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MULTINATIONAL CORPORATE STRATEGY:
THE FOREIGN BUSINESS SELECTION DECISION

Working Paper No. 237

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FOR DISCUSSION PURPOSES ONLY

ABSTRACT

A primary strategic task in the multinational corporation (MNC) is the determination of which of the firm's business competencies will be placed in which foreign markets. This is the foreign business selection problem. To a large degree, the way in which this problem is resolved by MNC management determines the success of the firm. Additionally, foreign business selection decisions define the MNC's interface with customers, suppliers, and governments.

This paper presents a conceptual model of the foreign business selection process. The selection decision comprises three elements:

1. input variables relevant to the foreign business selection decision.

2. a decision model which incorporates the input variables.

3. an outcome produced by operation of the model on the input variables.

Outcomes are represented diagrammatically by a market-business grid, the variable of interest, which depicts the specific portfolio of businesses which the MNC exploits in each foreign market. Input variables are proposed and their effect on the firm's market-business profile specified. Finally, firm- and industry-specific factors impacting on the operation of the decision model are noted. A brief review of relevant literature is conducted, and a methodology for further research is put forward.

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INTRODUCTION

Addressing the issue of strategy formulation in the multinational corporation (MNC), Channon and Jalland note that "the key task for top management is the successful operation of a portfolio of businesses spread across a number of geographic markets."[1] This statement identifies the primary dimensions of multinational strategic management--businesses and markets. By definition, MNCs operate in a number of geographic areas, and their activities usually encompass several business areas as well.[2]

Broadly stated, the strategic problem in multinational management is that of determining the most profitable confluence of businesses and markets. Specifically, the MNC must decide which of the business competencies comprising its portfolio of businesses will be exploited in each foreign market. This is the foreign business selection problem. The way in which it is resolved by management determines, to a great extent, the degree of success achieved by the firm in international operations. And for consumers, suppliers, competitors, and governments, it is the MNC's foreign business selection decisions which determine the nature of their interaction with the MNC.

A Topic for Research

How much progress has been made in coming to an understanding of the foreign business selection decision process? The answer is, not much. A partial explanation for the lack of research attention may be that as the international business field evolved, researchers came to the discipline with one of two research orientations, neither of which predisposed them to look at the foreign business selection problem.

Economists entered the field with an interest in the foreign direct investment (FDI) behavior of MNCs. Noting the macroeconomic phenomenon of post-World War II FDI, these researchers sought explanations grounded in macroeconomic theory. They viewed the MNC as a black box, impenetrable to outside observers, more reactive than proactive, and mechanistically responsive to environmental cues (e.g., currency area premia, oligopolistic competition, low cost production locations, etc.).[3] This view of the MNC, and the methods of analysis employed, precluded insights into the microeconomic phenomenon of foreign business selection.

To illustrate: FDI theorists assumed, at least implicitly, that the nature of the MNC's participation was invariant across foreign markets.[4] While such an assumption possesses some validity--the businesses the MNC places in each foreign market are united through their exploitation of a common competitive advantage--it ignores important market-to-market differences in the nature of the MNC's business presence. Consider Nestle as a company example, (Exhibit I): it is obvious that the complement of business capabilities in place in one market may differ from the portfolio of businesses exploited in another market.

Another perspective in international business research has been that of functional specialists who have sought to develop new approaches to functional tasks which took account of the complexity of the international environment. Of some relevance to the foreign business selection task is the international product policy literature which grew out of the internationalization of the marketing function.

Most-discussed in this literature is the issue of whether to standardize or adapt products for foreign markets.[5] Particular variables which impact on the standardization/adaptation decision are important in the foreign business selection decision. However, the issues involved in foreign business selection are broader than those of standardization/adaptation. The decision to standardize or adapt is, from top management's perspective, tactical, not strategic. Product policy is secondary to business policy.

The international business literature reveals little of the character of the strategic process whereby the MNC determines which of its business capabilities will constitute its commercial presence in particular foreign markets. It is the purpose of this paper to present a conceptual model which seeks to explain the response of the MNC to the strategic task of selecting businesses for foreign markets.

Conceptualization of the Decision-Making Process

To understand what the conceptual model must entail, it is necessary to view the foreign business selection problem as a decision-making task. There are three constituent elements:

1. a set of relevant input variables, or determinants, and their associated measures.
2. a processing stage wherein the input variables are incorporated in a decision model.
3. an outcome produced by operation of the model on the input variables, a prescription for action.

Eden and Harris summarize the process: "decisions--information into action through models."[6]

A conceptualization of the foreign business selection decision process should include each of these components. However, an a priori specification of an inclusive conceptual model is extremely difficult. The obstacle is the invisibility of the processing component to the outside observer. While decision outcomes are generally observable, and input variables are often identifiable through intuition or inductive reasoning, the decision-maker's model is rarely open to the scrutiny of those not directly involved in the decision process. Management's weighting of input variables, decisions as to which variables are relevant in particular circumstances, and judgments about the "critical" level of variables are aspects of the decision process not easily examined or conceptualized.

Leaving for now the problem of conceptualizing the processing component of the foreign business selection decision, this paper presents a diagrammatic market-business framework which permits a discussion of the rationale for, and likelihood of, various decision outcomes. The paper postulates certain environment-specific variables to be input variables in the foreign business selection decision. Finally, firm- and industry-specific variables which are endogenous to the decision model are described. While the paper's conceptual treatment of outcomes and input variables provides some insight into the process of foreign business selection, verification of the partial theoretical framework presented here, and illumination of the totality of the foreign business selection process can come only with empirical investigation.

THE MNC'S MARKET-BUSINESS PROFILE

Exhibit II, the Market-Business Profile (MBP), is a generalized depiction of the MNC's response to the question: which business(es) will be placed in each foreign market? The MBP portrays the <u>outcome</u> of the foreign business selection decision process.

The profile is composed of three dimensions:

The Business Dimension

Along the Business dimension are the business areas which comprise the MNC's total portfolio of business competencies. From the business perspective, the foreign business selection problem takes the form: in which markets will a particular business be exploited? The answer determines the <u>depth</u> of worldwide participation in that business area--the more markets in which the business is placed, the deeper the worldwide participation in that business. Associated with each business area is a portfolio of markets where the business is exploited.

The Market-Dimension

The markets which make up the MNC's total portfolio of markets are found on the Market axis. From the perspective of a single market, the foreign business selection problem takes the form: in which business areas will the MNC participate? The <u>width</u> of market participation is determined by the answer--the more of the firm's total portfolio of businesses exploited in a particular market, the wider the MNC's participation in that market. Associated with each market is a portfolio of businesses which comprise the firm's commercial presence in the market.

The Time Dimension

The MBP is dynamic. Over time, change may occur in the depth of participation in a business area or in the width of participation in a market.

In defense of the MBP as a focus of inquiry, it is argued that the MBP is more than an academic conceptualization--it is a representation of the way in which the research subjects (MNCs) actually perceive themselves. For example, Nestle and Unilever (Exhibits I and Ia), among other firms, consider their market-business positions to be of sufficient importance to merit inclusion in their annual reports. In annual reports where the firm's MBP is not presented, the business and market dimensions of the MBP are nonetheless inherent in discussions of corporate operations. Comments such as, "We're taking business A to market B," or "Business Y is showing strong progress in market Z" are ubiquitous. Additionally, the focus of company news items in the business press is, more often than not, the decisions taken by firms which impact on market-business positions.

Research Questions

The MBP may be decomposed in a variety of ways, each suggesting a particular research issue.

The Within-Market Research Question

For a single foreign market, what determines the composition of the portfolio of business capabilities in place in the market? Why does the MNC's participation in a given foreign market include certain of the firm's businesses and not others?

The Between-Market Research Question

A comparison of the MNC's business activities across markets leads one to ask: What determines the market-to-market heterogeneity/homogeneity of the MNC's foreign business portfolios? Why does the MNC have a certain portfolio of businesses in one foreign market, and a different portfolio of businesses in another market?

The Temporal Research Questions

First, what determines the manner in which the portfolio of businesses exploited in a single foreign market changes over time, i.e., why does the MNC widen/narrow its participation within a foreign market with the passage of time? Second, is there a trend toward greater heterogeneity/homogeneity of foreign business portfolios across markets?

The Comparative Research Question

When the MBPs of two firms are compared, two research questions emerge: Why does the width (depth) of market (business) participation differ between the two firms; and, why does the heterogeneity/homogeneity of foreign business portfolios across markets differ between the two firms?

A Conceptual Model

The objective of this section is to provide a conceptual/theoretical answer to the research questions posed above.

The Within-Market Research Question

The MNC has three alternatives in selecting a portfolio of businesses for a foreign market:

1. to exploit every business capability in the MNC's total portfolio of businesses in the foreign market--the MNC takes its full range of businesses to the foreign market.

2. to acquire or develop unique business capabilities for the foreign market--the MNC places business capabilities in the foreign market which are exploited in no other market.

3. to exploit a subset of the MNC's total portfolio of businesses in the foreign market--the MNC takes only a portion of its total complement of businesses to the foreign market.

Which of these strategic alternatives will the MNC follow? The answer determines the conceptual response to the within-market research question.

Alternative 1: Extending the Total Business Portfolio to the Foreign Market

It is reasonable to assume that the MNC desires to exploit each of its business competencies as widely geographically as possible. As the number of markets in which a business is exploited increases, so do economies of scale in manufacturing, marketing, and administration--experience curve effects which strengthen the competitive position of the business. There is thus a strong incentive for the MNC to carry its complete line of businesses to each of its foreign markets, for to the extent this strategy is replicated in all foreign markets, scale and experience benefits are maximized.

The MNC's ability to pursue this strategy is, however, severely limited. Commercial success is dependent not only on the possession of a portfolio of business capabilities, but also on the existence of identified market opportunities. In a particular foreign market it is likely that opportunities will exist for the profitable exploitation of certain of the MNC's business capabilities, but not for others. In such a case, the MNC must turn to one of the other foreign business selection alternatives.

Alternative 2: Developing/Acquiring Unique Businesses for the Foreign Market

There are situations in which the MNC's participation in a foreign market may include businesses exploited nowhere else in the world:

1. when the MNC seeks geographical diversification, but is faced with a dearth of foreign market opportunities for existing lines of businesses, the MNC may acquire or develop new business compentencies to be exploited uniquely in a foreign market.[7]

2. when the MNC seeks business diversification, but is unable to acquire or develop new businesses in the domestic market, the MNC may develop or acquire a business which is unique to a particular foreign market.[8]

3. when the MNC seeks particular skills, e.g., proprietary technological skills, which necessitate an unrelated acquisition, and when no domestic firm possesses the skills desired, the MNC may make an unrelated foreign acquisition and thereby gain a unique business capability in a foreign market.[9]

Yet it is difficult to imagine a MNC using the unique business strategy as the primary mode for establishing operations in a foreign market. There is much to argue against establishing a commercial presence in a foreign market on the basis of businesses which are unique to that market. The point has been made that choosing proven businesses from an existing portfolio, and then extending those businesses abroad, is the preferred method for securing a commercial position in a foreign market.

For example, Fayerweather argues that

> Global adherence to those broad product areas in which the MNC has acquired technical and marketing competence is sound strategy because the compentences [sic] represent prime skill transmission capabilities and competitive strengths.[10]

In their study of 187 MNCs, Stopford and Wells found that

> Products that are entirely new to the enterprise as a whole are not normally introduced abroad...
>
> For more than 90 percent of the firms studied, the first three subsidiaries established abroad were engaged in the manufacture and sale of the major product lines of the enterprise.
>
> ...most firms limit their foreign businesses to those activities in which they have developed expertise in their domestic markets.[11]

Alternative 3: Extending a Subset of the Total Business Portfolio to the Foreign Market

If the strategies of 1) placing the total portfolio of businesses in the foreign market, and 2) acquiring/developing unique businesses for the foreign market are exceptional cases, then one must expect to find, in the majority of cases, that the foreign business portfolios of the MNC consist of a subset of the total business portfolio. (Unilever's MBP, Exhibit Ia, may be used to illustrate this case: No foreign business portfolio contains the complete portfolio of Unilever businesses, nor does any foreign market possess a business area unique to that market; each foreign market possesses a particular subset of Unilever's total business portfolio).

This conclusion suggests a reformulation of the within-market research question: What determines the particular <u>subset</u> of business capabilities selected a given foreign market? To answer this question, as well as the other research questions, a few presuppositions about the processing stage of the foreign business selection decision must be put forward.

The premise is that the MNC is continually searching for ways to bring about the profitable junction of a business capability and a market opportunity. To this end, the MNC scans markets, collecting intelligence on those input variables which are thought to be relevant to participation decisions. (Input variables are such things as the level of competition in the foreign market, government regulation, consumer wealth, etc.). The MNC has a critical decision-point value which it has established, perhaps intuitively, for each determinant, e.g., the minimum market size, or maximum market share of competitors, which would permit a pro-participation decision. When the actual market values of the determinants meet the decision criteria, a pro-participation decision is made for the business and market under consideration. This is obviously a normative view of the foreign business selection decision process. However, departures from this idealized situation in terms of the exhaustiveness, or adequacy of the scanning effort do not alter the underlying principle that the MNC compares environmental factors to firm-specified criteria in the selection decision.

Returning to the within-market research question, what is important is that the critical decision-point value set by the firm for a particular determinant is business-specific. Consider a hypothetical MNC with two businesses, A and B. For business A, the firm requires \$X GNP/capita in a foreign market for a pro-participation decision; for business B, the minimum level is \$Y. If the actual market value of

GNP/capita meets one critical criterion but not the other, e.g., GNP/capita is more than $X but less than $Y, the MNC will select a subset of its two businesses, business A, for placement in the foreign market.

For example:

> General Foods' Brazilian manager once stated that due to differences in income levels and consumption habits, certain businesses in GF's domestic portfolio were not suitable candidates for exploitation in the Brazilian market.[12]
>
> In this case the critical value of per capita income necessary for a pro-participation decision differed between those businesses exploited in Brazil and those not exploited in Brazil but exploited in the U.S.

The actual market value of a particular input variable may also be business-specific. The value of a determinant in a given market may permit participation in one business area, but prevent participation in another area. For example:

> Hindustan Lever, the Indian operation of Unilever, effected a switch in business emphasis from toilet articles to animal feeds and chemicals in response to Indian government disincentives which encourage MNCs operating in India to engage in high-technology businesses.[13]
>
> In this case, the level of government regulation varied by business area.

The Between-Market Research Question

Why is the subset of businesses exploited in one market unlike the subset exploited in another market? The explanation is simple: the actual values of input variables are market-specific. Each foreign market has a unique set of scores on the input variables. Because one foreign market is not like another, the MNC cannot do the same thing in each foreign market. For example:

> Extraordinary price competition in its European market drove Uniroyal to sell its European tire business to Continental, a German competitor. Uniroyal remained in the tire business in other markets.[14]
>
> Here the level of competition varied between markets--forcing a non-participation decision in one market, but allowing continued participation in other markets.

The Temporal Research Question

There are two reasons why the MBP is likely to change over time. First, the actual values of the input variables are temporally-specific. The value of factors impacting on the foreign business selection decision change over time and thus engender modification of foreign business portfolios. Because the environment is not static, neither can the firm's response to that environment, as embodied in its foreign business portfolios, be static. For example: The following statement is found in CPC International's 1969 Annual Report, p. 2.

> Our experience demonstrates that as the economies of countries strengthen, as their affluence grows, and as eating patterns develop higher sophistication, we are able to enter additional markets with such proven products as Hellmann's and Knorr.[15]
>
> Here the level of affluence in world markets is seen to be changing over time, the result being increased opportunities for foreign participation in certain business areas.

The internationalization of the firm also contributes to the dynamic nature of the MBP. As the MNC gains experience in foreign markets, it becomes better placed to identify and respond to market opportunities not visible in the early stages of foreign involvement. In the initial foray into foreign markets, the MNC is likely to establish a beachhead with its strongest domestic businesses. If this first venture proves successful, and if the firm succeeds in gaining foreign market intelligence and operational experience, the MNC is likely to transfer additional business capabilities to its foreign markets.

Having dealt with the first aspect of the temporal research question, (why does the nature of the MNC's business participation in a single market change over time), attention is directed to the second temporal question: is there a trend toward greater market-to-market homogeneity in the MBP? Here the answer is less certain. It may be that as the MNC acquires international experience it will gain an increasing awareness of, and desire for, the scale economies which come from doing the same thing in each foreign market. This suggests that the MNC will work to maximize the similarity of foreign business portfolios across markets. On the other hand, a growing acquaintance with the unique opportunities found in each market might encourage the MNC to move toward a more heterogeneous group of foreign business portfolios. It is hypothesized that pressures to be in the same businesses in all foreign markets will eclipse incentives to respond to unique opportunities in particular markets. In most cases a trend toward homogeneity in the MBP is expected.

The Comparative Research Question

Finally, why does the structure of the MBP differ with respect to firms in the same industry? This question applies to firms with similar business capabilities, which face roughly the same market opportunities. If competing firms possess markedly different foreign business portfolios in the same markets, or substantially different degrees of market-to-market homogeneity in their foreign business portfolios, then firm-specific factors, rather that environment-specific factors, are explanative. Organizational context and growth strategy are two firm-specific factors which could produce divergent approaches to foreign business selection on the part of competing firms. These factors are discussed in a subsequent section.

When a comparison is made of firms in different industries, industry-specific factors, as well as firm-specific factors, explain divergent foreign business selection outcomes. The nature of the MNC's competitive advantage is thought to be one such industry-specific factor; it too, is discussed below.

Recapitulation

To summarize the conceptual response to the MBP research questions:

1. For a particular business and market, a pro-participation decision is reached when the actual values of determinant variables meet the firm-specified critical values. Critical and actual determinant values are business-specific. Consequently, within a single foreign market pro-participation decisions may be reached for some of the MNC's businesses, and non-participation decisions for other businesses.

2. Market-to-market differences in the portfolio of businesses exploited arise because actual determinant values are market-specific. For a particular business area, the actual values of input variables in one market may meet the critical level necessary for a pro-participation decision, while in another market determinant values may not meet critical values.

3. Changes in foreign business portfolios over time arise as a result of the temporal-specificity of actual determinant values, and as a result of the firm's internationalization.

4. Differences in the composition of the MBP between firms are accounted for by firm-specific and industry-specific factors.

MBP DETERMINANTS: THE INPUT VARIABLES

Attention now shifts from a conceptualization of foreign business selection outcomes to foreign business selection inputs. Discussed below are those variables which initial research has shown to be incorporated in the decision model, and which, through the operation of the model, determine the structure of the MNC's MBP.

The input variables listed below are environment-specific. Their values are market-specific. Environment-specific variables are exogenous to the decision model.

Research Questions

1. What variables are relevant to the foreign business selection decision; what variables are included in the MNC's foreign business selection decision model?

2. What is the causal link between the input variables and MBP outcomes?

A Conceptual Model

Described below are variables salient to the foreign business selection decision. Their proposed effect on selection outcomes is noted.

Competition

Competition is a principal factor affecting the MNC's foreign business selection decisions. Beyond a simple determination of the level of competition to be faced, e.g., the market share of competitors, the MNC is likely to ascertain the type of competitive challenge, e.g., are competitors national or multinational firms, are competitors subsidized by the host government?

Depending on the level and type of competition in the foreign market, and the MNC's own perception of what constitutes a competitive threat (the critical value), a variety of selection decision responses may be taken by the firm.

Oligopolistic Imitation[16]

The MNC may match the foreign market business participation decisions of competitors with the intention of denying competitors an uncontested share of the global market. The logic is that if international expansion by competitors goes unchallenged, competitors will reap scale and experience benefits which will shift the worldwide competitive position of firms in the industry to the detriment of the non-participating firm. Where oligopolistic imitation is a motivation for foreign business participation decisions, one would expect the foreign business portfolios of competitors to be quite similar.

Market Segmentation

Where competitors have achieved a dominant market position, the MNC may choose to limit its foreign market participation to business areas which respond to under- or non-exploited segments of the foreign market. Such segmenting behavior gives the MNC foreign business portfolios consisting of businesses not found in exact duplicate in competitors' business portfolios.

Channel Segmentation

Another response to competition in the foreign market may be to place in the market the same business capabilities as those of competitors, but utilize different channels of distribution. In such cases, the foreign business portfolios of competitors will be very similar.

To illustrate:

> Finding it difficult to compete in beauty salons where Clairol is well-entrenched, L'Oreal, the French manufacturer of hair care products, markets its hair products in the U.S. directly through drug stores and supermarkets.[17]

Market Selection

Finally, a firm may choose not to compete in a foreign market in business areas where substantial competition exists. Such a strategy yields the firm an MBP containing foreign business portfolios unlike those of competitors. For example:

> Merck, the pharmaceutical manufacturer, extended its acquired French ophthalmic drug business to the rest of Europe, but not to the U.S. because of the stiff competition in the ophthalmic drug industry in the U.S.[18]

Government Regulation

Although several aspects of the MNC's relationship with the host government have received research attention,[19] the implications of government policy for the foreign business selection problem have not been studied. Yet the anecdotal evidence indicates that governments are playing an increasing role in determining the nature of the MNC's participation in the local economy. Looking beyond issues of local value added, profit repatriation, and export performance, governments are becoming more directly concerned with the specific business capabilities placed by the MNC in the host market. Important to business participation decisions are government regulations which constrain the participation of the MNC to certain business areas which satisfy host requirements as to technology acquisition, regional development, anti-trust, infrastructure development, and so on.

Government fiat may impact upon the foreign business selection decision in a couple of ways:

Requisite Business Diversification

In some cases, the MNC may be compelled to engage in business activities that are not within the purview of the firm's traditional business focus if the firm is to participate in a given foreign market. The placement of a unique business capability in the host market may be required by the host government as a condition for the exploitation of traditional, and probably more profitable, business capabilities. The resulting foreign business portfolio is likely to be more diverse than the MNC would otherwise wish for. To illustrate:

> International Proteins Corporation set up a boat-building operation in Panama as a precondition to the establishment of fishmeal and shrimp operations. A contribution to the construction of a Panamanian boat industry was the price IPC had to pay in order to exploit its traditional business competencies.[20]

Mandatory Business Selection

Government regulation may require the MNC to select a specific subset of its total business portfolio for placement in the host market. In such a case the MNC's participation in the foreign market is narrower than would be the case if there were no government regulation. Hindustan Lever's experience in India, mentioned above, is illustrative of this situation.

Consumer Variables

Differences in consumer tastes, preferences, and usage patterns are one of the most discernable features of the international environment. It is argued that the impact of consumer variables at the business level is less important than at the product level, for it is at the product level where decisions are made to adapt culturally-bound products to unique consumer characteristics. At the business level there is little meaning to the concept of "adaptation." Almost by definition the MNC is in businesses which are not culturally-specific. MNCs are in businesses which meet multinational consumer demands.

Nevertheless, the MNC's foreign business portfolios may still reflect the fact that consumer tastes, and the resulting demand structure, are not invariant across markets. Specifically, the MNC may choose not to carry a business to markets where consumer usage patterns are incompatible with the businesses' characteristics. For example:

> If one looks again at Unilever's MBP, Exhibit Ia, one notes that the business portfolios found in Latin American and African markets do not, for the most part, contain the frozen foods and ice cream business. This may indicate that these markets do not possess the consumer usage characteristics which are compatible with the "convenience" nature of frozen foods and ice cream.

However, market-to-market differences in the structure of consumer demand which lead to business selection decisions of this kind are probably more a function of consumer income levels and related macroeconomic variables than of idiosyncratic cultural traits.[21]

Macroeconomic Variables

Important macroeconomic variables relate to the general level of economic development in a foreign market. An oft-used proxy variable for the level of economic development is GNP/capita. There is evidence that many business participation decisions are made on the basis of the level of consumer income in the foreign market. MNCs often identify a minimum level of consumer wealth necessary to support the placement of a particular business expertise in a foreign market.

To draw another example from General Foods: GF's 1977 *Annual Report* states that

> The opportunities to complement the profitable progress being made within the domestic grocery business are there, waiting to be realized, as consumers outside North America become increasingly affluent and the desire for the kind of products GF offers becomes universal.[22]

Here the level of consumer income (affluence) is seen as directly affecting market opportunity (desire for a business' products).

Another important macroeconomic variable is the total GNP of the foreign market, a general measure of market size. The MBP's of Nestle and Unilever, Exhibits I and Ia, demonstrate a correlation between absolute market size and the width of the foreign business portfolio. This relationship has been seen to hold for other firms as well.

Miscellany

There are other market-specific factors which influence foreign business selection, for example: demographics and infrastructure. Several of these variables are related to GNP and per capita income. Their effect on the foreign business selection decision may be captured by the more general macroeconomic variables.

This list of input variables is not exhaustive. It is merely an accounting of those factors which anecdotal data have shown to systematically affect business selection outcomes. The input variables specified above are those that decision-makers have been willing to identify in the business press. There may be other input variables which have gone unmentioned. Also, there may be additional determinant factors which randomly, rather than systematically, affect the MBP. For both of these reasons, the list of input variables above is subject to the confirmation and amplification of empirical research.

FIRM- AND INDUSTRY-SPECIFIC FACTORS AFFECTING THE DECISION PROCESS

Factors internal and external to the firm affect the foreign business selection decision. Environmental factors are external, firm and industry factors are internal. Other than this obvious distinction, how do firm and industry factors differ from environmental factors? First, the values of firm and industry factors are apt to be more constant across markets than the values of environmental variables, their market-specificity is less pronounced. Second, firm and industry variables are endogenous with respect to the decision model, while environmental variables are exogenous. Firm and industry factors affect directly the premises and methodologies of the decision model. Third, the impact of firm and industry variables, residing in the organizational fabric, is not so readily apparent as that of environmental variables. And finally, management has substantial discretion in determining the "value" of firm and industry factors, while the values of environment-specific variables are set by forces external to the firm.

This suggests that the MNC may alter foreign-business-selection outcomes by altering the "value" of firm-specific factors.

The Research Questions

1. What firm- and industry-specific factors affect the foreign business selection decision?

2. In what way do the factors impact on selection decisions?

A Conceptual Model

Growth Strategy

Most MNCs seem to strive toward a common goal--achievement of real growth in the volume of operations. Generally, the MNC may achieve growth by one of two means: geographic diversification and/or business diversification.

The growth strategy selected by the MNC has significance for the make-up of the MBP. Initial research indicates that MNCs which grow by acquiring new business capabilities--business diversification, tend to have a more heterogeneous set of foreign business portfolios than do MNCs which grow through business extension--geographic diversification. Why is this so? Obviously firms which grow by carrying existing businesses to foreign markets are going to have homogeneous foreign business portfolios, by reason of their basic strategy of exploiting existing capabilities as widely geographically as possible. But why can't the MNC which grows through business diversification also extend existing and acquired business capabilities to markets where they are not presently exploited, and thus maximize

MBP homogeneity? The answer is a practical matter of financial limitation. As Caves puts it:

> Projects diversifying in 'geographic' space have to compete with diversification in 'product' [business] space for positions in the firm's capital budget and so, in the short run, the firm cannot expand freely in both directions. [Geographic growth and business growth are] competing activities.[23]

Organizational Context

Organizational context relates to the organizational milieu in which foreign business selection decision-makers operate. This milieu shapes decision-making premises, defines decision-making criteria, and colors decision-makers' perceptions of business capabilities and market opportunities.

Since organizational context is firm-specific, it is difficult to generalize about the way in which context affects foreign business selection decisions. All that can be done is to identify the main ingredients of the contextual situation--persons, systems, and structure.

Persons

It goes without saying that essentially random person-related factors, (biases, values, perceptions), affect the foreign business selection decision. In his volume on corporate strategy, Andrews observes that

> Executives in charge of company decisions do not look exclusively at what a company might do and can do...they sometimes seem heavily influenced by what they personally want to do.[24]

No conceptual model can succeed in totally capturing the human element. Although an a priori presupposition regarding the nature of the impact of the personal variable on the foreign business selection decision cannot be made, any model of MNC behavior must recognize that the variable will have, on a case-by-case basis, important explanatory power for foreign business selection decisions.

Systems

The interface of decision-makers with the organization takes place through a complex set of systems and subsystems. Among the most important systems are those for managerial performance appraisal, remuneration, information transmission, planning and control. It is through these systems that decision-makers receive the cues and incentives which move them to action, and the feedback and rewards which reinforce, either negatively or positively, the actions taken. Decision-making behavior cannot be understood without an appreciation of the way in which systems affect the decision-making process.

Structure

The strategic dimensions of markets and businesses correspond to fundamental structural perspectives within the MNC organization--geographic and product. In most MNCs, one perspective dominates in a few MNCs, both perspectives are merged in a matrix structure.

The foreign business selection decision is likely to be affected by the particular perspective embodied in the organizational structure. For example, one would expect that foreign business selection decision-makers in a geographically-organized company would be more responsive to the peculiar demands of consumers in specific foreign locales. There would be an attempt to develop business capabilities in response to commercial opportunities unique to a certain area. On the other hand, decision-makers operating in a worldwide-product organization would be more likely to perceive the benefits of extending a business to as many markets as possible and would seek to standardize their business participation across markets. Another aspect of structure is the organizational format through which the firm carries on its operations in specific foreign markets. Alternatives are a distributorship, licensee marketing subsidiary, or manufacturing subsidiary. It is expected that at lesser levels of involvement, the MNC's business participation would be narrow.

The Relationship of Strategy to Systems and Structure

From a normative point of view, the effect of organizational systems and structure should be neutral with respect to the foreign business selection decision. As a basic element of strategy, the approach taken in the foreign business selection decision process should beget systems and structure appropriate to the particular strategic focus of the firm. However, in practice, cause and effect does not always run from strategy to structure and systems:

> The relationship between strategy and organization is clearly not the simple one in which strategy is determined first and then a structure established to implement it. The costs of reorganizing and the resistance of established interest groups within the firm to changes in the structure no doubt inhibit the introduction of strategies that require changes in the existing organization.[25]

Here Stopford and Wells observe that systems and structure in place at a given point in time will, to a degree, limit and prescribe the strategic alternatives available to the firm.

The Role of the Foreign Affiliate

One final point to be made with regard to systems and structure concerns the locus of decision-making. Different foreign business selection decision outcomes may be hypothesized depending on whether decisions are made at headquarters (HQ) or at the foreign affiliate. For example, when the locus of decision-making is the foreign affiliate, one would expect selection decisions to reflect a greater sensitivity to local conditions. In the more probable case where the locus of decision-making resides with HQ, the input of the foreign operative is still likely to be important. Particularly interesting are cases where differing perceptions of market opportunities and business capabilities, and unlike goal orientations, lead to disagreement between HQ and affiliate regarding the advisability of certain business-market matches. The extent of such conflict and the ways in which it is resolved will have implications for the selection process.

Nature of Competitive Advantage

An industry-specific factor impacting on the selection decision is the nature of the MNC's competitive advantage. In the consumer goods industry, for example, the competitive advantage of firms tends to be a general skill such as marketing,[26] which may be applied to a wide range of business areas. In other industries, i.e. the computer industry, the competitive advantage of firms is a technical prowess exploitable in only a narrow range of businesses.

The point to be made is that firms whose competitive advantage is a generally-applicable skill may have a greater incentive and ability to grow through business diversification than firms whose competitive advantage is business-specific. To the extent that a firm with a business-general competitive advantage is encouraged to undertake business diversification, and a firm with the business-specific competitive advantage is constrained to geographical diversification, the former will possess a more heterogeneous group of foreign business portfolios than the latter for reasons explained in the discussion of growth strategy.

A SYNOPSIS OF RELEVANT LITERATURE

Foreign Direct Investment Literature

Hymer,[27] Kindleberger,[28] Knickerbocker,[29] Vernon,[30] and Buckley and Casson[31] have made contributions to an understanding of FDI behavior. Their work was reviewed within the context of the present study. Space permits only a brief sketch of the relationship of FDI theory to the foreign business selection problem.

What is the relevance of FDI research to the question at hand? Just this: Every FDI incident involves a choice as to what business-specific manufacturing capability will be purchased. In foreign direct investment, the MNC acquires business-dedicated production facilities. It is thus reasonable to assume that FDI researchers would deal, at least tacitly, with the foreign business selection decision. They do not. Despite the fact that FDI theory is the most mature area of international business research, there is no contribution to an understanding of the foreign business selection decision process.

Throughout the FDI literature there is an assumption that the MNC does abroad precisely what it does at home, and that the nature of the MNC's business participation is invariant across markets. Yet when one looks at the experienced MNC and the aggregation of products and lines that constitute its businesses, one finds a surprisingly variegated pattern of business competencies across foreign markets.

Multinational Product Policy Literature

The multinational product policy literature has progressed from the brief normative statements of Buzzell[32] and Keegan[33] to the extensive data-based works of Weichmann[34] and Leroy[35]. This literature deals with the functional area of marketing management, not with overall corporate strategy. This is not to say that much of what is corporate strategy is not embodied in product policy. Indeed, many of the variables found by product policy researchers to impact on product decisions are also important in the strategic foreign business selection decisions. For example, Sorenson and Weichmann[36] hypothesized the following variables to be of consequence in determining the ability of the firm to carry standardized products to foreign markets:

1. market conditions (e.g., usage patterns, stage in product life cycle marketing legislation).
2. competitive conditions (e.g., market share of competitors, nature of competition--local vs. MNC).

These determinants of standardization closely parallel certain of the MBP determinants proposed in the conceptual model above.

Performing the most extensive empirical work in the area of multinational product policy, Leroy[37] reached conclusions which confirm the presuppositions underlying the theoretical model presented in this paper:

1. that domestic business expertise provides the basis for expansion into foreign markets.

2. that the foreign product or business portfolio is likely to change over time.

3. that the MNC's global perspective provides a strong incentive for geographically diffusing the MNC's particular competitive advantage, as embodied in its business capabilities, as widely as possible.

Nevertheless, the scope of product policy literature is quite limited. Product tactics bear a subordinate relationship to overall business strategy. If one is interested in the broadest, most strategically meaningful aspect of the MNC's foreign market behavior, research attention must be focused on the business level of MNC decision-making.

International Business Policy Literature

Finally, it should be noted that there is a growing body of literature which deals with general issues of international strategic management. Works of note have been produced by Brooke and Remmers,[38] Fayerweather,[39] Stopford and Wells,[40] Doz[41] and others. These writers have dealt with issues such as the headquarters-subsidiary relationship, selection of international executives, multinational planning, host government regulation, and the choice of organizational mode.

If one views these works as the state-of-the-art in international business policy literature, then one must wonder at the almost total lack of attention given the foreign business selection decision. Once again there seems to be an assumption that except for minor product variations, the MNC will do abroad what it does at home, and will do in one foreign market what it does in another. Reality confounds this assumption. A new research approach is needed.

A PROPOSED METHODOLOGY

There are three issues which must be addressed in a discussion of methodology: 1) what data is desired; 2) how can it be best collected; and 3) what analysis is necessary to support or refute the hypotheses. Each issue is discussed in turn below.

What Data

The Dependent Variable

Data on the dependent variable will consist of a matrix of business capabilities and markets à la Exhibit II. For each firm, the matrix will show which business capabilities are exploited in each of the markets where the firm has a commercial presence. The fact that some companies publish this data indicates that the information is likely to be available from company sources; corporations are expected to supply this information without reservation. It is the variation in the MNC's foreign business portfolios, across markets, between firms, and over time, which the independent, explanatory variables will attempt to account for.

Independent Variables

The goal in data collection here is to identify what factors impact on the MNC's foreign business selection decisions, and how these factors effect selection outcomes. While it is anticipated that the explanatory validity of the variables already mentioned will be corroborated by the research results, it is likely that additional input variables will come to light in the course of the investigation.

Presuppositions have also been made concerning the nature of the determinants' impact on the business-selection decision. Data will be collected in an attempt to verify these presuppositions and provide a more elaborate specification of the determinants' influence. Those who supply data will be asked to detail the way in which determinants are operationalized in the selection decision process. In this way, the MNC's foreign business selection decisionmaking model will be revealed.

In the foreign business selection decision, inputs from various organizational levels and extra-organizational sources are considered. This means it will not be possible to collect a single set of data from one individual within the firm which captures the range of perspectives and information brought to bear on the selection problem. For each firm studied, multiple data sources will be required. Data on some of the independent variables, e.g., relative competitive position, may be strategically sensitive. Confidentiality may be necessary.

How Collected

Source

The discussion of the strategic foreign business selection decision provided by secondary data sources (annual reports and new items) is neither systematic in coverage, nor analytically detailed. To gain a complete picture of the foreign business selection decision process, in-person interviews with top-level corporate personnel will be required.

Sample

The complexity of the behavior to be studied calls for an in-depth and extended interview process. Given financial and temporal constraints, the sample must be limited to 10 or fewer firms. MNCs from two industries will be included in the sample in order that industry-specific effects may be recognized.

An alternate sampling approach would be to select a much larger sample, and interview via mailed questionnaires. However, this researcher believes a small sample, personal interview, approach is more appropriate to the research task. It is felt that a small sample, while not providing results which are, in a strict sense, statistically-meaningful, will provide results which are, from the perspective of the MNC, strategically meaningful.

Case-type studies have fallen out of favor with many members of the academic community, thus one feels forced to defend a case analysis research design. It would be impossible to argue more eloquently for such a research design than has Prof. Holton in his foreword to Leroy's work on multinational product strategy:

> The scholar eager to seek out explanations of the behavior of firms in international business is, I believe, too frequently tempted to resort to a mailed questionnaire which is sent to dozens, if not hundreds of multinational companies. If the questions are at all complex, the problem of maximizing the response rate is great, and too often the answers are ambiguous. Many responses to specific inquiries may puzzle the researcher,

leading him to wish for further information which would clarify and expand on the answers received. Although the results might be tabulated and presented in statistical form, the meaning of the results can be quite unclear and unreliable.

The alternative pursued in this study, namely eschewing the large sample approach in favor of personal interviews with a limited number of firms, is appealing on several counts. The researcher can learn about the company in some detail, and perhaps limit his work to one or two divisions of the company. Questions can be pursued sufficiently to minimize the problem of ambiguity. Conditions which might have made it difficult for the respondent to reply satisfactorily to a question in a mailed questionnaire can be comprehended by the researcher and recognized for their importance. Ideas which might not have occurred to the researcher beforehand can often surface, leading to new hypotheses.

...the [case-type] approach is to be recommended to those who would truly enrich the literature in international business, since the flavor of international operations is so much more fully revealed. Studies of this sort are a much-needed complement to the research based on larger bodies of quantitative data.[42]

What Analysis

Given the nature of the phenomenon under investigation, it is impossible to conceive, a priori, a statistical model which does justice to the involuted and intricate behavior that is foreign business selection. However, once interviews have been conducted, determinants identified, and their effect on the selection decision specified, it may be possible to develop the bare bones of a statistically-specified business selection model. Multivariate Nominal Scale Analysis[43] may be an appropriate tool for structuring such a model. However, the final test of validity in this research undertaking cannot be statistical rigor, but must be the usefulness and logic of presuppositions, findings, and conclusions.

FOOTNOTES

[1]Channon, Derek F. and Michael Jalland, Multinational Strategic Planning, New York: AMACOM, 1978, p. 89.

[2]Stopford, John M. and Louis T. Wells, Jr., Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiaries, New York: Basic Books, 1972, p. 5.

[3]Aliber, Robert A., "A Theory of Direct Foreign Investment," in C. P. Kindleberger (ed.), The International Corporation, Cambridge, Mass.: M.I.T. Press, 1970; Knickerbocker, F.T., Oligopolistic Reaction and the Multinational Enterprise, Boston: Harvard University Press, 1973; Vernon, Raymond, "International Investment and International Trade in the Product Cycle," Quarterly Journal of Economics 80 (1966), pp. 190-207.

[4]See the literature review section of this paper.

[5]Buzzell, Robert D., "Can You Standardize Multinational Marketing?" Harvard Business Review, November-December, 1968; Keegan, Warren, "Multinational Product Planning: Strategic Alternatives," Journal of Marketing, January, 1969; Leroy, Georges, Multinational Product Strategy: A Typology for Analysis of Worldwide Product Innovation and Diffusion, New York, Praeger Publishers, 1976.

[6]Eden, C. and J. Harris, Management Decisions and Decision Analysis, New York: John Wiley and Sons, 1975, Chapter 5.

[7]For example: Seeking to reduce its dependence on the European consumer market, Unilever Group went shopping in 1978 for a foreign acquisition. The U.S. firm chosen, National Starch and Chemicals Corp., was a new business area for Unilever. Acquisition of a U.S. firm in a traditional consumer goods area was foregone for two reasons: fear of U.S. anti-trust action, and the competitive threat of Proctor and Gamble Co. and Colgate-Palmolive Co. See: "Unilever: A Solid Acquisition Outside the Home Market in Europe," Business Week, January 23, 1978.

[8]For example: A board member of West Germany's Henkel states that "we give priority to risk-spreading before profit-maximization, and even before growth." In line with this philosophy, and in response to a sluggish European market, Henkel acquired General Mills Chemicals Inc., a U.S. firm. See: "Henkel: Buying into U.S. Chemicals to Beat a Sluggish German Market," Business Week, May 15, 1978.

[9] For example: Recognizing the U.S. semiconductor industry as the world leader, Siemens, a West German firm, purchased Advanced Micro Devices Inc. in order to gain needed microprocessor technology. See: "Siemens Buys Its Way into U.S. Expertise," Business Week, October 17, 1977.

[10] Fayerweather, John, Business Strategy and Administration, Cambridge, Mass.: Ballinger Publishing, 1978, p. 230.

[11] Stopford, John M. and Louis T. Wells, Jr., Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiaries, New York: Basic Books, 1972, pp. 38, 37, 31.

[12] Corey, E.R., et. al., General Foods Corp.--International Division (I), Boston: Intercollegiate Clearing House, 1965.

[13] "India: A Return to Rural Capitalism," Business Week, June 11, 1979.

[14] "Uniroyal Agrees to Sell European Tire Operations," Wall Street Journal, April 18, 1979.

[15] Corn Products Company, Annual Report, 1969.

[16] For a discussion of oligopolistic imitation as it applies to the FDI decision see Knickerbocker, F.T., Oligopolistic Reaction and the Multinational Enterprise, Boston: Harvard University Press, 1973.

[17] "France: L'Oreal Challenges the Beauty Kings," Business Week, June 30, 1973.

[18] Terpstra, Vern, Interview with Executives, Merck and Company, November 12, 1974.

[19] See for example: Robinson, Richard D., National Control of Foreign Business Entry: A Survey of Fifteen Countries, New York: Praeger Publishers, 1976; Wells, Louis T., Jr., "Negotiating with Third World Governments," Harvard Business Review, January-February, 1977; Fayerweather, John and Ashok Kapoor, Strategy and Negotiation for the International Corporation, Cambridge, Mass.: Ballinger Publishing, 1975; and Doz, Yves, Government Control and Multinational Strategic Management, New York: Praeger Publishers, 1979.

[20] "IPC's Boat-building Venture in Panama to Back up Expanding Fishing Operation," Business Latin America, March 9, 1972.

[21]The relationship between income and demand structure is laid out explicitly in Linder's income-preference theory of trade. Linder, S. B., An Essay on Trade and Transformation, New York: John Wiley and Sons, 1961.

[22]General Foods Company, Annual Report, 1977.

[23]Caves, Richard E., Diversification, Foreign Investment and Scale in North American Manufacturing Industries (Ottawa: Economic Council of Canada, 1975), p. 12.

[24]Andrews, Frank M. and Robert C. Messenger, Multivariate Nominal Scale Analysis, Ann Arbor, Mich.: Survey Research Center, The University of Michigan, 1973, p. 104.

[25]Stopford, John M. and Louis T. Wells, Jr., Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiaries, New York: Basic Books, 1972, p. 6.

[26]In his study of U.S. consumer goods firms operating abroad, Horst concluded that their primary competitive advantage was a business-general marketing skill. Horst, Thomas, At Home Abroad, Ballinger Publishers, Cambridge, Mass., 1974, p. 2.

[27]Hymer, Stephen, "The International Operations of International Firms," Unpublished Ph. D. dissertation. Cambridge, Mass.: M.I.T., 1960.

[28]Kindleberger, C. P., American Business Abroad, New Haven, Conn.: Yale University Press, 1969.

[29]Knickerbocker, F. T., Oligopolistic Reaction and the Multinational Enterprise, Boston: Harvard University Press, 1973.

[30]Vernon, Raymond, "International Investment and International Trade in the Product Cycle," Quarterly Journal of Economics 80 (1966): 190-207.

[31]Buckley, Peter J. and Mark Casson, The Future of the Multinational Enterprise, New York: Holmes and Meier, 1976.

[32]Buzzell, Robert D., "Can You Standardize Multinational Marketing?" Harvard Business Review, November-December, 1968.

[33]Keegan, Warren, "Multinational Product Planning: Strategic Alternatives," Journal of Marketing, January, 1969.

[34]Leroy, Georges, Multinational Product Strategy: A Typology for Analysis of Worldwide Product Innovation and Diffusion, New York: Praeger Publishers, 1976.

[35]Sorenson, R. and U. Weichmann, "How Multinationals View Marketing Standardization," Harvard Business Review, May-June, 1975. Weichmann, U., Marketing Management in Multinational Firms, New York: Praeger Publishers, 1976.

[36]Sorenson, R. and U. Weichmann, "How Multinationals View Marketing Standardization," Harvard Business Review, May-June, 1975, p. 43.

[37]Leroy, Georges, Multinational Product Strategy: A Typology for Analysis of Worldwide Product Innovation and Diffusion, New York: Praeger Publishers, 1976, p. 128.

[38]See Brooke, Michael Z. and H. Lee Remmers, The Strategy of Multinational Enterprise, London: Longman, 1978, and Brooke, Michael Z. and Mark van Beusekom, International Corporate Planning, London: Pitman Publishing, 1979.

[39]Fayerweather, John, Business Strategy and Administration, Cambridge, Mass.: Ballinger Publishing, 1978.

[40]Stopford, John M. and Louis T. Wells, Jr., Managing the Multinational Enterprise: Organization of the Firm and Ownership of the Subsidiaries, New York: Basic Books, 1972.

[41]Doz, Yves, Government Control and Multinational Strategic Management, New York: Praeger Publishers, 1979.

[42]Holton in the foreword to Leroy, Georges, Multinational Product Strategy: A Typology for Analysis of Worldwide Product Innovation and Diffusion, New York: Praeger Publishers, 1976, pp. vi, vii.

[43]See Andrews, Frank M. and Robert C. Messenger, Multivariate Nominal Scale Analysis, Ann Arbor, Mich.: Survey Research Center, The University of Michigan, 1973. This technique is particularly suited to situations where both dependent and independent variables are nominally measured. Data reduction techniques such as cluster analysis and factor analysis may be useful in early stages of the research task.

EXHIBIT I: Nestle's Market-Business Profile

	Number of factories	Sweetened condensed milk	Evaporated milk	Pasteurised, sterilised milk and cream	Milk powder	Cheese and butter	Dietetic milk foods	Cereal food for infants	Baby foods	Coffee extracts	Instant chocolate drinks	Liquid drinks	Chocolate, cocoa and confectionery	Soups, bouillons, seasoning and condiments, prepared dishes, etc.	Frozen foods	Ice-cream	Yoghurt and chilled desserts
Austria	4	■	■			■	■	■	■	■	■		■	■			
Belgium	2	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■
Denmark	5	■		■	■	■	■		■	■	■		■	■	■		
Spain	15	■	■		■	■	■	■		■	■	■	■	■	■	■	■
France	31	■	■	■	■	■	■	■	■	■	■	■	■	■	■	■	
United Kingdom	18	■	■	■	■	■	■			■	■	■	■	■	■		■
Greece	1	■	■			■	■	■		■	■			■	■		
Italy	12	■	■			■	■	■		■	■	■	■	■	■		
Norway	4	■	■		■		■	■	■	■	■			■	■		
Netherlands	10	■	■	■	■	■	■	■		■	■		■	■			
Portugal	2	■			■		■	■		■	■			■	■		
Federal Republic of Germany	27	■	■	■	■	■	■	■	■	■	■	■	■	■			■
Republic of Ireland	1	■	■	■	■					■	■		■	■			
Sweden	4						■	■	■	■		■	■	■	■		
Switzerland	9	■	■	■	■		■	■	■	■	■	■	■	■	■	■	
Turkey	1									■			■				
Central America	2	■	■		■		■	■	■	■	■		■	■			
Argentina	6	■		■	■		■	■	■	■	■		■	■		■	■
Brazil	14	■	■	■	■		■	■	■	■	■	■	■	■	■	■	■
Canada	5	■		■		■				■	■	■	■	■	■		
Chile	6	■	■	■	■		■	■	■	■	■		■	■	■	■	
Colombia	11	■		■	■	■	■	■	■	■	■	■	■	■			■
Ecuador	2	■	■	■	■	■	■	■			■	■	■	■			
United States	35				■	■				■	■	■	■	■	■		
Jamaica	2	■	■	■	■	■	■	■		■	■		■	■			
Mexico	10	■		■	■	■	■			■	■			■	■	■	■
Panama and Canal Zone	2	■	■		■		■	■		■	■	■	■	■			
Peru	2	■	■		■		■	■		■	■	■	■	■			
Porto Rico	3	■				■		■		■	■	■	■	■			
Dominican Republic	2	■	■		■		■	■			■	■		■			
Trinidad	1	■	■	■	■	■	■	■		■	■	■	■	■			
Uruguay	1									■	■						
Venezuela	7	■	■	■	■	■	■	■		■	■	■	■	■			
India	2	■			■		■	■		■				■			
Indonesia	1	■		■	■		■	■		■	■			■			
Japan	4	■	■	■	■		■			■	■	■	■	■			■
East and West Malaysia, Singapore	3	■	■	■	■	■	■	■		■	■	■	■	■	■		
Philippines	2	■	■	■	■		■	■		■	■			■			
Thailand	1	■		■	■	■	■	■		■	■	■	■	■	■		
Australia	9	■	■	■	■	■	■		■	■	■	■	■	■	■		
New Zealand	2	■		■						■	■		■	■	■		
South Africa	10	■	■	■	■	■	■	■		■	■		■	■			■
Ivory Coast	1	■		■	■		■	■		■	■	■		■	■	■	■
Ghana	1		■				■	■		■	■			■			
Kenya	1				■		■	■		■	■			■			
Ngwane (Swaziland)	1	■	■	■	■	■	■	■		■	■	■	■	■			
Nigeria	1			■	■		■	■		■	■	■		■	■		
Malagasy Republic	1	■					■	■									
Republic of Senegal	1	■	■	■	■		■	■		■	■	■	■	■	■	■	
Rhodesia	1	■	■		■		■	■		■	■		■				
Tunisia	1	■	■	■	■	■	■	■	■	■	■		■			■	

Countries within the continents shown according to the French alphabetical order.

Source: Nestle *Annual Report*, 1976

EXHIBIT Ia: Unilever's Market-Business Profile

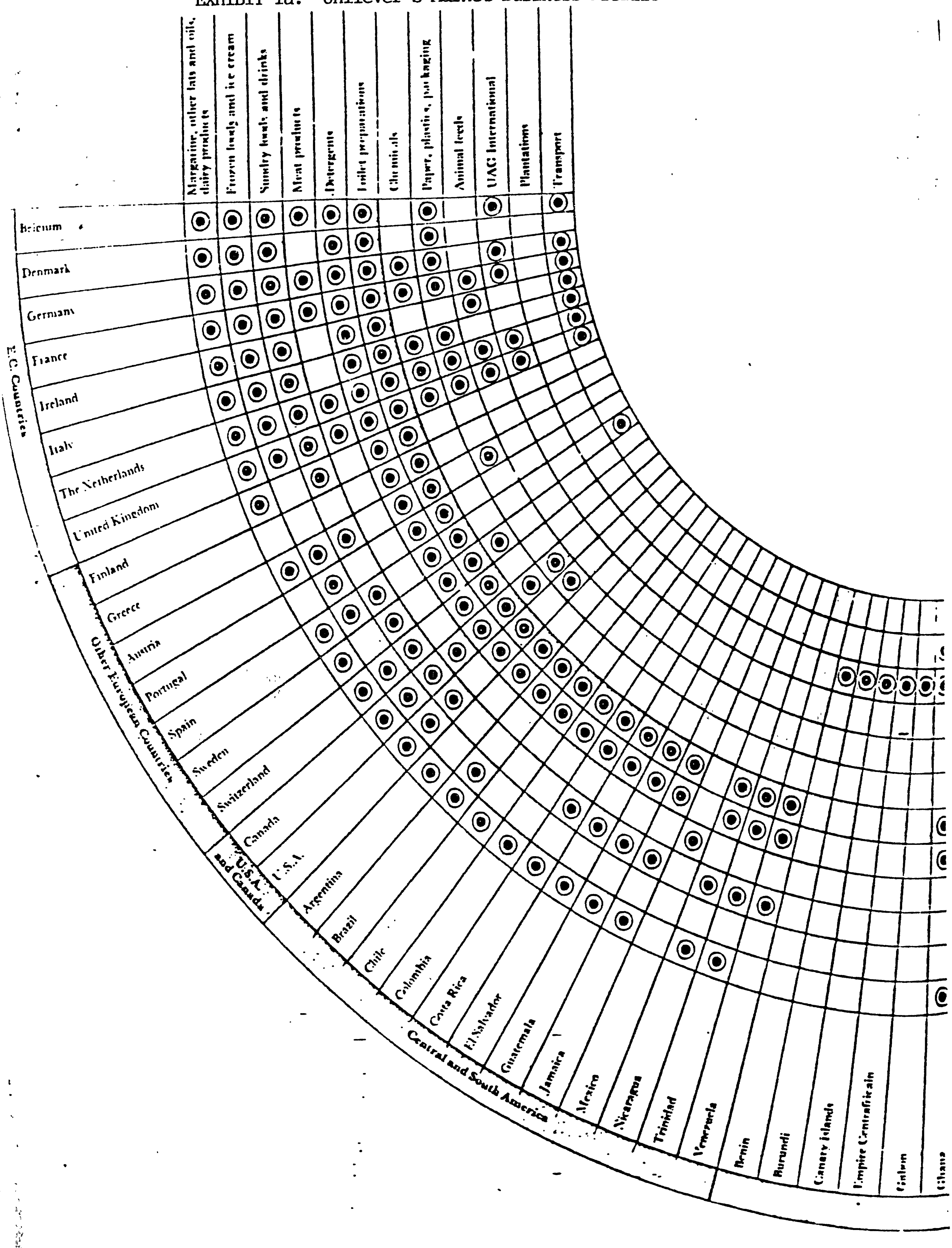
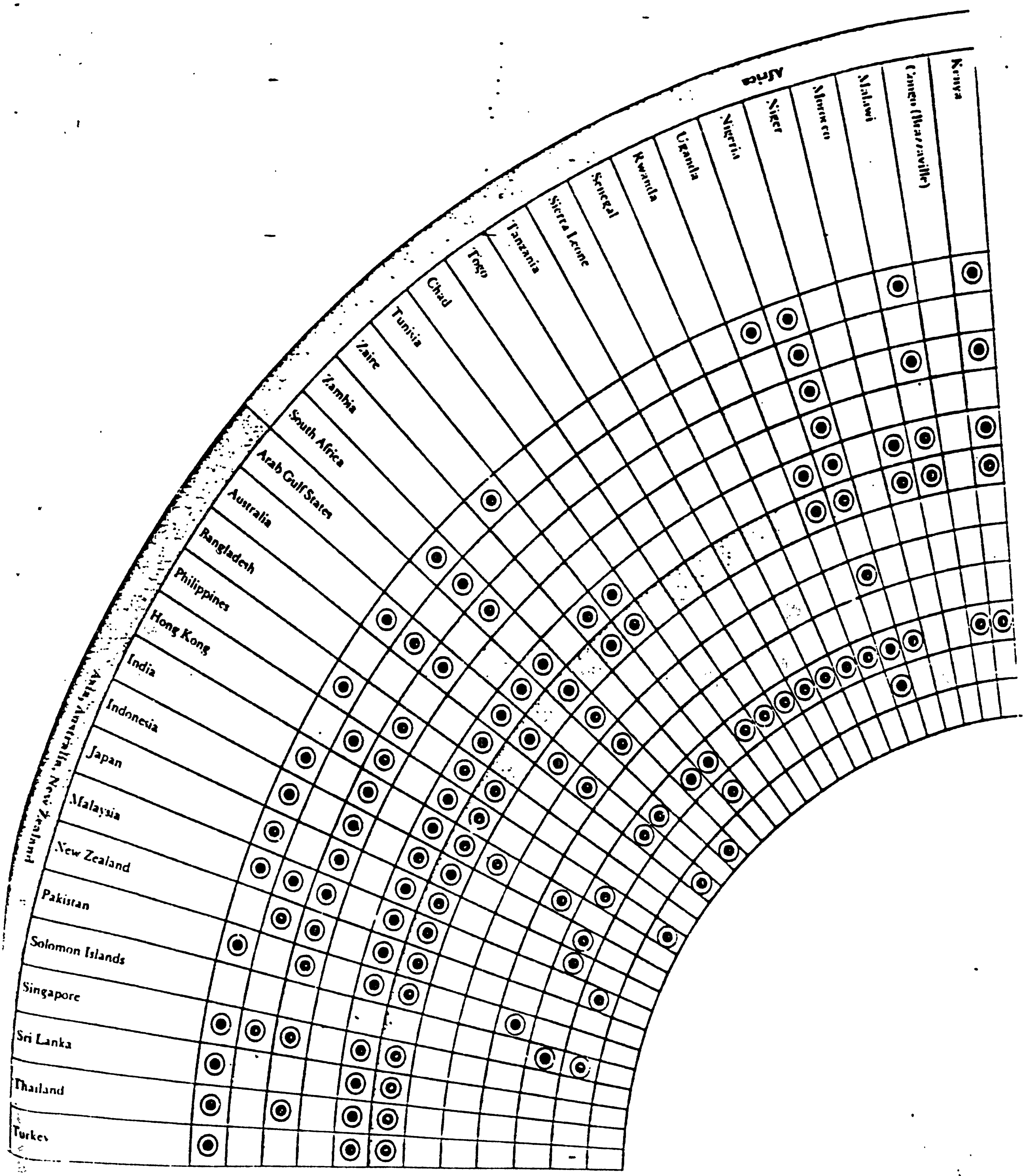


EXHIBIT Ia (cont.)



Source: Unilever <u>Annual Report</u>, 1978

EXHIBIT II: THE GENERALIZED MARKET BUSINESS PROFILE