St. Petersburg University
Master in Management Program

ENTRY MODES IN FRONTIER MARKETS:
THE CASE OF THE FRENCH RETAIL BANKING INDUSTRY

Master's Thesis by the 2nd year student
Concentration – CEMS Master in Management
Charlotte Baratault
Research advisor:
Olga L. Garanina, Associate Professor

St. Petersburg
2017

Statement about the independent character of the master thesis

I, Charlotte Baratault, second year master student, program «Management», state that my master thesis on the topic “Entry modes in frontier markets: the case of the French Retail banking industry”, which is presented to the Master Office to be submitted to the Official Defence Committee for the public defence, does not contain any elements of plagiarism. All direct borrowings from printed and electronic sources, as well as from master theses, PhD and doctorate theses which were defended earlier, have appropriate references.

I am aware that according to paragraph 9.7.1. of Guidelines for instruction in major curriculum programs of higher and secondary professional education at St. Petersburg University «A master thesis must be completed by each of the degree candidates individually under the supervision of his or her advisor», and according to paragraph 51 of Charter of the Federal State Institution of Higher Education Saint-Petersburg State University «a student can be expelled from St. Petersburg University for submitting of the course or graduation qualification work developed by another person (people)».

(Student’s signature)

28/09/2017

Заявление о самостоятельном характере выполнения выпускной квалификационной работы

Я, Шарлотт Моник Сюзи Барато, студент второго курса магистратуры направления «Менеджмент», заявляю, что в моей магистерской диссертации на тему «Способы выхода на пограничные рынки (на примере французских розничных банков)», представленной в службу обеспечения программ магистратуры для последующей передачи в государственную аттестационную комиссию для публичной защиты, не содержится элементов плагиата. Все прямые заимствования из печатных и электронных источников, а также из защищенных ранее выпускных квалификационных работ, кандидатских и докторских диссертаций имеют соответствующие ссылки.

Мне известно содержание п. 9.7.1 Правил обучения по основным образовательным программам высшего и среднего профессионального образования в СПбГУ о том, что «ВКР выполняется индивидуально каждым студентом под руководством назначенного ему научного руководителя», и п. 51 Устава федерального государственного бюджетного образовательного учреждения высшего образования «Санкт-Петербургский государственный университет» о том, что «студент подлежит отчислению из Санкт-Петербургского университета за представление курсовой или выпускной квалификационной работы, выполненной другим лицом (лицами)».

(Подпись студента)

28/09/2017

Table of Contents

List of Tables

List of Figures

Abstract

Master Student's Name	Charlotte Baratault
Master Thesis Title	Entry modes in frontier markets: the case of the French retail banking industry
Faculty	Graduate School of Management
Main Field of Study	International Management
Year	2017
Academic Advisor's Name	Associate Professor Olga Leonidova Garanina
Description	Purpose: To investigate the favoured entry modes and determinants of French retail banks in frontier markets Methodology: Descriptive statistics and semi-structured interviews Findings: French retail banks entered frontier markets mainly by using minority acquisitions, followed by acquisitions and greenfield investments. The determinants explaining these entry types in frontier markets are cultural distance, historical network, market knowledge, industry transformation and bank size. Limitations: There is no purpose of generalisation, this paper aims at paving the way for further research on entry modes in frontier markets as the literature on frontier markets' entry modes is under investigated.
Keywords	entry modes; frontier markets; emerging markets; banks; retail banks; acquisition; greenfield; market development.

Аннотаци

Автор	Шарлотт Моник Сюзи Барато
Название магистерской диссертации	Способы выхода на пограничные рынки (на примере французских розничных банков)
Факультет	Высшая Школа Менеджмента
Направление подготовки	Международный Менеджмент
Год	2017
Научный руководитель	Доцент Ольга Леонидовна Гаранина
Описание цели, задач и основных результатов	Цель: Исследовать предпочтительные способы выхода французских розничных банков на пограничные рынки и факторы их выбора Методология: описательные статистики и полу-структурированные интервью Результаты: французские розничные банки выходят на пограничные рынки преимущественно через приобретение миноритарной доли, с последующим поглощением и инвестициями гринфилд. К переменным, объясняющим способы выхода на пограничные рынки, относятся: культурное расстояние, исторические связи, знания о рынке, трансформация индустрии и размеры банка. Ограничения: Работа не преследует цели обобщения, основной целью является создание почвы для дальнейшего исследования пограничных рынков, поскольку в имеющейся литературе тема способов выхода на пограничные рынки является недостаточно исследованной.
Ключевые слова	Способы выхода на зарубежные рынки; пограничные рынки; развивающиеся рынки; банки; розничные банки; поглощения; инвестиции гринфилд; расширение рынка.

Introduction

During the last decade, returns for financial services and especially for the banking industry from developed markets have been either zero or negative, which contrasts clearly with the behavioural pattern of emerging markets. Emerging markets are defined as countries which Gross Domestic Product (GDP) per capita is less than US$12,476 and are in the Morgan Stanley Capital International (MSCI) Emerging markets Index list. Graham and Emid (2013) identify that over the identical period, the last decade, emerging markets have returned 13.7 percent annually in US dollars[1]. This delivers the explanation, why investors increased their investments by 200% in those areas. This significantly higher return has been mainly driven by fast GDP growth, young demographics and lower level of governmental and personal debt. Emerging markets are usually divided in two categories: emerging and frontier markets. The first category, emerging markets is described above (it includes Russia and Brazil for example). The second category of emerging countries is frontier markets and is less studied in the literature (to name few: Kazakhstan, Argentina, Morocco). The term has been first mentioned and defined in 1992 by Farida Khambata, an ex-member of the International Financial Corporation's (IFC) Management Group. Frontier markets are usually considered as the "pre-emerging markets" as they seem to follow the development path of emerging markets, but at the same time being still less developed (Marshall, Nguyen, Visaltanachoti 2015). However, frontier markets are still more developed than least-developed countries (e.g Angola, Afghanistan, etc.). In general, frontier markets are considered to be an interesting investment target but have lower market capitalization and liquidity, and higher investment restrictions representing overall higher risks.

Multinational corporations (MNCs) around the world have clearly established themselves in developed markets and are continuously developing themselves in emerging markets. Today, MNCs start to be strongly interested in entering also frontier markets as their stage of development is similar as the one of emerging markets 15 to 20 years ago. MNC furthermore expect that those countries might therefore tend to follow the same economic development as the current emerging countries, according to the literature but also to practitioners. The industry that appears to weight the most in frontier markets indexes today is the banking industry as it represents more than fifty percent. Many of the banks established in frontier markets are not only domestic banks but also foreign ones. The main motivations for banks to internationalize is for either resource or market

[1] Graham, G., Emid, A. (2013). Investing in Frontier Markets: Opportunity, Risk and Role in an Investment Portfolio. Wiley.

seeking purposes. This is mainly why this paper will focus on the banking industry in frontier markets.

But whether it is a bank or any type of MNC that decides to enter a foreign market, the choice of the entry mode is essential to ensure the success of its future operations abroad (Anderson, Gatignon 1986, Hill, Hwang and Kim 1990). This is why it is commonly said that the topic of entry mode's selection is one of the most important strategic choices a firm has to make when aiming for expanding organic and inorganic growth (Mitra and Golder 2002). If a MNC enters a foreign country, it can choose among a large portfolio of entering possibilities that are usually classified as follows: wholly-owned subsidiaries, dominant partnerships, balanced partnerships and minority partnerships. These entry mode categories differ in terms of control, risk and resource commitment. Choosing the appropriate entry mode is a difficult process as, first, many determinants have to be observed and second, once the strategic entry mode has been chosen it is very difficult to change it for a more adapted one.

Overall, the existing literature focuses on the traditional determinants of a MNC's choice of entry mode. However, as the literature review will show, specific determinants of entry modes in frontier markets and especially relevant factors for the banking industry have not been a frequent topic in literature. The existing approach seems to be quite generalized in the literature. Moreover, the issue of entry modes in frontier markets remains under-investigated as it seemed to have attracted less scholar attention. This can be explained as the term "frontier market" is a quite recent one and not broadly used. As there has been too little discussion on strategic decisions made towards frontier markets: this is the gap this paper wants to address in the first place.

As mentioned before, this paper will concentrate on the banking industry and more specifically on the French retail banking industry. The banking industry as being an extremely regulated sector, and the regulation differing from country to country, the home country for banks studied will be the same, which will make it easier to compare the research results and derive relevant factors. French banks are very internationalized and the most resilient in the Eurozone. Moreover, numerous French banks appear among the most internationalized ones. As for the retail banking focus, it also appeared necessary to do this focus as diverse types of banks exist and their objective and internationalization purpose differ. The justification on the focus on French retail banks is more detailed throughout the paper.

The main goal of this paper is therefore, to investigate the favoured entry modes and determinants of French retail banks in frontier markets. The research questions are stated as follow: what are the main entry modes chosen when a French retail bank enters a frontier market? Which determinants are privileged and why? The literature review is presented in section 1. It is composed of three parts: entry modes, frontier markets and the banking industry. These three main parts contributed to the creation of a theoretical framework developed as a conclusion of the literature review. Section 2 discusses the methodology that has been chosen to answer the two research questions. Empirical research results are discussed in section 3 which it is composed of descriptive statistics and of semi-structured interview results.

CHAPTER 1

Literature Review

The literature review of this paper studies three subjects: entry modes, frontier markets and the banking industry. Strategic entry modes are the most widely researched subject in the field of strategic management. Therefore, the first part of this literature review attempts to deliver an overview of entry modes and their determinants. Not only does this literature review bring light to what constitute entry modes, frontier markets and the banking industry but also gather a list of variables taking into account these three themes' main determinants in order to build a stable ground for the research.

1.1 Traditional entry modes

1.1.1 Market development as an instrument

Igor Ansoff's matrix (1957) is, according to the literature, one of the most valuable and classic strategic planning tools providing a framework of the strategic development growth options a company has. This work states that a company has four opportunities in order to grow. The first one is market penetration. It consists of using existing products in existing markets *via* for example price decrease or acquisition of a competitor. The second, market development, exists through selling existing products in new markets like unexplored foreign markets or different customer segment. Product development is another growth opportunity of a company according to Ansoff. It relates to product launching in an existing market through, among others, research and development. The last growth opportunity is through diversification, when new products are introduced in a new market. Although this model faced various critics such as lack of consideration of external factors, it still stays the reference when the literature comes to study market development possibilities of a firm.

This study will focus only on market development, especially entering foreign countries. Dunning (1976) formulates the OLI[2] paradigm[3] stating why (ownership advantages) and how (internationalization advantage) a firm decides to invest abroad and become a multinational corporation (MNC) and where (location advantage) this firm is more probable to invest. This OLI paradigm is composed of four motivations: resource seeking, market seeking, efficiency seeking and

---

[2] O stands for Ownership advantage, L for Location advantage and I for Internationalization advantage

[3] Dunning, J. H. (1976). *Trade, location of economic activity and the MNE: A search for an eclectic approach*. Reading, Eng.: University of Reading, Dept. of Economics.

strategic asset seeking. The first motivation, resource seeking, is usually chosen when the domestic market is saturated or when the host country has resources the domestic one has not. Another motivation, market seeking, is usually done by increasing the firm's market size. Efficiency seeking is the third motivation as with market development comes the increase of the growth rate and greater profits. The last motivation, strategic asset seeking, concerns firms wanting to reduce risks or explore new strategies only possible to develop in other countries. These strategies will be studied into more details in the global strategic motivations part.

To summarize this first part, MNCs have four various opportunities they can use to grow. The one studied in this paper is market development, more precisely unexplored foreign markets development. Investing abroad results of four main motivations: increase of resources, market size, profit and strategic assets.

1.1.2 Types of entry mode

The literature offers multiple entry mode types but this study will focus on categories Anderson and Gatignon (1988) highlight, as it enables to structure all types of entry modes under these clear four categories : (1) wholly-owned subsidiaries, where the MNC holds the full equity, (2) dominant partnerships, where the MNC holds the dominant share of equity meaning more than any other partner, (3) balanced partnerships, where the MNC's share of equity is approximately equal as that of the largest partner and (4) minority partnerships, where the MNC holds less equity than the largest partner. These entry modes types have been first chosen in this paper as they act as categories. Indeed, the number of entry modes is very large[4] and regrouping them depending on the level of equity the MNC holds seemed to be the most appropriate choice. The main difference between these entry modes is the share of equity held by the MNC: for wholly-owned subsidiaries, the MNC holds the entire equity share while for minority acquisition the MNC holds only a minor part of the equity share. These categories also correspond to empirical research objectives on retail bank's entry modes. According to the literature, banks usually do not use non-equity internationalization mode (exporting and contractual agreements), therefore the emphasis of this paper will be put on equity entry modes. Johanson and Vahlne (1977) also mention that if the chosen entry mode has a low-equity level, there is the possibility for the MNC to develop to a more controlled entry mode through the acquisition of a larger stake of the firm.

[4] To name some, license, franchise, indirect export, direct export, sales joint-venture, sales subsidiary, assembly plant, production joint-venture, production subsidiary, Greenfield investment, merger & acquisition, etc.

As mentioned in the introduction, Anderson and Gatignon (1986) also highlight that the impact of entry modes on the success of foreign operations is considerable. Therefore, when a MNC decides to enter a new geographical market, it has to be attentive to several characteristics called determinants (also called variables) in the literature.

Previous studies have reported that entry modes mainly differ from each other in terms of three constructs: control (Contractor and Kundu 1998; Erramilli and Rao 1993), resource commitment and dissemination risk (Hill, Hwang and Kim 1990). Vernon (1983) observes that control refers to higher return but carries also a high price. However, no control is synonym of difficulty. Moreover, control is always mentioned in the entry mode articles as it is the only construct that induces both risk and return. Control generates resource commitment (physical, human and organizational). Harrigan (1981) posits that resource commitment is an exit barrier and therefore limits the strategic flexibility of the company. The higher the risk of an entry mode, the lower the resource commitment should be (Hill, Hwang and Kim 1990). The last construct, dissemination risk, is associated with the technological knowledge of the firm. If a firm has a unique knowledge, it appears logical that it is in its interest to keep it away from the competitors or suppliers. To do so, the higher the dissemination risk, the higher the mode of control. The table below illustrates these constructs and their relationships with entry modes.

Table 1. Relationship between entry modes and constructs. Adapted from Hill, Hwang and Kim

Construct / Entry mode and examples	Control	Resource commitment	Dissemination risk
Minority partnerships *(minority acquisition and non-equity modes)*	Low	Low	High
Balanced partnerships and dominant partnerships *(joint-venture, subsidiary)*	Medium	Medium	Medium
Wholly-owned subsidiary *(Greenfield investments, merger and acquisition)*	High	High	Low

When a MNC plans to enter a new market, it has the possibility to choose over a broad spectrum of entry modes mentioned previously. The research being on the banking industry, this paper focuses on the entry modes that banks chose.

1.1.3 Traditional variables influencing the entry mode choice

To better understand the factors influencing the choice of the foreign entry mode, Hill, Hwang and Kim (1990) classified them into three distinct types of variables: strategic, environmental and transactional. Although this paper gathers all determinants Hill, Hwang and Kim (1990) investigated, every category they mention in their work has been completed with other determinants also mentioned in other research articles in order to make it as complete as possible.

1.1.3.1 Global Strategic variables

Hill, Hwang and Kim (1990) note that global strategic variables are essential in the sense that the MNC will choose an entry mode coherent with its strategic goal of its operations across borders.

1.1.3.1.1 Global concentration

Global concentration is commonly defined as the extent to which a number of firms in a market account for a specific percentage of the market. With the competition between multinational corporations (MNCs) increasing intensively, the overall concentration of MNCs is high and the confrontation due to resulting interdependence too. Kim and Hwang (1992), in another work, demonstrate that a highly concentrated market should lead MNCs to enter it in a highly controlled mode in order to have more control on their subsidiaries' actions and so that these actions will not have any kind of effect on other national subsidiaries.

1.1.3.1.2 Global Strategic motivations

This paper mentioned previously the four main categories of strategic motivations defined by Dunning's paradigm. These categories and sub-categories are usually described in the literature[5] as follows. First, it appears that MNCs seek for profit when they go abroad. They are motivated by the profit they can make outside their home country, where usually market is saturated. It is commonly considered as the main motivation to invest abroad: profit and growth seeking. It allows them to broaden their customer base, sales and revenue.

Second, a MNCs seeks for new market, this is the motivation of competitiveness. This is done *via* the increase the market's share and/or size, and is a motivation that aims to be one of the top companies in its industry.
The third main strategic motivation is when a MNC looks for strategic asset. These assets are needed by an entity in order for it to maintain its ability to achieve future outcomes. This can be illustrated by a motivation of security which is in most cases a risk distribution *via* geographical diversification. The MNCs, operating in various regions, are able to spread the risks. This can also be represented as a motivation of uniqueness or technological advantage, which procure a certain competitive edge. This way, the MNC will dispose of many options throughout the different marketplaces.
The last main strategic motivation is resource seeking. Indeed, motivation of scale effects as expanding size and scope of markets helps to achieve economies of scale[6]. As mentioned previously, risks are spread and therefore, costs are too. In this motivation can be included the spread of R&D costs. If costs in R&D are high, the recovery of such costs will be quick as the marketplace has extended and covers now larger market segments. Moreover, due to unavailability of resources in domestic country or at a better competitive rate, companies look for resources abroad. These resources do not only include materials and services but also employees. Furthermore, the lifestyle of the host country can be beneficial as it may bring new ideas as well as broaden the workforce of the company.
To conclude, when a firm has high strategic motivations, the higher the mode of control.

1.1.3.1.3 Global synergies

Global synergies refer to the research and development (R&D), marketing and manufacturing used, when they are shared or utilized jointly, to leverage core competencies. When the synergy between one business unit and another is great, the influence of the firm is more important. Indeed, it is commonly accepted that global synergies increase profitability through enhanced innovation or a form of cost reduction (Perrakis, Baumol, Panzar, Willig 1982). The literature concludes that when potential synergies between two business units are high, the higher the level of control.

[6] Economies of scale occur when the unit cost of a product declines as production volume increases

Global strategic variables influence greatly the choice in the entry mode. The literature suggests that the higher concentrated the market, the higher the potential synergies between two business units and the higher the strategic motivations of the firm, therefore, the higher the level of control.

1.1.3.2 Environmental variables

Goodnow (1985) and Root (1987) perceive that environmental variables, whether internal (company and product characteristics) or external (the characteristics of the host market), are essential to a MNC considering entering a foreign market. Environmental variables are the most studied category in the literature. Many authors attempted to summarize all the variables in their articles in their work (Goodnow 1985, Agarwal and Ramaswami 1992, Roots 1994, Hatch and Cunliffe 2006).

1.1.3.2.1 Internal factors: the company and its products

The internal factors influencing a MNC's entry abroad are various and concern the company as a whole, its targets, its management's attitude and the characteristics of its products/services. First, the company's general features like size, resources, experience, competitive position and corporate policy are studied. Lambkin (1988) assumes that only large MNCs can overcome the risks associated with entering low potential markets. Moreover, these MNCs have, thanks to their experience, the ability to better understand a new market potential. They can not only spot well opportunities and threats but also shift resources more easily across national boundaries if necessary. Depending on the competitive position of the firm, its entry mode will vary. The stronger actors of a specific industry would tend to privilege higher controlled entry mode as it would ensure their strong competitive position.

As Goodnow states (1985), the entry mode should also be in adequacy with the firm's corporate policy[7]. Therefore, the higher the size, experience and competitive position of the firm, the higher the control of the entry mode.

Second, the literature mentions the company's targets have to be taken into account when internal factors are studied. Depending on the target fixed by the board of the firm, the entry mode will vary.

[7] "Formulated by the firm's board of directors, corporate policy lays down the firm's response to known and knowable situations and circumstances. It also determines the formulation and implementation of strategy, and directs and restricts the plans, decisions, and actions of the firm's officers in achievement of its objectives." What is Corporate Policy? Retrieved July 12, 2016, from http://www.businessdictionary.com/definition/corporate-policy.html

For example, some entry modes will require more time to generate profit, others would be quicker. On a long-term perspective, wholly-owned subsidiaries will be preferred and *vice versa.* The same phenomenon exists for market share targets, depending on the length given to the project.

The overall attitude of a company's management towards risks also greatly influences the entry mode choices. The less risk-averse the management, the more probable it will choose host countries that present more interesting long-term prospects and improve the firm's capabilities. The higher risk-taker the firm is, the higher the control of the entry mode.

The last important internal factor considered is the characteristics and complexity of the product/service of the company. Three features of the product/service are, according to the literature, usually studied: differentiation, product life cycle and customization. Roots[8] (1994) states that differentiated products often come with higher price which allows absorbing unit transportation costs and high import duties while staying competitive in the host country. On the opposite side, a weakly differentiating product, usually competing on a price basis, would only have the possibility to compete through a form of local production. A firm with highly differentiated products will frequently choose highly controlled entry mode. According to the product life cycle theory, a product encounters four stages during its life: introduction, growth, maturity, and decline. The two first stages correspond to the so-called immaturity of the product, on the opposite, the two lasts indicates the product's maturity. An immature product is usually more difficult to duplicate as the knowledge on how to create it is less known. This is why firms with immature products have at their disposal a greater bargaining power with authorities of the host country: firms can ask more easily host governments or local partners for more control. A firm with immature products will privilege highly controlled entry mode.

If a firm proposes products or services that their client can customize then it should consider a highly controlled entry mode. Customization requires not only close cooperation with clients but also a quick and adequate tailored-solution to the client's need. Many departments of the firm have to work jointly in order to offer the best product customisation. A firm offering product customization should consider more highly controlled entry mode.

Therefore, an entry mode privileging greater control is more appropriate for firms having highly differentiated, customized by the user and relatively immature products.

---

[8] Root, F. R. (1994). *Entry Strategies for International Markets.* San Francisco: Jossey-Bass, Inc.

1.1.3.2.1 External factors: foreign market characteristics

External factors are the most studied variable in the literature. External environment is composed of the task environment (Thompson 1967) and the general environment (Hatch and Cunliffe 2006). The first one relates to the part where the company is transacting and competing meaning consumers, suppliers, competitors and distributors. As to general environment, Hatch and Cunliffe (2006) divide it into several sectors: social, cultural, legal, political, economic, technology and physical.

Task environment includes many variables, among them, market potential. Market potential representing mainly size and growth, is according to the existing literature, a decisive variable of overseas investments (Weinstein 1977; Khoury 1987; Agarwal and Ramaswami 1992). The size of the market can be estimated by defining the target customer, the number of target customers and determining the penetration rate of the company. This data enables one to calculate the market volume. Numerous variables of the host country such as GNP per capita, population, inflation, balance of payment trends, etc., are often used to measure the potential opportunities of a market. The higher the country potential, the higher the firm will have the opportunity to develop itself and to grow. Therefore, the higher the host market potential, the higher the commitment of the MNC.

Concerning the demand conditions, the literature states that if a company has difficulty in estimating the demand's level of the host country it should not enter this country with highly controlled entry mode. It should select an entry mode with low resource commitment so that, if the demand is lower than expected, it can leave the country easily. Therefore, the higher the demand uncertainty, the lower the control of the entry mode.

Location familiarity is another external factor of task environment broadly studied. The MNC entering a new market should evaluate the perceived distance between its home country and the host country. Indeed, the literature reports that a country with important difference in culture, business practices and economic system will privilege an entry mode with lower control. On the opposite, if the host country presents various similarities with the home country the level of control will be higher. Therefore, the higher the location familiarity, the higher the level of control.

Another task environment external factor that should be regarded is the competition status in the host country. If the industry, in which the firm competes, has a very low competition intensity and volatility in the country where the firm wants to operate, this firm should consider a highly controlled entry mode. This way, the MNC will be more powerful in terms of pricing decisions, bargaining power, etc. In order to measure the intensity and the volatility of the competition, a firm should know the number of companies operating in the host country, the market share and the marketing and distribution channels of each one. The higher the intensity and the volatility of the competition in the host country, the lower the control of the entry mode.

Although task environment is crucial, general environment has been more studied in the past years. It notably includes economic and political risk. As stated, two main risks should be considered when entering a country: the economic risk, referring to the ability of the host country to pay back its debts, and political risks, indicating whether the political decisions made in the host country could result in an unanticipated loss to investors. Overall should be taken into consideration political instability, economic fluctuations, currency changes, legal restrictiveness, sociocultural distance and investment risk. Several attempts have been made to evaluate country risk gathering all these criteria. Although the work of Goodnow and Hanz (1972) has been a point of reference, it also presents lacunae. The three clusters of country risk theory developed by Goodnow and Hanz (1972) presented data anterior to the 1970s. Moreover, only a small number of countries were studied. The main idea of clustering countries is kept in this literature review but slightly different from Goodnow and Hanz's paper. Very recent data published by Euler-Hermès, provider of trade-related credit insurance solutions, is used in order to benefit from more recent and reliable data. Euler-Hermès ranks 206 countries and territories from AA (the lowest risk level) to D (the highest risk level) as of the first quarter of the year 2016. This company gathered three medium-term risk dimensions to measure risk in the most accurate way. The first one is the macroeconomic rating evaluating the stability of the banking system, the structure of the economy, the monetary policy. The second one is structural Business Environment Rating measuring the regulatory and legal framework, ease of doing business and corruption level. The last one is the Political Risk Rating based, among others, on the independence of institutions, social cohesions. The following table gathers the number of country per cluster type (from low-level risk to high-level risk):

Table 2. Country risk clusters. Clustered according to Euler Hermès data (2017)

Country grade (Medium-term rating)	Number of country
AA	35
A	33
BB	25
B	27
C	44
D	77

The detailed list of country per cluster can be found in appendix 1. When a MNC enters a country with very-high risk, the exit barrier should be lighter than in a low-risk country in order to be able to leave the country if any perturbing event happens. Therefore, the higher the country risk, the lower the commitment of the company. This statement has been made by Hwang and Kim in 1992. When a firm considers manufacturing its product in the host country, it should ponder several productive agents such as quality, quantity, cost of raw materials and labour, energy. The higher the production opportunities in the host country, the higher the highly controlled entry mode a firm should choose. Internal and external environmental variables have a strong impact on the entry mode choice. The literature points out that the higher the size, experience, competitive position of the firm, the longer-term perspective the firm has, the higher risk-taker the firm is, the higher the products of the MNCs are differentiated, customizable and immature, the higher the host market potential, the lower the demand uncertainty, the higher the location familiarity, the lower the country risk, the lower the intensity and the volatility of the competition in the host country, therefore, the higher the level of control of the entry mode the MNC should choose.

1.1.4 Transaction-specific variables

Transaction specific variables relate to the risk of dissipation of a firm's know-how through opportunistic behaviour. The greater the propensity of a partner to act opportunistically, the more likely it is that a high control mode will be favoured. Although this concept has been evoked multiple times, no evolution in the literature has been noticed since Kim and Hwang work in 1992.

1.1.4.1 Value of firm-specific know-how

Value of the firm-specific know-how is defined as the knowledge that is proper to a firm (Kim and Hwang, 1992). Know-how can be confidential if its inventions are not patented, or if formulas, designs and drawings, procedures and methods are kept away from competitors or customers. A firm with highly specific know-how investing abroad should consider a highly controlled entry mode in order not to lose its specific knowledge.

1.1.4.2 Tacit nature of know-how

Tacit nature of know-how of the firm refers to capital goods, equipment and blueprints, as they represent knowledge not materialized in physical goods (Kim and Hwang, 1992). In order to compete in a host country, the operating firm should possess superior assets and skills to face more

easily costs. Many resources are needed to enter a country to cover for example costs of marketing, patents or contracts. Not only do large MNCs can overcome the risks associated with entering low potential markets but also their size reflects their ability to absorb the costs mentioned above (Kimura 1989). When the knowledge transferred is tacit, it means that it is hard to codify and patent. Tacit know-how makes the understanding of skills and knowledge involved difficult as well as transferring skills and valuing approximately the price of the product. On the opposite, as company with explicit know-how is easy to copy. As tacit knowledge cannot be properly formalized in contracts it gives firms an incentive to use highly controlled entry mode.
Therefore, a company with high tacit know-how will favour highly controlled entry modes.

Transaction-specific variables are, among strategic and environmental variables, an essential feature of the choice of the entry mode. The literature demonstrates that, the higher the specific know-how of a company, the higher the tacit know-how of a firm, the higher controlled the entry mode.

The following table aims at summarizing the determinants cited before in terms of control level. As mentioned previously, control generates not only resource commitment but also risk.

Table 3. Traditional determinants' summary in terms of control. Summary of literature described previously (2016)

<table>
<tr><td rowspan="13">The higher…</td><td>the market concentration</td><td rowspan="13">...the higher the level of control.</td></tr>
<tr><td>the strategic motivations</td></tr>
<tr><td>the potential synergies between business units</td></tr>
<tr><td>the company size</td></tr>
<tr><td>the company experience</td></tr>
<tr><td>the competitive position</td></tr>
<tr><td>the long-term perspective the firm has</td></tr>
<tr><td>risk-taker the firm is</td></tr>
<tr><td>the products are differentiated</td></tr>
<tr><td>the products are customizable</td></tr>
<tr><td>the products are immature</td></tr>
<tr><td>the host market potential</td></tr>
<tr><td>the location familiarity</td></tr>
</table>

	the specific know-how of the firm	
	the tacit know-how of the firm	
The lower…	the country risk	
	the demand uncertainty	
	the intensity and volatility of the competition in the host country	

The first part of this literature review aims at giving a broad understanding of most of the features that should be taken into account when a MNC from any industry type considers growing by using market development, more specifically foreign market entry. A MNC should study its strategic motivations, the internal and external environment and transaction-specifics to choose between the existing entry modes.

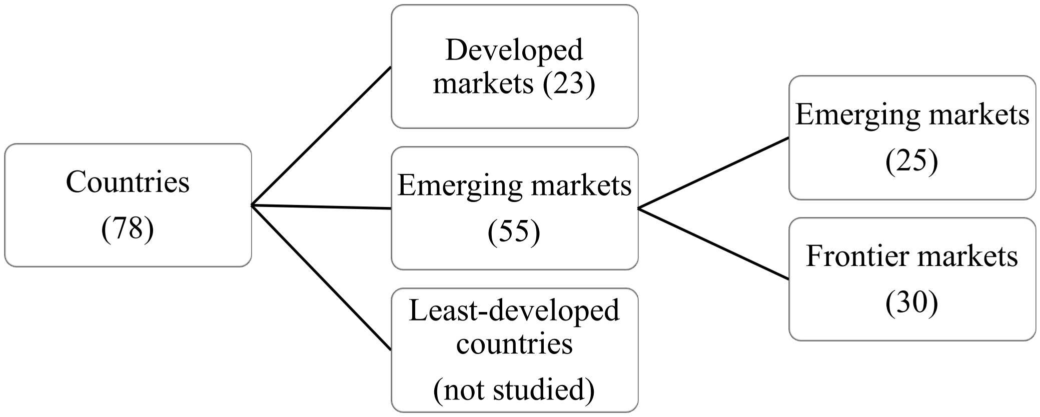
The second part of this literature examines emerging countries today and the variables needed to be studied when a MNC intends to enter it.

1.2 Entry modes in emerging markets

1.2.1 Emerging markets, composed of emerging markets and frontier markets

As stated previously in the introduction, the literature distinguishes mainly three main types of markets: developed, emerging markets and least-developed markets. However, it is difficult to find a single commonly accepted definition of emerging markets. The broadest definition of an emerging market is the following, given by MSCI Market Classification Network: a country that has some characteristics of a developed market, but does not meet the standards to be a developed market. Not only the definitions are plural, but also the term “emerging market” itself is controversial. Emerging markets are sometimes mentioned as developing economies or growing economies. For more homogeneity, this research will only address the terminology “emerging market”. Under emerging markets are included various denomination types varying with the institution classifying them (World Bank, IMF, UNDP, MSCI, Dow Jones, etc.) according to different criteria. Moreover, country classification under all these criteria has quite a high degree of overlapping (Burgess and Steenkamp 2006). Like many previous studies (Berger, Pukthuanthong, Yang 2011; Marshall, Nguyen, Visaltanachoti 2015), this paper will only focus on the MSCI (Morgan Stanley Capital International) classification which gives the following information:

Figure 1. MSCI Market classification (update 2017)



The countries are classified according specific criteria of measurement including, naming few, size of the market, growth, liquidity, financial leverage and momentum (the speed at which the asset's price is changing). Are taken into account only emerging markets which satisfy the relevant criteria according to four variables: amount of youth population, enrolment in secondary school, agricultural employment and amount of rural population. In this report, emerging countries are separated in two categories: emerging[9] and frontier markets[10]. Only countries having favourable demographics, education and employment patterns, according to criteria mentioned above, are studied by MSCI's report. This explains the overall number of countries studied, 78. The table below, from MSCI methodology report, displays the requirements classifying the countries into these three categories.

[9] According to MSCI Indexes, as of July 31, 2017, are included in the emerging country list: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, South Korea, Saudi Arabia, Taiwan, Thailand, Turkey, United Arab Emirates.

[10] According to MSCI Indexes, as of July 31, 2017, Are included in the frontier country list: Argentina, Bahrain, Bangladesh, Bosnia Herzegovina, Botswana, Bulgaria, Croatia, Estonia, Ghana, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Lithuania, Mauritius, Morocco, Nigeria, Oman, Pakistan, Panama, Romania, Serbia, Slovenia, Sri Lanka, Trinidad & Tobago, Tunisia, Ukraine, Vietnam, Zimbabwe.

Table 4. MSCI Market Classification Framework (2014)

Criteria \ Category	Frontier	Emerging	Developed
A. Economic development			
A.1. Sustainability of economic development	No requirement	No requirement	Country GNI per capita 25% above the W.Bank high income threshold[11] for 3 consecutive years
B. Size and liquidity requirements			
B.1. Number of companies meeting the following Standard Index criteria	2	3	5
Company size (full market cap)	USD 630 mm	USD 1260 mm	USD 2519 mm
Security size (float market cap)[12]	USD 49 mm	USD 630 mm	USD 1260 mm
Security liquidity	2.5% ATVR	15% ATVR	20% ATVR
C. Market accessibility criteria			
C.1. Openness to foreign ownership	At least some	Significant	Very high
C.2. Ease of capital inflows/outflows	At least partial	Significant	Very high
C.3. Efficiency of the operational framework	Modest	Good and tested	Very high
C.4. Stability of the institutional framework	Modest	Modest	Very high

[11] High income threshold for 2012: GNI per capita of USD 12,615 (World Bank, Atlas method)
[12] Minimum in use for the May 2014 Semi-Annual Index Review, updated on semi-annual basis by MSCI

To summarize this part, countries can be divided in three categories: developed, emerging and least-developed countries. Emerging markets are, according to MSCI report, divided in emerging and frontier markets. Although various country classifications have been done by several institutions, MSCI report is the most used in the literature and therefore serves as main reference point in this report.

1.2.2 Characteristics of emerging markets

The main differences between developed and emerging markets have been largely studied by the literature (Burgess and Steenkamp 2006; Sakarya, Erkman, Hyllegard 2007; Pels and Kidd 2012). The major characteristics of each country type are grouped under three categories, socio-economic, cultural and regulatory, themselves divided into subcategories. Pels and Kidd (2012) report that the first important group of variables, differencing emerging markets from developed ones are socioeconomic variables. One of the socioeconomic variables is dynamism. Indeed, emerging markets are subject to quick social, political and economic change. Their dynamism is noted to be above average economic growth. Developed markets, on the opposite, are subject to moderate changes not leading to specific dynamism characterising emerging markets. Demography is another socioeconomic variable that separates emerging to developed markets. Demographics in emerging countries follow a specific pattern: the population is young, growing quickly. The household size is larger than average and the level of education is moderate to poor. For developed markets, it is the opposite. To conclude on socioeconomic variables, emerging country's population is usually more diverse. The heterogeneity in the population is high in terms of income, access to human development resources, etc. Developed countries are more homogeneous and gaps between layers of population are reduced.

Apart from socioeconomic variables, the literature refers largely to Hofstede's cultural dimensions when it comes to study cultural variables of emerging markets. Sakarya, Erkman and Hyllegard (2007) study these dimensions into details for emerging markets. The first dimension Hofstede mentions is power of distance, illustrating the extent to which the less powerful members of institutions and organizations expect and accept that power is unequally distributed. Emerging countries generally have greater power of distance than developed countries. Strong hierarchical emphasis is present not only in corporations but also in daily life. The second dimension is individualism. Again, a fracture operates here as most emerging countries are more into collectivism than the individualism advocated by most of the developed markets. The third dimension,

masculinity, in opposition with femininity, describes the role distribution between genders. Emerging countries tend to be more masculine.
Concerning uncertainty avoidance, it is one of the dimensions that differs the most from emerging to developed market, according to Hofstede himself. It is commonly defined as a society's tolerance for ambiguity and uncertainty. Emerging countries' uncertainty avoidance appears to be greater than developed countries' one. The last dimension, long-term orientation, shows a society's attachment to present and past in opposition with importance attached to future. Emerging countries appear to show greater importance to long-term orientation.
After socioeconomic and cultural variables, the third important category of variables gathers legislation and infrastructure. One of the variables is legislation power. In emerging markets, there is a moderate reliance on legal rights and investors' rights are lower than in developed countries. Moreover, concerning socio-political institutions status in emerging countries, they tend to have stronger influence on the society than the institutions from developed countries. Another variable, infrastructure, makes a great difference between emerging and developed countries. Indeed, the overall infrastructure in emerging markets is moderate in contrast with developed countries' infrastructure that is on average high developed. It is however important to note that infrastructures in emerging markets are in modernization.

To conclude, this part alludes to the differences characterizing emerging markets when they are compared to developed markets. Socio-economic, cultural and regulatory variables are the three categories making emerging countries different from developed markets and therefore, unique. This demonstrates the possibility for frontier markets to have specific determinants.

1.2.3 Entering emerging markets

1.2.3.1 Advantages and drawbacks

The literature mentions largely advantages and drawbacks of entering emerging markets (Hoskisson 2000). The characteristics studied previously represent impressive advantages for MNCs to invest. In terms of economic advantages, growth potential exists. Markets are not as saturated as in developed markets. Therefore, in these countries can be encountered higher-than-average returns and fewer competitors. This leads to interesting financial advantages. Indeed, Hoskisson (2000) shows that emerging markets have fast growing stocks and bonds, lower consumer and governmental debts, and undervalued currencies. Moreover, as stated previously, demographics in emerging markets are characterized by the low age average (Pels and Kidd 2013). Potential workers are numerous. Plus, resources in emerging markets are moderately exploited as the number of actors is lower than in developed markets. Another great advantage of entering an emerging market is if the MNC entering this country is the only one of its industry. Therefore, the law of first-comer first ruler can somehow be applied. The first-comer has more time to establish relations, serve unmet demand, incur lower costs, hire best candidates, etc. Also, the literature states that the most cited factor for entering an emerging market is diversification as they record low-correlation with developed markets.

However, although emerging countries might represent consequent potential, they also have higher risks than developed ones. They share the same risk types but at a higher level. The principal drawbacks of entering an emerging country are the following. To begin with, financial drawbacks like vulnerable fiscal and monetary policies lead to growth undercut and uncontrolled inflation. Consequently, consumer's purchase power can be easily hurt and country's stability too. This argument can be illustrated by the Russian ruble's impressive decline in 2014. In most cases, the currency is subject to stronger fluctuations leading to greater uncertainty. This uncertainty therefore usually provokes higher volatility of shares and lower liquidity of trade. These high risks lead naturally to important investment costs. Usually, the cost of investing in emerging markets is at least 50% higher than in developed countries. These high risks are also driven by political instability, governments being less stable, coups d'état and internal conflicts are more probable.

Furthermore, emerging markets face underdeveloped regulations resulting in less reliability. Indeed, market regulation, corporate governance, transparency and accounting standards are less present. Plus, in a large part of emerging countries, governments have more influence and therefore, power of decision, in business operations.

Other drawbacks can be found in emerging markets such as market restriction. Some countries like China forbid foreigners to access their market easily. To finish with drawbacks of investing in emerging markets, it is also mentioned that there is a shortage of local skilled labour, as they usually leave for developed markets to seek for a job.

Therefore, MNCs enter emerging markets for two main reasons. The first one relates to globally low-cost factors. The second reason corresponds more to the market itself seen as an opportunity. Indeed, growth rate is higher than in developed markets, linked to growing demand from a population that consumes more and more.

1.2.3.2 Specific determinants and privileged entry mode types in emerging markets

Several studies address specifically the peculiarity of variables taken into account when a MNC considers entering an EM. Sakarya, Eckman and Hyllegard (2006) argue that traditional variables considered for market selection are usually relying only on political and macroeconomic factors. Cavusgil (1997) developed an index answering the need of a specific market potential study. It is composed of various variables reflecting market attractiveness from developed countries point of view. This index is often updated and available on Internet[13].

Arnold and Quelch (1998) state that traditional analyses have shortcomings, leading to ignorance of the long-term potential of emerging markets. Indeed, these analyses appear to give only a snapshot of the status of a country and do not reflect probable evolution. To overcome this issue, these two authors suggest that companies should assess market potential by making more profit forecasts. In order to do this, Arnold and Quelch (1998) created a model that prioritize largely market potential at the expense of country risk, giving a more appropriate idea of emerging markets' potential. Sakarya, Eckman and Hyllegard's (2006) more recent literature assesses not only long-term market potential but also cultural distance between the host and home country as a partial measure, which is something that has not been done before. They also report that usually cultural distance is never studied carefully and relates more to prejudices. These authors also state that the competitive strength of an industry is not homogenous in EM regarding factor and demand conditions. Sakarya, Ekman and Hyllegard's (2006) approach also posits that customer receptiveness to the product/service of the industry and their home country should be taken into consideration. Customer receptiveness has never been considered in the traditional approach although it may considerably help companies understanding their potential clients. As they state in their paper, if customer receptiveness is to be measured, country risk and perceived distance should be neutralized in the measurement. According to them, it would provide a better market assessment. Their study is a complement to previous studies and traditional ones and these four factors should not be studied alone. Pels and Kidd (2012) mention that physical infrastructure is the third category of external factors that should be studied along with task environment and general environment. Physical infrastructure refers to roads, logistics, transportation, electricity, running water, etc. These infrastructures are from low to moderate state in emerging countries and their conditions might severely affect entering MNC.

[13] Retrieved from http://globaledge.msu.edu/mpi/2016, September 15th 2016

Concerning entry modes themselves, few papers relate to tendencies of entry mode choice in emerging market. This might be because entry modes differ from one industry to another, even from a product/service to another, as seen in the first part of this paper. However, one tendency has been noted. Demirbag, Tatoglu, Glaister (2008) mention the choice of entry mode greatly evolved in emerging market from 1987 to 2001. First, their number rises consequently and second, in opposition with developed markets, MNCs tend to privilege Greenfield investment compared to mergers and acquisitions (M&A). This can be explained by the late improvements of the investment environment in emerging countries and the greater flexibility, in terms of equity ownership of MNCs introduced by emerging host governments during the 1990s.

Entry modes' determinants in emerging markets have some specificities differing slightly with traditional determinants studied in part one. Most of the determinants have been studied in the traditional approach of entry mode, however, there is a clear emphasis put on several ones which are long-term market potential, customer receptiveness, competitive strength of the industry in the host country, cultural distance and physical infrastructure.

Table 5. Emerging markets specific determinants' summary in terms of control. Summary of various literature mentioned previously (2016)

<table>
<tr><td rowspan="3">The higher the…</td><td>Host country's customer's receptiveness</td><td rowspan="4">...the higher the level of control.</td></tr>
<tr><td>Physical infrastructure</td></tr>
<tr><td>Host market potential</td></tr>
<tr><td>The lower the…</td><td>Cultural distance</td></tr>
</table>

1.2.4 Frontier markets

As mentioned previously, emerging markets are composed of emerging and frontier markets. Although the investment community pays a great attention to frontier markets, a poor number of researches study them (Berger, Pukthuanthong, Yang 2011). This explains why most of the information gathered in this literature review concerning frontier markets mainly concerns only financial information. Although frontier markets provide diversification benefits for international investors (Marshall, Nguyen, Visaltanachoti 2013), they are not stable and developed enough to be considered as an emerging market. The table page 18 gives an overview of financial requirements necessary to be considered as a frontier market. Among frontier markets can be found for example Argentina, Morocco and Kazakhstan.

MSCI reports that frontier markets appear to have the same characteristics as emerging markets 20 years ago. For example, they have high economic growth potential, low correlation with other equity markets and are under-owned and under-researched by international institutional investors, like emerging markets were in the late 80s and early 90s. However, no paper states that they are absolutely the same and they can not be considered as one homogenous block. Indeed, some frontier markets countries, especially in the Middle East and Eastern Europe, have already achieved high levels of economic development, as measured by GDP per capita, while others are still at early stages of development. These frontier countries have been subject to a growing interest from the investment side. According to Thompson Reuters data[14], in 2014, frontier markets issued \$19.7 billion in hard-currency debt which represents nearly an 50% increase from the previous years and almost three times the level of 2012. A very important point raised by MSCI report is the equity performance from 2010 to 2015 in emerging and frontier markets. In April 2013, for the first time, frontier market equity performance overcame the one of emerging markets. Moreover, investors noticed improved macroeconomic policy management, restructuring of their core business sector (power, fuel, etc.) attracting not only portfolio investments but also long-term foreign direct investments. Governments are pursuing policies of liberalization and reform, leading to the increase of, among others, trade agreements. These improvements are not only economical. Like emerging markets, young populations are growing rapidly, average income grows and urbanization process begins to take place.

Although frontier markets seem to represent new diversifying opportunities, they also bring a myriad of higher risks than developed or emerging markets. These risks are divided in three main categories: socio-political, investment and liquidity.

Socio-political risks appear to be the more cited in the literature. Indeed, frontier markets are generally geographically not far from countries in crisis. For example, Turkey economically threatened by the Syrian conflict. Although less frontier markets have military government as of July 2016, still, democratic system is not spread and some countries appear not to be stable enough. Moreover, corruption is still steadily present in frontier markets (Heller 2011): information transparency is rarely fully available to investors. Investors may face a broad range of geopolitical turmoil. This is what happened for example for Argentina's default and the Arab Spring. In terms of

[14] Strohecker, K. (2015, January 8). Investors turn more cautious on "Frontier" debt. Retrieved July 11, 2016, from http://www.reuters.com/article/emerging-debt-frontier-idUSL6N0UK1Y020150108

investment risks related to the hazards usually connected to the shares of a firm, management quality, its relationships with customers and unions, the existing entry barriers, seem to be the preeminent factors. The currency risk should also be considered as a financial risk as most frontier markets' currencies are very volatile. The last large category of risks in frontier market is liquidity risk which refers to the ease, speed, and complexity incurred in transactions. Most frontier markets have a very low liquidity leading to difficulty to buy or sell large amount of equities in a fast way.

All in all, although there are clearly very high risks in entering a frontier market, MNCs began to enter frontier markets some years ago. High yields in non-saturated markets attract inevitably more and more companies: World Investment Report 2016[15] estimates the growth of FDI inward stocks, among the twenty-seven frontier markets listed previously, of 82% between 2000 and 2015.

However, there is no certainty that frontier markets today present exactly the same features as emerging countries before. So far, the only literature mentioning frontier markets mainly concerns financial investments entry modes in frontier markets seem to be under investigated. It can be assumed that frontier, belonging to emerging markets category, present exactly the same determinants, but nothing proves or denies it. The question that rises inevitably is what are the determinants playing a major role in entry modes in frontier markets? This paper intends to begin to address this gap.

As entry modes differ from industry to industry, from product to product and other internal environmental characteristics stated in part one, the empirical part of this paper will study only one industry. As no work has been found on this matter, this paper will be an attempt to understand MNCs' first steps in frontier markets.

1.3 Banks entry modes

This paper focuses on the banking industry as today, banking sector represents the backbone of modern business and as the development of any country mainly depends upon its banking system. Oxford Dictionary defines a bank as "an establishment for custody of money, which it pays out on customer's order". Moreover, according to Investopedia, the sector that accounts for more than fifty

[15] United Nations Conference on Trade and Development (UNCTAD). (2016). *World Investment Report 2016. Investors Nationality: Policy Challenges*. Geneva: United Nations Publications.

percent of the frontier market index is by far the banking industry. Being the most important industry in frontier markets makes it the centre of this paper's research.

Although the banking system is known for its strong regulation, there is a trend today of deregulation coupled with technological development like internet banking and ATMs. The most important distinction that sets the banking industry apart from others is the government's considerable involvement in it. Besides setting restrictions on borrowing limits and the amount of deposits that a bank must hold in the vault, the government (mainly the central banks) has a huge influence on a bank's profitability.

There are three main types of foreign banks: retail (also called commercial banks), wholesale (also called investment banks) and central banks. Retail banking involves providing banking services (deposit, payment and credit services for example) to individuals. Some of their services may also included insurance, pension funds, etc. They are usually overseen by the appropriate regulatory authority, but the central bank may still set policy for them. Wholesale banking provide financial services to other financial institutions and corporates, occasionally to countries. One of their key role is to issue securities for a listed company, through IPO or secondary issue, in order to raise capital expansion. They also provide loans to companies that prefer debt as a mean to raise capital. They are regulated by the Central Bank of the country they operate in. A central bank is an institution responsible for supervising the monetary system of a nation or a group of nations. Their usual duties are to issue currency, regulate the money supply and control interest rates.

For more coherence, this paper will focus on only one type of bank: retail banking. Indeed, wholesale, retail and central banks are different from each other and therefore the variables taken into account may differ from one type of bank to another and entry modes may therefore highly differ. Central and wholesale banks are mainly dedicated to companies and governments while retail banking targets individual customers.

1.3.1 Motives for banks to go abroad

Grubel (1977) states that the offer of foreign banks largely depends on the market they are in. When a bank decides to go abroad, one of the main reason is resource-seeking as local resources are critical to the success of oversea operations (Petrou 2009). While going abroad, a multinational bank (MNB) will commit home country resources such as capital and managerial skills. Local image, distribution, market know-how and customer base (therefore, market seeking) are new resources to seek in a new market. Therefore, banks are not only going abroad for market-seeking but also for resource-seeking.

Concerning their clients, foreign banks appear to follow two different positioning strategies (Hurduc and Nitu 2011): either they make the most of their foreign bank status or they make the most of their local bank status. The first one mainly concerns their international clients and the top segment of the local market. This strategy is difficult as most foreign banks opt for this strategy and therefore the market becomes easily overcrowded. The second strategy, making the most of the local banks status, especially in countries that allow foreign banks to get a license providing the same treatment as to domestic banks. There are only few international banks active in retail banking sector, due to high barriers to entry in this segment, compared to, for example, wholesale banking. The distribution network is very different when a bank serves a hundred of clients (one branch), or tens of thousands of clients in retail banking or millions of customers (the need for infrastructure is huge). As stated previously, physical infrastructure in emerging markets may be an obstacle to the entry of some firms as these infrastructures may not be enough developed to meet the requirements of foreign firms.

1.3.2 Characteristics of foreign banks in emerging markets

During the last decades, the banking sector increasingly developed itself in emerging markets (Lehner, Schnitzer 2007). Clays and Hainz (2006) show that the market share of foreign banks in Eastern Europe skyrocketed from on average 11% in 1995 to around 65% in 2003. The situation appears to be similar in Latin America, Asia, Africa and the Middle East.

Numerous empirical evidences show that foreign banks in emerging markets are more efficient and more profitable than the domestic ones, while being less profitable in more developed countries. One of the reason is that, the larger number of banks, the more profitable it is for borrowers. Therefore, foreign banks activity in emerging countries increase access to loans.

Overall, Hryckiewicz and Kowaleski's (2008) paper shows that less developed financial systems offer a wider range of possibilities to achieve greater profits.

1.3.2.1 Differences between domestic and foreign banks

The literature identifies several differences between domestic and foreign banks. Domestic banks appear to be characterized by three main factors. They have more soft information[16] on borrowers than foreign banks (Lehner 2008), they demand higher lending rates to new applicants (Clays, Hainz 2006) and they are good at providing products and/or services requiring local abilities and knowledge (Hurduc, Nitu 2011). The amount of soft information domestic banks own is thanks to prior lending relationships they have had in the past. They tend to be their home market for a longer time than foreign banks and therefore had a more important amount of time to build relationships and get information on borrowers. As mentioned before, domestic banks apply higher lending rates to new applicants than foreign ones for one main reason: it appears a foreign bank will enter a new market only if it can better generate information on borrowers therefore undercutting the domestic bank's lending rate. Therefore, the stronger the information advantage of a foreign bank, the weaker the position of the domestic bank as its lending rate will be higher.

The literature assumes foreign banks differ from domestic banks for four main reasons. Hurduc and Nitu (2011) show that, in opposition to domestic banks who are good at offering product requiring local abilities and knowledge, foreign banks are better at offering product and services requiring a global platform, strong technological content and experience/skills needed to provide sophisticated products. This partly explains why they usually have better access to screening technology. They also tend to have lower refinancing costs. To finish, the higher the interest rate applied by domestic banks, the higher the opportunity for foreign banks to extract rents from borrowers.

[16] "Hard information refers to the usual quantitative details found in financial statements, such as sales, profit, cash flows and leverage. Soft information is more qualitative and refers to such intangibles as management skills, company strategy and market share. It also includes the credibility and reliability of the company director or owner. It has been known in banking circles for a very long time that the character of a borrower plays an important role in deciding on a loan." RMS Insight Management Knowledge (2011)

Table 6. Domestic and foreign banks comparison

Domestic banks	Foreign banks
• Demand higher lending rates to new applicants (Clays, Hainz 2006) • Have more soft information on borrowers due to prior lending relationship (Lehner 2008) • Good at providing products and services requiring local abilities and knowledge (Hurduc, Nitu 2011)	• Have the opportunity to extract rents from borrowers • Have better access to screening technology • Have lower refinancing costs • Better at offering products and services requiring global platform, strong technological content, experience/skills needed to provide sophisticated products (Hurduc, Nitu 2011)

1.3.2.2 Peculiarities of banks' entry modes

The literature on banks' entry modes identifies three main types of entry: greenfield (also called *de novo* in the literature), acquisition and joint-venture. The literature states various, and sometimes different, characteristics for each entry mode.

Greenfield (de novo). As detailed in the first part of the literature review, Greenfield appears to give more control to banks over the local unit, but it takes time to build or get resources from it (Tschoegl 2002). Transfer is quite limited and seems to be usually restricted to human capital and variable costs are higher than with acquisition (Tschoegl 2002). This entry mode also gives the ability to create synergies by coordinating cross-border operations as the control is very high.

Greenfield allows to take advantage of a bank's international reputation, specifically in least-developed countries where depositors are looking for secure placements (Hurduc, Nitu 2011) and therefore would trust more a strong international brand name.

In terms of market characteristics, Greenfield seems preferred where the competition is weaker, in large host banking markets (Lehner 2008), as it provides more control. Therefore, Greenfield seems privileged for under-developed markets (Lehner, Schnitzer 2007). This entry mode benefits more from international regulation, especially in least developed and least stable economies. As mentioned previously, depositors are looking for more secured placements particularly in these types of economies.

However, there is some disagreement in the literature over the number of banks who are already installed in the market. Some authors posit that greenfield is favoured when the competition is stronger, others when the competition is weaker (Lehner, Schnitzer 2007) as mentioned before.

Clays and Hainz (2006) state that a Greenfield may be more profitable than an acquisition only under the condition that the bank has strong capabilities in screening applicants and if these screening abilities compensate the disadvantage of having no information about incumbent firms.

Acquisition. Acquisition is overall mainly chosen when resource requirements are high (Petrou 2009) as it provides instant access to local resources. Indeed, for example, it is favoured for caption of information: local knowledge is captured and therefore the bank gains soft information and the bank may acquire more easily credit portfolio (information about the quality of incumbent firms) (Clays, Hainz 2006). The access to the local currency is facilitated (Hurduc, Nitu 2011) as there is an immediate access to deposits which allows immediate signing up for local currency lending. This strong knowledge capture justifies that this entry mode is preferred when little is known about the host country. Lehner (2008) found that acquisitions are favoured in small banking markets by the most efficient banks and Lehner and Schnitzer (2007) state that acquisition is preferred for emerging countries with high level of development.

Most authors state that this entry mode is privilege when rapid growth is desired/necessary but it may require significant financial investment.

Joint-venture. Petrou (2009) demonstrates that joint-venture are usually considered as precursor to acquisition: it allows the bank to know more about the host market and to facilitate access to resources via partners. However, the control being shared, the difficulty of managing these foreign ventures is high. Therefore, joint-ventures are usually chosen by banks when there are strong regulatory constraints, differences between home and host countries, willingness to forgo to local resources.

The table below summarizes the peculiarities and differences among these four entry mode types, with a focus on greenfield and acquisition, as the majority of the literature focuses on these two.

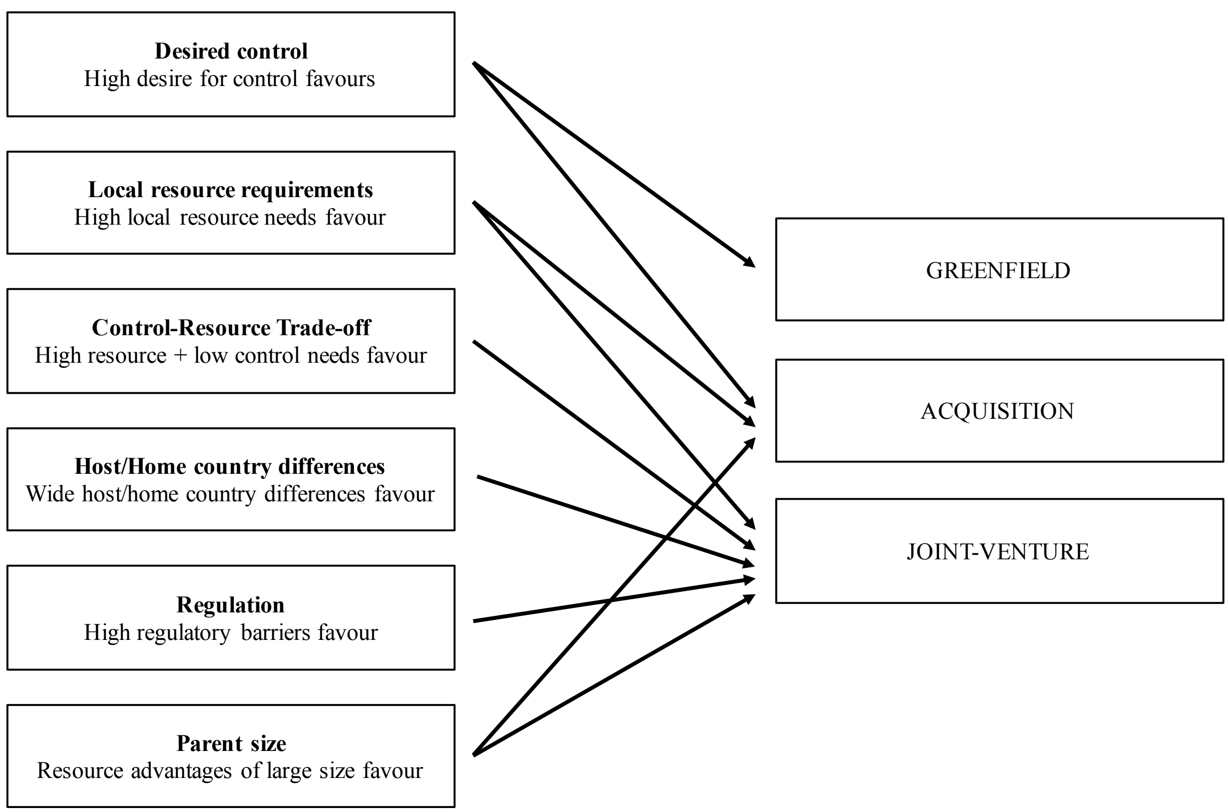
Table 7. Privileged types of entry modes in the banking industry

Entry mode type	**Specificities**
Greenfield (*de novo)*	• Preferred for least developed emerging markets (weaker competition) • Preferred for competitive markets • Preferred in large host banking markets • Favoured by the least efficient banks • Benefits more from international regulation • Gives more control over the local unit • It takes time to build/get resources • Transfer is quite limited (usually restricted to human capital) • More profitable and efficient than acquisition (only if the firm has strong screening capabilities) • Variable costs are higher than with acquisition • Allows to take advantage of international reputation • Ability to create synergies by coordinating cross-border operations
Acquisition	• Preferred for emerging countries with high level of development • Preferred in small banking markets • Preferred when little is know about the host country • Favoured by the most efficient banks • Acquire credit portfolio • Gain in soft information • Provides instant access to local resources • Better access to local currency • May require significant financial investment • Preferred when resource requirements are high • Privileged if rapid growth is desired • Immediate access to deposits

Joint-venture	• Facilitates access to resources *via* partners • Control is shared (difficulty of managing foreign venture) • Chosen when there are strong regulatory constraints • Chosen when there are differences between home and host countries • Chosen when there is willingness to forgo to local resources • Allows to know more about the host market • Usually considered as a precursor to acquisition

Petrou (2009) gives this model to illustrate banks foreign expansion. It is an interesting tool however limited given the number of variables taken into account.

Figure 2. Banks foreign expansion. Model adapted from Petrou (2009)



1.3.2.3 Determinants specific to the banking industry

In addition to criteria evoked in the first part, some factors are specific to the banking industry. The literature names mainly the following ones.

Lehner (2008) affirms that the development of a country's financial system is an essential factor to take into consideration. According to his paper, development of a financial system includes screening efficiency and refinancing conditions of local relative to foreign banks. He also posits that legal origin of the home country, growth rate differential between home and host markets and the number of entry that occurred in periods of poor creditor rights protection are important factors influencing the entry mode of a foreign bank as well as the easiness to access soft information as a measure of market transparency. Indeed, if a foreign bank has access to a rather inefficient screening ability, entry is not profitable (Lehner 2008).

Hryckiewicz and Kowaleski's paper (2008) demonstrates that net interest margin and economic development may promote a form of entry. To finish, Ball and Tschoegl (1982) provided evidence that the larger banks are much more international than smaller ones.

The literature on entry modes in the banking industry, in emerging markets, appears to be ambiguous as some authors do not come to the same conclusions. Overall, it is clear that wholly-owned subsidiaries are privileged (greenfield and acquisitions are favoured) in emerging countries but there is ambiguity in the literature as for the choice between greenfield and acquisitions.

Frontier markets are not mentioned anywhere in the literature in entry modes in general neither in the literature concerning entry modes within the banking industry.

As seen in the two previous parts, the table summary below aims at giving the determinants specific to the banking industry in terms of control.

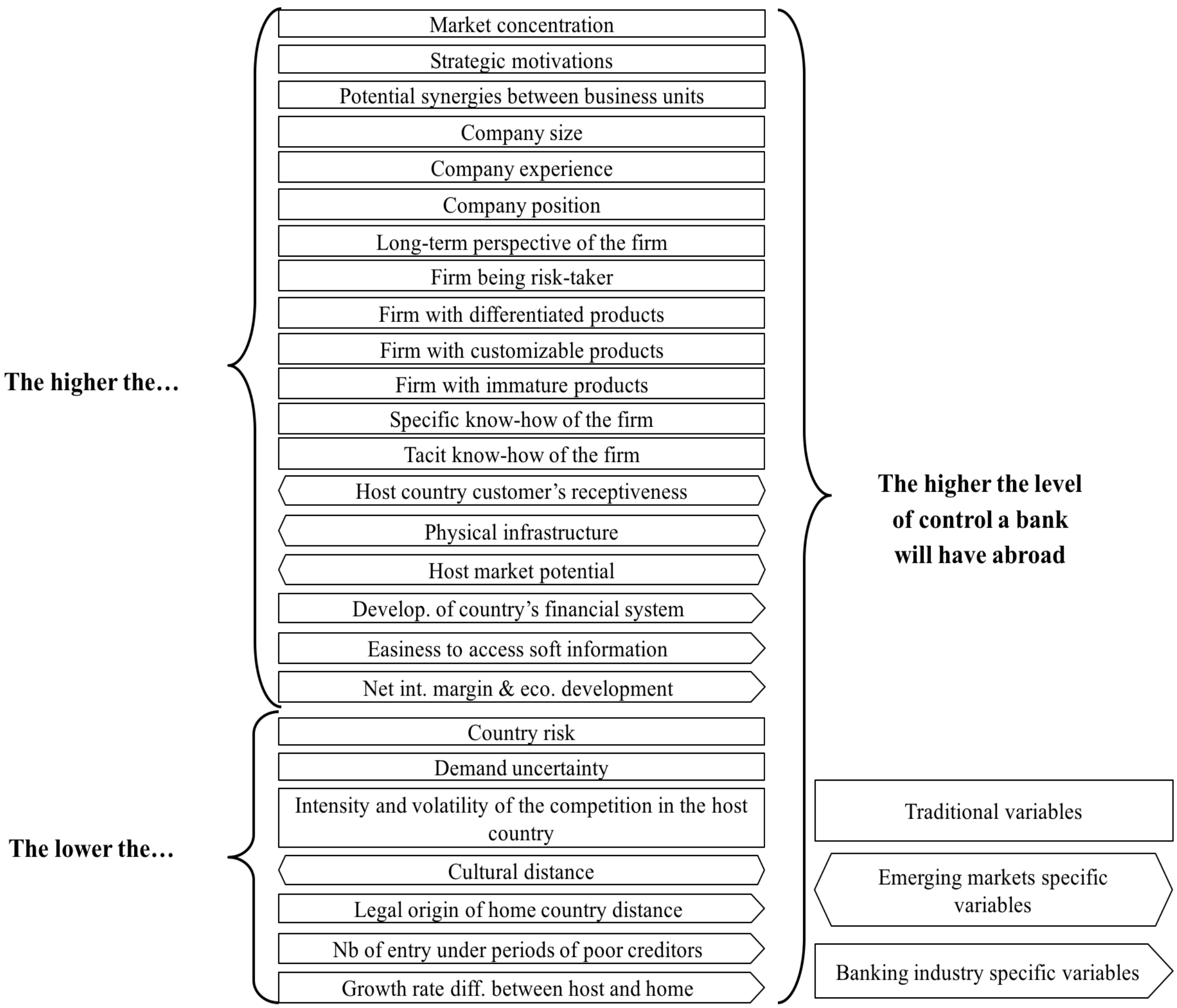
Table 8. Banking industry specific determinants' summary in terms of control.

<table>
<tr><td rowspan="3">The higher the…</td><td>Development of a country's financial system</td><td rowspan="6">...the higher the level of control.</td></tr>
<tr><td>Easiness to access soft information</td></tr>
<tr><td>Net interest margin and economic development</td></tr>
<tr><td rowspan="3">The lower the…</td><td>Legal origin of the home country distance</td></tr>
<tr><td>Number of entry that occurred in periods of poor creditors' rights</td></tr>
<tr><td>Growth rate differential between home and host market</td></tr>
</table>

1.4 Towards a comprehensive theoretical framework

As an overall conclusion to the literature review, this chapter enables to develop the following theoretical framework gathering variables from the traditional literature on entry modes, the variables focusing specifically on emerging markets and the variables dedicated to the banking industry in order to build a solid ground for further research:

Figure 3. Final theoretical framework and legend



The theoretical framework presented above allows to have a wider perspective what this paper studies. The lack of data concerning entry modes and banks' entry modes in frontier markets and exact preferred determinants to make the decision clearly represents the gap in existing academic literature. This paper aims therefore at giving light to subject that so far has not been studied. The research questions of this paper are: what are the main entry modes chosen when a French retail bank enters a frontier market? And which determinants are privileged and why?

So far, this literature review demonstrated that the entry modes privileged by banks in emerging countries are wholly-owned subsidiaries (with an ambiguity as for the differences between acquisitions and greenfield) and lists the determinants that may influence the choice in a theoretical framework given above. The research part will aim at bringing light to what entry modes are privileged in frontier markets especially and to see whether some determinants can complete the theoretical framework obtained.

CHAPTER 2
Methodology

Buckley and Chiang define research methodology as “a strategy or architectural design by which the researcher maps out an approach to problem-finding or problem-solving”. This chapter describes the research methodology chosen in this paper to assess which entry modes are privileged by French retail banks when they enter a frontier market: descriptive statistics will model the path for a qualitative study made of semi-structured interviews. The first research question “what are the main entry modes chosen when a French retail bank enters a frontier market?” will be answered by descriptive statistics as there is no need for qualitative or quantitative study to answer it. As for the second research question “which determinants are privileged and why?” the answers will be established on the basis of semi-structured interviews.

2.1 Research methodology

In order to answer the research questions mentioned in the introduction of this paper, empirical study methods have to be defined. This section aims at listing the main research techniques enabling to provide an answer to the problematic. Quantitative and qualitative methods, two main groups of research method, enable the researcher to gather data with various means of observation, survey, case study and so on. According to the literature, the gathered data can be of two kinds: either numerical or categorical (i.e. non-numerical data).

When it comes to qualitative research, a large panel of data collection methods exist such as surveys, observations or document analysis.

Observation is more used for behavioural studies; researchers use their senses to examine people in natural settings. Document analysis results in the collection of, among others, documents, files, statistical records, memos. When analysing these texts and artefacts, the research should focus on who, how and for whom these documents have been created. Survey are usually used where observation is impossible. Various types of survey include questionnaire and interview. A questionnaire is administrated to a large sample in a limited amount of time. Interviews can be either face-to-face or mediated by the telephone or other electronic device (e.g. computer). It is clear that the face-to-face one brings more depth to the results has emotions for example can be noticed. Telephonic interviews have the advantage to be carried more easily and with a lesser cost.

Silverman (2000) demonstrates that interviews help obtaining a deeper understanding experiences of a phenomenon better than any quantitative methods would. Therefore, interviews are more appropriate when little or no information is known about the studied phenomenon.

According to the literature (Gill, Stewart, Treasure, Chadwick 2008), four main types of research interviews exist: structured, semi-structured, unstructured and informal. The following table gives an overview of the main differences of these four research interview types:

Table 9. Existing interview types

Structured interviews	- Verbally administered questionnaires - Consists of a long list of closed-questions - Questions have rarely an option for follow-up - Quick and easy to share - Do not allow to go very deep in the research - Can be paper-based, telephone-based, web-based
Semi-structured interviews	- Consists of several key questions - Provides some guidance to the participant - Allow to go deep in the research while giving the participant some guidance - Paper-based interview guide
Unstructured interviews	- Little/poor organisation before administration - Consist of open-questions - Time-consuming - Useful when no prior information on the subject
Informal interviews	- Informal talk in the field - No interview structure - Usually used for a social setting of interest - Close to unstructured interviews

2.2 Methodology of empirical study: a qualitative approach

As it has been showed in the previous chapter, there are various theories explaining the motives for banks to go abroad (in this case, in emerging markets) but also the determinants that conducted companies to choose a specific entry mode.

So far, according to the literature, greenfield and acquisition appear to be the most popular choices among a certain range of entry mode opportunities and in different types of emerging countries. However, it was noticed that similar arguments were used to choose from different entry modes in the literature. Therefore, there is still a high level of uncertainty concerning the actual results, especially for frontier markets on which information is very limited, nearly inexistent.

In the literature, mainly quantitative studies are conducted. Most authors developed a model they applied to various situations on which they already have information or do not involve a limited scope of study. Considering the strong heterogeneity characterizing frontier markets and especially the very small amount of information given on this type of emerging markets, qualitative research is preferred for this paper. The aim of this research is, as mentioned before, not to bring an answer or build a model but to open the door to further research and probably model development on the matter. As Miles and Huberman (1994) state, qualitative research is adapted when the researcher knows roughly in advance what the he/she is looking for and it is usually recommended during earlier phases of research projects. In this case, qualitative research seems appropriate to answer the second research questions “which determinants are privileged and why?”.

Considering the four interview types evoked in the first part of this chapter, semi-structured interviews appear to be the most suited option. Indeed, structured interviews would only provide the study the correct entry mode used when entering a country. However, the fact that most questions are closed-ones might not give the interviewed participant the opportunity to develop more on the determinants that influenced the choice of the entry mode. On the opposite, an unstructured interview might lead to unstructured answers not solving the problematic given at first. Informal interview is not suitable for this research either as questions have to be prepared to get as much information on the desire subject. Semi-structured interviews would provide direct answers coupled with opened-comments giving freedom and time of reflection to the interviewed participant to develop on the determinants used by the firm he/she represents. The main advantage of personal interviews is that it eliminates non-response rate and offers flexibility to the interviewee, giving therefore the opportunity to come up to conclusions not previously thought of by the researcher. The semi-structured interview method allows to counter the main drawback of the unstructured interview which is the possible deviation of the subject from the pre-specified questions.

2.3 Data collection method and tools

First, data, namely descriptive statistics, will be gathered in a form of a table in order to know which bank has already entered which frontier market. This preliminary information will allow to sort and choose few companies to study more deeply. The companies chosen will be all from the same home market in order for them to have the same overall regulatory conditions and not, from the beginning, bias the study. The home market of the banks researched on will be a developed one: France. Indeed, from the literature review most banks entering a developed or an emerging market are from developed home market. Moreover, as stated in the literature review, French retail banks are strongly internationalized and are the most resilient ones in the Eurozone.

The data will be found on the database Orbis Bank Focus, previously called Bankscope. It is a database of banks worldwide and the information is sourced by Bureau van Dijk from a combination of annual reports, regulatory sources and information providers. It gives data on more than 38000 banks worldwide. It will gather all the French retail banks that entered any frontier markets from the list in the literature review. Therefore, all entry modes perpetrated by a French retail bank in a frontier market will be listed. In order to confirm the information offered by this database, each piece of information will be crossed with annual reports from the banks or financial news reports.

2.3.1 Interview participants

Seven people were contacted for semi-structured interviews as they seem to have had experience on the matter. Out of these seven, six people responded the first contact, whereby only four were ready to meet, as the two others said they lacked of knowledge on the subject. A sample of four people is therefore kept for this study. Interviewees will be employees from the studied banks, working either in the strategic department or in high-level department, or people from consulting firms with knowledge on the matter; both type having therefore experience on the subject.

Table 10. Interview participants

#	Company	Interviewee's title	Relevance
1	Top 3 worldwide consulting firm	Senior Partner, Retail banking practice	Based in France, with experience on advising French retail banks
2	Consulting firm specialized in emerging markets and digitalization	Project Manager	Based in France with strong experience in emerging and least-developed markets, has covered a wide range of sectors such as telecom, digital financial services and consumer goods in emerging markets
3	Société Générale SA	Co-head of Strategy, Digital, Client relationship (Retail)	Based in France, with experiences in strategy and digital in different French retail banking firms
4	Crédit Agricole Ukraine	Deputy member of the management board (corporate business/SMEs/Agro)	Working in Ukraine (frontier market) for one year and for Crédit Agricole for nearly ten years in emerging countries and France

2.3.2 Interview design and guide

When participants will have accepted the interview, a face-to-face and one-to-one meeting will take place. A list of approximately seven questions will be asked during maximum a one-hour interview. The interview questions can be found in the appendix of this paper. In order not to lose information and with consent of the participant, the information will be recorded in order to be transcribed for further analysis. Interview will be the main source of information but participants may bring documents emphasizing their statements.

The questions in the interview are divided in two different parts: the first one aims at the deduction of new variables while the second one aims at evaluating the perception of the impact of inductive variables. The deduction of new variables, the first part, is composed of general questions about

entry modes and also about the descriptive statistics researched. It does not name the variable so that the interviewee stimulates by him/herself his/her memory.
In opposition, the second part names specific variables found in the literature in order to try to recall the interviewed participant the variables that are essential for banks according to his/her experience. Indeed, the interviewee would be too biased if all the variables found in the literature review would have been immediately given to him/her. In order to stimulates the interviewee's knowledge and maybe come up with new variables not-identified in the literature, this methodology seem essential.

Two types of interviews have been created: one for employees of the banks found in the descriptive statistics, another one for employees of a non-financial company such as a consulting firm. However, the questions will be as similar as possible in order not to bias the results. Both interview guides can be found in the appendixes.

CHAPTER 3
Results of empirical analysis

3.1 Descriptive statistics

As stated in the research methodology part, data has been gathered from the online database Orbis Bank Focus (ex-Bankscope) and crossed and double-checked with other resources such as annual reports and financial news reports.

The main source of information used for the interviews are the two tables on the two horizontal pages that follow. Both tables contain the thirty-three entries that occurred in frontier markets and operated by French retail banking firms. The first table regroups the entry modes depending on the categories described in the research literature: wholly-owned subsidiaries (WOS), dominant partnerships, balanced partnerships and minority partnerships. The second table aims at showing the exact entry mode type that occurred while also mentioning whether the home country bank is the ultimate owner (more than fifty percent shares) or not. These findings let to the following conclusions.

Thirty-three entries in frontier markets have been made by French retail banks. More than half of the entry mode categories (58%) were made as wholly-owned subsidiary. Only 6% by dominant and balanced partnerships while the rest has been entered as minority partnership (36%).

As for the entry mode types, three types of entry modes seem privileged: minority acquisition (33%), majority acquisition (30%) and greenfield investment (24%). The rest of entry modes made are joint-ventures (9%) and merger accounting for 4%.

Tables in the appendix 3 show the breakdown of entry modes as well as break down of entry modes per company and per country.

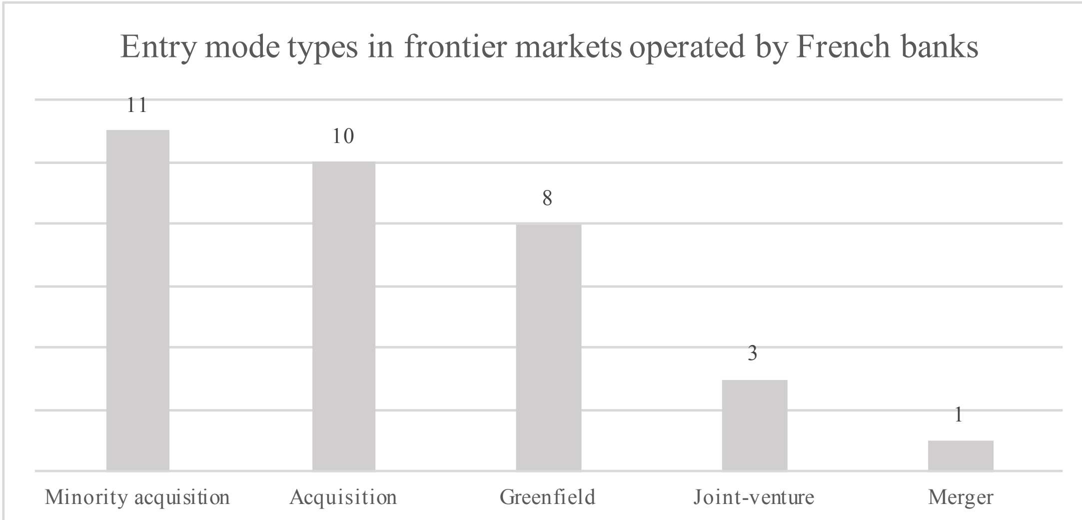
Table 11. Entries in frontier markets by French banks grouped by category

Home Bank Name	Host Country	Host Country Bank Name	WOS	Dominant Partnership	Balance Partnership	Minority Partnership
AFD	Lebanon	Byblos Bank S.A.L.				x
Banque BIA SA	Bahrain	Arab Financial Services Company - Afs				x
BF du Crédit Mutuel	Morocco	Banque Marocaine Du Com. Extérieur-Bmce Bank				x
BF du Crédit Mutuel	Tunisia	Banque De Tunisie				x
Banque PSA Finance SA	Argentina	Psa Finance Argentina Compania Financiera Sa			x	
BNP Paribas	Argentina	Banco Cetelem Argentina Sa	x			
BNP Paribas	Argentina	Bnp Paribas	x			
BNP Paribas	Morocco	Banque Marocaine Pour Le Com. Et l'Industrie	x			
BNP Paribas	Tunisia	Union Bancaire Pour Le Com. Et L'industrie Ubci	x			
BNP Paribas	Ukraine	Jsib Ukrsibbank	x			
BNP Paribas	Viet Nam	Orient Com. JS Bank-Ngan Hang Thuong Mai Co				x
BPCE SA	Lebanon	Fransabank France				x
BPCE SA	Mauritius	Banque Des Mascareignes	x			
BPCE SA	Morocco	Banque Centrale Populaire Sa				x
BPCE SA	Tunisia	Arab International Lease	x			
BPCE SA	Tunisia	Banque Tuniso - Koweitienne-Btk	x			
Crédit Agricole S.A.	Morocco	Crédit Du Maroc	x			
Crédit Agricole S.A.	Romania	Credit Agricole Bank Romania Sa	x			
Crédit Agricole S.A.	Ukraine	Credit Agricole Bank Pjsc	x			
Edmond de Rothschild	Ghana	Fidelity Bank Ghana Limited				x
Edmond de Rothschild	Argentina	Grupo Supervielle S.A. Via Its Funds				x
RCI Banque SA	Argentina	Rombo Compania Financiera Sa		x		
RCI Banque SA	Romania	Rci Leasing Romania Ifn Sa	x			
Proparco	Mauritius	Afrasia Bank Ltd				x
Société Générale SA	Bulgaria	Societe Generale Expressbank	x			
Société Générale SA	Bulgaria	Sogelease Bulgaria	x			
Société Générale SA	Ghana	Societe Generale Ghana Limited	x			
Société Générale SA	Lebanon	Société Générale De Banque Au Liban - Sgbl				x
Société Générale SA	Morocco	EQDOM	x			
Société Générale SA	Morocco	Société Générale Marocaine De Banques	x			
Société Générale SA	Romania	Brd-Groupe Societe Generale Sa	x			
Société Générale SA	Tunisia	Union Internationale De Banques	x			
Société Générale SA	Viet Nam	Southeast Asia Com. Joint Stock Bank-Sea Bank				x

Table 12. Entry modes in frontier markets by French banks grouped by type

Home Bank Name	Host Country	Host Country Bank Name	Ultimate owner	Acquisition	Green field	Joint Venture	Minor acquisition	Merger
AFD	Lebanon	Byblos Bank S.A.L.	no				x	
Banque BIA SA	Bahrain	Arab Financial Services Company - Afs	no				x	
BF du Crédit Mutuel	Morocco	BMCE Bank	no				x	
BF du Crédit Mutuel	Tunisia	Banque De Tunisie	no				x	
Banque PSA Finance	Argentina	Psa Finance Argentina Compania Financiera Sa	no			x		
BNP Paribas	Argentina	Banco Cetelem Argentina Sa	yes		x			
BNP Paribas	Argentina	Bnp Paribas	yes		x			
BNP Paribas	Morocco	Banque Marocaine Pour Le Com. Et l'Industrie	yes	x				
BNP Paribas	Tunisia	Union Bancaire Pour Le Com. Et L'industrie UBCI	yes					x
BNP Paribas	Ukraine	Jsib Ukrsibbank	yes	x				
BNP Paribas	Viet Nam	Orient Com. JS Bank-Ngan Hang Thuong Mai Co	no				x	
BPCE SA	Lebanon	Fransabank France	no			x		
BPCE SA	Mauritius	Banque Des Mascareignes	yes		x			
BPCE SA	Morocco	Banque Centrale Populaire Sa	no				x	
BPCE SA	Tunisia	Arab International Lease	yes	x				
BPCE SA	Tunisia	Banque Tuniso - Koweitienne-Btk	yes	x				
Crédit Agricole S.A.	Morocco	Crédit Du Maroc	yes	x				
Crédit Agricole S.A.	Romania	Credit Agricole Bank Romania Sa	yes		x			
Crédit Agricole S.A.	Ukraine	Credit Agricole Bank Pjsc	yes	x				
Edmond de Rothschild	Ghana	Fidelity Bank Ghana Limited	no				x	
Edmond de Rothschild	Argentina	Grupo Supervielle S.A. Via Its Funds	no				x	
RCI Banque SA	Argentina	Rombo Compania Financiera Sa	yes			x		
RCI Banque SA	Romania	Rci Leasing Romania Ifn Sa	yes		x			
Proparco	Mauritius	Afrasia Bank Ltd	no				x	
Société Générale SA	Bulgaria	Societe Generale Expressbank	yes	x				
Société Générale SA	Bulgaria	Sogelease Bulgaria	yes		x			
Société Générale SA	Ghana	Societe Generale Ghana Limited	yes		x			
Société Générale SA	Lebanon	Société Générale De Banque Au Liban - SGBL	no				x	
Société Générale SA	Morocco	EQDOM	yes	x				
Société Générale SA	Morocco	Société Générale Marocaine De Banques	yes		x			
Société Générale SA	Romania	Brd-Groupe Societe Generale Sa	yes	x				
Société Générale SA	Tunisia	Union Internationale De Banques	yes	x				
Société Générale SA	Viet Nam	Southeast Asia Com. Joint Stock Bank-Sea Bank	no				x	

Figure 4. French retail banks entry modes in frontier markets



It is clear that acquisitions (minority or majority acquisition type) are privileged (22 out of 33 entry modes are acquisitions). Greenfield appear to be also essential (8 entries out of 33).

3.2 Semi-structured interviews

Seven people were contacted for semi-structured interviews. Out of these seven, six people responded the first contact, whereby only four were ready to meet, as the two others said they lacked of knowledge on the subject. The main input from the four semi-structured interviews are described in a detailed manner below. Cultural distance, knowledge, network heritage, industry transformation and bank size were the most important discussed variables according to the interviewees. The summary of the determinants mentioned is detailed in the following table.

Table 13. Summary of semi-structured interviews

Variables	**Relevance**
Cultural distance	The lower the cultural distance, the more the bank will commit resources (example of Morocco and France)
Network heritage	The stronger the network heritage, the higher the bank will commit
Market knowledge	The higher the need for market knowledge is, the lower the level of control of the entry mode (example of minority acquisitions)
Industry transformation	The more rapidly the industry is transforming (heading more towards mobile banking for example) in a market, the less a French retail bank will commit
Bank size	The bigger the bank size, the higher the level of commitment

3.2.1 Cultural distance

Three interviewees named cultural difference as one of the most important variables influencing the entry mode of a (retail) bank in a frontier market. Two out of the three mentioned the variable before seeing the list of variables, in the second part of the interview.

When interviewee 1 stated that nearly half of the entries were made in French speaking countries (e.g. Morocco, Tunisia and Lebanon). He derived this fact from a very strong cultural link between these countries. Especially Morocco and Tunisia as former French colonies throughout the 17th and 20th century seem to possess only little cultural distance and are not unusual target markets in internationalization strategies of French companies. According to interviewee 1, the degree of cultural distance between these countries can be explained through the history of the countries relations that enable the development of certain level of continuous and consistent collaboration in a business perspective. Further, sociocultural similarities, but even more specifically, knowledge of common business practices are supposedly strengthening/fostering these relationships. During the colonization of these countries, many French companies have expanded to those countries, given the advantages of the same language. French companies also profited from favourable regulations and concessions from the government to enter or at least build business relationships in colonies. Also, legal and other administrative policies were changed adapted towards the French laws. Once business relationships were built, companies were in need of appropriate financial services in these frontier markets as well, so said the interviewee 1. But more importantly, interviewee 2 mentioned that once it seemed profitable for banks to enter former colonies like e.g. Morocco, French companies had already established a certain “French-oriented business environment”. This environment streamlined and accelerated the learning process of other businesses when entering a colony. Even though the colonial system belongs to the past, many business and other sociocultural structures remained in tact. This, so the interviewee 2 reduces risks especially for banks, since the organization already possesses a relatively high level of knowledge of the market (compared to other countries) and requires less adaptation efforts to new (business) norms.

The interviewees 1 and 3 also pointed out, that after some bigger French corporations had entered these countries, it seemed evident for financial organizations to provide their services to those expanding companies. Many French companies entered these two countries already, most of the time with a high level of control. Interviewee 3 also stated that the investment climate in these countries is very positive and that these markets represent the door to further investment in Africa. Geographically speaking, these two countries are very close to France, which is also part of the cultural distance according to interviewee 3.

3.2.2 Historical network

The Crédit Agricole, as seen in the descriptive statistics part, has three subsidiaries in frontier markets: Morocco (acquisition), Ukraine (acquisition) and Romania (greenfield). Interviewee 4, having experience in Ukraine, described one factor that had not been mentioned neither by other interviewees nor in the literature: the historical network. To illustrate it, the interviewee elaborated the case of Crédit Agricole in Ukraine. Initially, the Crédit Lyonnais – the biggest bank in the world by 1900 – had a very large network of banks, including in Russia (Moscow and St. Petersburg) and Ukraine (Odessa). Indeed, the bank was very willing to develop itself in Eastern Europe. With the Russian revolution and two world wars, the Crédit Lyonnais had to withdraw from these markets. However, in the post-crisis period, from 1972, Crédit Lyonnais became the first international bank to open a subsidiary in Moscow (1972). After the breakdown of the USSR, Crédit Lyonnais re-entered Ukraine. The company was able to expand its international network of subsidiaries in different countries once again. In 2003, the Crédit Agricole acquired the Crédit Lyonnais and therefore, all its subsidiary network. In the case of Ukraine, Crédit Lyonnais had only a wholesale bank entity which Crédit Agricole renamed CACIB (Crédit Agricole Corporate and Investment Banking). Already having a subsidiary in Ukraine, Crédit Agricole also acquired the Ukrainian retail bank Index Bank in 2006 and later merged CACIB Ukraine and Index Bank into Crédit Agricole Ukraine. Interviewee 4 said that Crédit Agricole supposedly intended to significantly increase its presence in emerging and frontier countries. Ukraine especially held a strategically important role since in the mid 2000s it was perceived as a main player in Eastern Europe, door to Russia and assumed to enter the European Union (market dynamism).

Interviewee 4 showed that an acquisition on a larger scale (Crédit Agricole acquiring Crédit Lyonnais) allowed Crédit Agricole to significantly boost its international presence and to profit from a large portfolio, an established historic brand name (Crédit Lyonnais) and a high control. As for the other subsidiaries of the Crédit Agricole in frontier markets, interviewee 4 stated that historically this bank prefers to have the full control over its subsidiaries and that acquisition are preferred. For example, among all of the subsidiaries of Crédit Agricole, only one is not under full control, the one in Saudi Arabia, and this is due to the country regulation.

Crédit Agricole's entry in Morocco was also processed within the acquisition of the Crédit Lyonnais wholesale branch. When acquiring the Crédit Lyonnais, similarly as in Ukraine, Crédit Agricole also acquired the Crédit Lyonnais' subsidiary in Morocco. Interviewee 4 also commented on the greenfield in Romania (which is also part of the historical network), saying that it was a difficult and risky entry mode which probably was not the best decision considering the results of this subsidiary today and that acquisition would have been more suitable probably.

3.2.3 (Market) Knowledge

Interviewee 3 interestingly focused mainly on the large amount of minority acquisitions (eleven out of thirty-three entry modes) and pointed out that countries with the highest cultural distance were entered through a minority acquisition (Viet Nam, Bahrain, Argentina). Even though Viet Nam had been a colony of France, the business environment developed in a different way compared to others (e.g. Morocco as mentioned before), making it more difficult to enter. In the contrary as to cultural similarity, market knowledge, similarly to other types of knowledge, has to be acquired in a certain way. Interviewee 3 claimed that acquisitions would allow service providers of any kind to gain a significant amount of knowledge on the local market. This knowledge could be gained through e.g. the employees of the acquired target, so said the interviewee. The interviewee further justified it with a low level of commitment. It represents the possibility to withdraw from the market faster but also to build trust and grow within this market. For example, Société Générale SA entered Viet Nam through a minority acquisition (stake of 20%), probably because the short term investment forecast is positive. However, decision making and committing many resources in an uncertain environment represent too risky moves for corporations and therefore they might want to feel ready to be able to invest more without committing too much resources.

"Culturally, money is related to trust and trust is acquired via knowledge" Interviewee 3

By entering a market with a minority stake in a firm, the home bank will have the opportunity to build trust, exchange knowledge and have the possibility to develop itself more in the host country is this first entry step is successful. The minority acquisition is, according to interviewee 3, the best way to understand the host country way of working while building trust.

3.2.4 Industry transformation

Two interviewees (2 and 3) mentioned industry transformation as an essential variable in the banking sector, especially retail banking. Interviewee 2 had experience in the mobile banking industry and related a lot to this experience to point out the next challenges for French traditional banks abroad and in the frontier and least-developed markets. According to this interviewee, today mobile banking firms are successful where traditional banks are not: mainly least-developed markets and some frontier markets (Ghana and Kenya for example) as in other more developed countries the state of the actual financial system is already too advanced to be competed with. Indeed, today mobile banking provides customers with a basic offer (checking account and national transfer) without credit or saving possibility.

This interviewee noticed that countries French banks had entered with a high level of control are usually the ones that are not very successful with mobile banking.

Interviewee 3 mentioned industry transformation as an essential variable considering the banking industry has a very different transformation type depending from one country to another. For example, according to this interviewee, Chinese people have been used for a long time to using cash for most transactions. Today, China is among the leading country using mobile banking as the most used mean of payment. Traditional banking system is not that developed as it is said that China jumped from cash directly to mobile banking. On the opposite side, Germany is known for being a country very attached to cash. The day the German government suggested the suppression of the five-hundred-euro note, it provoked a real outcry among its people who wanted to keep using it. Interviewee 3 aimed at showing that people attachment to a form of money is very important to consider when entering a country, especially for a traditional bank in an emerging market as some countries are more subject to transform rapidly than others.

Both interviewee 2 and 3 seem to agree on the predisposition of some of the least-developed frontier markets to transform their retail banking industry fast. Both made a correlation with this statement

and the fact that as of today, French traditional banks have mostly entered the most developed frontier markets: either they have not entered others or only through minority acquisitions which is the least risky and with a low level of commitment.
Interviewee 3 stated as a conclusion that although mobile banking is revolutionizing the banking industry, it may occur that they may have to create traditional banking structure to comply with new regulation structuration and therefore, enter markets in the same way that traditional banks are doing today.

3.2.5 Bank size

Interviewees 1 and 4 commented that the bank size matters. Indeed, interviewee 1 noticed that all entry modes that are wholly-owned subsidiaries are made by the biggest French banks (BNP Paribas, BPCE, Crédit Agricole and Société Générale) while minority partnerships are made by diversified groups of banks: smaller banks as well as some larger banks. Interviewee 1 stated that, in his experience, the biggest the bank size, the most willing to commit it is (and therefore, entering a country via wholly-owned subsidiary). Interviewee 4 mentioned that the brand name (that often depends on the bank size) is very important too. The Crédit Agricole is targeting more the high-end customer segment in Ukraine and according to interviewee 4 keeping the Crédit Agricole brand name in the bank's name is essential. Indeed, this type of client often travel and mainly in Western Europe. There, they have the opportunity to see the name of the bank and can relate to it when they are back home. Traditionally, Ukrainians seem to lack of trust in their banking institutions and an already well-establishing name and trustworthy institution clearly is a determinant for them.

At various moment of their interviews, it could be seen that interviewees were somehow disturbed by the categorization "frontier markets". Although the categorization process had been presented at the beginning of each interview and understood, all interviewee, in their own words, mentioned how all frontier markets are extremely diverse and therefore hard to identify as one group. Some also mentioned that it is also the case for developed, emerging or least-developed countries and that any country categorization is risky as each case is very unique.

Through these four interviewees, the determinants that were mentioned the most are cultural distance, network heritage, market knowledge, bank size and industry transformation.

3.3 Discussion on findings

The literature mentioned that greenfield and acquisition (both as wholly-owned subsidiaries) are the most commonly used entry modes by banks when entering an emerging market. This fact is partly confirmed by the research as majority acquisitions and greenfield represent respectively the second and third entry modes a bank chooses when entering a frontier market. However, the descriptive statistics clearly showed that minority acquisitions (as minority partnership subsidiaries) represent one-third of the entry modes operated by French retail banks in frontier markets which makes it the very first entry mode that French retail banks chose. This has been justified by an interviewee who believes that frontier markets are riskier than emerging and developed markets, and therefore, the need for market knowledge is essential as well as establishing itself in a form that does oblige a bank to commit to much of its resources (in order to be able to leave the country easily). Moreover, minority acquisition is usually one of the first step of entry into a new country. This dynamism within the internationalization process is mentioned in the literature review (Johanson, Vahlne 1977): where internationalisation is seen as a learning-oriented process. This knowledge acquisition may enable the bank to acquire more stake of the host-country bank as well as to withdraw from the market more easily than any other entry mode.

Therefore, this "market knowledge" variable (also called in the literature "location familiarity") has been found to be an external variable that is considered important to the decision-making process of a French retail bank desiring to establish itself abroad. This means that a French retail bank entering a new market should evaluate the perceived distance between its home country and the host country. Indeed, the literature reported that a country with important difference in business practices and economic system will privilege an entry mode with lower control. Therefore, the lower the location familiarity, the lower the level of control. This example is illustrated by the case of the numerous minority acquisitions that took place in Viet Nam and Bahrain to name few.

Moreover, as stated in the literature (Ball, Tschoegl 1982), the bank size matters: the bigger the bank, the more the bank will commit. This was also confirmed by the interviews. One interviewee pointed out that all the wholly-owned subsidiaries belong to the biggest French banks (namely BNP Paribas, Crédit Agricole, BPCE and Société Générale). This may be explained by the amount of resources (financial, human, information) a bank has when its size is larger than average. Indeed, this corroborates with Lehner's findings (2008) that wholly-owned subsidiaries are usually operated by the largest banks.

The determinant “cultural distance” that was also mentioned in the literature (Sakarya, Eckman and Hyllegard 2006) was confirmed by the interviewees as an important variable for a French retail bank entering a frontier market. Whether there is a common language or common history, the lower the cultural distance, the higher the bank will commit. This can be seen from the numerous acquisitions and greenfield (both wholly-owned subsidiaries) French retail banks have been operating in Morocco and Tunisia, previous French colonies.

Thanks to the research, new variables appeared to complete the theoretical framework developed in the literature review (computing variables from traditional literature on entry modes, variables specifically addressing emerging host-markets and variables specifically dedicated to the banking industry). These two variables are network heritage and industry transformation. Network heritage shows that if a bank inherits subsidiaries from a larger bank acquisition, its willingness to develop even more under the form of majority acquisition is higher. The research case showed that after acquiring the Crédit Lyonnais and all its subsidiaries, the Crédit Agricole was willing to develop even more its new network of subsidiaries through other acquisitions (Index Bank in Ukraine for example).

Industry transformation is probably the most actual determinant today as it puts forward the digitalization of the industry that banks are facing. One interviewee stated that markets where the banking industry is not developed enough are facing more rapidly the industry transformation. Ghana for example is a country where the industry is transforming towards mobile banking extremely fast as the market concentration is pretty low compared to other countries like Morocco where international banks are already well-established. For the frontier markets, it is therefore possible to link the market concentration (from the literature review) with the industry transformation (from the research) to conclude that, based on the research, the lower the market concentration, the higher the industry transformation.

3.4 Implications and limitations

3.4.1 Theoretical implications

This paper contributes to studies of banks' entry modes in frontier markets, revealing the most essential determinants contributing to the choice of an entry mode. Not only does this paper give a new theoretical dimension with a framework of determinants influencing the entry choice but also comes up with determinants that were not found in the literature and one entry mode that seems to have been underestimated by previous researches concerning banks entry modes abroad.

First, this paper main theoretical implication is the development of the theoretical framework gathering traditional, emerging markets and banking industry determinants. The construction of this framework could be reproduced in the future for a similar but also different type of study. It implies that traditional variables developed in the literature are not enough today. Each industry and country type has its own determinants and every single field studied should be taken into consideration.

Second, frontier markets being a subject that is under investigated in the study of foreign strategic entry modes, this paper can be considered as one of the first steps into the subject. It gives an overview of privileged entry modes in these types of markets. In opposition with the literature that states that acquisition and greenfield are the two main entry modes preferred by banks in emerging markets, this paper shows that minority acquisition represent an important part of the entries operated and therefore may be a source of future work in the academic field.

3.4.2 Managerial implications

From a managerial point of view, this paper may be helpful to managers of retail banks willing to develop their network abroad. It can also be of use for consulting firms having clients willing to enter new frontier markets. This paper has build solid ground for these companies to develop their strategic network abroad successfully by choosing the adapted mode of entry.

This paper may also help managers from other industries to enter frontier markets as many variables studied may concern a various panel of industries. For example, a telecommunication company aiming at developing mobile banking in a frontier market may use the reverse strategy as the one banks have. Indeed, as developed in the interview results, mobile banking companies seem to be more successful in in markets where the traditional banking industries are not well established yet.

Another managerial implication is the zoom on frontier markets. Managers may have not heard of this country categorization and of their importance nowadays and may therefore be, thanks to this paper willing to invest in this type of countries.

To finish, the importance of minority acquisitions that has been demonstrated in the results may also have a managerial implication as it shows a new way for retail banks to enter an unfamiliar market without committing too many resources while acquiring knowledge.

Overall, this paper will help managers to get more insights on frontier markets, their specific determinants as well as favoured entry modes. In the future, this may be draw a pattern for banks' development in frontier markets.

3.4.3 Research limitations

As stated previously, the literature on entry modes in frontier markets seems to be under investigated as no paper on this subject has been found. Therefore, this paper has the purpose of building solid ground for further research. There is no purpose of generalization as the research is a qualitative one representing one of the first step in the direction of foreign strategic entry modes in frontier markets focusing on one niche industry: the retail banking one. This paper should be regarded as a first attempt to deal with an under investigated subject.

Moreover, as presented in the discussion findings, each interviewee mentioned that each case is unique and that usually when a decision from a managerial point of view occurs, each case is studied independently and that the country categorization may represent a prejudice risk. Markets being all different from each other and the company entering the market being also unique, it may be dangerous to develop categories of countries such as "developed, emerging, frontier, least-developed" markets. Even though this categorization is considered to be necessary, it should not be forgotten that it is usually used for practical purpose.

3.4.4 Further research

In further research, it would be interesting to see the favoured entry modes and essential variables in a case where the home country is different to establish or not patterns.

Another idea for further research would be to take the same home and host countries as presented in this paper while choosing different industries in order to detect the importance and peculiarities of the role of the industry within the decision of entry types.

Conclusion

The research conducted in this thesis answers the two formulated research questions: what are the main entry modes chosen when a French retail bank enters a frontier market? Which variables are privileged and why? The literature review shows that the entry modes favoured by French retail banks in emerging countries are wholly-owned subsidiaries (with an ambiguity as for the differences between acquisitions and greenfield). It also demonstrates that the issue of frontier markets' entry modes is under-investigated. Using the reviewed literature as knowledge basis, a list of the key determinants that influence the choice of entry modes into a frontier market was generated by deductive reasoning. The methodology used to evaluate and verify these determinants was composed of descriptive statistics and semi-structured interviews. In the interviews additional determinants were created inductively. Key findings of the research are that French retail banks entered frontier markets via minority acquisitions, acquisitions and greenfield investments. Main determinants that seem to influence decisions of French retail banks entering frontier markets between the large array of entry modes that exist are cultural distance, historical network, market knowledge, industry transformation and bank size. Not only does it point out the main entry modes used to enter frontier markets but also unveil the important determinants used to decide an entry mode in these markets. As for managerial implications, this paper sheds light to managers working in French retail banks and/or consulting firms on how banks entered frontier markets and it may help them entering also this type of countries. However, it is important to note that this paper has no purpose of generalisation as it aims at paving the way for further research on entry modes in frontier markets.

For further research, it would be pertinent to develop the same research from a different home country perspective. On a long-term perspective, comparing the way emerging and frontier markets were entered when they were at the same stage of development would be very interesting to see whether these two groups of countries have the same development pattern.

References

Agarwal, S., & Ramaswami, S. N. (1992). Choice of Foreign Market Entry Mode: Impact of Ownership, Location and Internalization Factors. *Journal of International Business Studies, 23*(1), 1-27.

Anderson, E., & Coughlan, A. T. (1987). International Market Entry and Expansion Via Independent or Integrated Channels of Distribution. *Journal of Marketing, 51*(1), 71.

Anderson, E., & Gatignon, H. (1988). The Multinational Corporation's Degree of Control over Foreign Subsidiaries: An Empirical Test of a Transaction Cost Explanation. *Journal of Law, Economics & Organization, 4*(2), 305-336.

Arnold, D.J. & Quelch, J.A. (1998). *New Strategies in Emerging Markets*. Sloan Management Review, Vol. 40, pp. 7-20.

Berger, D., Pukthuanthong, K., & Yang, J. J. (2011). International diversification with frontier markets. *Journal of Financial Economics, 101*(1), 227-242.

Buckley, JW, Chiang H. (1976) Research Methodology and Business Decisions. Canada: National Association of Accountants; 1976.

Burgess, S. M., & Steenkamp, J. E. (2006). Marketing renaissance: How research in emerging markets advances marketing science and practice. *International Journal of Research in Marketing, 23*(4), 337-356.

Cavusgil, S.T. (1997). *Measuring the potential of emerging markets: an indexing approach*. Business Horizons, Vol. 40, pp. 87-91.

Clays, S. & Hainz, C., (2006). Acquisition versus Greenfield: the impact of the mode of foreign bank entry on information and bank lending rates. *European Central Bank Working Paper Series*. No 653

Contractor, F. J., & Kundu, S. K. 1998a. Franchising versus company-run operations: Modal choice in the multinational hotel sector. *Journal of International Marketing*, 6, 128-153.

Demirbag, M., Tatoglu, E., & Glaister, K. W. (2007). Factors influencing perceptions of performance: The case of western FDI in an emerging market. *International Business Review*, 16(3), 310-336.

Dunning, J. H. (1976). *Trade, location of economic activity and the MNE: A search for an eclectic approach*. Reading, Eng.: University of Reading, Dept. of Economics.

Erramilli, M. K., & Rao, C. P. 1993. Service firms international entry mode choice: A modified transaction-cost analysis approach. *Journal of Marketing,* 57, 19-38.

Gill, P. & Stewart, K. & Treasure E., Chadwick B. (2008), Methods of data collection in qualitative research: interviews and focus groups, British Dental Journal, 204, 291 - 295

Goodnow, J.D. (1985). Development in International Mode of Entry Analysis. *International Marketing Review*, Autumn, pp. 17-30.

Graham, G., & Emid, A. (2013). *Investing in Frontier Markets: Opportunity, Risk and Role in an Investment Portfolio*. Wiley.

Grubel, H. (1977). A theory of multinational banking. *Banca Nazionale del Lavoro Quarterly Review*, 30 349-363.

Harrigan, K. R. (1981). Barriers to entry and competitive strategies. Strat. Mgmt. J. *Strategic Management Journal*, 2(4), 395-412.

Hatch, M. J. & Cunliffe, A. L. (2006). *Organization Theory* (2nd ed.). Oxford: Oxford University Press.

Hill, C. W., Hwang, P., & Kim, W. C. (1990). An eclectic theory of the choice of international entry mode. *Strategic Management Journal, 11*(2), 117-128.

Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in Emerging Economies. *Academy of Management Journal, 43*(3), 249-267.

Hryckiewicz, A. & Kowaleski, O. (2008). Economic determinants and entry modes of foreign banks into Central Europe

Hurduc, N., & Nitu, A. (2011). Forms and Strategies of the Banks to Enter on a Foreign Market. *Theoretical and Applied Economics*, Vol. 18, 7(540), 43-52.

Johanson, J., & Vahlne, J. (1977). The Internationalization Process of the Firm—A Model of Knowledge Development and Increasing Foreign Market Commitments. Journal of International Business Studies, 8(1), 23-32.

Khoury, S. J. (1979). International Banking: A Special Look at Foreign Banks in the U.S. *Journal of International Business Studies, 10*(3), 36-52.

Kim, W. C., & Hwang, P. (1992). Global Strategy and Multinationals' Entry Mode Choice. *Journal of International Business Studies, 23*(1), 29-53.

Kimura, Y. (1989). Firm-Specific Strategic Advantages and Foreign Direct Investment Behavior of Firms: The Case of Japanese Semiconductor Firms. *Journal of International Business, 20*(2), 296-314.

Lambkin, M. (1988). Order of entry and performance in new markets. *Strategic Management Journal, 9*(S1), 127-140.

Lehner, M. & Schnitzer, M., (2007). Entry of foreign banks and their impact on host countries. *Journal of Comparative Economics*, Vol. 38, 430-452.

Marshall, B. R., Nguyen, N. H., & Visaltanachoti, N. (2013). Liquidity measurement in frontier markets. *Journal of International Financial Markets, Institutions and Money*, 27, 1-12.

Marshall, B. R., Nguyen, N. H., & Visaltanachoti, N. (2015). Frontier market transaction costs and diversification. *Journal of Financial Markets, 24*, 1-24.

Miles, MB. & Huberman, AM. (1994). Qualitative Data Analysis (2nd edition). Thousand Oaks, CA: Sage Publications.

Mitra, D., & Golder, P. N. 2002. Whose culture matters: Near-markets knowledge and its impact on foreign market entry timing? *Journal of Marketing Research,* 39, 350-365.

Nielsen, L. (2011). Classifications of Countries Basedon their Level of Development: How it is Done and How it Could Be Done. *IMF Working Papers, 11*(31), 1.

Pels, J., Kidd, T. (2012). Characterizing Emerging Markets. *Organizations and Markets in Emerging Economies, 3(2).*

Perrakis, S., Baumol, W. J., Panzar, J. C., & Willig, R. D. (1982). Contestable Markets and the Theory of Industry Structure. *The Canadian Journal of Economics, 15*(4), 774.

Petrou, A., (2009). Foreign Market Entry Strategies in Retail Banking: Choosing an Entry Mode in a Landscape of Constraints. *Long Range Planning*, Vol. 42, 614-632.

Root, F. R. (1994). *Entry Strategies for International Markets.* San Francisco: Jossey-Bass, Inc.

Sakarya, S., Eckman, M., & Hyllegard, K. H. (2007). Market selection for international expansion. *International Marketing Review, 24*(2), 208-238.

Silverman D. (2000), Doing qualitative research. London: Sage Publications

Silverman D. (2001). Interpreting Qualitative Data. (2nd Edition). Thousand Oaks, CA: Sage Publications.

Strohecker, K. (2015, January 8). Investors turn more cautious on "Frontier" debt. Retrieved July 11, 2016, from http://www.reuters.com/article/emerging-debt-frontier-idUSL6N0UK1Y020150108

Thompson, J. D. (1967). *Organization in Action*. NY: McGraw-Hill.

Tschoegl, A. E. (2002). Entry and Survival: The Case of Foreign Banks in Norway. *Scandinavian Journal of Management*, 18, 131-153.

United Nations Conference on Trade And Development (UNCTAD). (2016). *World Investment Report 2016. Investors Nationality: Policy Challenges*. Geneva: United Nations Publications.

Vernon, R. (1983). Organizational and institutional responses to international risk. *Essays Commissioned in Honor of the Centenary of the Wharton School, University of Pennsylvania Managing International Risk,* 191-216.

Weinstein, A. K. (1977). Foreign Investments by Service Firms: The Case of Multinational Advertising Agencies. *Journal of International Business Studies, 8*(1), 83-91.

The Industry Handbook: The Banking Industry. Retrieved January 25, 2017, from http://www.investopedia.com/features/industryhandbook/banking.asp#ixzz4ndJCKB8g

What is Corporate Policy? Retrieved July 12, 2016, from http://www.businessdictionary.com/definition/corporate-policy.html

What is Multinational Corporation (MNC)? Retrieved August 16, 2016, from http://www.businessdictionary.com/definition/multinational-corporation-MNC.html

Appendix A. Descriptive statistics

Category type	Number	Percentage
Wholly-owned subsidiary	19	58%
Dominant partnership	1	3%
Balanced partnership	1	3%
Minority stake	12	36%

Bank	Wholly-owned subsidiary	Dominant partnership	Balanced partnership	Minority stake
Agence Française de Développement				1
Banque BIA SA				1
Banque Fédérative du Crédit Mutuel				2
Banque PSA Finance SA			1	
BNP Paribas	5			1
BPCE SA	3			2
Crédit Agricole S.A.	3			
Edmond de Rothschild SA				2
RCI Banque SA	1	1		
Proparco				1
Société Générale SA	7			2
Total	**19**	**1**	**1**	**12**

Entry mode type	Number	Percentage
Acquisition	10	30%
Greenfield	8	24%
Joint-venture	3	9%
Minority acquisition	10	30%
Joint-stock ownership	1	3%
Merger	1	3%

Country	Acquisition	Greenfield	Joint-venture	Minority acquisition	Joint-stock ownership	Merger
Argentina		2	2	1		
Bahrain				1		
Bulgaria	1	1				
Ghana		1		1		
Lebanon			1	1	1	
Mauritius		1		1		
Morocco	3	1		2		
Romania	1	2				
Tunisia	3			1		1
Ukraine	2					
Viet Nam				2		

Appendix B. Interview guides for banks' employee

Part I. Deduction of variables

1. Which are for you the main factors for banks to consider when going abroad? Why?
2. Your bank, AA, according to preliminary research, is today in BB frontier markets (CC and DD). It appears you entered these countries under WW, YY and ZZ entry type. (Here, show the descriptive statistics about the bank AA). Could you please confirm this data?
3. Do you have any specific comment regarding the table above? What are the most important facts in this table according to you?
4. Why do you think the variety of entry mode is high?
5. Which type of variables influenced your bank to enter each country and to choose a specific entry mode?
6. Do you have an idea why your bank has not entered other frontier market (for example Kazakhstan, Kenya, Pakistan, etc.)?

Part II. Evaluation of the perception of the impact of inductive variables

1. Among this list of variables, which are according to you the most important to take into consideration when entering a new market? (Show table here)

Variables	Importance
Market concentration	
Strategic motivations	
Potential synergies between business units	
Company size	
Company experience	
Competitive position	
Long-term perspective of the firm	
Firm being risk-taker	
Firm with differentiated products	
Firm with customizable products	
Firm with immature products	
Host market potential	
Location familiarity	

Specific know-how of the firm	
Tacit know-how of the firm	
Country risk	
Demand uncertainty	
Intensity and volatility of the competition in the host country	
Cultural distance	
Host country's customer's receptiveness	
Physical infrastructure	
Development of a country's financial system	
Legal origin of the home country	
Growth rate differential between home and host markets	
Number of entry that occurred in periods of poor creditor rights protection	
Easiness to access soft information	
Net interest margin and economic development	

2. …and a frontier market? (Show again table here, putting emphasis on frontier markets)

3. **Variables**	**Importance**
Market concentration	
Strategic motivations	
Potential synergies between business units	
Company size	
Company experience	
Competitive position	
Long-term perspective of the firm	
Firm being risk-taker	
Firm with differentiated products	
Firm with customizable products	
Firm with immature products	
Host market potential	

Location familiarity	
Specific know-how of the firm	
Tacit know-how of the firm	
Country risk	
Demand uncertainty	
Intensity and volatility of the competition in the host country	
Cultural distance	
Host country's customer's receptiveness	
Physical infrastructure	
Development of a country's financial system	
Legal origin of the home country	
Growth rate differential between home and host markets	
Number of entry that occurred in periods of poor creditor rights protection	
Easiness to access soft information	
Net interest margin and economic development	

3. With these variables in mind, do you have an idea why your bank has not entered other frontier market yet?

Appendix C. Interview guides for non-banks' employee

Part I. Deduction of variables

1. Were you involved in helping banks entering a new market? If yes, please describe what were the considerations.

… and a frontier market? If yes, please describe what were the considerations.

2. Which are for you the main factors for banks to consider when going abroad? Please indicate why.
3. Please have a look at the table below (Show the table from descriptive statistics with all banks' data). It gathers all French banks that have entered a frontier country and the way they entered it.
4. What are the most important facts in this table according to you?
5. Could you make a comparison with what you have done in your work (if the answer to question 1 is yes)?
6. Why do you think the variety of entry mode is high?
7. Do you have an idea why these French banks have not entered other frontier market (for example Kazakhstan, Kenya, Pakistan, etc.)?

Part II. Evaluation of the perception of the impact of inductive variables

1. Among this list of variables, which are according to you the most important to take into consideration when entering a new market?

Variables	**Importance**
Market concentration	
Strategic motivations	
Potential synergies between business units	
Company size	
Company experience	
Competitive position	
Long-term perspective of the firm	
Firm being risk-taker	
Firm with differentiated products	
Firm with customizable products	

Firm with immature products	
Host market potential	
Location familiarity	
Specific know-how of the firm	
Tacit know-how of the firm	
Country risk	
Demand uncertainty	
Intensity and volatility of the competition in the host country	
Cultural distance	
Host country’s customer’s receptiveness	
Physical infrastructure	
Development of a country’s financial system	
Legal origin of the home country	
Growth rate differential between home and host markets	
Number of entry that occurred in periods of poor creditor rights protection	
Easiness to access soft information	
Net interest margin and economic development	

2. …and a frontier market? (Show again table here, putting emphasis on frontier markets)

Variables	Importance
Market concentration	
Strategic motivations	
Potential synergies between business units	
Company size	
Company experience	
Competitive position	
Long-term perspective of the firm	
Firm being risk-taker	
Firm with differentiated products	
Firm with customizable products	
Firm with immature products	
Host market potential	
Location familiarity	
Specific know-how of the firm	
Tacit know-how of the firm	
Country risk	

Demand uncertainty	
Intensity and volatility of the competition in the host country	
Cultural distance	
Host country's customer's receptiveness	
Physical infrastructure	
Development of a country's financial system	
Legal origin of the home country	
Growth rate differential between home and host markets	
Number of entry that occurred in periods of poor creditor rights protection	
Easiness to access soft information	
Net interest margin and economic development	

3. With these variables in mind, do you have an idea why the banks listed in Part I have not entered other frontier market yet?