated. Finally, a visualization of the research structure is given.

1.2. Background

Bolletje is a Dutch industrial bakery and is headquartered in Almelo. It employs more than 500 people distributed over three bakeries: Almelo, Heerde and Amsterdam. Bolletje was founded in 1867 as a small-scale local bakery. In 1954 the family Ter Beek started an industrial bakery specializing in rusk. At that time the most types of rusk were sold exclusively by traditional bakers. Since the baking of rusk was very labor-intensive and complex, selling rusk from Bolletje was a very attractive alternative, while the rusk was of high quality and for a reasonable price. However the family Ter Beek envisioned that the supermarkets of the future would replace the bakers as sale point of rusk. This vision coupled with the belief of their own capabilities in quality, efficiency and advertising led Bolletje products to be available in supermarkets throughout the whole country. This strategy proved to be a good choice, due to the focus on supermarkets Bolletje could grow steadily with the increasing demand for rusk through this channel.

In the mid sixties Bolletje made another strategic decision. The family Ter Beek figured it would be too risky to focus only on rusk, so they came up with a diversifying strategy. Bolletje needed a broader product range to grow in the market and secure its continuity. To achieve this Bolletje took over more than ten companies in different segments of the market. Nowadays, Bolletje produces over 60 different products assorted over six segments: breakfast/lunch, biscuits, savories, in between, children, and season. They also operate as an individual A-brand for over fifty years now.

Bolletje relies heavily on its home market the Netherlands, about 75 percent of the turnover is obtained here. The remaining 25 percent comes from the export, which is done through three channels: business to business, international retailers and importers/distributors. The focus of the export lies in Europe, but besides Europe Bolletje exports to homesick countries like: Australia, Canada, New-Zealand and the United States. Bolletje would like to be less dependent on the home market. This can be done by increasing the export, which is currently being done. However Bolletje is interested in penetrating markets via another entry mode.

1.3. Objectives

Bolletje has ambitions to expand the heritage of the company. A way in which they can achieve this expansion is by going abroad, reducing their dependency on the home market. Bolletje is interested in entering a foreign market through a joint venture/alliance construction, because they strive to secure their continuity by minimizing risk as much as possible. They

feel that an joint venture/alliance construction is the best option. The objective of this research is to assist Bolletje in making a quick and informed decision when selecting a partner abroad. Once Bolletje has selected a suitable partner and if developed prudently, the expectations are that the partnership can enable the organization to capture growth, preserve capital, enhance or expand services, share expertise, protect market share and revenue, and align economic incentives and strategic interests with other constituents.

1.4. Research question

Bolletje is frequently presented with opportunities to expand their business. They get offers to start partnerships in foreign countries. The difficulty is that the management has no operational tool which enables them to check if the partnership is attractive. They have to base their decision on experience and gut feelings. For this reason the management of Bolletje would like to have a tool developed that can assist them when making such decisions. More specifically, they want a procedure that enables them to evaluate potential endeavors. With this tool they can make a decision to proceed with or terminate the endeavor.

The following aspects are considered in order to come to a well defined problem formulation:

1. Screening the foreign market
2. Selecting a suitable partner

This has led to the following research question:

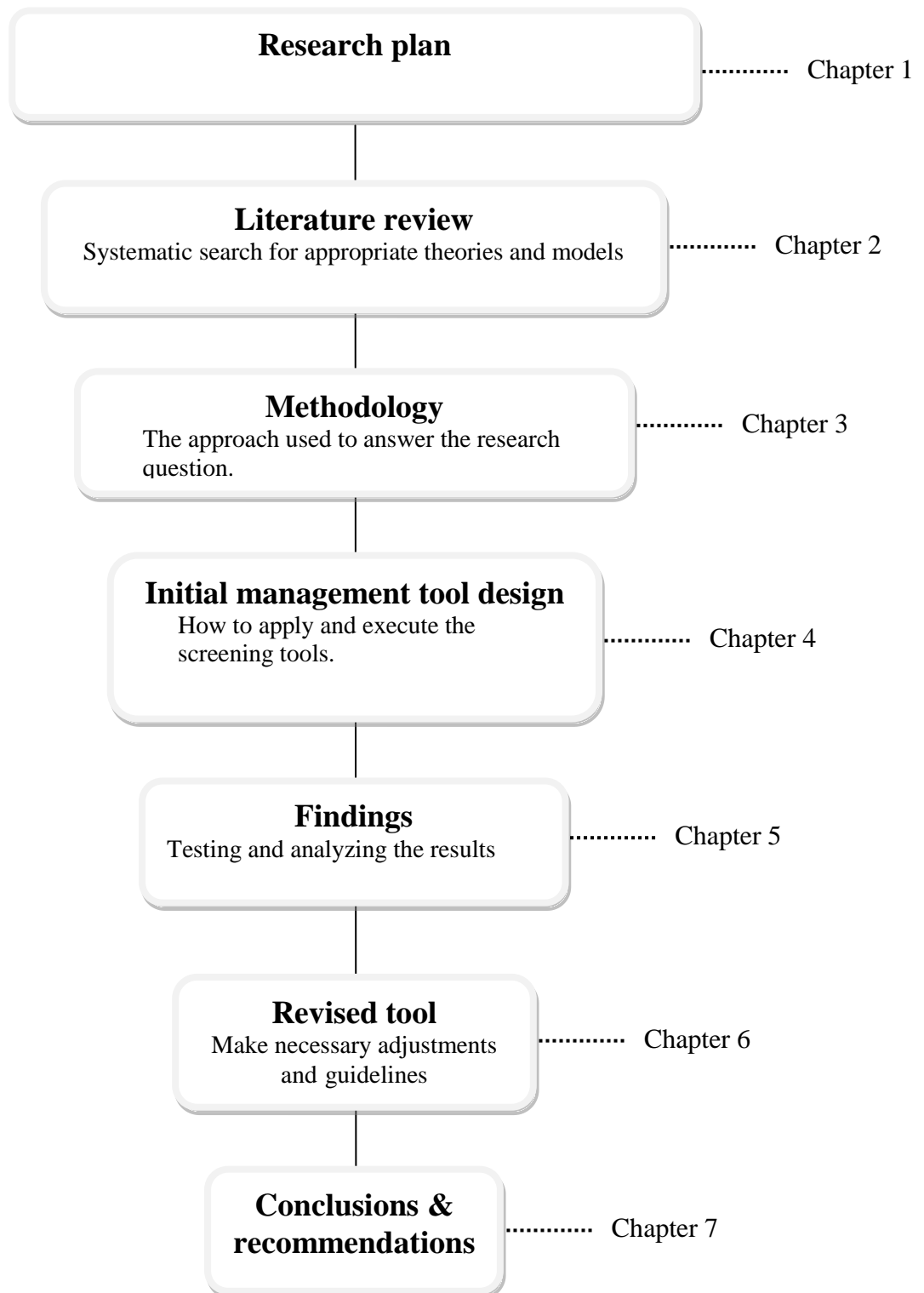
What evaluation tool can be developed for Bolletje to assess the attractiveness of a potential partnership?

1.5. Research approach

This section describes the methods that have been used to give answer to the research question outlined above. First a literature review is carried out, this is done to search for appropriate models and theories to solve the research question. Using the models and theories from the literature review, an initial tool can be developed. Once the initial tool is developed it has to be tested, the tests are based on actual cases Bolletje is busy pursuing. When the tests are completed improvements can be made and an advice can be given.

1.6. Structure

The structure of the thesis is as followed: Chapter 1 presents the research plan; Chapter 2 presents the theoretical background, discusses the literature review and relevant concepts from the literature; Chapter 3 presents the theoretical model and explains the focus of this research; Chapter 4 presents the initial tool explaining why and how to use it; Chapter 5 discusses the testing of initial tool and the results; in Chapter 6 necessary revisions and guidelines to use the tool are given; and Chapter 7 presents the conclusion, reflection and recommendations. The structure of this research is illustrated in figure 1.1.



2. Literature review

2.1. Introduction

After defining the problem it is important to systematically search for appropriate models and theories to construct the screening tool. Based on these models and theories a solution can be devised to solve the problem in a scientific way.

The objective for Bolletje is to enter international markets through investment entry to expand the heritage of the company. The focus of this research will be on assessing the attractiveness of foreign markets and checking if there is a good “fit” between the potential partners.

2.2. Market screening

When searching the literature to find a solution, two models were found: the “Checkpoints in the foreign investment entry decision process” from Root (1994) and “selection of foreign markets” from Ball et al. (2006). Both models deal with market screening.

2.2.1. Investment entry model from Root (1994)

The model “Checkpoints in the foreign investment entry decision process” from Root (1994), describes the process of going international through investment; this is done by way of checkpoints. Each checkpoint contains crucial questions to be answered. The decision process is taken over a lengthy period of time with multiple feedback loops that stimulate the reconsideration of earlier decisions. In figure 2.1 the structure of this complex decision process can be seen. If all the checkpoints are passed the investment proposal gains acceptance and the decision to enter a particular country would be supported.

Investment proposal

The first question from the checkpoints: “should we investigate this foreign investment proposal?” deals with the decision to investigate a foreign investment proposal. This is the first and most important checkpoint. This is a logical first step, if there is no need to investigate, no reasonable expenditure of effort and money will enable the firm to market its goods or services.

Investment climate present/future

Once the decision is made to further investigate the proposal a more thorough assessment needs to be made of both the present and expected investment climates of the target country. The investment climate of a target country embraces all the environmental factors and forces that can have a significant influence on the profitability and safety of the proposed investment project. The present day investment climate of a target country is fully known to a manager because it already exists. The future investment climate can be assessed only in probability terms. These environmental factors and forces are uncontrollable elements, the management cannot influence them, but they do affect the decision to enter a target country or not. These uncontrollable elements are present in both target and home market. However, the scope and depth of these elements, in international business transactions are more complex for a firm. To significantly reduce this uncertainty one must study the operating environments of each country the firm is planning to enter.

Economic analysis

When the investment climate checkpoints are passed, managers turn to a full-scale economic analysis of the proposed project. If the project fails to meet profitability or other objectives, it may be possible to redesign the project to make it acceptable. Redesign may be intended to raise profitability, to lower risk, or both. The political analysis of step three should be integrated with the economic analysis of step four to establish the risk adjusted profitability of the project.

Negotiation host government

In negotiations, the host government may press for certain changes in the project that managers may need to evaluate with a new economic/risk analysis. If negotiations reach a satisfactory outcome, the company proceeds to make the investment entry.

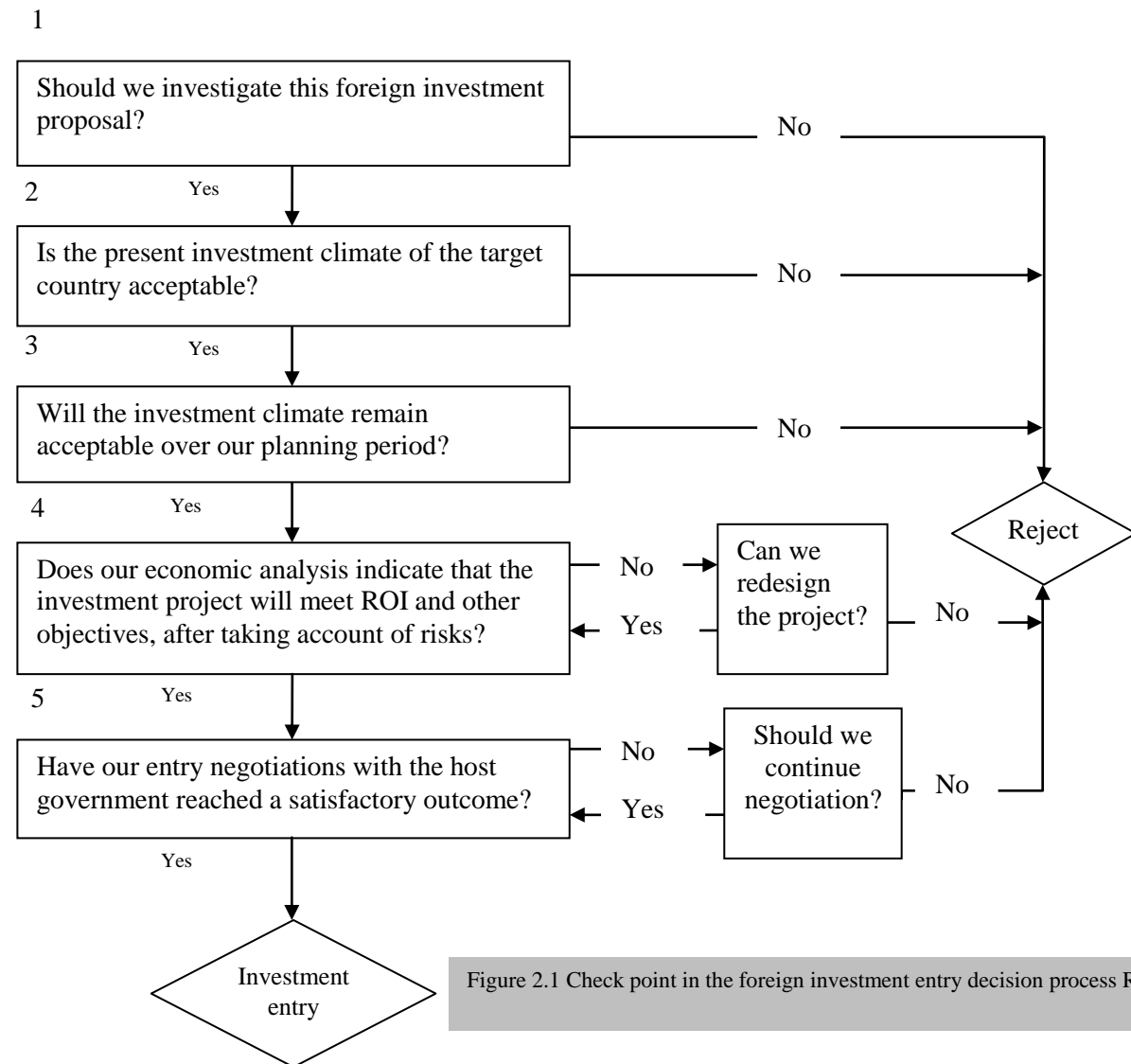


Figure 2.1 Check point in the foreign investment entry decision process Root 1994

2.2.2. Market screening model from Ball et al. (2006)

Market screening is a method of market analysis and assessment that permits the management to identify a small number of desirable markets by eliminating those judged to be less attractive. To accomplish this potential markets are subjected to a series of six screenings. The sequence of screenings may be arranged in any order.

1. Basic needs potential; an initial screening based on the basic need potential. A logical first step, because if the need is lacking, no reasonable expenditure of effort and money will enable the firm to market its goods or services.
2. Financial economic forces; to reduce the list further the second screening is based on financial and economic forces such as: trends in inflation, exchange rates, credit availability, paying habits of customers.
3. Political and legal forces; elements of these forces can eliminate markets for further consideration or make it more attractive. There are too numerous to mention, a choice must be made when picking forces to apply during this screening phase.
4. Sociocultural forces; these forces are fairly subjective; data is difficult to gather particularly from a distance.
5. Competitive forces; an analysis is made of the competitors in the target market.
6. Final selection of new markets; an executive of the firm should visit those markets that appear to be good prospects. Before leaving, this person will review the data from the various screenings along with any new information that the researcher can supply.

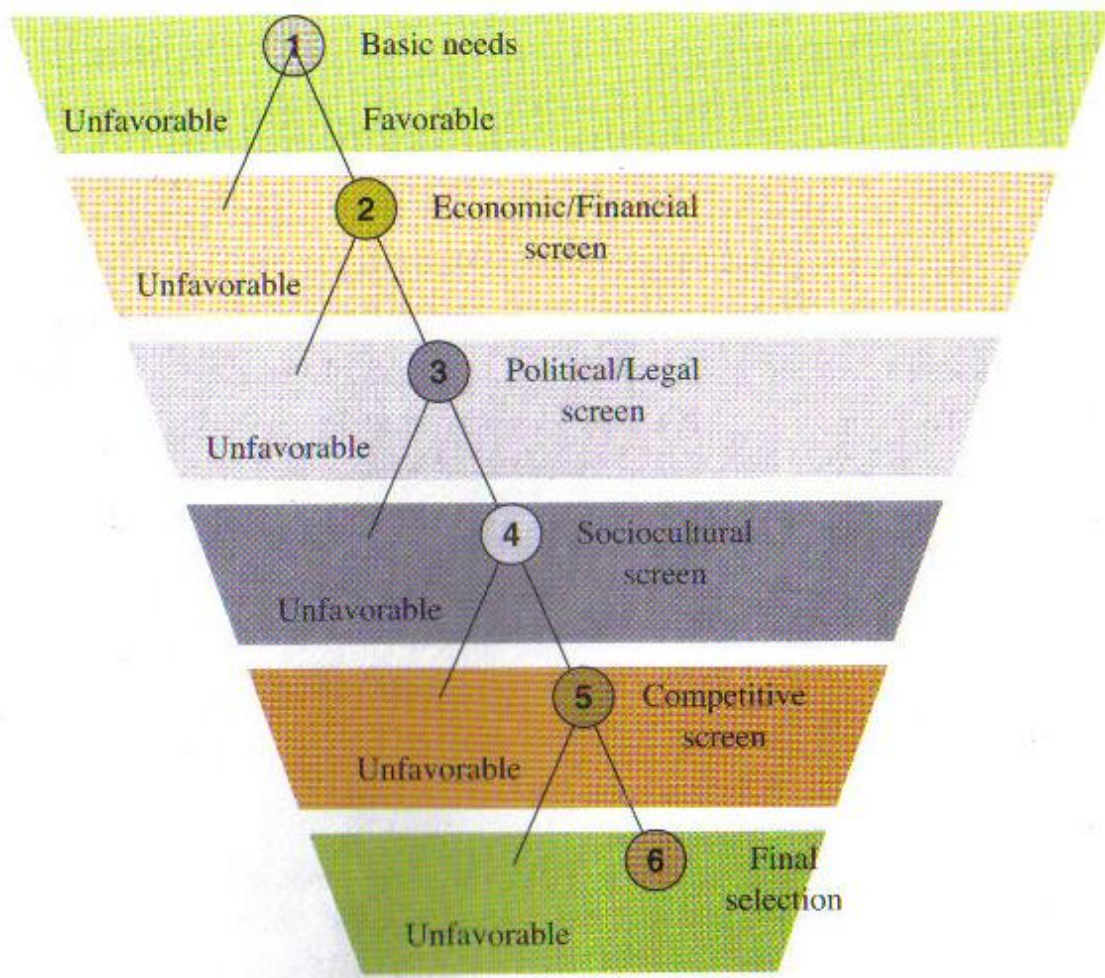


Figure 2.2 Selection of Foreign markets
Ball et al. 2006

2.2.3. Several other authors

There are several other authors who state the importance of assessing market opportunities. Cavaugil et al. (2003) says that companies seeking to expand abroad are faced with the complex task of screening and evaluating foreign markets. He suggests a three step process for identifying the overseas markets with the best potential. A preliminary screening to determine which possibilities warrant further investigation, by screening the attractiveness of a market countries by looking at the commercial, economic, political and cultural dimensions. Following this, an assessment of the industry market potential to estimate aggregate demand, and rank countries according to dimensions that are relevant to the international marketer.

According to Dudely (1992) market research involves collecting and analyzing information from which assumptions can be drawn. Market opportunities need to be prioritized as part of a strategic business plan so that dispositions, resources and facilities can be planned for and marketing planning can begin to set outline objectives.

Prioritization decisions need to be made on the basis of good marketing information. All markets should be evaluated in sufficient depth from which a shortlist of market candidates can be selected for further, in depth, evaluation. The first stage following the minimum of information requirement:

- Assessment of market potential;
- Limits of accessibility (i.e. barriers to trade);
- Description of competitors
- Brief evaluation of competitors products;
- Outlining of trade channels and any restriction which their structure imposes

2.3. Multi-criteria decision-making (MCDM)

The method used for choosing the most promising market is the multiple criteria decision-making (MCDM). The MCDM is a tool widely used for evaluating problems containing multiple criteria [Pomerol et al., (2000)]. When conducting market screening different aspects of the market are assessed, each of these aspects have different criteria which countries must possess. When there are several potential candidates remaining a choice needs to be made which one warrants further investigation. Two MCDM methods can be used to come to a systematic decision: A three point scale (low, medium and high) is used to determine the relative strength of the different criteria; and Analytic Hierarchy Process (AHP) which determine the relative weights of evaluation criteria.

2.4. Partner screening

Internal “fit”

Perhaps the most relevant question when evaluating an investment proposal is “is there a good fit?”. According to Contractor and Lorange (1988), a joint venture is a co-operative arrangement with a high level of organizational interdependence. If the level of interdependence is too low, the joint venture is unlikely to survive difficult times. On going viability of the joint venture rests on the continuing mutual dependence of the partners [Powell (1990)]. Not only are the external environment and the economic prospects important but if organizations don’t “fit” good together it will ultimately lead to failure. A framework by Douma et al. (2000) was found. The framework structures and supports the complex and dynamic process of alliance building, see figure 2.3 “the generic fit framework”. Douma et al. (2000) says having a good “fit” between partners, could make the difference between fit and

failure. He even states that the success of an alliance depends on an effective and efficient alignment (“fit”) between the partners involved.

It is crucial to balance the interests and backgrounds of the partners involved, so that a win-win situation is created. Within the context of alliances, fit is very much related to concepts such as complementary balance, mutual benefits, harmony and dependency. Therefore the focus will be on the issue of collective alignment, instead of individual strategy formulation and organizational design of the partners. Alliance success requires a good fit in five areas. Success is defined as the degree to which both partners achieve their objectives. It is crucial that alliance managers address all of the five aspects of fit in their mutual relationship: an insufficient fit in one area can lead to failure.

Because forming and managing a complex international, knowledge intensive alliance places a great burden on the managers involved. To realize synergies the potential core conflicts between corporation and competition must be tackled. Below the five areas of “fit” will be discussed.

Strategic fit

There is talk of strategic fit when the partners’ interests are compatible. These interests are based on the objectives and strategies of the parties involved. The objectives and strategies do not need to be identical, but must be compatible. By the conception and during the cooperation, compromises must be made for the parties working together [Douma et al. (2000)].

Organizational fit

The organizational arrangements of alliance partners will almost always differ. Explicating these differences is of crucial importance in arriving at a profound understanding of the partners [Douma et al. (2000)].

Cultural fit

Cultural fit means the business culture of the collaborating parties do not obstruct the collaboration. It is unlikely that the partners’ national culture in an international strategic alliance will be similar. The cultural atmosphere in one’s partner company is therefore unlikely to be the same to one’s own. It is not vital that the cultures of partners are similar, but sensitivity to cultural differences is therefore necessary if the alliance is to prosper. Since cultural differs in ways of operating are likely to lead to confusion among the partners. If attitudes are positive, sensitive, and flexible, this need not have a negative impact on the alliance, and may lead to the partners absorbing what the best in each others cultures to their mutual benefit [Faulkner (1995)].

Human fit

The collaborative characteristics of people that are needed to support the success of international strategic alliance are competency, cooperativeness, communicativeness, and capability of learning [Hamel & Heene, (1994); Littler & Leverick, (1995); Medcof, (1997)]. People who have unique skills and technology are required to create operational synergy. This synergy only exists if people are willing to cooperate and communicate with each other. Capability of learning is required to be able to acquire a partner’s expertise and to absorb cultural diversity [Mulyowahyud, (2001)].

Operational fit

A mutual alignment of business processes and activities whereby there is co-operation.

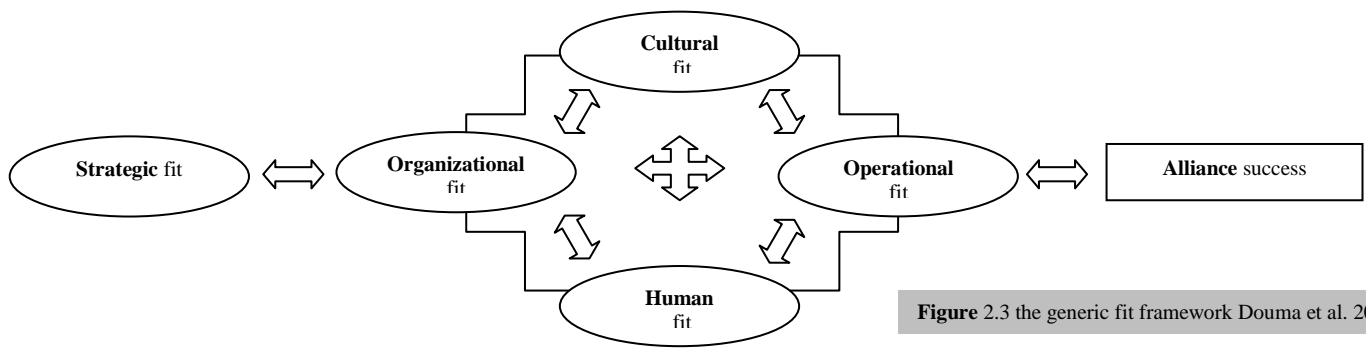


Figure 2.3 the generic fit framework Douma et al. 2000

2.5. The termination of a partnership

The termination of a partnership falls out of the scope of this research, but is a crucial part once a partnership is formed. Therefore I will give a short description of this process.

Termination of a partnership can be categorized into two types, namely unplanned termination and planned termination. There are several reasons that can cause the unplanned termination:

1. Conditions made at the start of the partnership have changed.
2. The partnership is no longer beneficial to all parties involved.
3. Conflicting goals
4. Cultural incompatibility
5. Lack of synergy.

Planned termination usually occurs after the partnership has achieved the predetermined goals.

What ever the reason for the termination is it should be well managed in order to have a pleasant ending. Unpleasant terminations will affect the image of the parent companies. Faulkner (1995) suggests that a formula for termination should be built into the initial agreement as a reassurance for the parties involved. This seems logical, since it should reduce anxiety that a failing partnership might destroy the partners.

2.6. Research framework

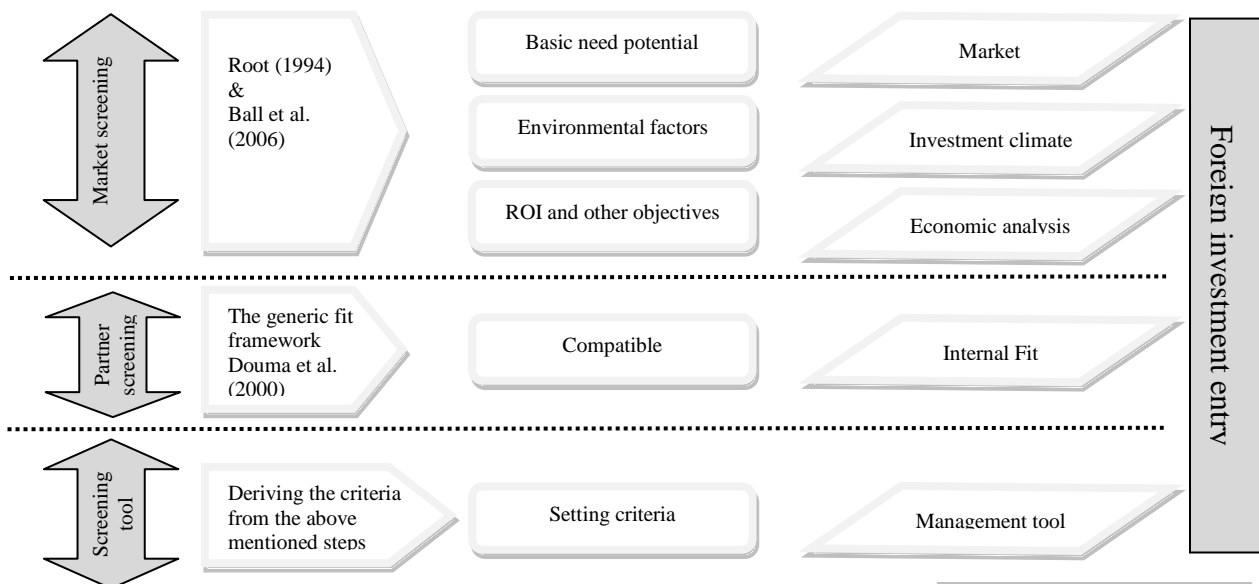


Figure 2.4 Research framework

3. Methodology

3.1. Approach

To answer the research question I will now elaborate the approach. In the previous chapter a literature review was conducted, the purpose of which was to get a better insight into the general nature of the problem and to determine the different relationships. An initial tool needs to be developed; this is done based on the literature review. Following this the initial tool needs to be tested. Based on the results from the test the tool can be revised. In the following sections the approach of each step will be elaborated.

3.2. Literature review

This section specifies which research methods, sources and analysis instruments are used in the previous chapter to attend to the research question. Though there is no clear-cut method for carrying out research, certain problems can be better solved by a particular research design than by another. The research designs are basically: exploratory, descriptive, or causal [Churchill (1995)]. The major emphasis of exploratory research is the discovery of ideas and insights. Descriptive research studies are typically concerned with determining the frequency with which something occurs or the relationship between two or more variables. Finally, causal research is concerned with determining cause and effect relationships. All these designs have their own characteristics, strong points and weaknesses. Depending on the type of research problem at hand, one design might be more appropriate than another [Kemp (1999)]. This research project follows more or less two of the research processes described above, namely exploratory and descriptive research. To get a better insight into the general nature of the problem the exploratory research method is used. Following this design step the descriptive research method to determine the different relationships is used. By using these two research designs, combining the strengths of both designs and dealing with the weak points. Data is collected through secondary- and primary data. The “Primary data was collected especially to address specific research objective”, [Aaker, Kumar, Day (1995)]. The collection of primary data was done by analyzing empirical data: interviews and observations. The data collected are characteristics of the company and specific details regarding environmental topics.

Next secondary data collection was done by an extensive review of the literature. Aaker et al. (1995) state that the purpose of secondary data helps to focus on aspects that need to be investigated in further detail, to provide an indication as to what further information is required. Secondary data are readily available data. There are three sources for secondary data collection: the company information system; databanks of other organizations (including governmental bodies); and syndicated data sources.

3.3. Develop initial tool

Using the different research and data collection methods an initial tool can be constructed. As can be seen in the research framework outlined in the previous chapter the screening tool is based upon two premises. Firstly, the partnership must tend to market characteristics. This determines if there is a convincing reason for entering a particular market. Secondly, partnership's success depends on an effective and efficient alignment (in other words, “fit”) between the partners involved. The core of partnership issues lays in the potential conflict

between competition and cooperation (Douma, 2000). However the theories and models found need some adaptations/modifications before making it operational. After the adaptations/modifications are made the models will be integrated to get the maximum benefits and minimize the shortcomings. The design criteria and the details of the adaptations/modifications will be explained in chapter four.

3.4. Test initial tool

The next step is to test the initial tool. To test the initial tool a protocol is made to ensure that the tool is used properly. After the protocol is developed suitable test-cases are needed. To search for the test-cases a meeting is held with the head of the export department. The test-cases need to be as realistic and up-to-date as possible. Once the test cases are selected the collection and processing of the data can begin.

3.5. Revised tool

After the tool is tested the results need to be analyzed. The findings from the tests phase are used to revise the tool. Also, guidelines will be developed to apply the tool. This ultimately leads to the final tool.

4. Initial screening tool design

4.1. Introduction

This chapter will describe how to apply and execute the screening tool. In chapter two a research framework was built, now it has to be further operationalized.

In the first part of this chapter the design criteria are explained, followed by the adaptations/modifications of the research framework, tool details, selection method, and finally the initial screenings tool.

4.2. Design criteria

Why is the screenings tool needed?

Bolletje would like to expand their heritage by going abroad, before doing so Bolletje wants a quick and informed assessment of the situation. They want to be able to justify the decision for going abroad. Once the decision is made Bolletje will start by testing the market by exporting products to this market via the partner company (this is done for several years). If it is successful a joint venture is formed. At the moment Bolletje will never consider taking over a foreign company. They do not possess the management resources and capabilities to do so, because continuity and control are valued very highly. When a joint venture is formed they will aspire to co-develop new products. Figure 4.1 gives a visualization of this process.

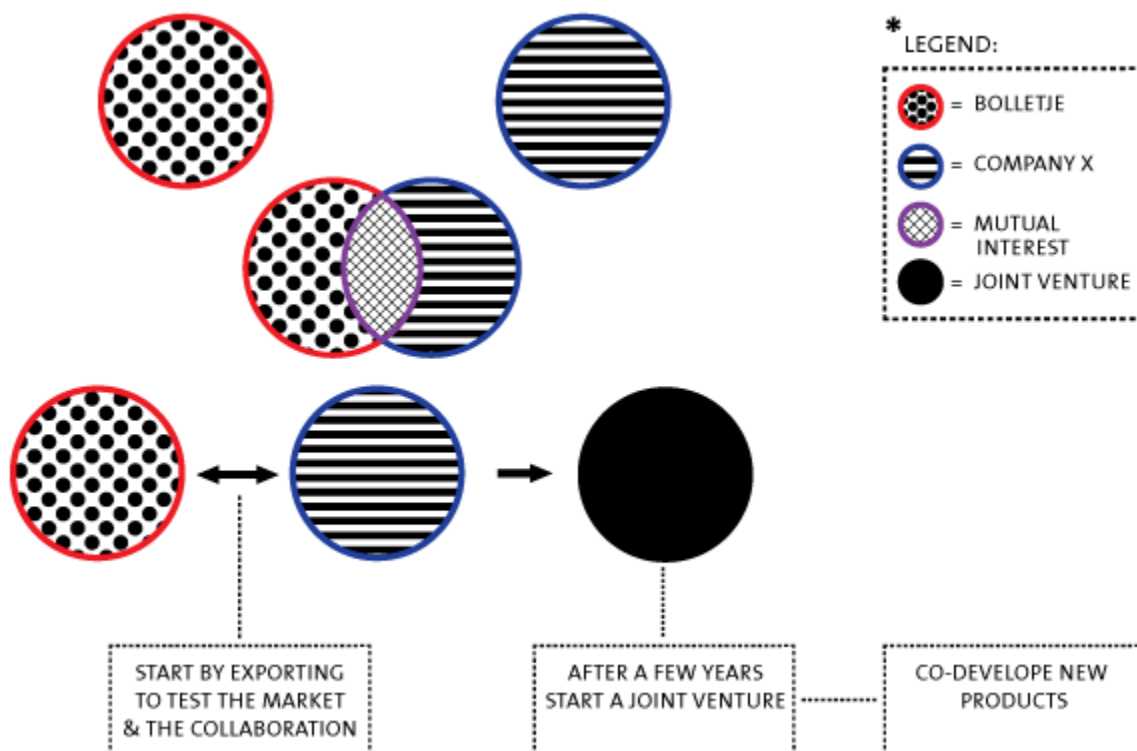


Figure 4.1 Visualization process of going abroad

Explanation on how the screening tool is constructed and why?

The screening tool needs to be user friendly, feasible, quick and informative. Therefore the steps taken must be logically formulated to enable a quick follow through. As a result the design of the tool is very important. When the tool is used the commercial/export manager will be able to give the executives advice regarding the investment proposal. The executives

always have the final say. The sequences in which the factors are examined are formulated as systematically and logically as possible. This way the necessary investigators can carry out their part efficiently to come to an advice. The tool starts by screening the attractiveness of the market followed by an assessment of the potential partner.

When screening the market, the first things to verify are the minimum requirements. If these are not met no reasonable expenditures of effort and money will enable a successful expansion, and further investigation is not needed.

If the minimum requirements are considered acceptable a closer look is taken of the market. There has to be a market for the products, if there is no market it will make no sense to enter this country. When entering a market it is important to know what the present and future investment climate looks like. To assess each factor in the market screen a three point scale is used, the format in this technique enables the assessor to determine the relative strength of the different criteria.

When the market assessment is completed and the market is considered attractive, it is time to assess the attractiveness of the potential partner. First two Bolletjespecific attributes are assessed, followed by the degree of “fit”. The partner must “fit” on different aspects: there must be a strategic, organizational, human and operational fit. Again using a three point scale enables the assessor to determine the relative strength of the different criteria.

To come to a decision the scores are tabulated with the corresponding weights. The intensity of weights are determined by the management. Purposely there was not a minimum score predetermined that must be met. The reason for this is that there are many factors influencing the decision; a high score may miss represent the attractiveness of a market or partner. For example a market might score high on market growth rate and price development but if the market size is small the market might still be considered less attractive. Although the overall score is high suggesting that a partnership will be successful.

4.3. Adaptations and modifications

In chapter two the research framework is given, however, some adaptations and modifications are needed to better fit the scope of the research. Root's (1994) model “Checkpoints in the foreign investment entry decision process” describes the process of going international through investment. To better fit the scope of the research each checkpoint question has been changed to a criterion with different measureable attributes. The first question: Should we investigate this foreign investment proposal, has been changed to market attractiveness. The reason for this is to broaden the use of the checkpoint, not only limiting it to investment proposals. Checkpoints two and three concerning the present and future investment climate are integrated together, because the present climate is known and the future can only be determined in probability terms. Checkpoint five, negotiations with host government, will be excluded from this research. There will not be any negotiations with the host government, this is an important aspect but it falls outside the scope of this research. By the checkpoint investment climate the government attitude towards foreign investment will be assessed. Based on this outcome a prediction of the reaction of the government on investment entry can be made. This will be sufficient for the depth of this research.

Furthermore Ball et al. (2006) model “selection of foreign markets” needs some adaptations/modifications as well. The factors in the sociocultural screening step subjective and data are difficult to assemble particularly from a distance. Because the purpose of the

screening tool is to be relatively objective this step is excluded from the analysis. However sociocultural factors are very important and must not be ignored, if these sociocultural differences are not overcome it can have a negative impact on the partnership. Screening step six involves an executive to visit the foreign market. This falls outside of the scope of the research because the norms chosen need to be evaluated from a distance. This step is necessary when initiating the partnership but in this stage of the process it is too costly and time consuming. The arrangements of the steps are also adjusted to make the model flow better.

The models from Root (1994) and Ball et al. (2006) complement one another. In order to provide a theoretical basis for the collection of data and the analysis the models are integrated (see figure 3.1). Each step in the adapted model will now be elaborated. The check points from Root's (1994) model will serve as criteria to be met, to measure these criteria the screenings steps from Ball et al. (2006) are used.

For the partner screening phase some adaptations/modifications are needed. The tool is supposed to be a quick scan therefore the cultural fit from Douma's "fit" framework needed to be eliminated. The cultural fit is a subjective, complex, and time consuming aspect to analyze, because culture is learnt not innate. "Cultural atmosphere in one's partner company is therefore unlikely to be the same to one's own. Sensitivity to cultural differences is therefore necessary if a partnership is to prosper, since cultural differs in ways of operating are likely to lead to confusion among the partners. If attitudes are positive, sensitive, and flexible, this need not have a negative impact on the alliance, and may lead to the partners absorbing what the best in each other's cultures to their mutual benefit" [Faulkner (1995)].

In addition to the literature, Bolletje would like to know some specific information about the potential partner. They want to know how credible the potential partner, if they can fulfill their financial obligations and what percentage of their product portfolio consists of bread substitutes.

The termination phase falls outside the scope of the research but is a very important part when the decision is made to form a partnership. "A termination becomes unavoidable if there is no further harmony and benefits among the partners, or if it was scheduled earlier having achieved the alliance objective" [Mulyowahyud, (2001)].

4.4. Tool details

Market screen

The checkpoint "Attractive market": the decision to investigate the attractiveness of a foreign market requires the management at the highest level to determine the direction and scope of the organization. The criteria set must be met; if these criteria are not met the decision to further investigate is rejected. To measure this criterion screenings step "Basic needs" from Ball et al. (2006) is used. The data needed is determined through discussions with the management. Data is collected using secondary data from market research companies and syndicated data sources.

The checkpoint "investment climate present/future"; the investment climate consists of a broad list of factors that have an impact to a greater or lesser extent on organizations. To understand these factors screening steps three and five from Ball et al. (2006) are used. These screening steps help identify key issues and ways of coping with complexity and change; it

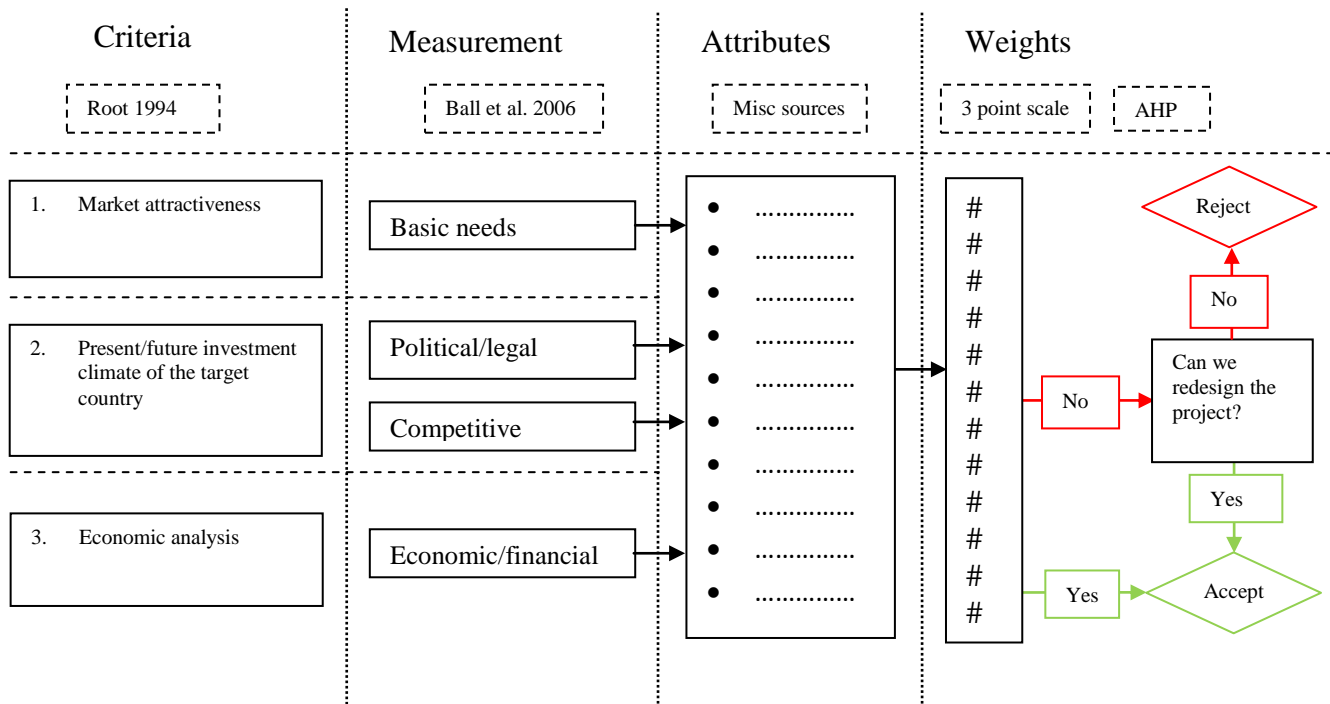
categorizes the most important influences into three types: political influence/ legal influences, competitive factors.

- *Political*; Ideological forces, government ownership of businesses, privatization, government protection, government stability and traditional hostilities are several factors affecting business when entering a foreign country. To identify these factors a risk assessment is made. Data is collected using secondary data sources.
- *Legal*; It is important for participants in international business to understand the enormous breadth and depth of laws in various jurisdictions worldwide. Unlike some other forces around which businesses must operate, legal forces cannot be ignored. Laws are too numerous to mention enacted by governments at all levels on virtually every subject affect international business. When a business enters a country, the business needs to know whether the country's host government will be able to protect the foreign business with an adequate legal system. The legal system must be able to enforce contracts and protect the basic rights of the employees. One must keep in mind that a stable government and an adequate court system is necessary to ensure a welcome environment for foreign business. Seeing that laws affecting the business are too numerous to mention a decision must be made which ones are the most important to look at in this point of time in the process. Data is collected using secondary data sources.
- *Competitive*; In this screening phase the strength of the competition is measured and an analysis is made on the basis of the competitive forces such as: number of competitors; average growth rate; pricing policies; market share in percentages

The checkpoint "Economic analysis"

Assess the profitability, identifying and measuring the factors that collectively determine the projects size, revenues and costs. Screening step economic/financial is used.

- *Economic/financial*; Economic forces are among the most significant uncontrollable forces for managers. Managers need to keep up-to-date with the latest developments and also to plan the future. With financial forces the uncontrollable forces meant. The uncontrollable financial include: foreign currency exchange risks, national balance of payments, taxation, tariffs, fiscal policies and national monetary. Uncontrollable means that these forces originate outside the business enterprise. The purpose of economic/financial analysis is to appraise the overall outlook of the economy and to assess the impact of these changes on the firm. To do so secondary data is analyzed, key sources for the information are available. These range from sources that provide general economic, social, and demographic data. A host of sources of macroeconomic data are to be found, ranging widely in the number of countries or regions covered. Many of these are based on or derived from United Nations and the World Bank data. Business Monitor International and Euro Monitor publish annual information on the macroeconomic variables [Aaker et al. (1995)]. The data published by these organizations may not be as timely or as accurate as business analysts would like but there is a large amount available [Ball et al. (2006)].



degree of strategic fit can be strengthened, and otherwise should decide not to cooperate. Thirdly, a combination of the aforementioned two may occur (in other words, a mixed fit).

Organizational fit

Partners will almost always differ in terms of market position, organizational structure, management style and corporate values. Douma identifies six drivers for organizational fit: organizational similarities, flexibility, reduction complexity, management control, conflict management, communication and the sharing of information. Based on these six drivers the degree fit can be determined.

Operational fit

A mutual alignment of business processes and activities in which there is co-operation. The alignment of the processes must be done after the decision to start a partnership is made. The only thing that can be accessed at this point in time is if there is flexibility to align the business process.

Human fit

Four collaborative qualities of people that are needed to support the success of the partnership are assessed. Based on these collaborative qualities the degree fit can be determined.

4.5. Selection

For the scope of the research a simple and selective approach is needed to solve it. Because subjective considerations are relevant to country/partner evaluation and selection, a logic approach is adopted. Two MCDM methods are used in the evaluation procedure: A three point scale (low, medium and high) is used to determine the relative strength of the different criteria, and extending this with the Analytic Hierarchy Process (AHP) to determine the relative weights of evaluation criteria to select the country.

Step 1 Identify the market criteria that are considered the most important.

Step 2 The use of a three point scale to determine the relative strength of the evaluation criteria.

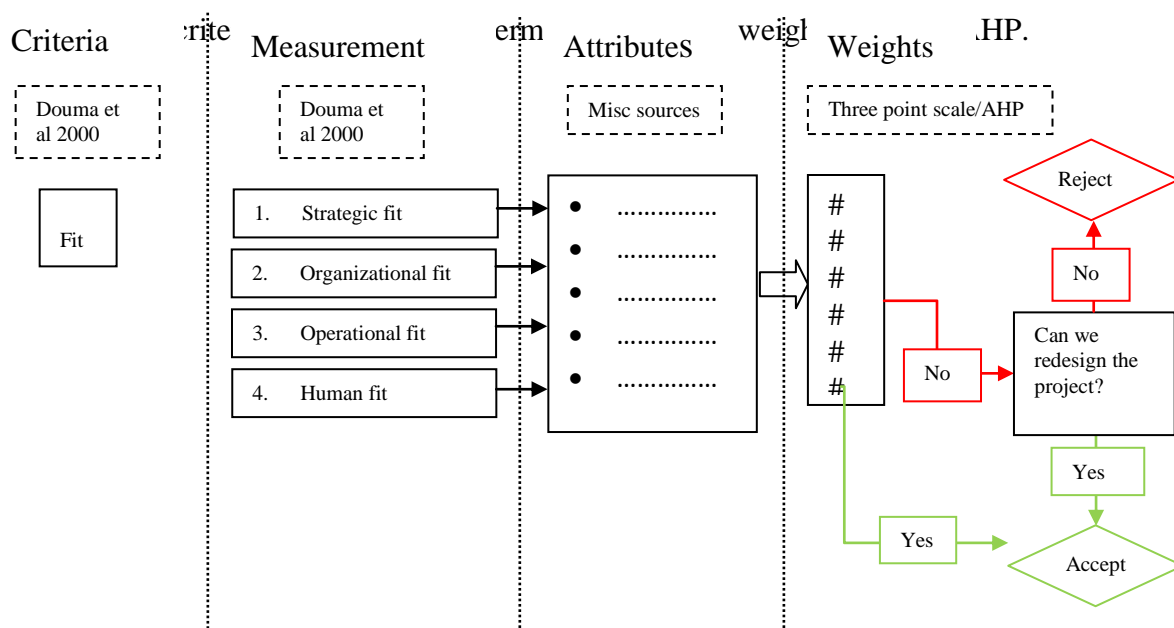


Figure 4.3 Modified Partner screen

Screening Tool

An overview of the screening tool is given below, for the complete tool see appendix A.

Market screen

1.How attractive is the market?

<i>Basic needs</i>	1	2	3	n/a	weight

<i>Market</i>	1	2	3	n/a	weight

2. How attractive is the present/future investment climate of the target country?

<i>Political/legal</i>	1	2	3	n/a	weight

<i>Competitive</i>	1	2	3	n/a	weight

3. How attractive is the economical situation?

<i>Financial and economic</i>	1	2	3	n/a	weight

Partner Screen

<i>Credibility</i>	1	2	3	n/a	weight

degree of fit					
<i>Strategic fit</i>	1	2	3	n/a	weight

degree of fit					
<i>Organizational fit</i>	1	2	3	n/a	weight

degree of fit					
<i>Human fit</i>	1	2	3	n/a	weight

degree of fit					
<i>Operational fit</i>	1	2	3	n/a	weight

Figure 4.4 Tool overview

5. Findings

5.1. Introduction

In order to fully test that all the requirements of the tool are met, two test-cases are used. This way it can be determined whether the tool is working correctly or if it needs to be revised. Before a test is performed a test protocol is developed. Based on the results of the test findings are given. In the coming sections these steps are elaborated. In appendix C a complete overview of the results are given.

5.2. Test protocol

Goal

To test if all the requirements of the tool are met and to determine whether the tool is working properly or if it needs to be revised.

Content

- Measures to be taken
- Who is responsible
- Which information is needed
- Advise

Measures to be taken:

- Formation of an investigation team
- Market screen
- Partner screen
- Advise

Formation of the investigation team

To be able to test the screening tool, a team is assembled. Each member has his/her own specialty. All team members are informed on the situation and are asked to cooperate. I will personally take charge of gathering the necessary information.

The team consists of:

- International management consultant trainee
- Export manager /Account manager
- Marketer/ Sales director
- Credit manager/Financial director
- Production manager

The reason for including an export manager, sales director and a financial director is to get a better foothold when making a decision. When they give an approval it will be accepted quicker because of their status.

Market screen: assess the attractiveness of the market

- Basic needs; the minimum requirements the market must live up to
Responsible: export manager/account manager.

- Market assessment; to assess the market potential
Responsible: marketer/sales director.
- Political/legal; to assess if there are any barriers discouraging Bolletje from entering the market.
Responsible: export manager/account manager.
- Competitive factors; assessment of the competition.
Responsible: marketer/sales director.
- Financial/economic factors: how attractive is the financial/economic situation in the country.
Responsible: financial director/credit manager.
- If the market is considered positive a partner screen is initiated.

Partner screen: degree of “fit” between the potential partner

- Credibility; is the potential partner able to fulfill its financial commitments.
Responsible: financial Director/credit manager.

For the following steps the export manager/account manager and the production are responsible:

- Product portfolio; construction of product portfolio.
- Strategic fit; compatibility of interests
- Organizational fit; organizational arrangements are not conflicting with the partnership
- Human fit; the collaborative characteristics support the partnership
- Operational fit; a mutual alignment of business processes and activities can be made

Advice

After the tests are completed an advice can be given on the testcases, and revision can be made where necessary.

5.3. Test-cases: Crisp bread on the German & Swiss market

Bolletje is interested in expanding its heritage by going abroad. To test the management tool two cases will be used. In both cases Bolletje is interested in expanding the crisp bread market. In the 1st case Bolletje will assess the possibility to corporate with a German importer/distributor and in the 2nd case the possibility to form a partnership with a Swiss company similar to that of Bolletje. In the subsequent parts of this chapter a short profile description will be given of both companies, in chapter five the results will be presented.

“Aldente GmbH” the German case



Bolletje has been interested for years to enter the German market, but have not been able to successfully penetrate the market. In general it is difficult to enter a large market, especially in Germany. The general atmosphere is that Germans tend to favor working together with other German companies. It is therefore difficult for a foreign company to access this market. For this reason Bolletje approached Aldente GmbH.

Company profile

Aldente GmbH is a successful distributing company, which was founded in 2002 in Soest Germany by three experienced managing directors. These managers have a lot of know-how, experience and above all valuable contacts in German and European food trade. Aldente GmbH's team is complemented by fourteen more skilled and dedicated staff members including sales, graphic design and quality assurance.

Aldente GmbH's strategy is based on the conceptual assortment and product development with the objective to create new markets with innovative products and to carry on business.

Aldente GmbH does active listing business and special promotional offers with all large and well-known food store chains in Germany, Austria and sporadically also in other European countries and the USA. Aldente GmbH distributes the conceptions, products and assortments with the focus on customer orientation in close collaboration with the industry partners. They do not have the intention to create new brands with high budgets for marketing, but rather Aldente GmbH is a quick and flexible distribution company, that places innovative products via manufacturer brands and private labels as well as they turn the articles into fast-moving items by attractive packaging and pricing.

Presently the assortment of Aldente GmbH consists of fast moving items concerning the commodity groups "cakes, breads, biscuits, sweets, snacks and convenience blends without baking", provided that they have an expiration date of at least 30 days.

Aldente GmbH is constantly searching for dynamic and growing partners with innovative products. They only need a certification of International Food Standard of the factory, a competitive ex factory price and the partner's flexibility in all matters. For all manufacturers Aldente GmbH serves as an exclusive distribution partner, partly in Germany, partly country-specific in the countries mentioned above. The logistics are done in a central warehouse in cooperation with Dachser enterprise.



"Roland Murten" the Swiss case

Bolletje has a capacity shortage in producing crisp bread in the short run. To be able to fill the crisp bread orders Bolletje needs to increase the production of crisp bread. A way they can increase the production capacity in the short run is to either take over or collaborate with a company that produces crisp bread, or investing in new machines. Roland Murten presents Bolletje with a solution to the short term capacity problem.

Roland Murten specializes in bread products with long shelf life, including Crisp bread. This presents Bolletje with opportunities and treats. An opportunity for Bolletje is that they can increase their production capacity in the short run and simultaneously have access to the Swiss market. They can also add value to the product portfolio of Roland Murten and visa versa. On the other hand Roland Murten is a potential competitor of Bolletje because they produce similar products, but do not have conflicting markets thus far. For this reason Bolletje is interested in cooperating with Roland Murten.

Company profile

Roland Murten is a manufacturer of Zwieback and brand name pains croustillants; they are household name known throughout Switzerland and parts of Germany. Specializing in bread products with a long shelf life, Roland Murten has built a solid industry with a few popular stable products.

Two thirds of Roland Murten's employees are production workers in factories. There are 28 representatives in charge of product promotion in all of Switzerland. Roland Murten's products also sell well in Japan, Germany, and 40 other countries. Since 1978, Roland Murten

has been a subsidiary of Sandoz Alimentation SA. This is a division of food-product subsidiaries held by Sandoz A.G., a large chemical company based in Basel.

Roland Murten uses domestic ingredients from the region as much as possible. In addition, to bake the pain croustillant, only the quantity of flour or meal necessary for the day's production is ground, which also helps to preserve vitamins and minerals.

Roland Murten's promotional strategy is to retain loyal customers by fine tuning promotional activities, paying a great deal of attention to things like packaging and making the company's logo easy for customers to identify Roland Murten's products, regardless of what language they speak. Over the years, Roland Murten has adapted its product line to meet market demands. New products have been launched and others retired, according to consumer preferences.

While Roland Murten enjoys great product recognition and market-share, the market volume of any product in Switzerland reaches a natural ceiling due to the country's size. For this reason, Roland Murten continues to apply itself to varying its product line, but is especially attentive, of late, to the increasingly important foreign market. With the Swiss reputation for quality products, this seems a sure way for Roland Murten to keep growing.

5.4. Findings

Market screen

Basic needs

The basic needs are the minimum market requirements a target market must live up to in order to warrant further investigation. If the need is lacking, no reasonable expenditure of effort and money will enable Bolletje to market its goods successfully.

Results:

Country	Germany			Switzerland			Weight	Score distribution		
Indicator	Result	Score	total	Result	Score	total		1	2	3
<i>Basic needs</i>										
Corruption level	8.00	3.00	9.00	9	3	9	3	5.4<	5.5-7.4	7.5≥
Geographical distance (km)	133.70	3.00	9.00	800.5	2	6	3	1500>	(500-1500)	500<
Population, total (million)	82.14	3.00	9.00	7.63	2	6	3	5<	(5-15)	15≥
<i>Total score</i>			27			21				

Table 5.1 Basic needs

Corruption level; is based on the corruption perception index (CPI), this index shows a country's ranking and score. The rank shows how one country compares to others included in the index. The CPI score indicates the perceived level of public-sector corruption in a country/territory. Ranking a high score means that the corruption level is low which is positive. When ranking a low score the investigation for a potential partnership is immediately terminated, Bolletje does not want to be associated with corruption.

Geographical distance; the geographical distance is important for Bolletje's business. The products that Bolletje delivers are low costs products. If the distance between the distribution point and the sale point is far, the transportation costs will influence the competitiveness of the

products. When ranking a low score the investigation for a potential partnership is immediately terminated.

Population, total (in million): all residents residing in a country regardless of legal status or citizenship. The population size has a direct correlation with the market size, if the population size is small the market potential is expected to be small and unattractive to explore further. Knowing this information in advance, Bolletje can excluded these markets immediately.

Conclusion:

Both countries score well on the basic needs. Germany has an excellent score on each factor, making it a very attractive option to investigate. Switzerland scores well on corruption level but scores sufficient on geographical location and population. Population wise, it is a medium sized market which can still be interesting to investigate.

Experience

I started out looking for keywords using secondary data sources, I quickly got results. The data was then fairly simple to obtain.

Market

Before Bolletje is willing to invest effort and money pursuing an expansion, they want to have an idea of what revenues they can achieve and how the future prospects look like. The size, growth rate and the price development of a market can be measured to assess the attractiveness of the market.

Results:

Country	Germany			Switzerland			Weight	Score distribution		
Indicator	Result	Score	total	Result	Score	total		1	2	3
<i>Market</i>										
Market size (in €1000)	€ 86.144	3	6	€ 8.467	2	4	2	5<	(5-20)	20≥
Market growth rate	2.6%	2	4	0.9%	1	2	2	1≤	(1-5)	5>
Price development	€ 0.86	1	2	€ 1.74	3	6	2	0.94<	(0.94-113)	113>
<i>Total score</i>			12			12				

Table 5.2 Market

Market size; is stated in terms of sales volume Euros.

Market growth rate; sales growth rate is stated in percentages.

Price development; the average selling price of a product. What must be kept in mind is that a high selling price does not automatically mean a high profit margin. There are many factors influencing the price, such as tax and other regulations.

Conclusion:

The German market is a fairly attractive market. It is a large market with a medium growth rate, but the average selling price is lower then that of the home market. The difference in price can be due to taxes or other regulations. Bolletje will have to assess this more closely to find out what the reason is and if they can compete with these prices.

The Swiss market is as expected a medium size market with a low growth rate, making it less attractive. However, the average selling price is much higher than the home market making it interesting; again it is important to assess what the reason for the higher selling price is.

Experience

With the cooperation of a marketer, market information was gathered using Nielsen data (a market research company). Information was requested and about five working days later the information was available.

Political/legal

The elements of the political and legal forces that can eliminate a market for further considerations are numerous. The factors Bolletje are interested in are: barriers hindering Bolletje from doing business, stability in policies and the protection of property rights.

Results:

Country	Germany			Switzerland			Weight	Score distribution		
Indicator	Result	Score	total	Result	Score	total		1	2	3
<i>Political/legal</i>										
Entry barriers	none	3	9	none	3	9	3	yes		none
Profit remittance barriers	none	3	6	none	3	6	2	yes	only if	none
Political stability and absence of violence	85.6	3	6	94.3	3	6	2	55<	(55-74)	75≥
Intellectual property right	8.3	3	3	8.2	3	3	1	5.4<	(5.5-7.4)	7.5≥
<i>Total score</i>			24			24				

Table 5.3 Political/legal

Entry barriers; Economic, procedural, regulatory, or technological factors that obstruct or restrict entry of new firms into an industry or market. Such barriers may take the form of (1) clear product differentiation, necessitating heavy advertising expenditure to introduce new products, (2) economies of scale, necessitating heavy investment in large plants to achieve competitive pricing, (3) restricted access to distribution channels, (4) collusion on pricing and other restrictive trade practices (such as full-line forcing) by the producers or suppliers, (5) well established brands, or (6) fierce competition. Barriers to exit, paradoxically, also serve as barriers to entry because they make it difficult to cut one's losses and run. This is called barriers to competition, entry barriers, or market entry barriers. The barriers that concern Bolletje the most are point three and four, the other barriers are not problematic for Bolletje.

Profit remittance barriers; restrictions on the repatriation earnings. Bolletje wants to be able to repatriate its earnings from foreign markets.

Political stability and absence of violence; measures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. The data is gathered from a number of survey institutes from the World Bank. Bolletje likes to preserve the continuity of their business; if a country is unstable regulations for conducting business can change drastically, requiring Bolletje to comply which can influence the continuity on this market.

Intellectual property; patents, trademarks, trade names, copyrights, and trade secrets, all of which result from the exercise of someone's intellect. Information is gathered based on the international property rights index.

Conclusion:

Both countries score high on each factor. This means that politically and legally both countries are stable. No barriers hinder Bolletje from conducting business and there is high protection of property rights.

Experience

Again I looked for keywords using secondary data sources. It was a little bit more challenging but when I refined the search it quickly resulted in usable data.

Competitors (top competitors)

Countries in which the management believes strong competitors make profitability operations difficult to attain are eliminated, unless the management has other reasons for entering. For example: being present wherever its global competitor are or believes entering a competitor's home market will distract the competitor's attention from its home market.

Results:

Country	Germany			Switzerland			Weight	Score distribution		
Indicator	Result	Score	total	Result	Score	total		1	2	3
<i>Competitive</i>										
Number of competitors	6	3	6	5	3	6	2	(1-5)		0 or 5 \geq
Average growth rate	2.96%	2	4	1.53%	2	4	2	1 \leq	(1-5)	5 \geq
Averag selling price	€0.90	1	2	€1.73	3	6	2	0.94<	(0.94-113)	113 \geq
Market share in %	86.2%	3	6	66.4%	3	6	2	30<	(30-65)	65 \geq
<i>Total score</i>			18			22				

Table 5.4 Competitive

Number of competitors; The number of competitors gives a good indication of the competitive situation on a market. Bolletje prefers a market with no competitors or monopolistic competition. They believe that these conditions provide the best chance of success; the belief is to be able gain a respectable market share and maintain this position.

Average growth rate; sales growth rate in percentages.

Average selling price; the average selling price of the competitors.

Market share in %; shows how big the market share is in percentages.

Conclusion:

In both countries a healthy competition is expected. The German market scores low on price development, again a closer analysis is needed.

Experience

The same report I got from the marketer included market information about the competition.

Financial/economic

Financial and economic data measure the relative market strength. It is not only important to know size of the market but also know how representative this size is. A market can be very big but if the purchasing power of the mass is low it gives a false indication of the market Bolletje is interested in.

Results:

Country	Germany			Switzerland			Weight	Score distribution		
Indicator	Result	Score	total	Result	Score	total		1	2	3
<i>Financial/Economic</i>										
GNI, Atlas method (current US\$) (billions)	\$3.486	3	6	\$499	2	4	2	412<	(412-825)	825≥
GNI per capita, Atlas method (current US\$)	\$42.440	3	6	\$65.330	3	6	2	25075<	(25075-50150)	50150≥
GNI, PPP (current international \$)	\$2.952	3	6	\$354	3	6	2	342<	(342-685)	685≥
GNI per capita, PPP	\$35.940	3	6	\$46.460	2	4	2	20835<	(20835-41670)	41670≥
GDP growth rate	1.3%	3	6	1.6%	3	6	2	5%>	(1%-5%)	0%
Exchange rate trends	0	3	9	0.026	2	6	3	€<	€	€>
<i>Total score</i>			39			32				

Table 5.5 Financial/economic

Gross national income (GNI formerly GNP); is the sum of value added by all resident producers plus any product taxes (less subsidies) not included in the valuation of output plus net receipts of primary income (compensation of employees and property income) from abroad.

Gross national income per capita (GNI per capita formerly GNP per capita); the gross national income, converted to U.S. dollars using the World Bank Atlas method, divided by the midyear population.

Purchasing power parity (PPP GNI formerly PPP GNP); is gross national income converted to international dollars using purchasing power parity rates.

GNI per capita, PPP; GNI per capita based on purchasing power parity (PPP).

Gross domestic product (GDP) growth rate; Annual percentage growth rate of GDP at market prices based on constant local currency. Aggregates are based on constant 2000 U.S. dollars. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products.

Exchange rate trends; exchange rate is the price of one currency stated in another currency.

Conclusion:

Both countries score well on the financial/economic factors. The intended target group has the purchasing power to buy Bolletje products. For the Swiss market the exchange rate can become a problematic factor, but based on the trends from the past it is considered a strong and stable currency.

Experience

Information was gathered using secondary data sources. While gathering the information I discussed with my supervisor from Bolletje which information is of most use for us.

Partner screen

The scores assigned by the export/account manager. The significance of the score is as followed: 1 = not compatible, 2= partially compatible, 3= very compatible.

Credibility results:

Company (Country)	Aldente GmbH (Germany)			Roland Murthen (Switzerland)			Weight
Indicator	Result	Score	Total	Result	Score	Total	
<i>General</i>							
Credibility of partner	2	2	2	3	3	3	1
% bread substitute of partner's portfolio	1	1	1	3	3	3	1
<i>Total score</i>			3			6	

Table 5.6 General

Credibility; is determined based on an advise given by Atradius or Graydon. Atradius is an insurance company for business. All foreign companies that do business with Bolletje have to be insured by Atradius if possible. Graydon only gives an advice on how credible a company is.

% bread substitute of partner's portfolio; what percentage of the potential partner's portfolio contains bread substitutes. This information shows how active the partner is with the products Bolletje is interested in offering.

Conclusion:

The credibility of Aldente GmbH is a little questionable. However, Bolletje is fully aware of the risks, and will proceed with caution. The expected added value outweighs the risk. The percentage of product portfolio is low by Aldente GmbH, but because of their connections and the benefits for both parties this is not seen as problematic.

Roland Murthen is a very credible company, seeing that they are in the same business of Bolletje their product portfolio is excellent.

Experience

I contacted the credit manager, he was more then happy to assist me with getting a credit report. He took the time to explain me how they perform checks. He requested a report from Atradius first, this is an insurance company. They give an advice to what amount they would insure a business transaction done with a foreign company. If the requested insured amount is not reached a 2nd report is requested from Graydon with a more detailed look on the organization.

Information on the percentage of bread substitute of the partner's portfolio was obtained through an account manager who has had a lot of contact with the pertaining companies.

The next screening steps are based on the degree of "fit". Assigning scores for the degree of fit is not clear cut; therefore the management will make an assessment for each indicator and assign scores.

Experience

My experience of getting the necessary information for the remaining steps was keeping close contact with my supervisor from Bolletje (the head of the export department). He has vast amount knowledge on the potential partners, had personal contact with the potential partners. The procedure for collecting and weighing the data is based on his judgment, making it a logical and smooth process.

Strategic fit results:

Company (Country)	Aldente GmbH (Germany)			Roland Murthen (Switzerland)			Weight
Indicator	Result	Score	Total	Result	Score	Total	
<i>Strategic fit</i>							
Shared vision	2	2	2	3	3	3	1
Compatible corporate strategy	2	2	2	3	3	3	1
Strategic importance	3	3	6	2	2	4	2
Mutually dependent	3	3	9	2	2	6	3
Added value for the clients and partners	3	3	3	3	3	3	1
Market acceptance	3	3	3	2	2	2	1
<i>Total score</i>			25			21	

Table 5.7 Strategic fit

Shared vision; Do the alliance partners have a shared vision on developments in the alliance environment?

Explanation: Cooperation is only advisable when partners have a *shared vision* of the future developments within the industry in which the joint venture/alliance will be formed, and of the impact that these developments will have on their individual positions.

Compatible corporate strategy; Are the partners' alliance and corporate strategies compatible?

Explanation: Potential partners must be aware that compatible strategies do not necessarily correspond to compatible corporate strategies. After all the partner remains the competitor in many other areas. Managing this dual competitive dimension is one of the key challenges that alliance partners face and may require concession from both sides.

Strategic importance; Is the alliance of strategic importance to both partners?

Explanation: The alliance partners will only be prepared to make these concessions when the alliance is of strategic importance to them.

Mutually dependent; Are the partners mutually dependent for achieving their objectives (complementary balance)?

Explanation: A successful alliance requires mutual dependency, the better the partners complement one another (with respect to know-how, markets, resources and so on), the better the chances are that the alliance will be successful. Sustaining mutual dependency requires a proactive attitude from the managers involved. They must try to avoid, for example, unwanted transfer of knowledge or too great an overlap in markets, which would reduce mutual

dependency.

Added value for the clients and partners; Do the joint activities have added value for the clients and the partners?

Explanation: Any alliance should have added value for the partners and/or their customers.

Market acceptance; Will the alliance be accepted by the market (buyers, competitors, government)?

Explanation: Partners must carefully consider whether the market will accept the alliance.

Conclusion:

Aldente GmbH has a different vision and corporate strategy which is also logical because they are a distributor/importer with other priorities and expertise. But a partnership is for both organization of strategic importance. They are mutually dependent for achieving their goals; because of the different areas of expertise it adds value for both parties. Market acceptance is quite difficult on the German market, as Germans prefer to conduct business with other Germans. Using Aldente GmbH is a good way to gain market acceptance.

Roland Murthen is a similar organization to Bolletje they are in the same business and have more or less the same vision and corporate strategy. A partnership is not of strategic importance for either organization. They are not mutually dependent on achieving their strategy, it is not vital that they collaborate. They can be of added value for both organizations; the products they have are bread substitute which means that they can complement one another or help expand the capacity on current products. Market acceptance is not expected to be high because they are indirect competitors of each other.

Organizational fit results:

Company (Country)	Aldente GmbH (Germany)			Roland Murthen (Switzerland)			Weight
Indicator	Result	Score	Total	Result	Score	Total	
<i>Organizational fit</i>							
Similarities and differences	1	1	1	3	3	3	1
Flexibility	3	3	3	3	3	3	1
Complexity	3	3	3	3	3	3	1
Management control	2	2	2	2	2	2	1
Conflicts	2	2	2	2	2	2	1
Achieving strategic objectives	3	3	3	3	3	3	1
<i>Total score</i>			14			16	

Table 5.8 organizational fit

Similarities and differences; Are organizational similarities and differences addressed in the alliance design?

Explanation: Partners will almost always differ in terms of market position, organizational structure, management style and corporate values. Explicating these differences is of crucial importance in arriving at a profound understanding of the partners.

Flexibility; Does the alliance design provide strategic and organizational flexibility?

Explanation: Changes in the environment or within the organization of one of the partners may challenge initial premises and may force partners to redefine their alliance objectives or design.

Complexity; Has the complexity of the alliance design been reduced as far as possible?

Explanation: Complex alliances will, in general, face more difficulties in adapting to new developments. Killing (1988) notes in this respect, “An alliance must be simple enough to be manageable.” Manageability may be accomplished by limiting the scope of the alliance, reducing the number of partners, or introducing a clear division of tasks. Strictly speaking, the alliance should focus on those activities where collaboration has added value to both partners.

Management control; Does the alliance design enable effective management control for both partners?

Explanation: Control is not solely concerned with formal authority and equity shares; it also concerns the way in which authority is exercised, and the way in which decisions are made.

Conflicts; Are potential strategic conflicts overcome by the alliance design?

Explanation: When evaluating strategic fit, partners should identify potential strategic conflicts. Unresolved conflicts may threaten the success of the alliance in the long run. As the fifth driver states, partners must, therefore, address potential strategic conflicts in the alliance design to ensure long-term stability.

Achieving strategic objectives; Does the alliance design enable the partners to achieve their strategic objectives?

Explanation: Organizational fit closely relates to strategic fit, in the heat of negotiations, concessions are often made, or partners lose sight of their initial objectives. Therefore, before signing a deal, we recommend that alliance partners, once again, carefully test whether the chosen design ultimately enables them to achieve their strategic objectives.

Conclusion:

The organization of Aldente GmbH and Roland Murten and Bolletje allows them to be able to compliment each other. With sound agreements the complexity, similarities and difference scan be conquered. Management control and conflicts always tend to loom when collaborating, there is always a struggle in power or differences in ideas. For all parties involved achieving their strategic objectives are possible through the partnership.

Human fit results

Company (Country)	Aldente GmbH (Germany)			Roland Murthen (Switzerland)			Weight
Indicator	Result	Score	Total	Result	Score	Total	
<i>Human fit</i>						0	
Competency	2	2	2	3	3	3	1
Communicativeness	3	3	3	2	2	2	1
Cooperativeness	3	3	6	2	2	4	2
Capability of learning	2	2	2	3	3	3	1
<i>Total score</i>			13			12	

Table 5.9 Human fit

Competency; People who work in strategic alliance should possess unique skills and abilities.

Communicativeness; cooperativeness will occur if the workers are able to communicate with each other using a “language” they all understand.

Cooperativeness; People or workers require effective working relationships among each other to work well in all parts of the organizations, which interface with the alliance.

Capability of learning; it enables an alliance worker to absorb a partner's skills and knowledge, and also to understand the partner's culture.

Conclusion:

Aldente GmbH has as mentioned before different areas of expertise, they are less knowledgeable and not so interested in Bolletje’s production methods. They are willing to communicate and cooperate for the expected benefits it will bring.

Roland Murten is in the same business as Bolletje and is very competent and capable of learning. Because Roland Murten is interested in collaborating, communication and corporation is not rated high.

Operational fit results

Company (Country)	Aldente GmbH (Germany)			Roland Murthen (Switzerland)			Weight
Indicator	Result	score	Total	Result	Score	Total	
<i>Operational fit</i>							
Alignment of business processes	3	3	6	3	3	6	2
<i>Total score</i>			6			6	

Table 5.10 Operational fit

Alignment of business processes; Can the business process be redesigned to fit a new structure?

Explanation: Can the business processes be adapted to suit the needs of the new situation.

Conclusion:

Bolletje is very flexible. They can and are willing to adjust there business process to suit the needs of the partnership.

6. Revised tool

6.1. Introduction

This chapter discusses what revisions are necessary and give guidelines on how to use the screening tool are given on the next page.

6.2. Revisions

When looking at the results of the test phases, no revisions are needed. The purpose of assisting Bolletje in making a quick and informed decision is achieved. The factors used to assess a potential partnership are straightforward. The gathering of information is quick and simple, and most importantly the management of Bolletje is pleased with the resulting tool.

6.3. Guidelines

Guidelines are given so that the tool can be used in the way it is intended, this way the results acquired can be the same if a other qualified person would carry it out. For a complete overview of the guidelines see below.

Goal

To assess the attractiveness of a joint venture/ alliance opportunity.

Content

- Signal
- Measures to be taken
- Who is responsible
- Which information is needed
- Advise

Signal

An investment proposal can originate from:

- Foreign organization seeking to form a partnership.
- Bolletje that is interested in investigating new market.

When a signal is given and it fits with the strategy an investigation will be initiated.

Measures to be taken:

- Formation of an investigation team
- Market screen
- Partner screen
- Advise

Formation of the investigation team

Once a signal is given to start an investigation a team must be formed. All team members must be informed on the situation and are obliged to cooperate.

The team consists of:

- Export manager /Account manager
- Marketer/ Sales director
- Credit manager/Financial director
- Production manager

The reason for including an export manager, sales director and a financial director is to get a better foothold when making a decision. When they give an approval it will be accepted quicker because of their status.

Market screen: assess the attractiveness of the market

- Basic needs; the minimum requirements the market must live up to
Responsible: export manager/account manager.
- Market assessment; to asses the market potential
Responsible: marketer/sales director.

- Political/legal; to assess if there are any barriers discouraging Bolletje from entering the market.
Responsible: export manager/account manager.
- Competitive factors; assessment of the competition.
Responsible: marketer/sales director.
- Financial/economic factors: how attractive is the financial/economic situation in the country.
Responsible: financial director/credit manager.
- If the market is considered positive a partner screen is initiated.

Partner screen: degree of “fit” between the potential partner

- Credibility; Is the potential partner able to fulfill its financial commitments.
Responsible: financial Director/credit manager.

For the following steps the export manager/account manager and the production are responsible:

- Product portfolio; construction of product portfolio.
- Strategic fit; compatibility of interests
- Organizational fit; organizational arrangements are not conflicting with the partnership
- Human fit; the collaborative characteristics support the partnership
- Operational fit; a mutual alignment of business processes and activities can be made

Advice

Based on the scores from both the market and the partner screen an advice can be given whether or not to start the negotiation process to form a partnership. For the complete tool see appendix A.

7. Conclusions & recommendations

7.1. Conclusion

This research focused on assessing the attractiveness of a potential partnership. It answers the following research problem:

What evaluation tool can be developed for Bolletje to assess the attractiveness of a potential partnership?

The first important conclusion when answering this research question is that two distinctions must be made when developing the tool. First to assess the market attractiveness and secondly to assess the partner “fit”. Making an assessment of the market allows the management to identify desirable markets and eliminate less attractive markets. Partner screening is also a very important factor, the success of a partnership depends on complementary balance, mutual benefits, harmony and dependency. In other words effective collaboration, the partners must “fit” together to be successful. The factors used for assessing the market attractiveness and the partner “fit” are based on international business literature. The importance of each indicator is tailored to fit the needs of Bolletje. This is shown by making some modification on existing models and assigning weights to the indicators. The distribution of the weights has been determined by the export.

Secondly, when using the screening tool it is important to keep in mind that the tool is designed to assist the management in making a quick and informed decision. The reason quick is explicitly mentioned is because there are many factors that influence the formation of a partnership. Each factor can be a thesis assignment by itself, but more importantly Bolletje does not want to invest a lot of time and effort with an investigation. Bolletje wants to look at several relevant indicators, and based on these indicators be able to make an informed decision.

What is noticeable when analyzing the screening tool is that the aspect culture is not explicitly mentioned. Culture is unavoidable when conducting business; it is what shapes a society. If intentions or gestures are misunderstood, it can be seen as an insult or mistrust in a partnership. This can lead to an unnecessary failure and a wasted opportunity. In the literature it is also stated that culture is a subjective part in the screening process, meaning that the export manager will have to use experience when determining which factors are found to be important instead of objectivity. Even though culture is not explicitly mentioned other factors say a lot about how an organization does business. Discussing the matter with the export manager we decided to leave it out of the screening tool; but it must be kept in mind that it is an influential part in the process.

7.2. Reflection

Comparing the results to the objectives

When reflecting back on the whole process, I am satisfied with the result. The objective was to develop a screening tool that can assist the management in making a quick and informed decision when faced with a partnership opportunity.

The objective is achieved; the management is able to assess the attractiveness of a market and a “fit” between the potential partners. Both parts are crucial to the screening process. The

steps that need to be taken are straightforward and the information is generally easily acquired.

When assessing the attractiveness of a market, key factors are looked at to give an indication of the market attractiveness. Not solely by looking at the size of the market, but also by looking at different influential factors, such as: the investment climate and the economic situation.

When screening a potential partner, different areas can be problematic for a partnership. By assessing the degree of fit on different areas an indication can be given as to the chances of a successful partnership.

Combining both sections and making it into one tool the overall objective is achieved.

Reflecting on the process

It started off a bit bumpy for several reasons. Several times there was a change in supervisor due to unforeseen circumstances. Making a sparring partner in the beginning phase of the research more challenging. When I started out searching for appropriate theories there were plenty to choose from. One of the theories I started to use to build my model seemed very appropriate, I was very eager to build the tool as meticulously as possible. After working on this model for about two months I realized with the timeframe I had the model was too complicated. I went straight away to my supervisor and he confirmed my suspicion, he even said that the model I was building could be split up into three or four thesis assignments. I learnt a very important lesson here to keep good track of what my goal is and to keep it as simple as possible. The whole experience of making a thesis assignment was very pleasant. It opened my eyes to the infinite possibilities on tackling a problem and that practice and theory differ in many respects.

Appropriateness of the Theories

The theories used were excellent instruments to solve the research question. The research question was not the first of its kind, as many theories existed on this topic. However, minor adaptations were needed to suit the needs of Bolletje, but the fundamentals remained the same.

When analyzing the possibility to start a partnership many aspects come to play. The theories used focuses on the most influential factors. If these factors are analyzed I believe that management can make an informed decision.

The theory I used to analyze the market can be split into two parts. The first part is to screen the market. The theory on market screening states not to solely look at size and growth rate but to assess the environment the market is in. It gives you a better view of the situation. A market can seem very attractive if you only look at size and growth rate but if factors like regulations, competition, economic welfare are terrible it can be a costly mistake.

The second part was to screen the potential partner; again different aspects come to play. The theory states that the organizations must “fit” together on several parts. Seeing that Bolletje is interested in expanding its heritage, a good fit is important for long term success.

In both sections culture was left out of the analysis, but as mentioned before this is a important factor, which must never be underestimated. If poorly understood, a partnership can lead to failure.

7.3. Recommendations

1. The screening tool was developed in a systematic way. It is recommended to follow the tool in the sequential order it is given. Past research has shown that this gives the best results and

will secure a supported market- and partner assessment. Although the tool presents several tasks and methods for assessing the attractiveness in a sequential manner. The process is highly dynamic and time-related. Market conditions change, partner performance may fluctuate and competitive intensity will increase. Therefore the management of Bolletje should constantly evaluate the different steps and the decision that have been made during the process. The management must be open to making course changes as circumstances dictate.

2. Make sure to have a capable international export manager in charge; executing the screenings tool and focusing on export strategies will result in several additional tasks. These tasks have to be assigned to a manager who is capable and knowledgeable of international business.
3. Critical steps to be taken once the decision to start a partnership is made, is to start contract negotiations and have a exit strategy ready. The exit strategy is necessary because there is no guarantee for success.

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Appendix A Screening Tool

Market screen

Market attractiveness

<i>Basic needs</i>	1	2	3	n/a	weight
Corruption level					3
Geographical location (km)					3
Population, total (millions)					3

<i>Market</i>	1	2	3	n/a	weight
Market size (in €1000)					2
Market growth rate					2
Price development					2

Present/future investment climate of the target country

<i>Political/legal</i>	1	2	3	n/a	weight
Entry barriers					3
profit remittance barriers					2
Political stability and absence of violence					2
Intellectual property right					1

<i>Competitive</i>	1	2	3	n/a	weight
# of competitors					2
Average growth rate (A brand)					2
Price development					2
Market share A brand in %					2
% bread substitute of partners portfolio					2

Rating

1	2	3
5,4<	5,5-7,4	7,5≥
1500>	500-1500	500<
5<	(5-15)	15>

1	2	3
5<	(5-20)	20≥
1≤	(1-5)	5>
0%<	=	20% ↑

1	2	3
yes		none
yes	possible with stimpulation	none
0-54	55-74	75≥
5,4<	5,5-7,4	7,5≥

1	2	3
(1-4)		(0) or (5>)
1≤	(1-5)	5>
<	=	>
30<	30-65	65>
40	40-70	70>

Economical analysis

<i>Financial and economic</i>	1	2	3	n/a	weight
GNI, Atlas method (current US\$) (billions)					2
GNI per capita, Atlas method (current US\$)					2
GNI, PPP (current international \$) (billions)					2
GNI per capita, PPP (current international \$)					2
GDP growth rate					2
Exchange rate trends					3

1	2	3
$\frac{1}{2}<$	$(\frac{1}{2}=)$	\geq
$\frac{1}{2}<$	$(\frac{1}{2}=)$	\geq
$\frac{1}{2}<$	$(\frac{1}{2}=)$	\geq
$\frac{1}{2}<$	$(\frac{1}{2}=)$	\geq
5%>	1-5%	0
<	=	>

Partner Screen

<i>Credibility</i>	degree of fit				weight
	1	2	3	n/a	
Credability of partner (Atradius)					1
% bread substitute of partner's portfolio					1

<i>Strategic fit</i>	degree of fit				weight
	1	2	3	n/a	
Do the alliance partners have a shared vision on developments in the alliance environment?					1
Are the partners' alliance and corporate strategies compatible?					1
Is the alliance of strategic importance to both partners?					2
Are the partners mutually dependent for achieving their objectives (complementary balance)?					3
Do the joint activities have added value for the clients and the partners?					1
Will the alliance be accepted by the market (buyers, competitors, government)?					1

Appendix B Guidelines for use of screening tool

Goal

To assess the attractiveness of a joint venture/ alliance opportunity.

Content

- Signal
- Measures to be taken
- Who is responsible
- Which information is needed
- Advise

Signal

An investment proposal can originate from:

- Foreign organization seeking to form a partnership.
- Bolletje that is interested in investigating new market.

When a signal is given and it fits with the strategy an investigation will be initiated.

Measures to be taken:

- Formation of an investigation team
- Market screen
- Partner screen
- Advise

Formation of the investigation team

Once a signal is given to start an investigation a team must be formed. All team members must be informed on the situation and are obliged to cooperate.

The team consists of:

- Export manager /Account manager
- Marketer/ Sales director
- Credit manager/Financial director
- Production manager

The reason for including an export manager, sales director and a financial director is to get a better foothold when making a decision. When they give an approval it will be accepted quicker because of their status.

Market screen: assess the attractiveness of the market

- Basic needs; the minimum requirements the market must live up to
Responsible: export manager/account manager.
- Market assessment; to assess the market potential
Responsible: marketer/sales director.
- Political/legal; to assess if there are any barriers discouraging Bolletje from entering the market.
Responsible: export manager/account manager.

- Competitive factors; assessment of the competition.
Responsible: marketer/sales director.
- Financial/economic factors: how attractive is the financial/economic situation in the country.
Responsible: financial director/credit manager.
- If the market is considered positive a partner screen is initiated.

Partner screen: degree of “fit” between the potential partner

- Credibility; Is the potential partner able to fulfill its financial commitments.
Responsible: financial Director/credit manager.

For the following steps the export manager/account manager and the production are responsible:

- Product portfolio; construction of product portfolio.
- Strategic fit; compatibility of interests
- Organizational fit; organizational arrangements are not conflicting with the partnership
- Human fit; the collaborative characteristics support the partnership
- Operational fit; a mutual alignment of business processes and activities can be made

Advice

Based on the scores from both the market and the partner screen an advice can be given whether or not to start the negotiation process to form a partnership.

Appendix C Overview test results

Results Market screen					
Country		Germany		Switzerland	
Indicator	Weight	Score	total	Score	total
<i>Basic needs</i>					
Corruption level	3	3	9	3	9
Geographical location (km)	3	3	9	2	6
Population, total (millions)	3	3	9	2	6
<i>Market</i>					
Market size (in €1000)	2	3	6	2	4
Market growth rate	2	2	4	1	2
Price development	2	1	2	3	6
<i>Political/legal</i>					
Entry barriers	3	3	9	3	9
profit remittance barriers	2	3	6	3	6
Political stability and absence of violence	2	3	6	3	6
Intellectual property right	1	3	3	3	3
<i>Competitive</i>					
# of competitors	2	3	6	3	6
Average growth rate (A brand)	2	2	4	2	4
Averag selling price (A brand)	2	3	6	3	6
Market share (A brand) in %	2	3	6	3	6
Potential partners market share	1	1	1	3	3
<i>Financial/Economic</i>					
GNI, Atlas method (current US\$) (billions)	2	3	6	2	4
GNI per capita, Atlas method (current US\$)	2	3	6	3	6
GNI, PPP (current international \$) (billions)	2	3	6	3	6
GNI per capita, PPP (current international \$)	2	3	6	2	4
GDP growth rate	2	3	6	3	6
Exchange rate trends	3	3	9	2	6
<i>Overall score</i>			125		114

Results Partner screen					
Company (Country)		Aldente GmbH (Germany)		Roland Murthen (Switzerland)	
Indicator	Weight	Score	total	Score	total
<i>General</i>					
Credibility of partner	1	2	2	3	3
% bread substitute of partner's portfolio	1	1	1	3	3
Company (Country)		Aldente GmbH (Germany)		Roland Murthen (Switzerland)	
Indicator	Weight	Score	total	Score	total
<i>Strategic fit</i>					
Shared vision	1	2	2	3	3
Compatible corporate strategy	1	2	2	3	3
Strategic importance	2	3	6	2	4
Mutually dependent	3	3	9	2	6
Added value for the clients and partners	1	3	3	3	3
Market acceptance	1	3	3	2	2
<i>Organizational fit</i>					
Similarities and differences	1	1	1	3	3
Flexibility	1	3	3	3	3
Complexity	1	3	3	3	3
Management control	1	2	2	2	2
Conflicts	1	2	2	2	2
Achieving strategic objectives	1	3	3	3	3
<i>Human fit</i>					
Competency	1	2	2	3	3
Communicativeness	1	3	3	2	2
Cooperativeness	2	3	6	2	4
Capability of learning	1	2	2	3	3
<i>Operational fit</i>					
Alignment of business processes	2	3	6	3	6
Overall score			58		55