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Entry Modes Dynamics

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Takeaways

- This chapter discusses and critically analyses key entry modes for foreign enterprises entering into the Indian market.
- It presents a framework for selection of entry modes
- It also provides key contact details useful for foreign investors.

Introduction

Regulations of entry modes for foreign enterprises into India has seen quite some changes since the liberalisation policies began in 1991. The era prior to 1991 was highly regulative with industries reserved for public sector and small scale enterprises, high tariffs, quotas and licence raj. Physical presence of foreign enterprises in most industries was nearly negligible. Moreover, most import transactions attracted heavy custom duty. Indeed, the purpose was to make Indian economy self reliant by protecting domestic firms and minimise the leackage of foreign exchange reserves out of India. However, since 1991, many changes have taken place in the Indian institutional environment that directly affect how foreign enterprises enter and operate in India. Primarily the changes have eased entry requirements for foreign enterprises by lifting restrcitions

on foreign direct investments (FDI), lowering down the tariffs on imports and exports, and allowing remittances of profits by foreign enterprises.

Indeed changes are welcomed by foreign enterprises which is reflected in ever growing volumes of the FDI into India. As per the Foreign Investment Promotion Board, stock of FDI is over US$ 518 billion in September 2017 growing at an average rate of over 25 percent since 2000-01. However, challenges exist as foreign enterprises still ask for transparency and further liberalisation of entry rules in India. Vodafone challenged the Income Tax department's tax demand of Rs. 37 billions arising on its entry into India by acquisiring Hutchison Essar in 2007. The tax demand was disputed by Vodafone and finally nullified by the Supereme Court of India because the tax was made effective by making a retrospective amendment of tax law in 2012. Retail gaints such as Wallmart, Tesco and Carrefour are still asking for 100% FDI in multi-brand retail sector.
With a view to facilitate a quick understanding of the subject this chapter discusses and critically evaluates different modes of entry available to foreign enterprises to enter into the Indian market. It begins by defining the key concepts of market entry modes. Next, it describes the different forms of entry modes, both *equity based* and *non-equity based*, along with the advantages and disadvantages and the key regulations in India associated with each entry mode. The chapter also provides key contact details useful for foreign investors. It finally discusses the criteria for selection of entry mode by briefly drawing on the key academic literature on the subject.

Entry Modes

An enterprise intending to do international business faces crossroads when it needs to decide how to enter into a given foreign market. This question usually arises after finalising the market it wants to serve. Entry modes are specific forms of participation an enterprise uses to get into a foreign market. The extant literature in international business classifies foreign market entry modes into *equity based* and *non-equity based* entry modes. *Equity based* entry modes include all forms of foreign market entry where FDI is incurred by the enterprise. This primarily includes setting up joint venture and wholly owned subsidiary. In contrast, *non-equity based* entry modes include all forms of foreign market entry where FDI is not required, for instance exporting and licensing.

Exporting

Exporting means selling of goods and services by an enterprise produced at its home country to a foreign market. The enterprise can undertake exporting directly or indirectly through an agent. Exporting is a non-investment based entry mode as the enterprise does not undertake any FDI in host countries. It is also regarded as a non-contractual entry mode as exporting is usually based on orders received from buyers in host countries.

Exporting is generally more useful for the small and young enterprises which are in the early stages of internationalisation because such enterprises usually lack finance and managerial resources required to undertake high commitment entry modes in host markets. Exporting, in contrast, requires less commitment, with no capital investment made and no contract signed in foreign markets. Moreover, at the early stages of internationalisation, the firm has little knowledge about the host market characteristics and exporting allows the firm to gradually gain this valuable market knowledge (Barkema, Bell, & Pennings, 1996). Thus, exporting is considered as a strategy to gain host market knowledge (learning-by-exporting) while lowering risk by avoiding capital investment (Cassiman & Golovko, 2011; Yang & Mallick, 2010). However, this is accompanied with lower profit margins in comparison to other modes of market entry.

India offers a significant market to exporters around the world - partly because of its size, sustainable growth rate (Mallick & Marques, 2017) and partly because of continuing economic and institutional reforms undertaken over the last few decades (for details, see Reddy, 2017). In addition, the recent reform in terms of replacing multiple state level taxes into single value added regime is expected to boost international and international trade. Moreover, India has an advantageous geographic location (Buckley, Enderwick, Forsans, & Munjal, 2013) with a long coast line and close proximity to African, Asian and Pacific economies. Indian ocean sits in the middle of the Pacific ocean (on the east) and South Atlantic ocean (in the west), providing clear connectivity with countries around all six continents of the world.

However, exporting to India requires certain formalities and a registration with the Director General of Foreign Trade (DGFT), Ministry of Commerce. The DGFT issues a license with a ten digit Importer Exporter Code (IEC), which needs to be cited on every international trade transaction made by firms exporting to India. An online application can be made for getting IEC

at http://dgft.gov.in. In addition, exporters also require a certification from the Bureau of Indian Standards (BIS) which vouches for the labelling requirements. Exports are subject to prevailing customs duties prescribed by the Central Board of Excise and Customs, Ministry of Finance. More details about the tariff rates can be found at http://www.cbec.gov.in.

Licensing and Franchising

Licensing is an agreement whereby a licensor (parent firm) gives a permit to licensee to use intangible assets, such as technology, brand, and design, for a fee. The fee can be a lump sum or a percentage of revenues (called royalties), or a mix of both. License is usually granted for a limited time period and for a specific geographical area. This means the licensee is not allowed to use the rights after a certain time and beyond the specific geographic area allowed under license.

Franchising is a special form of licensing in which a franchisor (parent firm) gives a right to franchisee to do business in a specific manner. It often involves transfer of a functional business model and transfer of some tangible product, for instance a special ingredient used in production, along with a right to use intangible assets. Like licensing, franchisor charges a fee that be a lump sum or a percentage of revenues (called royalties), or a mix of both.

Licensing and franchising are non-equity based entry modes because licensor or franchisee does not buy an equity stake in the licensee's or franchisee's business. In contrast, licensing and franchising involve contractual obligations and transfer of rights to use propriety assets. Hence, these modes are often referred as *contract based* or *transfer based* entry modes (Shenkar & Luo, 2008).

Licensing and franchising allow the parent firm to rapidly expand internationally. Primarily because the parent firm need not undertake FDI while the local firms in host market take the burden of capital investment and local management. However, both parent and the local firms are tied into formal agreements which indicate commitment by both parties. It is important to note that commitment in franchising is usually higher than other forms of licensing because franchising involves transfer of a whole business model and knowledge needed for proper functionality of business.

Licensing and franchising are quite popular mode of entry in India, primarily in the industries that requires local adaptation for example media, publishing, hotel and fast food chain. McDonalds, Starbucks, Burger King, Marks and Spenser, Radisson, Hyatt, Best Western and Hilton Hotels are good examples of successful market entry through licensing and franchising by foreign enterprises in India. Franchising is increasingly becoming popular among Indian entrepreneurs as using established foreign brands, generally popular among young Indian population, provide safe route for business investment in India.

It is interesting to note that despite the popularity of licensing and franchising in the Indian market, India does not offer any specific law to regulate licensing and franchising modes of entry. Licensing and franchising agreements are governed under the umbrella of the Indian Contract Act, 1972 which is a general law for regulating all kinds of contractual agreements. Given the universal application, the Indian Contract Act, 1972 allows a great deal of flexibility in drafting contractual obligations between licensor/franchisor and licensee/franchisee. The agreement may or may not be in writing and if it is written it may be written in any language.

Payment of royalties and lump sum fee as consideration to licensor/franchisor is dealt in accordance to the Foreign Exchange Management Act, 1999 and Indian Income Tax Act, 1961. Over time foreign exchange regulations in India have eased. For instance, now, remittances can be made without any monetary caps; however, licensee/franchisee is obliged to deduct tax, as per the prescribed rates of income tax, before making the payments to licensor/franchisor. Deduction of tax by licensee/franchisee is mandatory as it ensures recovery of tax at the source of income (called Tax Deducted at Source or TDS) before income is transferred out of India to foreign enterprise acting as licensor/franchisor. The current rate for deducting tax can be found at www.incometaxindia.gov.in

Joint Venture

Joint venture is an equity based entry mode. It means a partnership agreement between two or more parent firms that come together to start a new business entity. In the international business context, a cross-border entity is formed by partnership between two or more parents from different national backgrounds. For instance, Reliance Aerostructure Limited (an Indian company) has

entered into an agreement with Dassault Aviation (a French company) to form Dassault Reliance Aerospace Limited (a joint venture).

As a new venture is started under the joint ownership, capital is contributed by parent firms which represent their equity share holding in the joint venture. In the above example of Dassault Reliance Aerospace Limited, Reliance Aerostructure Limited holds 51% and Dassault Aviation holds 49% equity ownership.

Theoretically, there are many advantages of entering a foreign market through joint venture. It allows for sharing of capital and risk among partner firms, while exchanging their resources and capabilities. Establishing joint venture in host market with local firms further allows accessing of local market knowledge and political connection. The main drawback of joint venture is sharing control and ownership with partner firms. In a cross-border setting it also involves managing cultural differences among partner firms.

Foreign firms can set up their operations in India by forming a joint venture with Indian partners. Joint ventures are quite popular in the India as many Indian firms see establishing joint venture as a strategy to access sophisticated advanced technology and management processes. Foreign firms that can contribute such resources can gain through joint venture with Indian firms.In return joint ventures are popluar among foreign firms because it can provide them gains especially, in terms of, access to market knowledge, political contacts and exploiting local skills and talent which a foreign investor would not easily get on its own.

The processes and formalities for establishing joint venture in India are relatively simple. A joint venture can be established through incorporation of the joint entity. The incorporation can take in the form of a joint stock company or a limited liability partnership (LLP). A joint stock company is established under the Indian Companies Act, 2013; while, the LLP is established under the Limited Liability Partnership Act 2008. The joint stock company is considered better in terms of governance of the joint venture, as the Indian Companies Act is very comprehensive and it requires establishment of proper better management structure and various internal checks and procedures for the proper conduct of company’s affairs. Moreover, incorporation in the Companies Act

provides an independent legal identity to the joint venture. This means that joint venture remains in existence even if the parent firms change or cease to exist. Finally, incorporation of a joint stock company also ensures that the parent's liability is limited by the amount of capital contributed.

As mentioned above, the Limited Liability Partnership Act 2008 also allows incorporation of a joint venture. It provides flexibility to parent firms in terms of organization and governance of joint venture through amendments of partnership agreement. Flexibility in partnership agreement is very important. The extant literature in international business field suggests that joint ventures are often unstable and there are several reasons for it - ranging from country-level factors, such as changes in institutional environment and macro economic conditions, to firm-level and manager-level factors, such as lack of synergy between partner firms and cultural differences between managers (see, Yan and Luo, 2016 for a detaliled discussion). Citing the case of India, Kale and Anand (2006) suggest that in the broader context of emerging economies joint ventures are on decline and this can be largely attributed to the unstablility, which is an inherent characteristic of joint ventures. It is worth mentioning that the issue of unstability is largely addressable as joint ventures can be turned into subsidiaries.

In India, the LLP joint venture can be converted into a joint stock company, if all parent firms wish. Foreign direct investment is allowed in the formation of both LLP and JSC types of joint ventures, subject to regulations framed by the Government of India.

Strategic Alliance

Strategic alliance is a cooperative agreement between two or more firms. It can range from equity based joint ventures to non-equity based contractual agreements. When no formal investment is made into partnership no new entity is formed. Partner firms merely form an agreement for cooperation where rights and obligations of partner firms are mutually decided. Non-equity based strategic alliances are formed when partner firms do not need a separate identity for their partnership and they do not intend to be bound by the formalities of incorporation. Business enterprises often use strategic alliances for knowledge and technology transfers, and joint product development, buying, promotion and distribution, where combined efforts are mutually beneficial.

When, no new entity is formed in strategic alliances the agreement among firms to form an alliance is governed by the Indian Contract Act 1872. The partner firms are not treated as partners in legal sense and therefore the Partnership Act, 1935 is not applicable. It is important to note that non-equity based strategic alliances are not favourably treated in the Indian Income Tax Act 1961. Such alliances are treated as an "association of person" under section 2(31) and it attracts the higher tax rate, as prescribed in the act.

In comparison to joint venture, where equity shareholding indicates ownership and commitment of partner firm, non-equity based strategic alliance lacks an adequate measure for partners' commitment (Beamish & Lupton, 2009). However, both joint venture and strategic alliances have the advantage of risk sharing among partners and relatively quick access market and local knowledge. Recently, German automobile manufacturer Volkswagan and Tata Motors announced plan to form a strategic alliance in the Indian subcontinent. These competing automobile manfacutring gaints aim to develop concept cars for the technology driven automobile market in the near future.

Wholly Owned Subsidiary

A firm can also enter into a foreign market by establishing a wholly owned subsidiary. This mode allows the firm to internalise foreign operations. There are primarily two ways of establishing subsidiary: a) starting a business from scratch which is often referred to as *Greenfield venture*; and b) acquiring an existing firm in the host country. Establishing a subsidiary in host market, either way, allows the foreign enterprise to internalise operations instead of outsourcing to third parties. Indeed, establishing wholly own subsidiaries requires more investment and bearing full risk but it also allows the foreign enterprise to exercise full control and protection of proprietary knowledge.

Foreign enterprises are allowed to open a wholly owned subsidiary in India by undertaking 100% FDI in many sectors, notably in pharamaceuticals, civil aviation and food products manufactured or produced in India. However, certain sectors, such as multi-brand retailing, are still considered politically sensnsitive where deleberations are going on to allow 100% FDI.

As discussed above, a subsidiary can be establishing by incorporating a joint stock company under the Indian Companies Act, 2013. This incorporation makes subsidiary an independent legal identity, separate of its parent firm. The companies act allows subsidiary to be incorporated as a private limited company or as a public limited company. Private limited company is considered as a closely held company and it allows certain privileges to the promoters. In contrast, public limited company is widely held and is subject to more regulations.

There are two routes for undertaking FDI in India:

a) *Automatic Route:* In the automatic route, FDI is allowed without prior approval from government. A list of activities/sectors where 100% FDI is allowed by automatic route is specified by the Reserve Bank of India (RBI) in the Annex B of Schedule 1 to Notification No. FEMA 20.

b) *Approval Route*: In the approval route, all activities/sectors not covered under the automatic route require prior approval of the Government. FDI requests under approval route are considered by the Foreign Investment Promotion Board (FIPB), Department of Economic Affairs, Ministry of Finance. Application can be made in the Form FC-IL, which can be downloaded from http://www.dipp.gov.in

In addition to establishing a subsidiary, foreign enterprises can also open up a Branch Office (BO), Liaison Office (LO) and Project Office (PO) in India, as per the guidelines issued by the Reserve Bank of India under the provisions of Foreign Exchange Management Act, 1999. The BO, LO and PO can represent foreign enterprise in India. It can engage into exporting and importing activities, carrying research, collecting information or rendering professional and technical services, and promoting collaborations on the behalf of parent enterprise. However, the foreign enterprise opening BO, LO and PO needs to appoint an authorised representative, who is responsible for local management in India. The manager is required to submit annual activity report to the RBI as the BO, LO and PO is not allowed to undertake any other activities which are not authorised by the RBI. It is important to note that unlike subsidiary, BO, LO and PO does not have limited liability and separate legal identity.

Selection Criteria

After identifying possible entry modes available, a foreign enterprise needs to decide which entry mode is the best for the given location. Theoretically speaking there is no perfect entry mode. Each mode of entry has advantages and disadvantages associated with it. In fact, entry modes are not mutually exclusive, they are interdependent. Very often more than one entry mode is used by firms for being successful.

Figure 1: Incremental Entry Modes

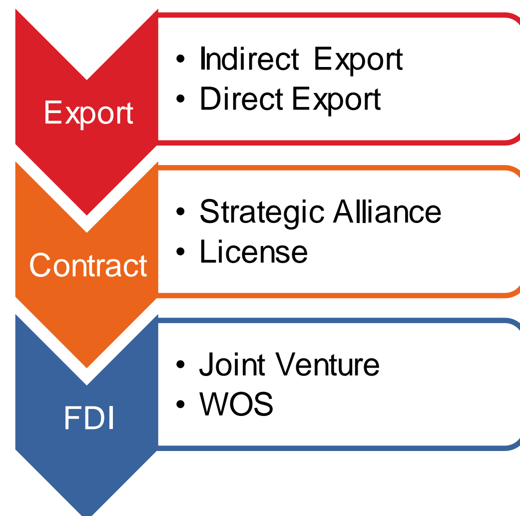

Figure 1 shows that entry modes are incremental. A firm usually start with exports before increasing its commitment in the given host market to FDI. Lack of resources and market knowledge in the initial phases of internationalisation makes it difficult for the firm undertake FDI. However, as the firm serves the market thorugh low committment modes it prepares itself for higher commitment by gaining market knowledge and accumulating other resources it needs to undertake FDI.

The selection of entry mode depends upon of range of factors, which are explained below.

Cost, Control, Risk and Return

A primary criterion for selection of entry modes revolves around cost, control, risk and return (CCRR). Based on the internalisation theory (Buckley & Casson, 1976), the CCRR criterion captures the firm's need to minimise cost and risk while maximising control and return in host markets. However, there is a direct relationship between cost and control as well as between risk and return. For instance, by establishing a wholly owned subsidiary the foreign enterprise can exercise full control on the subsidiary, as a result of full ownership over it. In contrast, by establishing a joint venture the control is shared with partner firms. Moreover, wholly owned subsidiary entitles the foreign enterprise to get full returns but it has to bear risk alone in comparison to a joint venture where risk and return are shared among partner firms.

Thus, cost - control and risk - return relationship as shown in Figure 1 is positive, i.e. more cost provides more control and higher risk is generally associated with higher return. A manager needs to break this positive association. In other words, managers job is to minimise cost and maximise control and at the same time minimise risk and maximise control. Unfortunately, this is no generic formula or theoretical logic that can aid managers in decision making. The decision depends upon product, industry and host country specific factors.

Figure 2: CCRR Criteria for Entry Mode Decision

In the Indian context, it is important to note that while India provides a large growing market with lower cost of production, especially in comparison to western economies – making it an attractive location to many western enterprises, managing risk and uncertainty is a challenge here. Consequently, foreign enterprises often seek to maximise control by establishing a subsidiary unless the need of having a local partner is necessary due to regulations or for seeking local market knowledge and political contections. Marks and Spencer is a good example here which has established a joint venture with Reliance especifically to address the above said challenges.

Nature of Product and Industry

Besides the CCRR criterion, the choice of entry mode depends upon the nature of product and industry norms. Exporting is more popular in industries where standardisation of product and centralisation of production is possible. However, other modes of entry are usually helpful when adaptation of product and decentralisation of production is required. For instance, garments and consumer electronic devices, such as mobile phones, are pretty standard products and therefore firms producing such products are usually clustered in particular geographic regions in the world,

usually South Asia for garment production and East Asia for consumer electronics. Producers in these regions export garments and consumer electronics to the other parts of the world.

It should be acknowledged that clustering of producers in South Asian and East Asian countries is primarily driven by cost advantages offered by the region. Foreign enterprises wishing to exploit the cost advantages undertake FDI in this region to set up production and procurement facilities.

At the same time the nature of the product also equally influences entry mode. Products that are less bulky and therefore easy to transport, for instance medical drugs and shoes, are usually exported by producing at a few central locations. For example, Pfizer exports medicines from India, Nike exports shoes from its production facilities in Vietnam. On the other hand, products that are more bulky, and therefore difficult to transport, are produced near to the market to be served. For instance, Toyota - Japanese MNE - has established it production facilities in every continent so as to serve the neighbouring markets, while minimising the transportation cost.

Country-specific Factors

Host country characteristics are equally important in the choice of entry modes. Prior research has examined a number of location attributes that affects firm's entry mode decision.

Distance between Home and Host country

First, geographic distance between home and host countries influences market entry decision. More physical distance adds to transportation cost and makes it difficult to control activities in host country. *Citrus Paribas*, firms like to avoid undertaking FDI into a physically distant market (Ragozzino, 2009). Second, like geographic distance, cultural distance between home and host countries also deters FDI as it adds to transaction costs of managing operations in foreign market (Kogut & Singh, 1988). The Uppsala model of internationalisation suggests that firms mitigate the impact of cultural distance by venturing into countries that are psychologically close to their home country (Johanson & Vahlne, 1977, 2009).

Recent research suggests that the impact of physical and cultural distance can be mitigated by cooperation and alliance between home and host country. For instance, sporting events, trade fairs, cultural exchange programmes, free movement of people and opening of new routes and ports as a way to promote trade and investment relationships, under cooperation between home and host countries, positively influence the firm's decision to undertake FDI (Buckley, Munjal, Enderwick, & Forsans, 2017, Buckley and Munjal, 2017). Cultural distance can also be mitigated by the existence of diaspora (Buckley et al., 2013, Munjal, 2014).

Government Policy and Institutional Framework

Government policies and institutional framework further affect the entry mode choice of foreign enterprises in a number of ways. JCB's entry into India is a great example to illustrate how government policy influences entry mode.

JCB, the construction machinery manufacturer from Rochester, UK served the Indian market using exporting until 1979 as FDI then was not allowed in India. Later in 1979, when FDI rules were relaxed, JCB entered into a 40:60 joint venture with 'Escorts' – a tractor manufacturing firm from India. JCB held 40% shares, the maximum share allowed to a foreign company in India allowed under the Foreign Exchange Regulation Act, 1979. Subsequently, when FDI norms were further relaxed in 1999 with the introduction of Foreign Exchange Management Act, 1999 JCB acquired extra 20% equity shares raising its share holding to 60% and leaving 40% stake with Escorts. In 2002, when 100% FDI was allowed JCB acquired 100% shares making the joint venture as a wholly owned subsidiary.

Government's restriction on import of foreign goods, for instance by levying tariffs, also affects foreign enterprises entry mode decision. In order to overcome trade tariffs, foreign enterprises often start local production in host markets instead of servicing through exporting. This is technically referred to as *tariff jumping strategy* of foreign enterprises (Asiedu, 2002; Buckley, Forsans, & Munjal, 2012). Establishment of Hindustan Lever in India in 1956 is a great example in this respect.

Finally, protection of property rights and quality of other legal frameworks, for instance enforcement of contracts, are also considered very relevant for the firm's entry mode decision. Host countries, where the institutional framework is weak and therefore protection to the firm's brand, technology, trade mark and copyrights is inadequate are usually served though wholly owned subsidiary because internalisation of operations allows more control over the firm's proprietary knowledge. On the contrary, if the legal framework is strong the firm can serve the market using contractual entry modes, such as licensing and franchising.

Host Country Resources

Availability of resources, market and pool of skills and talent are regarded as the firm's motivation for internationalisation (Dunning, 1988, 1993). These factors also influence the firm's entry mode decisions. India offers a significant market and various types of skills and talent to foreign enterprises. Given its large and growing market, it offers significant incentive to foreign enterprises to open their wholly owned subsidiaries. Buckley and Casson (1981) suggest that over time the economies of scale make FDI more rewarding than other modes of entry. This argument especially applies in a growing market like India.

Availability of skills and talent has also been a significant attraction for foreign enterprises in India. Given visa restrictions on the movement of labour, firms seeking skills and talent needs to trek up to the source of resources. Many foreign enterprises, such as Cisco and Microsoft have opened their research and development centres in India, while other foreign enterprises have exploited the availability of skills by operating back office centres from India. Indeed, these research centres and back offices primarily require FDI.

A recent research suggests that overtime, besides economies of scale and opportunities in terms of availability of resources, the experience of foreign enterprises in India and institutional development have reduce the challenges of doing business in India. All these have enhance FDI inflows in India (Munjal & Pereira, 2015).

Summary and Conclusions

The choice of mode for market entry constitutes an important decision in international business. The various modes for entering foreign markets are exporting, licensing or franchising, strategic alliance, joint venture and wholly owned subsidiary. Although, the magnitude of advantages and disadvantages of each entry mode can be measured in terms of cost, control, risk and reward, the choice of entry mode depends upon an array of factors ranging from the nature of firm, product and industry characteristics and host markets 'attributes.

India as a host market is quite popular among foreign enterprises primarily because of its large market and sustainable growth over the last few decades. However, availability of skills and talent has also attracted foreign enterprises into India. Liberalisation of the Indian government policies towards international trade and foreign direct investment, and the institutional framework with a mature set of legislations, such as the Contract Act 1877, the Companies Act 2013, the Limited Liability Partnership Act 2008 and the Foreign Exchange Management Act 1999, provides a comprehensive institutional environment, covering all entry modes, to foreign enterprises wishing to enter into the India market.

Although, this chapter provided the holistic view it could not discuss the idiosyncrasies applicable for individual industry and which has remained a limitation. However, this chapter provides fundamental understanding that can facilitate an in-depth study of any industry and firm specifics.

Useful Websites

- The Director General of Foreign Trade http://dgft.gov.in
- Central Board of Excise and Customs http://www.cbec.gov.in
- Department of Income Tax www.incometaxindia.gov.in
- Department of Industrial Planning and Promotion http://www.dipp.gov.in
- National Portal of India https://www.india.gov.in

Case Study

Marks and Spencer (M&S), headquartered in the City of Westminster, London is a leading global retailer. It employes around 85,000 people and generates an overall revenue of £10.6 billion, 60% of which comes from food and 40% from clothing and home. M&S has over 450 international stores in 55 countries generating a revenue of £1.2 billion (M&S, 2017).

To boost its international growth M&S has started to focus on emerging economies, such as India and China. However, international journey of M&S has been full of ups and down. Its entery into India was in 2001 through a franchising agreement with Planet Sports (BBC, 2001). Realising its initial success in India, M&S increased its commitment, in 2008, by starting a joint venture with Reliance Retail, a subsidiary of Reliance group, the second largest conglomerate in India owned by the business tycoon Mr. Mukesh Ambani. In 2008, M&S also entered into the mainland China by opening a wholly owned subsidiary (M&S, 2015). However, despite having full control, M&S faced many challenges in China and in April 2017, M&S announced that it was closing all of its stores in China. Some of the major cause has been lack of market knowledge and inability to set up an efficient supply chain (Telegraph, 2017).

Although, M&S's contrasting performance in India and China can be attributed to many factors but the role of entry modes stands out and the success of M&S in India is largely attributeable to having a local partner which is vouched by the following quote by Marc Bolland, the former Chief Executive Officer of M&S (2013):

> "India is a priority market for M&S and working closely together with our partner Reliance Retail we have set a clear plan to build a leadership position

here. As the nation's leading retail operator, Reliance Retail is the perfect partner for us in India with extensive local expertise and experience, with strengths in infrastructure, logistics, technology and property."

In News

India has climb World Bank's Doing Business rankings. In the last three years, Indian ranking has sored from 145 to 100 in the world out of 190 countries list. With its imporved rankings, India has finally emerged as one of the 10 most improved economies.

Source: Financial Times, https://www.ft.com/content/9eaccc6e-bddc-11e7-b8a3-38a6e068f464

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