The Relationship among Internationalization Motivations, Strategic Factors, Entry Modes, Organizational Controls and Operational Performances – A Study of Taiwanese Enterprises in Mainland China

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ABSTRACT

The purpose of this study is to examine the relationship among internationalization motivations, strategic factors, entry modes, organizational controls and performances of Taiwan’s enterprises in process of internationalization. The samples are 426 Taiwan multinational firms which invested in Mainland China with the response rate of 25.12%. In order to obtain competitiveness and profitability, Taiwanese businesses should pay more attention on product factor, cost factor and competitive factor in the foreign countries, and they should establish subsidiaries overseas and utilize the host country’s advantages to develop their business. It is suggested that Taiwanese business should send expatriates to overseas subsidiaries to manage and to carry out parent company’s strategies. It can help to promote the overall operational performances of Taiwanese enterprises.

Keywords: Internationalization Motivations, Strategic Factors, Entry Modes, Organizational controls, Operational Performances

INTRODUCTION

For past decades, Mainland China has adopted close door policy both in economy and politics to the world. In 1979, Mainland China reopened door to perform economic changes and to welcome foreign direct investment (FDI) from the world. According to the Investment Commission in Taiwan, MOEA (2007), the investment in Mainland China from Taiwan has increased from US$15.52 billion to US$76.42 billion between 1990 and 2006. The total amount of investment raised 27.22% compared with year 2005. In the meantime, due to the Taiwan’s environmental protection issues, the difficulty to procure properties, the high-rise of labor cost, the political conflicts, and the economic attraction of Mainland China, many Taiwanese enterprises decided to invest in Mainland China to expand their markets and to create more profits. The major investment targets were information, computers, electronics parts, and electronics related industry.

It is the intention of the study to know what the basic motivation for Taiwan business to invest in an unfamiliar foreign market. In addition, the aim of the study is to explore how Taiwanese companies apply their domestic marketing experiences to foreign markets, and how they analyze different overseas environments, and how they choose overseas markets. The purpose of the study also wants to understand how Taiwanese companies utilize resources in different nations and in different areas, and how they modify industrial structure to fit the environment and to promote operational performances.

After reviewing previous researches, the study found that many of researchers studied on entry modes and operational performances but only few discussed operational performances of Taiwanese enterprises, let alone, the discussion of the association among their strategic factors, organizational controls and operational performances overseas. Therefore, the study aims to explore the relationship among internationalization motivations, strategic factors, entry modes, organizational controls and operational performances. The research questions are as follows: (1) what is the influence of internationalization motivations on entry modes and operational performances? (2) what is the influence of strategic factors on entry modes and operational performances? and (3) what is the influence of organizational controls on entry modes and operational performances?
LITERATURE REVIEW

Internationalization Motivations

In general, internationalization refers to the business activities operate in more than two nations, and the business is called multinational, transnational, or international enterprises. Hitt, Hoskisson, & Kim (1997) indicated that internationalization refers to “bringing new foreign operations within the boundaries of a firm rather than using arm’s length market transactions” and it is a type of international diversification strategies which means that a firm expands across the boarders of global regions and countries into different geographic locations, or markets (p.767).

According to the Investment Commission in Taiwan, MOEA (2007), Mainland China and Hong Kong become the largest trade partners, and the exporting amount accounts for 27.15% of Taiwan total export amount in 2006. Mainland China becomes the most popular overseas investment territory for Taiwanese businesses. Yip (1989) suggested that there are four drivers to push businesses to be internationalized: (1) market drivers, (2) cost drivers, (3) government drivers and (4) competitive drivers. Market drivers refer that firms have homogeneous customer needs and/or have advantages in international marketing plans. Cost drivers refer that the due to firms have to find different approaches to reduce their pressure of production costs. Government drivers refer that firms use standardization product strategies to expand their marketing activities because of the reduction of trade barriers of nations. Competitive drivers refer that firms rearrange their production and marketing activities to different countries to utilize the advantages of the host country or to compete with international competitors.

In addition, some studies argued that motivations of Taiwanese businesses to go foreign markets can be either an active or a passive reason. The active reason is to catch opportunities and to exploit advantages, and it can be categorized into eight conditions: acquire resources, cost down, governmental incentives, control new markets, exploit advantages, acquire economies of scale or synergy, avoid risks, and show ambition. On the other hand, the passive reason refers that Taiwanese enterprises are forced by the external environments, and it can be categorized into three conditions: trade barriers, international competitions, parent country business environmental changes of parent country (Czinkota, 1992; Yu, 2000; Peng, 2000).

Strategic Factors

The strategic factors of entering overseas markets of enterprises can be very complicated. Some are related to material resources protection, cost reduction, market expansion, and product properties. Some are related to maintain market shares, exploit own special assets such as patents, trademark, know-how, and to avoid risks (Wu, 1994). In addition, Yu (2000) indicated that enterprises’ entrance international markets can be classified two factors: external factors and internal factors. External factors refer to (1) market factors: market scale and competition structure of the host country, (2) environment factors: cultural difference, geographic location, and trade balance of the host country, (3) production factors: quality, cost, energy, and infrastructure, and (4) competition and investment environment of the parent country. Internal factors refer to (1) products: product differentiation, service, and technology intensity of a firm, (2) input resources: availability of resources and willingness of input resources of a firm, (3) global strategy: to promote the overall strategy and to confine the movement of the competitors, a firm can either perform foreign direct investment or can have strategic alliance.

When businesses enter the complex global markets, they should scan opportunities and threats continuously. Then, they can make strategies in accord with their strengths and weaknesses to maintain the best performances and competitiveness. Lin (1986) also identified that the fundamental difference of international enterprises and domestic enterprises lies in environmental factors. When enterprises move across domestic borders to do businesses, the environmental factors become instable. Moreover, Taiwanese enterprises do have advantages of environmental factors like Barney’s founding (1991) that if enterprises can obtain valuable, inimitable, unique and scarce, and irreplaceable resources in the market, they can have better competitive advantages both in domestic and foreign markets.

Entry Modes

The choice of the foreign market entry mode is an important element to Taiwanese business. They should evaluate their own strengths and weaknesses and cooperate with the international environment trends to enter overseas markets.
The foreign market entry modes can be contractual transfer, partnership, and sole proprietorship (Anderson, 1997; Kumar & Subramaniam, 1997). Fang (1999) also identified that entry modes can adopt a wholly owned business or merge, limited partnership, or exporting goods.

When the majority of Taiwanese businesses run their international marketing in the beginning, they adopt exporting or licensing mode. Then, they will choose other entry modes when businesses become stronger. In general, the internationalization development are from the lowest involvement to the highest involvement in the foreign market no matter what the amount of investment capital, what kind of ownership, or what degree of the decision making in an enterprise.

**Organizational Controls**

The management of multinational enterprises became more complex with the increase of involvement in international businesses and investments. The purpose of control is to make overseas subsidiaries to obey organizational policies to achieve organizational objectives. Whether enterprises’ headquarters have good control and coordination plans to integrate foreign subsidiaries to execute strategies is a major factor to affect organizational efficiency (Doz & Prahalad 1984). Martinez and Jarillo (1989) also indicated that the complexity and importance of control and coordination are much higher in the multinational corporations (MNCs).

Control refers to a mechanism that MNCs’ headquarters apply power, authority, bureaucratic and informal mechanisms to manage and to coordinate different foreign subsidiaries’ activities in order to achieve the expected companies’ objectives (Martinez & Jarillo, 1989; Gencturk & Aulakh, 1995; Geringer & Hebert, 1989). The different control mechanisms are described as follows:

Bureaucratic control means that supervisors and subordinates contact with each other often to achieve control. In other words, headquarters will dispatch reliable supervisors to oversee the actions and to control the decisions of the subordinates through regular rules and procedures (Hill, 1997; Hamilton, Taylor & Kashlak, 1996; Hamilton & Kashlak, 1999; Tseng, 1996; Jaw, 1994; Yu, 2000).

Cultural control means that parent companies build organizational culture and ethics to promote mutual values, behavioral codes, and objectives among all members; or parent companies can assign some reliable middle or top managers in subsidiaries to socialize the new employees with organizational culture (Hamilton, Taylor & Kashlak, 1996; Hill, 1997; Hamilton & Kashlak, 1999; Jaw, 1994; Tseng, 1996; Yu, 2000).

Training and development control means that supervisors undertake responsibilities to provide practical training programs, to set up most effective recruitment procedures, and to involve in employees’ skill development; in the meantime, supervisors will advise the job applicants about the training programs and development plans which want them to become the best employees (Snell, 1992; Jaw, 1994; Hamilton, Taylor & Kashlak, 1996; Tseng, 1996; Hamilton & Kashlak, 1999; Yu, 2000).

Output control means that supervisors set up standardized operational procedures written in a rule book which acts as a behavioral standard of employees or parent companies and subsidiaries can set up some objective standards such profit rate, productivity, growth rate, and quality and evaluate subsidiaries' performances on basis of the objective standards (Tseng, 1996; Jaw, 1994; Yu, 2000; Hamilton, Taylor & Kashlak, 1996; Hamilton & Kashlak, 1999; Hill, 1997).

**Operational Performances**

The objectives of activities and strategies of business are to promote the overall organizational performances. The relationship between strategies and performances is important research topics in the strategic management because the core of strategies is to improve performances (Venkatraman & Ramanujam, 1986). Performance evaluations mean that organizations utilize any kind of index and measurement to evaluate the relative degree of missions, goals, objectives accomplishment (Duquette & Stowe, 1993).

The evaluation of operational performances of businesses is an important managerial procedure as a whole. A good or bad performance represents whether organizations use the resources effectiveness and whether organizations achieve objectives. Performances evaluation can be acted as an audit and check function and provide information to
businesses for future operational adjustment references. Performances evaluation can help individuals to understand organizations, and it has its retrospective meaning and proactive influence to lead the future resource arrangements and the direction of making strategies (Chen, 1998).

Due to the difference of investment environments, input resources, Strategic objectives and control mechanisms in the global markets, the performance evaluations are more important and complex to the MNCs (Lin, 2004). Further, Choi & Mueller (1992) indicated that financial and non-financial performances are two important indices when enterprises execute performance evaluations. Moreover, Wu (1996) constructed four dimensions to evaluate the organizational overall performances: (1) non-financial performances include business image, brand awareness, business information, and target achievement percentage, (2) productivity consists of employees’ productivity, capacity utilization, and product defective rate, (3) profitability comprises return on investment and return on assets, and (4) growth rates include market growth rate and sales growth rate.

**RESEARCH METHODOLOGY**

**Research Model**

This study examines the main effects of international motivations and strategic factors on entry modes and operational performances and discusses the moderating effects of organizational controls on entry modes and operational performances. The research model is as shown on Figure 1.

**Research Hypotheses**

When firms’ internationalization motivations are to control materials and technologies and to pursue the global differentiations and economies of scale, they have more intentions to enter international markets with sole proprietorship. On the other hand, when firms have more products in the mature period of product life cycle and take host nations as the target markets, firms have more intentions to enter international markets with joint ventures (Wu, 1994, Lee, 2000b). Kim and Hwang (1992) found the more motivations for firms to enter foreign markets, the more intentions for them to adopt high-control modes (i.e. wholly-owned subsidiary) in the international markets. The study proposes:

H1: International motivations have a significant effect on entry modes.

When firms encounter the threats from globalization, they will decide to expand their overseas markets. Firms can acquire new products and production innovations and new technologies, and they can also benefit from entering foreign markets to promote their competitiveness (Cavusgil & Zou, 1994; Kotha & Nair, 1995). In a study of Taiwanese companies in Mainland China, Lin (2004) found that the stronger the strategic motivations they have, the better operational performances they are. The findings pinpointed that no matter what motivations to enter foreign markets are, they can help companies to deploy global specialization by utilizing the comparative advantages of different countries, and improve their operational performances. The study proposes:

H2: International motivations have a significant effect on operational performances.
The associations of external factors and market entry strategies of firms can be described as the more host nations’ market competitions are, the lower control modes (i.e. export or low investment or small shareholders) of firms adopt. In addition, the higher market demand, the larger the market scale, and the more complete of infrastructure in host nations, the more intentions of firms to adopt high-control entry modes (Chang, 2000; Lee, 2000b). Agarwal and Ramaswami (1992) applied Dunning’s “Electic Theory” to test the relationship between advantages and entry modes. They found that the larger scale of firms, the more intentions of them to adopt the wholly owned companies to enter foreign markets. They also found that when firms have the ability to develop product differentiations, they will adopt high-control modes because they are afraid of competitors’ imitation. The study proposes:

H3: Strategic factors have a significant effect on entry modes.

Knight (2000), Kotha and Nair (1995) argued that the large economic scales, the uncertainty from internationalization, the liberalization of trades, and imminent opportunities to enter international markets will influence operational performances. Chiao, Yu, and Lin (2001) suggested that the ability of product differentiations has a positive influence on Taiwanese businesses performances. Cavusgil and Zou (1994) concluded that products, advertisings, distribution channels, and price competitiveness are positive influence on overseas subsidiaries’ performances. The study proposed:

H4: Strategic factors have a significant effect on operational performances.

No matter what type of entry modes which firms use, the ultimate purposes are to promote overall organizational performances, and achieve organizational goals. The choice of overseas market entry modes is the first and important issues of firms because the decisions will greatly affect operational performances of firms in the future (Chowdhary, 1992; Lee, 2000a). Ko (1993) argued that the purposes of firms to adopt high-control modes and wholly-owned subsidiaries are to increase sales revenue, to reduce cost, and to promote profit. Moreover, based on the transaction cost analysis, Anderson and Gatignon (1986), and Hsu (2001) pointed out that if high-control modes accompany with certain conditions such as transaction-specific assets, external uncertainty, internal uncertainty, and free-riding potential can make better organizational performances. Woodcock, Beamish, and Makino (1994) employed the contingency characteristics of resource requirements and organizational control researches. They found that different entry modes had different performances, and innovative businesses with wholly ownership performed better than merged businesses.

Based on the literature reviews on above, the relationship between operational performances and entry modes has no final conclusion. The study infers that the relationship between entry modes and operational performances will interact with each other when firms employ different entry modes under organizational controls. The study proposes:

H5: Entry modes have no significant effects on operational performances.
H6: Organizational controls are a moderator of entry modes and operational performances.

**Research Design**

The study conceptualizes the relationship among internationalization motivations, strategic factors, entry modes, organizational controls and operational performances as shown in Figure 1. The study measures questionnaires by adopting 5-point Likert scale “1-very disagree /5-very agree”, and the number of samples were 426 companies which was selected in odd number from 851 companies from “Listed and Over-the-Counter Taiwanese Enterprises in Mainland China 2007, 1st Quarter” by the Taiwan Market Observation Post System. Questionnaires were sent to Human resource department of each company and consigned to the general manager or supervisors who are very familiar with business operations in Mainland China. The number of sample collections was 110 in total from 15th of August 2007 to 30th of September 2008. The effective response rate was 25.12% excluding 3 ineffective questionnaires.

**DATA ANALYSES AND RESULTS**

**Factor Analysis and Reliability Analysis**

The study applied principal component analysis with a VARIMAX rotation to verify whether items tapped into their stipulated constructs. If the eigenvalues are greater than 1.0, the factor loading is greater than 0.5, and the cumulative explained variance exceeds 60%, the items will be accepted. As a result, four items were deleted.
Cronbach’s α value is used to measure the internal consistency of each construct. The results show that international motivations are 0.83, strategic factors are 0.80, operational performances are 0.86, and entry modes are 0.63. Except entry modes, all other constructs are greater than 0.7. It indicates that the survey has high internal consistency.

**International motivations and Entry Modes and Operational Performances**

As shown in Table 1, the result shows that international motivations have a significant effect on entry modes (F = 2.490, p<0.05), and competitive force and market force (β = -0.266, p<0.05; β = 0.313, p<0.01) have a significant effect on export. Thus hypothesis H1 is supported. The result is similar with the findings of Kim and Hwang (1992) which concluded that international motivations are one of important factors that influence firms’ international market entry modes.

The results also indicated that international motivations have a significant influence on non-financial performances (F = 3.522, p<0.05), and competitive force (β = 0.227, p<0.01) has a significant influence on non-financial performances. The results partly support hypothesis H2. Lin (2004) indicated whether motivations are active pull or passive push both benefit firms to utilize the comparative advantages of each nation and increase their operational performances.

**Table 1: Regression Analysis of International motivations on Entry Modes and Performances**

<table>
<thead>
<tr>
<th>D.V.</th>
<th>I.V.</th>
<th>Entry Modes</th>
<th>Operational Performances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost Force</td>
<td>Wholly Owned</td>
<td>Export</td>
</tr>
<tr>
<td></td>
<td>-0.156</td>
<td>0.050</td>
<td>0.078</td>
</tr>
<tr>
<td></td>
<td>(0.201)</td>
<td>(0.672)</td>
<td>(0.526)</td>
</tr>
<tr>
<td></td>
<td>Government Force</td>
<td>0.071</td>
<td>0.039</td>
</tr>
<tr>
<td></td>
<td>(0.514)</td>
<td>(0.707)</td>
<td>(0.344)</td>
</tr>
<tr>
<td></td>
<td>Competitive Force</td>
<td>-0.083</td>
<td>-0.266**</td>
</tr>
<tr>
<td></td>
<td>(0.493)</td>
<td>(0.025)</td>
<td>(0.338)</td>
</tr>
<tr>
<td></td>
<td>Market Force</td>
<td>0.126</td>
<td>0.313***</td>
</tr>
<tr>
<td></td>
<td>(0.299)</td>
<td>(0.009)</td>
<td>(0.421)</td>
</tr>
<tr>
<td>R2</td>
<td>0.030</td>
<td>0.093</td>
<td>0.020</td>
</tr>
<tr>
<td>F-value</td>
<td>0.748</td>
<td>2.490**</td>
<td>0.503</td>
</tr>
<tr>
<td>Significance</td>
<td>0.561</td>
<td>0.048</td>
<td>0.733</td>
</tr>
</tbody>
</table>

Note: * p<0.10  ** p<0.05  *** p<0.01

**Strategic Factors and Entry Modes and Operational Performances**

As shown in Table 2, product factors (β = -0.205, p<0.10) significantly affect export. The result indicated that hypothesis H3 is supported. Chang (2000) also found the similar results that companies are inclined to adopt export mode if the competition of the host nations is severe.

**Table 2: Regression Analysis of Strategic Factors on Entry Modes and Operational Performances**

<table>
<thead>
<tr>
<th>D.V.</th>
<th>I.V.</th>
<th>Entry Modes</th>
<th>Operational Performances</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Product Factor</td>
<td>Wholly Owned</td>
<td>Export</td>
</tr>
<tr>
<td></td>
<td>0.096</td>
<td>-0.205*</td>
<td>0.088</td>
</tr>
<tr>
<td></td>
<td>(0.426)</td>
<td>(0.087)</td>
<td>(0.466)</td>
</tr>
<tr>
<td></td>
<td>Environment Factor</td>
<td>0.031</td>
<td>0.104</td>
</tr>
<tr>
<td></td>
<td>(0.773)</td>
<td>(0.323)</td>
<td>(0.866)</td>
</tr>
<tr>
<td></td>
<td>Market Factor</td>
<td>0.002</td>
<td>0.087</td>
</tr>
<tr>
<td></td>
<td>(0.989)</td>
<td>(0.458)</td>
<td>(0.364)</td>
</tr>
<tr>
<td></td>
<td>Resource Factor</td>
<td>-0.025</td>
<td>-0.034</td>
</tr>
<tr>
<td></td>
<td>(0.827)</td>
<td>(0.759)</td>
<td>(0.904)</td>
</tr>
<tr>
<td></td>
<td>Production Factor</td>
<td>0.094</td>
<td>0.112</td>
</tr>
<tr>
<td></td>
<td>(0.391)</td>
<td>(0.297)</td>
<td>(0.299)</td>
</tr>
<tr>
<td>R2</td>
<td>0.023</td>
<td>0.055</td>
<td>0.024</td>
</tr>
<tr>
<td>F-value</td>
<td>0.448</td>
<td>1.125</td>
<td>0.462</td>
</tr>
<tr>
<td>Significance</td>
<td>0.814</td>
<td>0.352</td>
<td>0.804</td>
</tr>
</tbody>
</table>

Note: * p<0.10  ** p<0.05  *** p<0.01
Table 3: Regression Analysis of Entry Modes and Organizational Controls on Operational Performances

<table>
<thead>
<tr>
<th>I.V.</th>
<th>D.V.</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Operational Performances</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>financial</td>
<td>Non-financial</td>
<td>financial</td>
<td>Non-financial</td>
</tr>
<tr>
<td>Entry Modes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholly Owned</td>
<td>-0.005 (0.966)</td>
<td>0.001 (0.994)</td>
<td>-0.092 (0.414)</td>
<td>-0.144 (0.172)</td>
</tr>
<tr>
<td>Export</td>
<td>-0.017 (0.876)</td>
<td>-0.071 (0.501)</td>
<td>0.006 (0.955)</td>
<td>-0.072 (0.472)</td>
</tr>
<tr>
<td>Joint Ventures</td>
<td>0.008 (0.940)</td>
<td>-0.092 (0.362)</td>
<td>0.049 (0.629)</td>
<td>-0.015 (0.875)</td>
</tr>
<tr>
<td>Organizational Performances</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product Control</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholly Owned</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wholly Owned*Train Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Wholly owned *Management Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export*Production Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export*Train Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Export*Management Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint Ventures * Production Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint Ventures * Train Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Joint Ventures * Management Control</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>R2</td>
<td>0.000</td>
<td>0.014</td>
<td>0.061</td>
<td>0.182</td>
</tr>
<tr>
<td>F-Value</td>
<td>0.013</td>
<td>0.448</td>
<td>1.033</td>
<td>3.526***</td>
</tr>
<tr>
<td>Significance</td>
<td>0.998</td>
<td>0.719</td>
<td>0.409</td>
<td>0.003</td>
</tr>
</tbody>
</table>

Note: * p<0.10  ** p<0.05  *** p<0.01

The result also shows that strategic factors significantly affect financial performances and non-financial performance (F=2.540, p<0.05; F=3.422, p<0.01) as shown in Table 3. Market factor significantly affects financial performances and non-financial performances (β=0.338, p<0.01; β=0.209, p<0.10), and production factor significantly affects non-financial performances (β=0.224 * p<0.05). Thus, the results indicated that hypothesis H4 is partly supported.

The results are similar with foundlings of Cavusgil and Zou (1994) that product factor, promotion, overseas channels or subsidiaries supports, and price competitiveness are positively related to organizational performances.

**Moderating Test**

The result of regression analysis shows that entry modes are not significantly to operational performances in the first model (see Table 3). When organizational controls is added as a moderator in the second model, the results indicate that management control significantly affects financial performances (β=0.241, P<0.05), and training control also significantly affects non-financial performances (β=0.338, p<0.01). The results of Moderating test of organizational
controls are shown in the third model. The results indicate that when production control is a moderator, the results show that wholly owned ($\beta=2.889, p<0.05$) and export ($\beta=-2.614, p<0.05$) significantly influences on non-financial performances. When training control is a moderator, wholly owned mode has a significant influence on both financial and non-financial performances ($\beta=-3.572, p<0.01; \beta=-2.144, p<0.10$), and export has a significant influence on financial performances ($\beta=2.691, p<0.05$). When management control is a moderator, export has a significant influence on financial performances ($\beta=-2.552, p<0.01$).

As shown in Table 3, the results indicated that entry modes have no significant influence on operational performances. Thus, hypothesis H5 is supported. In addition, the results show that hypothesis H6 is partly supported. It means that some organizational control factors are moderators of entry modes and operational performances. The findings can be supported by the conclusions of Anderson and Gatignon (1986), and Hsu (2001) that overseas market operational performances can be significantly affected if additional factors such as switch costs can be considered on firms’ entry modes. Also, Woodcock, Beamish, and Makino (1994) suggested that “different entry modes have different performance outcomes based upon their resource and organizational control demands (p.253).”

CONCLUSION AND SUGGESTION

The study found that Taiwanese enterprises will adopt export strategy to enter foreign markets when market force and operational cost are the major concern. However, if Taiwanese enterprises want to promote market competitiveness and profits, they should consider product, cost, and competition factors and set up overseas subsidiaries to fully utilize host countries’ advantages.

If Taiwanese firms’ international motivations are to attain potential of Mainland China and increase their global competitiveness, they can try to increase their intangible assets such as business image, brand awareness, and ability of market information acquirement to improve their non-financial performances. Taiwanese firms can utilize intangible performances to increase their business innovation and market information acquirement ability. In the meantime, Taiwanese firms have the advantages such as small cultural difference, large market scale and fast market growth in Mainland China. Therefore, Taiwanese firm can use these advantages to develop markets and promote their operational performances in Mainland China.

Hill and Jones (1995) suggested that the first priority of firms to go international markets is to build a perfect organizational structure to manage the hyper changeable international environments, and the efficiency of the organization needs to match with good strategies and controls (Hill and Jones, 1995). The study found that Taiwanese firms pay much attention to organizational controls in Mainland China, and this will be great helpful to their choice on entry mode decisions and overall operational performances. The study suggested that business headquarters in Taiwan can dispatch personnel to supervise overseas subsidiaries directly. In addition, the subsidiaries’ activities should follow management style of parent companies. Therefore, the communication and interaction between headquarters and subsidiaries can be operated through organizational controls to compensate of management and skill inadequate of overseas subsidiaries and to improve overall business operational performances.

REFERENCES


