

**MÁSTER UNIVERSITARIO EN ESTUDIOS AVANZADOS  
EN DIRECCIÓN DE EMPRESAS**

**THE DIFFERENT FOREIGN MARKET ENTRY APPROACHES  
BETWEEN MEXICO AND THE NETHERLANDS**

**[LOS DIFERENTES ENFOQUES DE ENTRADA AL  
MERCADO ENTRE MÉXICO Y LOS PAÍSES BAJOS]**

**TRABAJO FIN DE MÁSTER**



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**The different foreign market entry approaches  
between Mexico and the Netherlands**

**[Los diferentes enfoques de entrada al mercado  
entre México y los Países Bajos]**

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TÍTULO:

**The different foreign market entry approaches between Mexico and the Netherlands**

**[Los diferentes enfoques de entrada al mercado entre México y los Países Bajos]**

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RESUMEN:

This research displays market entry approaches for all kind of businesses in the case of Mexico and the Netherlands. It shows a general up-to-date country and market (risk) analysis for both countries by applying a DESTEP analysis. In addition, the outcome of this research can be seen as a guidebook for businesses that are thinking, but do not know how to begin with the idea, of expanding their current business operations. Throughout the research the biggest differences regarding the characteristics of both countries have been outlined while, at the same time, implementing the best possible market entry strategy approaches for each kind of country and business characteristic. For any type of entity willing to expand its current business operations it should take into consideration the nation as well as the local market entry barriers, and giving each single element a level of importance that will help to decide which market to enter and by what market entry strategy.

PALABRAS CLAVE:

Market entry strategies; Market industry; DESTEP; Mexico; The Netherlands



## List of abbreviations

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<b>Notation</b>	<b>Description</b>
CPI	Corruption Perceptions Index
CSR	Corporate Social Responsibility
DESTEP	Demographic, Economic, Social/Cultural, Technologic, Ecological, Political
EFTA	European Free Trade Association
ERP	Enterprise Resource Planning
FDI	Foreign Direct Investment
G20	An international forum for the governments and central bank governors from 19 countries and the European Union
GDP	Gross Domestic Product
HRW	Human Rights Watch
IMF	International Monetary Fund
IT	Information Technology
NAFTA	North American Free Trade Agreement
NFIA	Netherlands Foreign Direct Investment Agency
OECD	The Organization for Economic Cooperation and Development is forum with over 100 members that try to promote economic growth, prosperity, and sustainable development
R&D	Research & Development
WEF	World Economic Forum
WTO	World Trade Organization





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## **CHAPTER 1. INTRODUCTION**

### **1.1. JUSTIFICATION**

So far there has only been research done towards the general market conditions for both countries. This research has been done by consulting firms who are trying to convince businesses to invest foreign countries while helping these businesses out during the process of starting up foreign operations. Examples of those types of consulting firms are PricewaterhouseCoopers (PWC) or Ernst & Young (EY). Generally, published reports will provide you with just information regarding the current economic conditions of a country. However, it is to be said that these certain type of given data could sometimes be not very up-to-date. That is to say that they do not take into account recent market conditions but take into account the overall conditions, normally publishing the same information every year without making many adjustments.

In addition, research has been done by NGO's regarding some of the issues that countries face. Examples of NGO's that publish these reports are entities like the OECD, IMF, HRW, Amnesty International etc. Most of the time, these reports include information regarding human rights, politics for those countries being investigated. Most of the time these types of reports are quite recent once published, be that as it may, there are normally just published once a year.

Next to that, in most cases whenever a business is likely to go abroad it could seek advice from its foreign ministry. Its ministry could provide information regarding the safety of FDI's.

Nonetheless, until now there are has not been specific research done that compares both Mexico and the Netherlands (recent) country conditions. Also, until this research paper no such research has been done so far that describes all possible market entry strategy that are possible for businesses in countries like the Netherlands and Mexico, nor does it describe the process that companies have to go through and think about once the awareness arises to start expanding a company's current operations. Additionally, until now, no research has been held to apply those possible market entry modes for Mexico and the Netherlands while taking into account for the most recent market conditions.

For any type of business that does not have the experience of how and when to enter foreign markets nor when it does not have the capital to seek advice from big international consulting firms this research is very useful.

### **1.2. OBJECTIVE**

The objective of this thesis is to provide the reader with all important information that is necessary for enterprises who are thinking of expanding their business operations to Mexico or the Netherlands. It should increase the knowledge and change the view of business owners towards expansion. Based on the given information they should be able to easier and faster make the right decision on expanding to one of those two countries as well as understanding the big differences between the two countries with regard to its entrance barriers, economical situations, political stability, culture differences etc. It could be seen as a guidebook for businesses.

### **1.3. METHODOLOGY**

Throughout this report interesting information will be given and outlined to the reader. All information has been retrieved from reports published by (big) international entities as well as from marketing books to describe the various theories that exist regarding international market entry modes etc. Also, recent news articles and websites of governmental entities have been helpful in order to come across and find new and relevant data for the DESTEP analysis. All information will be analysed by quickly scanning and scanning all the data. Next will be determined whether the information is accurate, relevant to its (sub) theme, and a reliable source of information. Looked will at the uniqueness of the information, deciding whether it contains any value added information. In addition, will be looked at if the information could contain any type of propaganda. Lastly, will be recognized any type of interrelationships between the information.

All gathered information will be placed, at first in the theory section of this research paper that will include theories regarding market strategies etc. In addition, a DESTEP analysis will be performed for both Mexico and the Netherlands. A DESTEP analysis is a tool which gives a comprehensive overview of a country. It involves the examination and interpretation of a nation's Demographic, Economic, Social, Technological, Ecological and Politic aspects.

### **1.4. STRUCTURE**

The reason for tackling this theme is to get a broader vision on all possible market entry strategies that could be possible for both countries as well as for understanding the current conditions in both particular countries. Decided has been in Chapter 2 to first describe and outline the motives and the importance of a right market entry while showing all possible applicable marketing entry strategies. It has been done this way to create an awareness towards all described theories. Next, in Chapter 3 a country analysis has been performed for Mexico to see possible bottlenecks and/or any type of interesting facts regarding its country condition. In addition, in Chapter 4 a DESTEP country analysis has been realized in the case for the Netherlands. Lastly, in Chapter 5, the marketing entry strategies have been applied for both countries taking into consideration all the information that has been provided during the DESTEP analysis in order to apply the theory with the actual research objective. Finally, Chapter 6 is devoted to recommendations and conclusions.

## CHAPTER 2. MARKET ENTRY STRATEGY

This chapter will outline some of the market entry strategies that could be applicable in the modern day of business. It will be described by using the five main strategies formed by Cunningham as well as by explaining some of the well-known entry strategies.

First of all, a definition has to be formed of a market entry strategy in order for the reader to understand the objective. A market entry strategy is a planned method of delivering goods or services to a new target market and distributing them there (Gekonge, 2014).

### 2.1. REASONS FOR EXPANSION

Whenever a firm wants to expand, or look across possible business opportunities across the border it has to find a way of creating an output of its initial market entry cost. It is clear that there is a cost involved expanding overseas and/or across borders. A company is bound to invest time consulting for expanding their current market operations. In the business industry, time means money and, thus, opportunity cost.

In any type of scenario, a firm has to decide the cost, risk and the degree of control it wants to exercise over its (future) foreign operation (Carter et al., 1997). In addition, once a firm has decided its mode of market entry, it is quite difficult to change because it brings along long-term consequences for the enterprise (Hollensen et al., 2011). In any case, the main objective for any type of entity selecting the right entry mode should be considering the company's capabilities and available resources.

Generally, business implications are in line with creation of opportunity awareness and the potentials for the creation of an appropriate market entry mode to seize strategies, and in order to capture a greater market share and a better profit ratio in an international market.

There are many reasons why businesses go international. According to Czinkota & Ronkainen (2007), in order for any type of organization to survive in the international market for a long period of time, businesses must be prepared for any type of circumstances and being able to adjust to the needs and opportunities being offered by international markets. These authors formed two reasons why enterprises will go international and exploit foreign markets. Table 2.1 shows the different motivations that drives these two business groups into going abroad.

I. Proactive Stimuli	II. Reactive Stimuli
Profit Advantage	Competitive Pressures
Unique Product	Overproduction
Competitive Advantage	Declining Domestic Sales
Economies of Scale	Excess Capacity
Tax benefits	Unsolicited foreign orders

Table 2.1. Proactive and Reactive Motivations  
 Source: Czinkota & Ronkainen (2007)

## 2.2. HOW TO ENTER A NON-NATIVE MARKET

### 2.2.1. Factors affecting the decision and timing

A number of theories and entry mode surveys have been investigated and introduced to interpret the foreign entry mode decision. The decision to properly apply a market entry strategy at the right time is not easy to make, nonetheless they are crucial to compete in the global market (Domazet et al., 2010). Managers should consider a number of internal and external factors. According to Hollensen (2004), a group of four factors could be distinguished that are believed to affect a decision throughout the process of a foreign market entry. All four factors will be considered and described in further detail throughout the report.

- 1) Micro factors (examples are: company size, product complexity, international expertise). It is investigated that having employees with international assignment experience helps to diminish the uncertainty associated with international expansion. In addition, for businesses it is interesting that more international experience creates and increases the awareness of (other) international opportunities (Erramilli, 1991).
- 2) Macro factors (examples are: socio-cultural difference between origin country and entry country, political, market uncertainty, direct or indirect trade barriers). All macro differences between countries could affect the decision on deciding what international market entry mode to use. It could even be of great impact throughout the implementation of a market entry strategy.
- 3) Desirable entry characteristics (control, risk, flexibility). Each different market entry mode involves a different level of control, risk and flexibility. For this reason, the business needs to have a clear image in mind with regard to its level of involvement. For example, as a rule, highly controlled foreign business operations imply a big commitment and a relatively bigger risk than a less controlled foreign operations. On the other hand, a higher risk generally comes along with a higher return on investment (Kwon & Konopa, 1993).  
At the same time, a low market entry control mode needs to be elected in case of a lack of available resources in a foreign country. These different types of entry modes, which will be described in section 2.6, brings also less commitment and risk along for the firm. Nevertheless, it is important that sometimes, low control entry modes like a joint-venture or a franchise could bring in relatively more risk than other similar intermediate entry modes (Hollensen et al., 2011).
- 4) Business-specific factors (corporate behaviour, transaction costs). Important factor are the transaction costs and the way foreign business partners are able to connect with your business environment and upside down. Transaction costs could be seen as all the costs involved during the process of transferring information and goods as well as the purchase of foreign assets. Each distinct market has different transaction costs due to the size of the market, product and/or service.

Any type of business must be aware of the fact that choosing the right market entry strategy as well as sequencing it in the right time could give the enterprise a certain level of competitive advantage in the market. It can make the firm a pioneer – a first mover, second mover, a follower, or the late mover (Magnusson et al., 2012).

For any type of organization that is going, for example, to the Dutch or Mexican market, in order to be most profitable, it wants to be an early (first) mover. It is to be said that a first mover achieves a better performance compared to late movers (faster ROA, greater



probability and market share). On the other hand, late movers are more superior than first movers with respect to the risk and the amount of initial investment necessary during the initial period of the international expansion (Lieberman & Montgomery, 1998). Again, it is important the amount of risk you would like to take as a firm.

### 2.2.2. Market Entry Strategies

Making the right decisions is key when entering a new foreign or international market. It could help the firm creating its inputs into great outputs. The correct decisions could help the company prosper; on the other hand, taking the wrong step by applying a wrong market entry strategy could result in a very bad brand image as well as in the worst case scenario, bankruptcy. There are a variety of ways businesses could enter a foreign market. The three most common ways are by direct or indirect export or production in a foreign country (Dhingra, 2018). Figure 2.1 highlights common market entry strategies that could lead businesses to success.

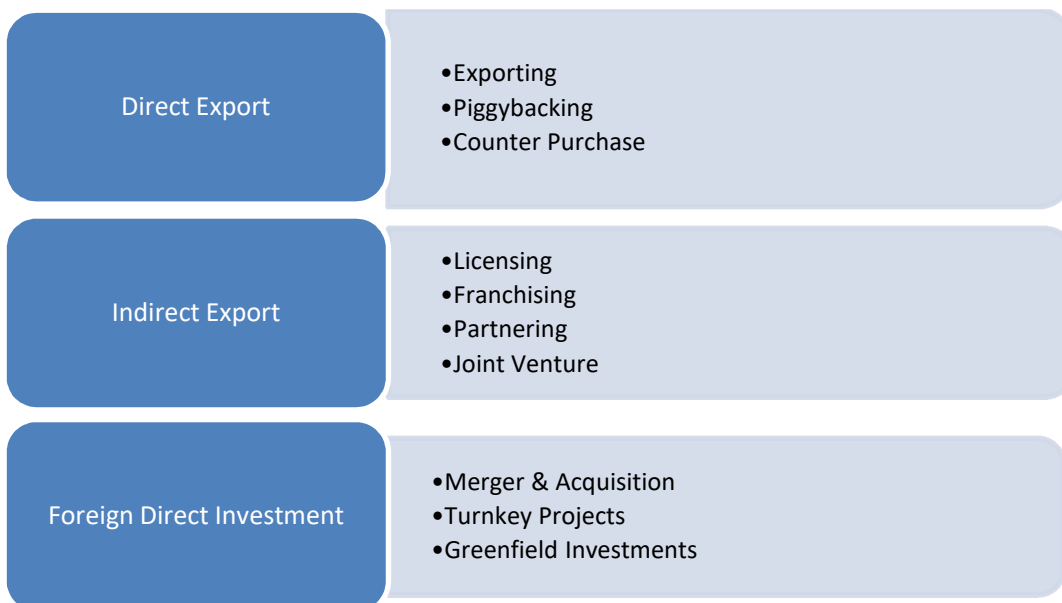


Figure 2.1. Overview of Market Entry Strategies  
Source: Dhingra (2018)

#### 2.2.2.1 Direct Export

##### **Exporting**

It is the most traditional and commonly used form of entering a foreign market. Basically, it is the marketing of goods and services produced in the domestic country which are directly or indirectly being sold to the host country. A big advantage applying exports is that there is need for opening a foreign manufacturer which could, eventually, bring along some risk. Next, to a business it gives the opportunity to learn from the foreign markets before highly investing into it (Dhingra, 2018). It can use the data obtained from customers to better understand the market while eventually implementing a more risky form of market entry, like for example a foreign direct investment method.

The big disadvantage of this international entry strategy is that an agency problem could arise because of the possibility that a foreign (marketing agent) lacks the right vision,

discipline and/or control. In all market entry cases, a firm has to weigh the pros of the strategy against the cons. For example, an American firm wanting to export beverages to Mexico could experience a Mexican agent that has different plans and strategy towards the product, distribution etc. The culture plays a big role in this case as well. It is to be said that a using exporting, the risks of failure are highest in the early stages. A helpful tip is to, for instance, achieve a partnership between importer, exporter, transport and government. By including the four participants the risk associated are substantial decreased.

### ***Piggybacking***

It is an innovative way of entering a market that is difficult to enter and conquer. Applying this strategy, a firm (rider) is producing good and/or services and is using businesses (carrier) in the host market that are willing to add your product to their inventory. It is highly applicable for enterprises with limited exporting activities, limited resources and a lack of knowledge of the foreign market. It is low-risk strategy since you are basically riding on the marketing of the foreign firm (Terpstra & Yu, 1990).

### ***Counter Purchase***

This entry strategy is quite similar as bartering. As a firm you sell goods and/or services to a foreign business and agrees to also purchase goods and/or services from the importer under separate sales contracts. Typically, the goods being sold and exchanged by the two parties are unrelated but may be of equivalent value (Dhingra, 2018).

#### **2.2.2.2 Indirect Export**

Besides exporting, other useful international market entry strategies exist. Below are highlighted and outlined the following four indirect export strategies including licensing, franchising, partnering and joint venture.

### ***Licensing***

This international market entry strategy is an agreement where your business (the licensor) agrees to let another company abroad (the licensee) the (partial) use of some of your resources, as for example:

- Patents and Trademarks
- Inventions
- Formulas
- Manufacturing processes
- Design and Copyrights
- Know-how
- Trade secrets

It is a fast and easy way to start in foreign operations and opening the door to low risk manufacturing. The only cost is signing the agreement and policing its implementation. In return, the licensor does receive a loyalty fee from the licensee (Dhingra, 2018). A shorthand definition of a license agreement is a promise by the licensor not to sue the licensee. In any agreement should include a term (length of time), territory (to what territory the right pertain to), renewal provision, and any other limitations deemed important to the licensor.

### ***Franchising***

Franchising is another easy concurrence for penetrating a foreign market. It works well for business whose business model is facile repeatable and that for those who can easily transferred into other international markets. It goes one step further than licensing. In a franchise agreement, franchisors, you as business granting the license to a third party, not just specify the products and/or services that will be offered by the franchisees (the foreign business who is granted the license to operate under the franchisors trademark and trade name), but also will provide the franchisees with an operating system and support (Lafontaine, 1992).

### ***Partnering***

Partnering is establishing a long-term strategic win-win relationship between two different businesses or entities. It is based on focusing on what each party does best, by sharing financial and other resources. You, as a business could look for possible opportunities that might another business/entity work with you and share information and resources. It will diminish the overall risk since the risk is divided between multiple parties. The agreement can take a big variety of forms from a plain co-marketing arrangement to a strategic alliance for manufacturing. The choice to partner up is a highly useful strategy when international markets where the culture, both business and social, significantly differ from your own domestic manners (Dhingra, 2018).

### ***Joint Venture***

In this market entry agreement at least two parties agree to pool their resources to accomplish a specific task and create a third independently managed company. It is to be said that it is not the same as partnering. It is the 1+1=3 process (Dhingra, 2018). A joint venture can be described as a contractual arrangement between two companies that aim to undertake a specific task. Whereas, a joint venture involves an agreement wherein both parties agree to share profits and any possible loss. In addition, a joint venture will last only for a limited period until the objective of the agreement is achieved.

Advantages of a joint venture are the possibly new insights and expertise it gains. For example, the market then could be easier for you to understand afterwards. Also, you will build possible long-term relationships and networks.

Disadvantages are that the objectives of a joint venture are not 100 percent known nor communicated to all the people involved in the project. In addition, there will not be an equal involvement. It is unlikely for all parties to be working together to share the same involvement and responsibilities. It is to be said that there is a great imbalance, meaning an imbalance of expertise, assets, and investment. This could create a negative atmosphere to the different businesses who are working together (Hill etc al.,1990).

A big hint is to carefully map out in advance what they expect to achieve and how, this could avoid a lot of trouble.

### **2.2.2.3 Foreign Direct Investment**

The last type of entry mode in the international market entry is the FDI. In this type of entry mode, the firm gets and will hold full control of its foreign operations. Therefore, this mode will bring along a lot more risk and higher cost than the different types of direct and indirect export strategies.

### ***Merger / Acquisition***

Applying this strategy a firm selects a foreign business and merge itself with a foreign investment firm or joins with another firm in order to perform cross-border business operations is merger/acquisition. Normally, mergers are created whenever two different businesses join together to form a new business under a new name etc. In an acquisition, the acquiring company obtains a majority stake in the new acquired business, and does not change its name nor its legal structure. Most research suggests that M&A activity has an overall success rate of 50%. Various research suggests that this is due to mismanagement of risk, price, strategy, culture or management capacity (Sher, 2012).

### ***Turnkey Projects***

This is a strategy highly applicable for companies that offer services such as environmental consulting, construction, architecture etc. Using the turnkey project entry strategy a facility will be built from the group up and then turned over by the foreign party. In most cases, the facility or manufacture will be ready to go and, thus, operations could kick off right away. It is a great manner to start operating in a foreign country since normally the government of the foreign country is the one who is planting and building up the facility from scratch. Furthermore, turnkey projects are highly likely to being financed by an international finance agency, like for example, the World Bank. This will make sure that any risk is eliminated of not being able to pay (Dhingra, 2018).

### ***Greenfield Investments***

Greenfield investments is another way of entering a foreign market using a FDI. As a business, you start operations in a non-native market from ground zero. During the process, you build your operation without any acquisition ideas but with initial investment cost. It requires the purchase of local property and manpower in the country of destination.

Some businesses prefer a greenfield investment over an acquisition since they rather start new operations instead of changing a long-established business operations. It will give the enterprise a full control of each of its operations and will diminish the possible risk of losing technical competence to its competitors. On the other hand, a lot of new jobs will be created using this international market entry strategy.

Nonetheless there is a high initial cost involved, and the process of a greenfield investment consumes a lot of time beginning from zero. Also, as long as the firm does not possess a blue ocean strategy, the business will face a lot of competition from well-established firm.

### **2.2.3. Entry Barriers**

Some vital behaviour that any type of business willing to invest in Mexico and/or The Netherlands should comprehend are the lifestyle and culture of both nations. A lot of information needs to be gathered, by a local market research, whether or not the company's product or service would be seen as a basic need, commodity etc. Some products and services could even be seen as culturally unacceptable.

Local market research towards its potential market niche could also detect possible challenges regarding translation, marketing and or advertising. It needs to be understood that, for example, Mexicans do not always require the same package colours, size, styles and product functions as European consumers do. The cultural and lifestyle information that should be retrieved from the local market research should include the following points;

- Cultural preferences, each international market will have different preferences for food, quality level etc. These cultural differences have to be considered in order to understand the demand for the people which, in turn, will help your business apply the best possible market entry strategy.
- Materials, it needs to be looked at whether or not the non-native market offers the same available resources as you are used to for creating your product/service. Personal transport and the accessibility of resources like natural gas and electricity are key. For example, if a firm is not able to freely access any key raw materials it could apply an entry market mode called joint-venture where a business is joining up with another business who does have produces or has freely access to this required vital raw material. Nevertheless, more information regarding marketing entry strategies will be discussed in section 2.6
- Languages, the spoken language in a foreign country has an impact on marketing, brand names, the gathering and the interpretation of information through interviews and surveys, advertising and the performance of business relationships. In most cases, the amount of different languages spoken within a nation indicates a plain level of diversity in society and behaviour. Nevertheless, nations where there is only one language spoken could still have areas of extensive culture diversity.
- Education, it is a good indicator of the quality of potential work force and the position of the consumers. Moreover, it plays an important role in the growth of a country's economy and society. In general, education gives people the skills they need in order to help themselves out of poverty or, in other words, into prosperity.
- Religion, it plays a crucial factor in most countries since it affects many elements of life within a certain society. For example, it affects the role of women in society, manners/traditions regarding food and beverage consumption, clothing habits and holiday endeavours. In the case of Mexico and the Netherlands, it will be explained by employing a DESTEP country analysis.
- Ethics and Values, very important when conducting international business. Almost every province has its own traditions and habits. They normally depend on status, zone, ethnicity and belief. They have to be understood to avoid possible business problems.
- Social organization, the cultural composition of families, the preponderance of special-interest groups, racial diversity are also points to be investigated for any type of firm who is interested in entering a potential foreign market.

In the end, for any type of product and service the nation requirements are different. Therefore, in addition to this report, your business needs to invest time and money into finding the specific requirements and/or wishes for your specific product and service. This could be done by hiring a local marketeer or by talking to the local people through a survey/interview. Throughout the report a DESTEP country analysis will be presented for Mexico and the Netherlands. It is to be said that it should be a basis for your international expansion.

All this gathered information from cultural research will indicate whether or not a non-native market could be promising or not. In case a foreign market appears to be a great fit for your business to operate in, all information needs to be gathered that could pose an opportunity for a level of risk that is too high or the return on investment will be down to compensate for the incurred business costs.

In case a firm has great variety of products and services, a local culture research could also help identify which product(s) or service(s) has the greatest potential of being a success.

For some businesses a foreign market entry is considered to be a key strategy in order to grow and survive over a longer period of time. At any time they have to take into consideration the key market entry barriers. The following entry barriers have been playing a key role in the arising problems for companies that are looking for opportunities in foreign markets.

First of all, it is to be said that in studies it is shown that around 80 to 90 per cent of small and medium-sized enterprises fail their foreign market entry campaign within the first ten-year mainly due the lack of positive entrepreneurship traits. A lack of commitment, limited knowledge, shortcoming of devotion and a scarcity of flexibility (Thomas, 2008).

### **2.2.3.1 Political Barriers**

In addition to the (cultural) local market entry barriers seen in section 2.2.3, there are also economic and political entry barriers.

Normally, a government of a foreign country develops laws and procedures for the day to day life through its political system. For this reason, your business can not avoid this legal system since it is integrated as being part its nation daily life. Consequently, any company is obligated to act according to the law without avoiding it. There are numerous manners that the political and legal environment could affect foreign business operations. First of all, a nation could directly have a direct impact by changing or by introducing new regulation(s). In addition, the government determines the fiscal and monetary policies that instantly could impact the business cash flow (Rahman et al., 2017). Thirdly, it needs to take into consideration the level of political stability. It is a common feature of developing countries (Yeganeh, 2016). A negative relationship is found between political instability and the easiness of doing business. Political instability could also result in higher cost which, in turn will result in a higher risk and a competitive disadvantage.

Corruption could also be classified as political instability. It is the abuse of public power for private benefits. The most common forms of corruption are bribery and extortion (Yeganeh, 2016). According to some, there is a negative relation between corruption and potential expansion of business in both for developed as for developing countries, though developing countries are for the most part affected by the existence of corruption (Okpara et al., 2010).

On the other hand, like described later in the DESTEP analysis, a nation's government could also favour foreign business to their economy by opening up and easing its regulation towards foreign investments. This is also referred to as setting up export zones and/or signing international (free trade) agreements (Rahman et al., 2017).

### **2.2.3.2 Economical Barriers**

Economical entry barriers is also referred to as the barriers of business in non-native markets where there is a high level of technology, resources, competitive advantage etc. to a level where it is difficult to compete in the market (Robinson, 2005). The most common economical entry barriers are the following;

- Cost advantages
- Capital requirements
- Resources
- Competitive advantage
- Exchange rate fluctuations
- Difficulty in obtaining payments
- Comparative market distance

Additionally, a business needs to be aware of past and future lack of tax incentives for companies. An easy cost for any type of firm to reduce is its tax. It does not require an immediate internal change nor does it need a lot of time even though it has a great impact on the profitability of a foreign project (Hollensen, 2004).

Also, civil strikes, revolution and wars disrupting foreign markets could have a huge impact of non-native operations, and thus, should be considered as well by any type of firm that is thinking of expanding its current operations (Hollensen, 2004).

#### 2.2.4. Marketing Strategies

Whenever an organization makes a behavioural decision to enter a new foreign market it has to decide how to target the market in order for the firm to know where it stands. This will be one of the last steps. The company will be deciding which specific marketing strategy to choose from after having taking into consideration its market entry mode. In case when the business has already a business partner (joint-venture) it could let the local business partner do all the marketing since he is more aware of local market conditions (demand etc.).

The same counts for a new foreign supplier. It could be helpful to ride along an already existing firm to take advantage of his supplier connections. The investment and risks involved in establishing a new foreign relationship could be quite high, therefore, a clear plan has to be made for the company's strategic development. However, once market entry is obtained the enterprise's new main objective should be developing and consolidating customer relationships.

In 1986, five specific ways to target an unknown non-native market were identified by Cunningham and Homse, which are shown in Table 2.2.

<b>I. Technical Innovation Strategy</b>	Applicable whenever a firm either has a truly imperious product and/or service or is easily able to convince its target market that they do.
<b>II. Product Adaptation Strategy</b>	Is modifying current products/services to its new foreign market. This strategy is driven by different cultures, market development, competition, foreign laws.
<b>III. Availability &amp; Security Strategy</b>	When determining the availability of a product, and a firm keeps all of its product information secure in order to pursue a higher sense of quality.
<b>IV. Low Price Strategy</b>	Offering a similar product as the competition, however, offering it a much lower rate.
<b>V. Total Adaptation and Conformity Strategy</b>	A foreign producer is in charge of all the possible needs of the costumer in terms of product, development, delivery, and handling.

Table 2.2. Methods to target audience  
 Source: *Cunningham & Homse (1986)*

Some theories proposed by Cunningham require some sort of specific action in the foreign market. For example, in case of utilizing the technical innovation strategy for building a long-term customer relationship the company needs to have or find a supplier that offers products/materials at a high level of excellence. Another example, the total adaptation and conformity strategy requires a highly functional cooperation within supplying firm as well as strongly based customer orientation. A look have to be looked at all possible and enterprise resource planning (ERP) software's in order to find the right fit for you as well as for the foreign producer.





## CHAPTER 3. MEXICO DESTEP

This section will give a general DESTEP overview of Mexico as a whole in order for the reader to understand Mexico's economy and business environment. Next to that, the purpose of this chapter is to outline all factors that could have an effect on foreign business wanting to enter the Mexican market. It will also show the potential Mexico has, and why it should or shouldn't be considered a reason for your business.

This part of the research will be described using the DESTEP analysis. It is a tool which gives a comprehensive overview of a country. It involves the examination and interpretation of a nation's Demographic, Economic, Social, Technological, Ecological and Politic aspects.

### 3.1. DEMOGRAPHY

Table 3.1 shows the demographical facts of Mexico. Like can be seen, Mexico's population is really growing it's touted to soon overtake the population of Japan. Mexico's population makes it the highest populated Spanish-speaking country in the world. Another very interesting fact is the median age; 28.6 years as of 2019. It is to be said that there is a lot of supply of young people on the market.

As a result of a national survey of 2013 held by Roy Campos commissioned by the Mexican government, the Mexican habitants that speak English represents a 12.9% of the total population (Campos & Hernández, 2013).

<b>2019 Population</b>	131,856,135
<b>2019 Population Rank</b>	10
<b>2019 World Percentage</b>	1.72%
<b>2019 Growth Rate</b>	1.20%
<b>Age Structure</b>	0-14 years: 26.61% (male 17,143,124 /female 16,378,309) 15-24 years: 17.35% (male 11,072,817 /female 10,779,029) 25-54 years: 40.91% (male 24,916,204 /female 26,612,272) 55-64 years: 7.87% (male 4,538,167 /female 5,375,867) 65 years and over: 7.26% (male 4,079,513 /female 5,063,903) (2018 est.)
<b>Total Median Age</b>	28.6 Years
<b>Total Life Expectancy</b>	74.4 Years
<b>Capital</b>	Mexico City
<b>Language</b>	Spanish
<b>Religion</b>	Roman Catholic 82.7%, Pentecostal 1.6%, Jehovah's Witness 1.4%, other Evangelical Churches 5%, other 1.9%, none 4.7%, unspecified 2.7% (2010 est.)
<b>Literacy</b>	Total population: 95.1%
<b>Urbanization</b>	Urban population: 80.2% of total population (2018) Rate of urbanization: 1.59% annual rate of change (2015-20 est.)
<b>Major Cities</b>	21.581 million Mexico City, 5.023 million Guadalajara, 4.712 million Monterrey, 3.097 million Puebla, 2.354 million Toluca de Lerdo, 2.058 million Tijuana (2018)

Table 3.1. Mexico Demographic Facts

Source: CIA (2019)

Mexico has a great number of hydrocarbons and minerals reserves. According to the BP's World Energy Review of 2016, Mexico had 10.8bn barrels of oil reserves, a 0.6% of

the world's total. The reserves-to-production ratio is 11.5 years, meaning it will take at least another 11 to 12 years in order to run out of natural oil. Furthermore, Mexico counts for around 0.2% of the world gas reserves and about 1.5% of the world gas production (*BP Statistical Review of World Energy 2016*, 2016).

Mexico is the leader in North and South America in the number of UNESCO World Heritage sites. It has 32 World Heritage Sites from which 4 are natural, 27 are culture and 1 is mixed.

Next to the commonly spoken hospitality of the Mexican people, the country's beaches and its wide biodiversity of natural decors, including over 116 tourism destinations which are called "Pueblo Mágico" because of their cultural wealth and history.

### 3.2. ECONOMIC

Mexico has become an emerging market heavy-weight. In 2017, the country's gross domestic product was \$2.4 trillion. The country has a strategic geographic location and, therefore, it also acts as a transit intermediary to North America and Latin America. The cost of labour is also not very high and most are relatively well qualified. The country produces a significant amount of oil and gas, and it is among the world's largest producers of coffee, sugar, silver, maize, lime and avocados. It is also the world's fifth-largest producer of beer (Oxford Business Group, 2017).

It is to be said that in 2016, according to the World bank, 43.6% of the total population were living below the poverty line (World Bank, 2019). All due to the fact that Mexico is still an emerging market, however it is to be suggested that that specific percentage has been diminished in the last five years (Balestra, 2018).

According to the IMF, the gross domestic product per capita in Mexico has been estimated to be \$18,865. Its most significant share of the national GDP comes from energy, including industry which has a relative share of 31% of its GDP, trailed by the national retail trade that holds 16%, real estate and leasing 11%, construction 7% and transportation and warehousing 6%.

In terms of the working Mexicans, 13% of the nation total employees are working in the agriculture sector. A 25% of the total working population are working in the industry sector and the remaining workers are employed in the service sector (World Bank, 2019).

<b>2019 Unemployment Rate</b>	3.4%
<b>2019 Inflation Rate</b>	3.6%
<b>Corporate Tax</b>	30%
<b>GDP Growth</b>	2.0%

Table 3.2. Mexico Economical Facts

Source: World Bank (2019)

According to ProMexico, Mexico will be the 7<sup>th</sup> largest economy by 2020. Next to that, the Central American country is the 13<sup>th</sup> country with the largest international reserves in the world. Just right after Czechia and Germany (CIA, 2019). Its unemployment rate is also its lowest unemployment rate in over 10 years.

Mexico attracts the most FDI in all over Central and South America. In addition, to being open to foreign investments from foreign countries, Mexico is well integrated in the world

economic order. It is to be said that Mexico is a member of the following treaties: NAFTA, OECD, G20 and the Pacific Alliance. Actually, in 1994 it became the first Latin American country to join the OECD.

Like shown in figure 3.1, the 14<sup>th</sup> largest country of the world consists of 63 international airports, 67 border crossing, 117 inhabited ports & terminals located all over the country, 27,000 km of railways and 389,000 km of land routes.



Figure 3.1. Mexican Infrastructure

Source: Gobierno de la República (2018)

### 3.2.1. International Agreements

Mexico's national GDP is higher, for example, than that of its North American Free Trade Agreement partner Canada. Speaking of the NAFTA, it is a treaty between the United States, Canada and Mexico for the purpose of removing trade barriers to the exchange of goods and services between them. It is to be said that at the end of 2020, a renegotiated NAFTA will go into effect, also referred to as the "New NAFTA". This new deal is called the United States-Mexico-Canada Agreement (Kubursi, 2018).

For Mexico, the "New NAFTA" deal will increase environmental and labour regulations. Next to that, the agreement will also provide updated intellectual property protections (Kubursi, 2018).

Next to the NAFTA, Mexico has 12 free trade agreements (FTAs) with 46 countries and 32 bilateral trade agreements with 33 countries for the promotion and supportment of foreign investments. Also, at the moment the government has so far signed 40 double taxation agreements (DTAs) with 42 countries.

All of the regions Mexico has a FTAs with include:

- US & Canada (NAFTA)
- Colombia
- Costa Rica
- Nicaragua
- The EU
- Chile
- Israel
- Central America
- Members of the European Free Trade Association (EFTA)

In 2018, Mexico and the European Union reached a trade agreement called the EU-Mexico Global Agreement. This treaty states that practically all trade in goods between Mexico and the EU are duty-free. Also the agreement consists of a comprehensive trade and sustainability development, setting the highest standards of labour, safety, environmental and consumer protection. In addition, this particular agreement is the first agreement between Mexico and the EU to include actions to tackle corruption (acting against bribery and money laundering) (European Commission, 2018). All of the many trade agreements Mexico should be an incentive for foreign businesses to invest in the Mexican economy. It will definitely make it more attractive for businesses knowing that the government is trying to do its best to go one step further than the current "emerging country" it is placed as.

### **3.2.2. Form of companies**

Once a firm wants to apply the international market entry strategy of a foreign direct investment, in most cases your foreign business has to choose among legal forms of types of company. The most common types of legal business forms in Mexico are Limited Liability Stock Corporation (Sociedades Anónimas, S.A.) and the Limited Liability Company (Sociedades de Responsabilidad Civil con Responsabilidad Limitada, S.R.L.)

A Sociedad Anónima is equivalent to a corporation in the United States (publicly traded company or incorporated), a public limited company (PLC) in the United Kingdom or a Naamloze Vennootschap (NV) in the Netherlands.

A Sociedad de Responsabilidad Civil con Responsabilidad Limitada (S.R.L.) is the same as a limited liability company in the United States. It is the same as a vennootschap onder firma in the Netherlands.

### **3.2.3. Independent helping parties**

For any type of business there are many entities and parties that are willing to help you out if you are planning to go to enter the nation market no matter what type of market entry mode you are using.

For example, in 2007 the Mexican government created a federal entity called ProMexico. It is a federal government agency responsible for coordinating strategies aimed at strengthening Mexico's participation in the international economy, supporting the process of exporting and the internationalization of firms established and who are willing to operate in the country as well as coordinating activities aimed at attracting foreign investments (ProMexico, n.d.). Any type of questions regarding business operations in Mexico will be answered, whether it be a legal, economical etc. concern.

### 3.3. SOCIOCULTURAL

Mexico's culture will be described by applying the following six dimensions of Hofstede's six dimensions culture framework.

The following six dimensions will be outlined in the case of Mexico:

- Power Distance
- Individualism
- Masculinity
- Uncertainty Avoidance
- Long Term Orientation
- Indulgence

It is a good metrics for understanding cross-cultural communication. It highlights the effects of a nation's culture and the values of its people, and how these values relate to (corporate) behaviour.

First of all will be defined culture: "Culture is the collective programming of the mind that differentiate members of one group or category of people from others" (Hofstede & Bond, 1984).

Power Dimension, This first dimensions explains the extent to which members who are less powerful in a society are accepted and to the extent of the acceptance of the fact that the power is distributed unequally. Basically, it deals with the fact that in some societies individuals are not equal in terms of power. Mexico scores 81 out of 100 in this dimension according to Hofstede. It means that Mexico is a hierarchical society, people are put in place which need no further justification. In addition, the hierarchy in organization are reflecting inequalities. Subordinates are expected being told what to do by a boss (Hofstede, n.d.).

Individualism, The second dimensions tackles the question whether people have a preference of being left alone to look after themselves or if they want to be in a closely collective network. Mexico is a country with a score of 30 out of 100, meaning it is considered a collectivistic society. It entails that Mexicans belong to "groups", being co-worker, friend etc. Relationship are based for the long-term and employee relationships are perceived as family.

Masculinity, This dimensions implies a masculine side and a feminine side. A low score (Masculine) indicates a society's preference for success, heroism, achievement and material rewards. On the other hand, a high score (Feminine) represent a nation that cares for others and quality of life. Mexico scores a 69 out of 100 and is thus a Masculine society. People tend to live in order to work. Managers are awaited to be assertive and decisive.

Uncertainty Avoidance, It deals with the level of uncertainty a society has towards not knowing its future. It shows the extent to which people of a culture feel scared by unknown situations and have created different manners in order to avoid these type of problems. In the case of Mexico, it resulted to have a score of 82 meaning that the country has a high preference for avoiding uncertainty. In these type of cultures time is money, and people have an inner urge to be busy and work hard.

Long-Term Orientation, Checks how a society maintains links with its own past while dealing with the challenges of the present and future. Mexico scores 24 in this dimensions meaning it is a normative society. Mexicans prefer to maintain old fashion traditions while viewing societal change with scepticism.

Indulgence, The last dimension refers to the level that people control their wishes and incentives, based on the manner they were raised, so to say culture. With a very high score of 97, the Mexican people have a tendency towards indulgence. They tend to place

a high degree to completing their wishes and impulses with regard to enjoying life and having fun by the cost of money. In addition, they command a favourable attitude towards optimism.

With all this being said, the Mexican culture values a lot its family. Cultures and traditions that were formed a long time still run, like for example, the day of the dead (Día de los Muertos). Also, Mexican people tend to work a lot in order to live a good life. They are also used to a hierarchical system within businesses.

### **3.4. TECHNOLOGICAL**

Technology is at the heart of the modern day. The success of many nations around the globe can be attributed to their respective technological advancements. With those advantages countries are able to reduce, for example, environmental costs.

Being the second largest country in Latin America, Mexico is at the centre of its region's tech revolution. The nation annual investment in science and technology programs remains steady with an annual investment in research and technology of 0.31% of its GDP in 2016. This is low in comparison to other developing nations such as China (0.7%), Brazil (0.8%) (Heng & Heermann, n.d.).

However, over the last two years Mexico has becoming a lucrative business opportunity with growing sectors like its technology. The city of Guadalajara has become an innovation hub for companies like IBM, Intel and Oracle. A survey being held by Gartner also showed that around 73% of current Mexican business has adopted a plan to invest in big data over the next few years. Therefore, technology is reaching new levels as well as being a result of being a neighbour of the United States (Wei & Fraces, 2018).

Another interest point is that Mexico is generating around 130,000 new engineers graduate every year. This number is not likely to decline since, for example, half of Mexico's City population is under the age of 20 and university enrolment has tripled over the last few decades (Booth, 2012).

Mexico's financial technology (Fintech) sector is growing fast and has become the second largest in Latin America after Brazil. The country has over 335 fintech start-ups in Mexico. Most of these start-ups being dedicated to the big data and analytics industry followed by API's & open platforms, mobile applications (Wei & Fraces, 2018).

If a business wants to start operating in Mexico and uses (new) technology, The National Council of Science and Technology (CONACyT) is a governmental party promoting research and development (R&D) in Mexico. It will give financial aid to foreign organizations who will eventually create specialized jobs, green projects, innovation and added value. Therefore, it could be interesting taking a look at if your business is willing to take the step and invest in Mexico (PWC, 2016).

### **3.5. ECOLOGICAL**

Mexico is known for being a biodiverse country. It is a very big country with over 1,973 million km<sup>2</sup> of land area. For any type of entity willing to operate in a developing country has to take into account the ecological impact it will have on that particular country, besides evaluating its impact on a country's people and economy. In this day and age it is fundamental that a company operates environmental friendly. Most enterprises are aiming to ensure that companies conduct business in a way that is ethical. This concept is also called Corporate Social Responsibility (CSR). Basically, it ensures a business by setting specific rules and codes of conduct by taking account of their social, economic and environmental impact, and considering of human rights.

Overall Mexico still has 56% of its land surface with a low impact of human activities, however, they are not accordingly distributed (González-Abraham et al., 2015). The Mexican government is, since the 2030 climate meeting in 2015, investing a lot of time and money in, among other things, organizing local project in states like Jalisco and cities like Puebla in order to create awareness for young people of the importance and the impact has on their future (Gobierno Mexicano, 2018).

### **3.6. POLITICAL**

In comparison to other countries in the Central and South America, Mexico enjoys a desirable political stability. On December 1, 2018, President Andrés Manuel López Obrador took office. This new government is aiming and striving to continue reforms in the energy, financial, fiscal, and telecommunications sectors with the long-term aim of improving competitiveness and economic growth across the economy. In addition, the new president is promising to end corruption (Sheridan, 2018). He has a lot of plans that could be of a big advantage for any type of business if he succeeds in implementing these new changes (Sheridan, 2018).

#### **3.6.1. Legal System**

Mexico's legal system is based on civil law meaning that there are rules, codes or statutes that present the general principles areas of law. Only legislature can create new laws. However, it is to be said that, in some cases, the Suprema Corte and the federal court can establish a new law based on a formal precedent by having at least six consistent judgments on a specific point of interest. It is called 'jurisprudencia' (Washington University in St. Louis, 2014).

The Mexican federal and state courts are being overseen by the Supreme Court which is known as the Suprema Corte de Justicia de la Nation. In addition, each Mexican state also has the power to create its own constitution as long as it does not go against the federal laws (Washington University in St. Louis, 2014).

Also, in Mexico criminal law is different than, for example, in the Netherlands. In Mexico a person is deemed guilty until proven innocent. In the Netherlands, a judge has to be sure that the person is guilty in order to sentence him or her.

All laws with regard to investments, trade and commerce in Mexico are federal and, thus, apply to all parties operating and doing business in Mexico.

The most important laws relevant for those parties doing business in Mexico are the following:

- Civil Code
- Companies Law
- Banking Law
- Tax Law
- Foreign Investment Law
- Labour Law
- Commercial Code
- Competition Law

#### **3.6.2. Business operations in Mexico**

In any type of case, if your business is willing to go and look for possible export/investing possibilities, representing foreign companies or doing commercial transactions in Mexico, you need to obtain a business visa. The proceedings are carried out by the

National Immigration Institute. The petitioner will receive a reply from the immigration entity within the legal term of 35 calendar days (Instituto Nacional de Migración, n.d.). Nonetheless, it is helpful to first take a look at the page of the Instituto Nacional de Migración to see whether or not you need a visa for your country.

All registration and regulation are held by the Foreign Investment Office at the Ministry of Economy. Any company aiming to perform any type of business activity in Mexico needs to obtain authorization from the Ministry of Economy. The same counts for any type of foreign entity that are setting up new businesses using a turnkey investment, greenfield investment, merger and acquisition (ProMexico, n.d.).

### **3.6.3. Corruption**

Most people have a negative image towards Mexico because of its corruption. There is no way that we can go around it and skip it in this investigation. It is normal and it should be one of the key deciding factors whether or not investing or doing business in Mexico. It is to be estimated that corruption costs Mexico between 2 and 10 percent of gross domestic product (Warf, 2018).

Developing countries, Mexico for example, do not have specific strategies or legal systems to dissuade corruption and, in some cases, it is even being perceived already as normal behaviour (normalized), nonetheless, it has a significant impact on economic growth (Rodriguez-Sanchez, 2018).

According to the world Corruption Perceptions Index (CPI), an index that measures the level of corruption, Mexico scores very low. It scores 28 out of 100, putting it on the 138th place of the list that consist of 180 nations. This is quite worrisome level due to the fact that a score of 0 means that a country is highly corrupt and a 100 means a country free of corruption (Rodriguez-Sanchez, 2018).

The former president of the United Mexican States, Enrique Peña Nieto, always affirmed that "the Mexican corruption is a culture issue" which is deeply integrated in the country's imagination. However, the new president of Mexico, López Obrador, actually believes that Mexico can change its level of corruption. One of the big projects he is realizing throughout the beginning of 2019 is the reduction of positions available in the government. On top of that he is consecutively increasing wages of those government officials in the lower ranks, who beforehand earned no more than \$600 a month. It will make room for those positions who are redundant and fight corruption right where it should start, through the creation of a smaller and more centralized public service (Gómez Farías Mata & Farías Pelcastre, 2019).

The Mexican corruption is not to be estimated to be a small influencing factor on the decision to start doing business with Mexicans. There are ways to avoid corruption like, for example, doing business with modern businesses. Normally, they tend to be more educated and ethical. Next will be explained possible ways to avoid corruption in Mexico.

### **3.6.4. Avoiding Mexican Corruption**

There are different ways to decrease the level of corruption within foreign operations as well as within a company. In the present day more and more enterprises are having a zero tolerance of corruption while still generating a huge amount of profit.

According to Goocher (2018), there are four ways, besides patience, to avoid corruption:



- *Align the workforce and build trust.* It is essential to hire native employees and then training and developing them. Big companies build national staff groups to guarantee participation in management decisions in order to escape the “them and us”. It is key to build a culture in which openness and disclosure are the key points. Additionally, it is helpful to have all staff sign an updated code of ethics and/or anti-corruption policy on an annual basis. Another good policy can be to give out long-term stock options to its employees in order to decrease the short term temptation some employees might have (Gocher, 2018).
- *Creating a relationship with the Government.* Get a relationship with local policymakers and leaders who value your brand and investment above self-interest. Also be tax-compliant. Furthermore, use the relationship to unstrung possible bottlenecks as well as to lobby in order to get to know other entities like NGOs, embassies etc. (Gocher, 2018).
- *Local Partner(s).* Try to find business by applying, for instance, a joint-venture market entry mode. It could provide you with important market information as well as immediate access. Both parties will have to benefit from it so the native Mexican party will not make unethical decisions. In any case, it is recommendable to take board seats and to have the veto right on vital decisions (Gocher, 2018).
- *Take a look into the supply chain.* Lastly, in order not to be perceived as an unethical company, it is helpful to take a right down look into the supply chain. Make sure all suppliers and sub-contractors comply with your health, safety and quality standards. It could also be helpful to give support by giving training and random conferences. As is it the case with partners, look for alignment and total disclosure if deciding for local suppliers. In most cases it is better to do business with those (local) suppliers instead of finding perfection. In addition, note that sometimes local suppliers may not have yet the experience of your type of business standards. Especially, this could be the case in some less developed areas in Mexico (Gocher, 2018).



## CHAPTER 4. THE NETHERLANDS DESTEP

This chapter will give a general analysis of The Netherlands using the DESTEP metrics. It will outline all indirect and direct factors that should be considered and looked at before deciding whether a business wants to enter the market.

### 4.1. DEMOGRAPHIC

The Kingdom of the Netherlands, which is the official name for the Netherlands is located in Western Europe. It is neighbouring to Germany and Belgium. It is a small country, to give you an accurate example, it is slightly less than double the size of New Jersey. It is known for its canals, tulip fields, cheese etc. The country has 12 provinces from which the provinces, North Holland, South Holland and North Brabant make up for more than half of the entire Dutch population.

During the first decade of the 21st century the relative population growth in the Netherlands has been higher than in the European Union as a whole. The total population can be found in the table below. With its country's density of 488 people per km<sup>2</sup>, the kingdom of the Netherlands is the most densely populated country in the EU.

<b>2019 Population</b>	17,119,415
<b>2019 Population Rank</b>	69
<b>2019 World Percentage</b>	0.22%
<b>2019 Growth Rate</b>	0.28%
<b>Age Structure</b>	17.4% in the 0-14 Age group 67.7% in the 15-64 Age group 14.9% in the 65+ Age group
<b>Total Median Age</b>	42.6 years
<b>Total Life Expectancy</b>	81.4 years
<b>Capital</b>	Amsterdam
<b>Language</b>	Official Language is Dutch Majority of People speak English (80%+)
<b>Religion</b>	Roman Catholic 23.7% Protestant 15.5% Islam 4.9% Other (Hindu, Buddhist, Jewish etc.) 5.7% No affiliation 50.1%
<b>Literacy</b>	99%
<b>Urbanization</b>	91.5% of total population
<b>Major Cities</b>	Amsterdam 1.091 million Rotterdam 993.000 The Hague (Seat of Government) 650.000

Table 4.1. The Netherlands Demographic Facts

Source: OECD (2018)

## 4.2. ECONOMIC

The kingdom of the Netherlands has the six-largest economy in the European Union. With an GDP of 826.2 billion USD and a GDP per capita of \$54,423 it is one of the big wealthy nations in the Europe (OECD, 2018b).

Throughout the last 4 years the Netherlands is experiencing a trade surplus meaning it exports more goods for more money than it imports. This is mainly due to the amount of goods that come in the country and are being re-exported all throughout Europe (DNB, 2018).

<b>2019 Unemployment Rate</b>	3.6%
<b>2019 Inflation Rate</b>	1.8%
<b>Corporate Tax</b>	20% (up to €200,000) 25% (above €200,000)
<b>GDP Growth</b>	3.2%

Table 4.2. The Netherlands Economic Facts

Source: *International Monetary Fund (2019)*

Since the Netherlands is a wealthy and well-developed country it does not immediately imply that the nation is the best possible investment opportunity for any firm. There are always some negative sides which will be discussed starting from here. As of 2019, the current interest level is 0.00%. This brings along a big advantage for foreign firms willing to start up operations from zero. Now, these companies are able to borrow money at a very low interest rate. However, on the other hand is, the low interest rate continues to support rapid house price growth, high levels of household debt and high exposure of mortgages defaults. Basically, it could also be seen as a vulnerability of the Dutch financial system. At the moment the Dutch economy is very stable and growing, but if the EU comes in a new financial crisis, like it did in 2008, it is very vulnerable for all those individuals who will not be able to pay off their (private) debt anymore (OECD, 2018). At the moment, the household debt in the Netherlands is 242% of its disposable income.

Additionally, since 2010, the unemployment rate has been decreasing reaching a very low percentage of 3.6%. Low unemployment and increasing labour market shortages are putting upward pressure on labour costs and kick in to the ongoing trend towards hiring more workers on permanent contracts (OECD, 2018).

The World Bank and the International Finance Corporation (IFC) classify the Netherlands on the 117<sup>th</sup> place out of 185 worldwide economies in terms of investor protection. This score is relatively very low for a European country.

### 4.2.1. Infrastructure

As might be expected, since the Dutch population is the most densely populated of the EU, the Dutch infrastructure is highly efficient and specialized in the urban areas.

One of the most important facts you need to know of the country's location is that over 160 million consumers are located within 24 hours of Amsterdam and Rotterdam. This implies that businesses could have a perfect advantage in the European market. Next to that, the three big European rivers (Rhine, Meuse and the Schelde) reach the ocean via the Netherlands. Rotterdam has the world's 3<sup>rd</sup> largest seaport and handles more tonnage than any other harbour in the world. In addition, the Dutch can count on six

international airports. Amsterdam Airport Schiphol, being the largest in the nation it is also the third largest airport in Europe.

In the 2018 Global Competitiveness Report presented by the World Economic Forum (WEF) the Netherlands was ranked the best European country in terms of its transport network, water and energy supply. A total of 140 countries were investigated by the WEF. Therefore, it is safe to say that the Netherlands has a very well-integrated logistic network connecting goods, services and people from all over the world (Schwab, 2018).

In addition, in 2015 the IMD Business School ranked Holland 1st worldwide in terms of the quality of its water transport infrastructure.

#### **4.2.2. International Agreements**

The Netherlands is, like any other country within the EU, part of the World Trade Organizations. The WTO is an intergovernmental organization concerned with the regulation of international trade between nations.

Holland, is also part of the international monetary fund (IMF), an organization with 189 member countries that works to foster global monetary cooperation within countries in order to facilitate international trade.

#### **4.2.3. Types of companies**

When deciding doing business in the Netherlands it is important to look at available types of legal business forms. In the most common cases foreign companies after starting business operations choose to create a private company with limited liability (*besloten vennootschap met beperkt aansprakelijkheid – BV*) or a limited liability company (*naamloze vennootschap - NV*).

The only difference between BV and NV is that shares of a BV are not freely transferable, as it is the case with a NV. This makes BV generally preferable to privately-held companies.

If an enterprise is willing to start up a partnership, and therefore, apply the partnership or joint-venture market entry strategy it should apply one of the following legal business entities;

General Partnership – (*Vennootschap onder firma - VOF*)

Private Partnership – (*Maatschap*)

Limited Partnership – (*Commanditaire vennootschap – CV*)

It is to be said that a general partnership is most common and less difficult to set up. All business forms must have a trade and should be registered with the Trade Registry of the Chamber of Commerce.

A business could also set up a sole proprietorship (*eenmanszaak*) if the person working alone and starting from zero. An interesting point is that these type persons could apply for a one-year visa which will be discussed in Section 4.5.

#### **4.2.4. Independent helping parties**

As there are organizations willing to help your foreign business with in Mexico, there are parties in Holland. The Netherlands Foreign Investment Agency (NFIA) is an entity of the Dutch Ministry of Economic Affairs and Climate Policy that helps and advises foreign enterprises (big and small) on the establishment, entering and exploitation of their

activities within the Netherlands and it does not charge anything for their services. It is a party that has been created over 40 years ago and up till now has helped over 5.000 companies worldwide. Its headquarter is located in The Hague, however it has also offices in the UK, Turkey, Brazil, South Africa, North America, Middle East and Asia.

### 4.3. SOCIOCULTURAL

The culture of the Netherlands is very diverse but it is known for being liberal and tolerant. A multicultural cultural is the right word to refer to all people living and working in the Netherlands. There are just over 2 million individuals who live in the Netherlands but were born there. They represent a total of 200 nationalities, most of them coming from Turkey, Morocco, Suriname and Poland (NU, 2015).

The culture of the Netherlands is known for its freedom of speech. People are allowed to say what they want as long as it is not against the criminal laws. For foreign businesses no used to being argued or protested by its employee it could result in severe conflicts.

The Dutch will be explored more in detail by using Hofstede six culture dimensions. It will help understand the effects of a society's culture and the values of its members, and how to relate to their behaviour.

The following six dimensions will be outlined in the case of the Netherlands:

- Power Distance
- Individualism
- Masculinity
- Uncertainty Avoidance
- Long Term Orientation
- Indulgence

Power Dimension, First of all the Power Dimension. It explains the extent of acceptance to which members who are less powerful in a society and accept that the power is distributed unequally. Basically, it deals with the fact that in some societies individuals are not equal in terms of power. However, The Netherlands scores 38 out of 100. That's quite low and, thus, suggest that the Dutch prefer equal rights across organizations. Consequently, the power should be decentralized and managers should respect and appreciate their employees. It follows that the attitude towards managers is informal and direct and, in most cases, will be on first name basis. One has to understand that the people can be very direct and straightforward towards other people. This, however, could be seen as an offense in some countries, even though in most cases, it is not meant this way (Hofstede, 2018).

Individualism, the second dimensions tackles the question whether people have a preference of being left alone to look after themselves or if they want to be in a closely collective network. Holland has a score of 80 out of 100 and is, as a result, an individualist society. People tend to look after themselves and their direct family instead of their (social/work/sport etc.) groups (Hofstede, 2018).

Masculinity, This dimensions implies a masculine side and a feminine side. A low score (Masculine) indicates a society's preference for success, heroism, achievement and material rewards. On the other hand, a high score (Feminine) represent a nation that cares for others and quality of life. In the case of the Netherlands, it scores 14 on this dimension and accordingly is a feminine society. Holland is a society in which decisions within organizations is achieved through involvement. Next, managers are supportive to their personnel by helping them out when problems arise. Any type of conflicts between people and/or businesses are normally resolved by compromise and negotiation (Hofstede, 2018).

Uncertainty Avoidance, It deals with the level of uncertainty a society has towards not knowing its future. It shows the extent to which people of a culture feel scared by unknown situation and have taken actions in order to avoid all possible type of problems.

As stated by Geert Hofstede, the Netherlands ranks 53 on this dimension and therefore, has a slightly preference for avoiding uncertainty. There is an emotional need for rules in these type of societies where time is money. People also tend to have an internal impel to be active and work hard. Exactitude and promptness are key in Holland (Hofstede, 2018).

Long-Term Orientation, Checks how a society maintains links with its own past while dealing with the challenges of the present and future. The Netherlands receives a high score of 67 meaning that is has a pragmatic society. Authenticity and certainty depends highly on the circumstances and the moment. They don't take anything for granted. Also, thriftiness and persistence are key in reaching results (Hofstede, 2018).

Indulgence, The last dimensions refers to the level that controls people wishes and incentives, based on the manner they were raised. With a high score of 68, the Dutch culture is evidently one of indulgence. People tend to show and display their devotion to realizing their wishes and impulses. All with the goal of having a good life. The Dutch own in general a positive attitude of optimism (Hofstede, 2018).

#### **4.3.1. Business easiness in the Netherlands**

Doing business in Holland does not have to be hard. Of course, a lot has to be negotiated in order not to increase your operation costs and lose money. According to the Doing Business Report of 2018 from the World Bank, the easiness of doing business in the Netherlands is not too difficult, for the reason that Holland ranks 36 out of the 190 countries. Mexico, for example, is positioned at the 54<sup>th</sup> place meaning that there is in theory not much difference between doing business in Mexico as is to doing business in the Netherlands (The World Bank, 2019).

Like it is the case in Mexico, starting new foreign operations, regardless of the market entry mode, brings along some complex and time-consuming challenges. Examples of the possible difficulties are; unfamiliar work culture and business environment, different audit requirements, facilitating revenue growth and expansion facilitation. This could be a great reason for a business to decide starting up a partnership in order to enter a non-native market. Likewise, it could be a very good reason for a company to decide to work and hire with as much as local employees as possible.

#### **4.4. TECHNOLOGICAL**

The Netherlands is considered to be one of the best wired nations around the world. It has leading information and communication technology companies. Many companies like Microsoft, Cisco, Intel, Oracle or Google all have business offices in Holland to take advantage of the peerless IT infrastructure. To be precise, around 60% of all Forbes 2000 companies that are active in IT sector have already created business offices (PWC, 2017).

Also according to the World Economic Forum Europe 2020 competitiveness report, the Netherlands is the number one country in Europe for outstanding use of Information Technology (World Economic Forum, 2014). This is mainly due to the great universities and enterprises that are located in the Netherlands. For example, Wi-Fi, Bluetooth, Cd's and DVD's have all been developed further by Dutch businesses and universities over the last 25 years.

#### **4.5. ECOLOGICAL**

In 2012, the Netherlands had one of the worst ecological footprints in the world. Since then, it has been complying a lot of the new global rules. The ecological footprint indicates the amount of area of biologically land and water an individual requires to produce all the resources he/she consumes and to assimilate the waste that is being created.

A normal distribution amongst the global population implies an ecological footprint of 1.8 global hectares (gha). At the moment, according the Radboud University in Holland, we use on average 2.7 gha per person globally. Consequently, each year humankind uses an equivalent 1.6 planets in order to provide the resources we consume and to absorb our waste. In other words, it indicates that it takes the Earth one year and six months to regenerate what we use in a year (van Gemert, n.d.).

In 2018, the Dutch parliament signed a new law requiring the Netherlands to cut greenhouse gas emission by 95 percent by 2050. This is necessary in order to comply with the global standers as well as to reduce the risk of a water flooding in the country taking into account that over one third of the Netherlands lies below sea level. The new law that will come in effect throughout 2019 will have established more deeply integrated rules regarding reducing the environmental impact that businesses have (Van den Berg, Meijer, & Potter, 2018).

There are many ways for companies to be and act more environmentally friendly. It will show what they are more ethical by trying to protect the environment. Easy ways to do so are by providing filtered water, reduce paper waste, switch to LED light bulbs, or reduce travel and power off computers.

#### **4.6. POLITICAL**

The Dutch government is a parliamentary democracy, which consists of the King as the head of state and the Council of Ministers. It is to be said that the monarch's role is very limited. The prime minister is the head of the government. The king acts more as a symbol for maintaining foreign relations.

According to the World Bank, the Netherlands is ranked 37 out of all 195 countries as one of the more stable nations in the world, thus making it easier for companies to make medium and long-term decision when deciding to start doing business and participating in the Dutch economy (The World Bank, 2019). Mexico is ranked 147<sup>th</sup> in terms of political stability.

For any person willing and able to start up a business in Holland has to make sure he/she is able to enter into the country. European Union, European EA and Swiss nationals are allowed to live and work freely around the country. If you do not belong to any of those areas you have to apply for a provisional residence permit (MVV) and in some occasions a work permit (TWV). However, if you're planning to open up a business in the Netherlands than you can apply for a start-up visa which is a new law that's in place since 2015. It will allow you to stay in The Netherlands for at least one year.



## CHAPTER 5. COMPARATIVE ANALYSIS OF MARKET ENTRIES

This section of the report will outline the different findings of the DESTEP analyses that have been performed for both Mexico and the Netherlands. For each single element of the DESTEP analysis, a qualitative data comparison will be made taking into account all possible market entry modes that have been outlined earlier.

### 5.1. DEMOGRAPHIC

In terms of demographic characteristics both nations are completely different. Mexico is an enormous country, to be exactly, the 14<sup>th</sup> largest of the world. Though, the Netherlands is just a small country with a lot less citizens, but with the most highly densely populated population in the European Union. This portrays a huge “local market potential” since all people live close to each other. On the other hand, Mexico is a huge country with a lot of space between the major cities. This suggests that a big logistic firm will most likely be contracted in order to eventually target multiple Mexican cities.

Consequently, the total transaction cost of the market entry strategy will most likely increase substantially. For a business to quickly saturate the Dutch market it, by taking advantages of the fact that most people live very close to one another and the fact that the big cities (Amsterdam, Rotterdam, The Hague, Utrecht) all are within a 25 minutes distance of each other, it could be a good approach to implement the market entry mode called partnership. You will be partnering with between importer, exporter, transport and government. There is a low risk involved for the foreign firm who is starting its business operations in the Netherlands since the local partners know the market very well and will also do their out most best in order to generate more money for themselves. This being said, it is advice able for the international company to, while convincing the government to be in on it, make sure it presents the spokesperson of the Dutch government all advantages for the Dutch society as well as showing that it is a long-term project. Knowing that Mexico is a huge country and by targeting as much potential customers from all the country it could do so by putting into effect piggybacking. It could benefit and ride on distribution channels of already existing nationwide business operations that provide a similar product or service.

Also, it should not be mistaken that Mexico also has quite a strategic demographical location. The nation consist of 63 international airports and it could be a great starting point to afterwards enter the Latin America and the North American markets. As presented earlier, the percentage of English speakers in Mexico is just 12.9%. This requires employing Spanish-speaking personnel internally in order to be able to fully interact with its foreign Mexico business operations. Another options could be to secure a Mexican partner who is willing to partner up or help you out with exporting, market researches, negotiations etc. Though it is to be understood that for any type of domestic business it is favourable to speak its own national language. It will break a big social-cultural barrier.

The Netherlands is a country with a high level of English. It has one of the highest rates for English proficiency in the world. A lot of business in the day to day life in the Netherlands is being done in English. Therefore, if a business speaks a high level of English, there should not be any problem conducting business in the Netherlands. In this case, if the business is thinking of an investment in the form of a controlling ownership in a business (FDI) it could easily do so without having to take care of big language entry barrier.

Another important demographic characteristic that shows big differences between both countries is the median age. It is the age index that divides the population into two numerically equal groups. In other words, half the people are younger than this age and half are older than the median age. Mexico has a low median age of 28.6 years in comparison with the Netherlands, 42.6 years. With this being said, it suggests that in the upcoming few years a lot of Mexicans will enter the labour market. Having half of the population above 42.6 years in the Netherlands, it means that the current labour market employees a lot of elderly people. As is stated and commonly known throughout the country, in the upcoming years a lot of people will retire from their jobs. This will make room for new generations. Nevertheless, these "elderly" people have a lot of experience that can be good use for foreign business willing to start up business operations in the Netherlands. They can be of great use when operating and throughout the process of starting up Dutch commercial activity. They will most likely though charge a high cost for this aid.

Talking about the demographic hallmarks, it should be noticed that Mexico is a country full of natural resources like oil. Also it is the biggest producer of coffee, sugar, lemons, avocado and silver in the world. Thus, if your business needs one of these materials for your product it could be very helpful to start a long term relationship with a Mexican producer (partnership).

Table 5.1 summarises the principal issues of the demographic comparison.

	<b>Analysis:</b>	<b>Consequences:</b>
<b>Mexico</b>	<ul style="list-style-type: none"> <li>- Low densely populated population in a huge country</li> <li>- Low level of English speakers</li> <li>- Median age of 28.6 years</li> </ul>	<ul style="list-style-type: none"> <li>- High logistic costs (Apply piggybacking to avoid costs)</li> <li>- Requires to collaborate with Mexican businesses or to learn Spanish</li> <li>- Lots of Mexicans will enter the labour market</li> </ul>
<b>The Netherlands</b>	<ul style="list-style-type: none"> <li>- Highly densely populated population in a small country, though very strategic</li> <li>- High level of English speakers</li> <li>- Median age of 42.6 years</li> </ul>	<ul style="list-style-type: none"> <li>- Easy to quickly saturate the market – FDI or Partnership between importer, exporter, transport and government</li> <li>- People are educated and, thus, require more salary</li> <li>- Lot of elderly people with a lot of experience</li> </ul>

Table 5.1. Demographic Comparison Summary

Source: The Author

## 5.2. ECONOMIC

As we could expect from a huge country like Mexico, it has a very big economy and a high GDP. Nevertheless, in comparison with the Netherlands, Mexico's GDP per capita is just \$18,865. Holland has a GDP per capita of \$54,423 which as a result means that they have more to spend. In reality, it does not mean that Dutch people can spend 2.88 times ( $\$54,423 / \$18,865 = 2.88$ ) more and still get the same product, due to the different prices and different product substitutes in both countries. Nevertheless, it can be concluded that Netherlands is a relatively richer country in terms of GDP per capita. Generally for this reason the Dutch people are more likely to think of buying upmarket goods. In Mexico, like described, 43.6% lives below the poverty standard set by the World Bank. Consequently, Mexican citizens normally have to spend relatively most of

its income on the basic needs. Thus, it would be quite difficult for an unknown luxury brand to grow at a quick pace in Mexico. It would be helpful for these type of businesses to take advantage of other businesses to start franchising and, therefore, just deliver the luxury goods to the shops and then let the shop handle with all its marketing etc. Eventually primary needs will have more potential in the Mexican market since at the moment already 31% of its GDP comes from the industry sector. And since Mexico will surpass in a couple of years the population of Japan, it is in need of a lot of products and services that could satisfy the primary needs of its population. One would understand the primary needs as those products that are linked to the survival of the human being; food, clothing, housing, health. Hence, businesses could apply a FDI if they are sure their primary product will be a success. A local market barrier research has to be conducted in order to see any potential bottlenecks that will make the FDI a no-go.

Like outlined in Section 4.1.1, the Netherlands is an export country since it has been experiencing a trade surplus for the last couple of years. With this in mind, any business could use the Netherlands as a strategic starting location for its idea to grow and expand throughout all parts of Europe. By starting with a low risk export market entry strategy, it could at some point in the future find intermediaries who are willing to take their product around Europe.

The current unemployment rate in the Netherlands is really low. It is the lowest since 2010. Low unemployment and increasing labour market shortages are putting an upward pressure on the Dutch labour costs as well as a trend towards hiring more workers on permanent contracts. As a result it could become really costly for a foreign business to open up direct foreign business activities. It could be more beneficial for a firm to think of the direct export strategies. These approaches are not risky and less costly in this case. Mexico experienced a stable and normal unemployment rate so it should directly result in implementing an indirect market entry mode.

In compared to Mexico and to the rest of the world, the Netherlands is experiencing a very low interest rate at the moment, 0.0%. With this being said, for those businesses who are already thinking of opening up entire business operations in the Netherlands will it be rather easy to pay off borrowed money in local currency at a Dutch institution. Though it should be pointed out that because of offering a 0.0% interest rate house prices, net household debt has increased as well as a bigger exposure of mortgages defaults. Basically, it could also be seen as a vulnerability of the Dutch financial system. For now the Dutch economy is stable and growing, but if the EU comes in a new financial crisis, like it did in 2008, it could be quite dangerous to all those individuals who will not be able to pay off their (private) debt anymore. At the moment, the household debt in the Netherlands is 242% of its disposable income. If a foreign business is realizing a FDI, it is starting, in most cases, a new business. A legal form and name has to be chosen in this case. Most cross-country business choose for a Sociedad Anónima in Mexico and for a Besloten Vennootschap in the Netherlands.

With respect to the international help from domestic entities and government, both Mexico (ProMexico) and the Netherlands (NFIA) have open institution where companies could seek assistance before and throughout the process of expansion. In addition, both countries have a huge amount of signed international agreement that permit foreign countries to operate in their country without too much difficulty.

Table 5.2 summarises the principal issues of the economic comparison.

	<b>Analysis:</b>	<b>Consequences:</b>
<b>Mexico</b>	<ul style="list-style-type: none"> <li>- A GDP per capita of \$18,865</li> <li>- Having a normal unemployment rate</li> </ul>	<ul style="list-style-type: none"> <li>- Some poverty in Mexico</li> <li>- Should not be difficult to find labour</li> </ul>
<b>The Netherlands</b>	<ul style="list-style-type: none"> <li>- A GDP per capita of \$54,423</li> <li>- Experiencing a very low unemployment rate</li> <li>- 0.0% Interest rate</li> </ul>	<ul style="list-style-type: none"> <li>- More likely to buy upmarket goods</li> <li>- Not much cheap direct labour on the market – Indirect market entry mode</li> <li>- Really cheap to obtain a loan</li> </ul>

Table 5.2. Economic Comparison Summary

Source: The Author

### 5.3. SOCIOCULTURAL

It has been revealed that there are around 200 nationalities living in the Netherlands. In addition, there are over 2 million foreign expats working in Holland. It demonstrates again the level of diversification of the Dutch society. It is one of the most diverse countries in Europe so to say. Therefore, for any type of business it will be of great advantage having multiple nationalities within the office. It will great a sense of internationalization and understanding of distinctive cultures. Besides, it could be a great starting point for any possible future international expansion phase.

Mexico on the other hand, is not a culture with a huge number of nationalities. It mainly consists of a lot of ethnic groups who each speak a different language (dialect). Due to all the traditions that exist in Mexico, the Mexican society do not prefer to change their typical traditions. So for a business willing to operate in Mexico, it should not expect to radically change customer behaviour since it will not be easy to do so in most cases. The Mexican is a collectivistic society, as can be seen in Figure 5.1, meaning the people take care of one another. People do what’s best for the society while, at the same time, avoiding uncertainty.

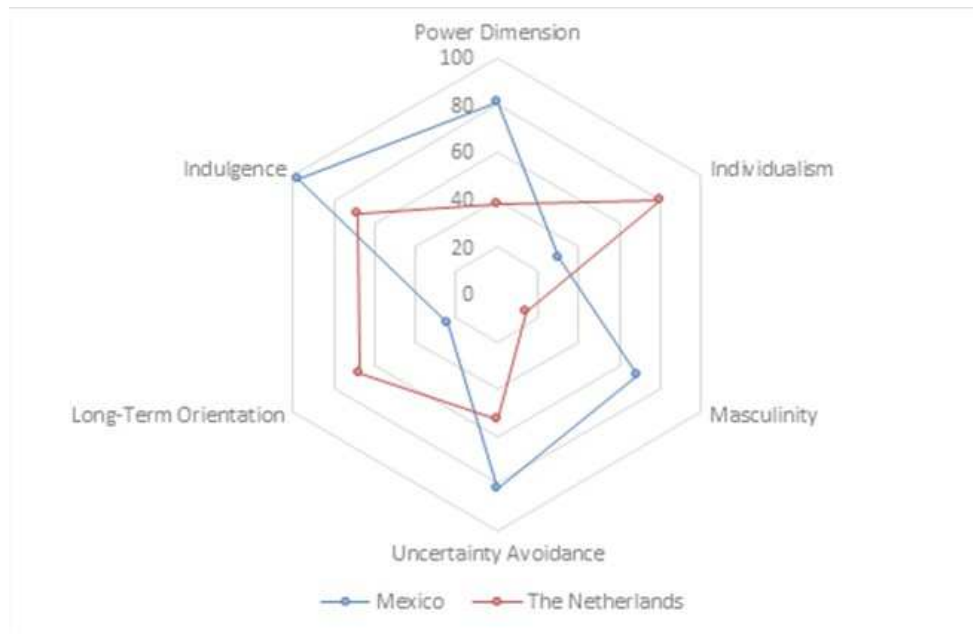


Figure 5.1. Cultural Differences Mexico vs The Netherlands

Source: The author

Also as it can be seen in Figure 5.1, Mexico has a hierarchical society where people respect one another position on the job. Managers tend to be decisive and give clear instructions. This could be helpful if a business is starting, for example, a greenfield investment. A business good still easily transfer experienced (project) managers from home base who will lead the initial phase of the project. It could be quite easy for these managers to give clear instruction to its (Mexican) personnel since they are used to obeying and working according to commands. Nevertheless, in this case the project managers need to be aware of the Mexican culture as well as the (Mexican) Spanish language.

In the other case of the Netherlands, people are not keen in being told what to do exactly every single time. Taking initiative and a having a bit of decision involvement is an important factor that plays a role in the day to day life of a Dutch employee. It is to be said that the business culture is very open. For those reasons, it could seem for foreign businesses operating in the Netherlands that people are not listening right to the orders given by the headquarters. As a result foreign business could implement the entry market modes that establish clear rules beforehand. A good fit seems to be to apply a licensing of franchising entry mode. Moreover, this type of strategy does not involve a lot of risk.

Being said that Mexico has quite a hierarchical society, it needs to be understood that the distance between manager and operator is very little. As low as a certain level where the people in Holland speak to one another in informal way. This could be seen as a bit unprofessional for those business who come from a hierarchical society. The data also outlined that Dutch people tend to be fairly straight-forward which could result in coming over a bit aggressive to a person that is not used to this type of behaviour.

#### **5.4. TECHNOLOGICAL**

Looking at the technological side of Mexico, it is noticeable the huge amount of engineers that graduate each year. There lays a huge potential for businesses that need qualified engineers in their business. Due to the fact that most of these engineers will look for a job right after they graduated, it could be fairly cheap labour for businesses. By taking advantage of this situation a business could apply enforce a foreign direct investment whereby immediately local engineers are required in the business operations. Possible examples of possible FDI's are: Turnkey projects, Merger & Acquisition and Greenfield investments.

On the other hand, in the case of the Netherlands, it is an already established IT country. Like mentioned in section 4.4 a lot of resources are available in terms of the information technology. Actually, a lot of businesses are taking advantage of the many business opportunities that the Dutch economy has to offer to those type of entrepreneurs. If a foreign business wants to exploit of the Dutch IT market, the best and easiest way is to have business activity in the Netherlands by a Merger and or Acquisition. If a firm buys an already settled IT business it could take advantage of its technology. Generally, established IT firms that grow spontaneously is in most cases achieved by buying a local business and benefit from the already existing developed technology within the business. Please note that this way of market entry mode will involve a high cost.

Table 5.3 summarises the principal issues of the technological comparison.

	<b>Analysis:</b>	<b>Consequences:</b>
<b>Mexico</b>	- Huge amount of engineers that graduate each year	- Huge potential for business that need qualified cheap engineers (applying FDI market entry mode)
<b>The Netherlands</b>	- Established IT country	- Take advantage of the already established businesses buy buying them (M&A) or partnering up with them

Table 5.3. Technological Comparison Summary

Source: The Author

## 5.5. ECOLOGICAL

In the modern day of age it is key to be aware of the ecological impact your business might have. For this reason, most companies including both small and big companies, have implemented CSR reports that include their policies and results with regard to the environmental impact the firm has in any particular situation and country. Of course, easy methods to be more environmentally friendly reduce its impact are by providing filtered water, reduce paper waste, switch to LED lightbulbs, reduce travel, power off computers etc.

For any type business operating in the Netherlands it is seen as normal to have certain environmental policies/standards. Recently, the Netherlands had once one of the worst ecological footprints in the world, but has since then become very environmental friendly. It is to be said that by 2030, the Dutch government wants to have the greenhouse gas emission reduced by 95%. The transportation sector is generally in the top 3 of reasons that contribute to the level of carbon dioxide in the world. A way for the Netherlands is to, consequently, reduce the amount of cars that emit exhaust gas or flue gas. At the same time give an incentive to the Dutch people to buy more electric cars that do no emit Co2. Therefore, a firm that is willing to start operating in the Netherlands should not think short-term by applying the same trucks and cars it is using in its traditional business activity in their domestic countries. Businesses should know and believe in the fact that the global warming is a vital factor for businesses in the upcoming 10 to 15 years. For example, in the Netherlands some tax advantages are already given to individuals and business owners who are driving electric cars. It is likely that this buying incentive will be increased throughout the upcoming years by the Dutch government.

In the case of Mexico, it has been outlined earlier that 56% of Mexico's land is low of impact of human activities. Nevertheless, it does not mean that any firm should, for example, open up an agricultural business in those parts of the country since the agricultural is also in the top 3 of factors that contribute most to the increasing level of carbon dioxide in the world. The Mexican government has been setting up local projects over the last couple of years to create a bigger awareness towards climate change. It has been spending quite a lot of money for those projects so it is to be said that Mexico is also taking proactive behaviour in order to start trying diminishing the global warming.

Table 5.4 summarises the principal issues of the ecological comparison.

<b>Mexico</b>	- Taking pro-active action against the reduction of greenhouse emissions. Most companies publish CSR reports and have certain ecological standards.
<b>The Netherlands</b>	- 56% of Mexico's land is low of impact of human activities. Though, the government is creating awareness to businesses with regards to the current climate change.

Table 5.4. Ecological Comparison Summary

Source: The Author

## 5.6. POLITICAL

This has to be seen as one of the most important factors while considering a foreign market entry, especially in case of a developing country like, in this case, Mexico. Any enterprise should be aware of all the political risks and instability it could bring about. It is to be understood that, for example, even a developed country like the Netherlands is not free of political risks. To give a clear example, big companies like Starbucks and Google Holding Netherlands BV are the causes for the European Parliament to put The Netherlands on the grey list of tax heaven in March 2019. This could eventually have some minor consequences for the country meaning it should always be taken in consideration whether or not a country is a developed/stable country. In the case of England, that is currently dealing with the Brexit, it should also not be considered a very prosper economy to invest in. Nonetheless, The Netherlands is in comparison with Mexico a very stable country.

Whilst comparing both countries the most influencing country with respect to the political aspect, with all due respect has to be Mexico. It commonly known for being a corruptive country. It is ranked as 145<sup>th</sup> out of the 175 investigated countries in terms of its level of corruption. As described in section 3.6.4, four effective ways to avoid corruption have been presented in order to help your business with further business when deciding to enter the Mexican market. Those four methods were the following;

- Align workforce and build trust
- Create relationships with (local) government
- Have local advisors/employees/partners
- Take a look into your supply chain

With referring again to section 3.6.4, an effective market entry strategy will be to partner up with a Mexican company or to start up a joint venture with a local entity. This way you will have already local support, and thus, you will not experience a lot of resistance from possible corrupted authorities. It will be quite hard and risky to start up a business from scratch (Foreign Direct Investment) in Mexico due to all the regulations, time taking procedures etc.

Recently, the Mexican government presented its new president Andrés Manuel López Obrador who is promising prosperity to the Mexican economy. The World Bank publishes annually its ease of doing business report where 195 countries are listed and qualified by terms of its political stability etc. Mexico has been ranked 145<sup>th</sup> and the Netherlands has been qualified 37<sup>th</sup>. Consequently, in theory it should be easier to do business in the Netherlands as in Mexico.

As it is the case with Mexico, a market entry strategy like a partnership or joint venture should not be the first mode to think about when comparing both countries based on their political stability. In that case the Netherlands is, for now, a stable country it is safer and securer for businesses who are thinking about applying a foreign direct investments market entry.

In any case companies still need to seek advice from (local) country experts to understand the local conditions since, in the case of Mexico, a huge country includes a lot of provinces that have local government entities that are not as governed as much by the national government due to distance and economical importance. In addition, any type of business should always make sure it has the approval from the government entities. This does not only apply for market entry strategies in Mexico or the Netherlands, it does apply for any type of nation.

Table 5.5 summarises the principal issues of the political comparison.

	<b>Analysis:</b>	<b>Consequences:</b>
<b>Mexico</b>	<u>Unstable Country</u>	- For now still seen as a corruptive country (Use a joint venture or partnership to avoid corruption for a certain part).
<b>The Netherlands</b>	<u>Stable Country</u>	- Seen as a tax heaven by European Parliament due to tax advantages for Dutch businesses (Therefore, start from scratch applying a FDI)

Table 5.5. Political Comparison Summary

Source: The Author



## CHAPTER 6. CONCLUSION AND RECOMMENDATIONS

By now we are aware of the general country conditions of both Mexico and the Netherlands. They show the key indicators that could play a big role within the country together with your final decision. In the end, there are companies that are planning to instead of entering one market, to enter various nations at the same time. Some enterprises believe that they need more than one foreign market in order to guarantee an adequate sales figure, with the aim of justifying alterations to its product/services and production procedures (Domazet et al., 2010). First of all, it needs to be made clear that in not all cases the business could implement the same market entry strategy due to all the differences (cultural, political, demographical, economical, etc.) that have been made clear throughout this master thesis.

As described earlier in Section 2.2.3, a local market barrier research has to be conducted for both countries by any type of businesses to know whether the company's product or service would be seen as a basic need or as a commodity. Some products and services could even be seen as culturally unacceptable. Local market research towards its potential market niche could also detect possible challenges regarding translation, marketing and or advertising. Next, the DESTEP country analysis has to be understood and a choice has to be made between a Direct, Indirect or a Foreign Direct Investment as a market entry strategy.

In any type of firm different market entry nodes apply to the two countries due to the nature of their product and/or service. Generally, as described in Section 2.2.2, each single entry strategy relates to different type of enterprises. The biggest different foreign market entry approaches between Mexico and the Netherlands mainly relate to political, demographical, economic and sociocultural factors. Both countries are completely different to one another, and therefore it needs to be understood by businesses the purpose of its product and whether or not there is a need for those type of business/products.

As described in Chapter 5, each DESTEP analysis factor proposes a different market entry approach for each country. It has to be internally understood within a firm which aspects are being considered as more important and whether or not the business is capable of exploiting that specific factor.

A lot of different market entry nodes have been presented throughout this research while analysing various different country characteristics. It is to be said that for each single company other key point indicators have a different level of importance. Likewise, each company provides a different kind of product/service, meaning it should always first take into consideration the level of importance the company has towards all various country characteristics as well as the country's product/service requirements.

To summarize and to conclude, in all cases, if a business is deciding to expand their current operations and, for example, is thinking of opening up operations in Mexico or in the Netherlands it should proceed as follows:

1. First of all, a list has to be made by the firm to come across the vital characteristics that a country or region must have.
2. A business should look at all the possible countries that could be a potential country of interest.
3. All different market entry modes that have been presented throughout this master thesis should be analysed in order to understand a potential entry node fit for the company.
4. A local market research has to be conducted in order to understand any prospective (local) entry barrier(s).

5. As a result, a list should be made with pros and cons in order to know what characteristics your business is giving more importance to, and to know what specific country fits best for the firm. It has to be investigated while understanding the local needs for its product or service within its given industry.
6. Start your foreign business operations and seek for help from contacts and/or local country experts, like for example, domestic entities in Mexico (ProMexico) or like it is in the Netherlands (NFIA). You are able to seek some guidance as well as advice throughout the entire process, like for example, helping throughout the process of finding a local partner, or helping you out with the language barrier etc.

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