ABSTRACT:

Introduction:

When firms expand into foreign markets, selecting the right entry mode strategy can be challenging and there are many variables that should be taken into consideration. There are various theories and constructs in the study of entry mode choice and risk is one of the common theories. It is therefore imperative for managers to take strategic international risks into consideration when deciding on an entry mode strategy. This study investigates the influence of these risk variables on the selection of entry mode strategies by managers within South Africa's grade 9 construction firms. Research on entry mode choice dates back as far as the 1980's and over the years many theories have been developed, thus a deductive research approach has been adopted for this study.

Research aim:

The aim of this study is to investigate the influence of strategic international risk variables on the preferred entry mode strategy, within the context of South Africa's construction industry focusing on grade 9 firms registered with the CIDB (Construction Industry Development Board).

Research questions:

What is the general profile of managers in South Africa's grade 9 construction firms involved with the entry mode strategy decision?

Which entry mode strategy is preferred by managers in South Africa's grade 9 construction firms, when venturing into other construction markets on the African continent?

and, what influence do strategic international risk variables have on the preferred entry mode choice by managers in South Africa's grade 9 construction firms?

Research methodology:

The purpose of this study was to investigate the influence of strategic international risks on the preferred entry mode choice. The study is founded on a direct realist philosophy. The survey research strategy was used and a questionnaire was sent out to collect the required data and the mono-method research choice was applied to collect and analyse the data. Furthermore, a cross-sectional time horizon has been applied in this study. The qualitative data collection method was used together with the qualitative content analysis method of analysis.

Research procedure:

To answer the above questions, Grade 9 contractors registered with the Construction Industry Development Board (CIDB) operating in South Africa's construction industry were identified and contacted to collect the required data for the study. According to the CIDB, Grade 9 contractors are contractors that have the financial and work capability to execute work worth R130 million or more and hence this group of contractors consists of all the large construction firms in South Africa. Managers within these firms were contacted telephonically and then sent the questionnaire for them to complete accordingly.

Findings:

The data collected indicated that various senior managers were involved in the entry mode decision making process. The study found that the respondents' understanding of risk was limited to specific events or situations, which could leave them vulnerable to unidentified risks. Moreover, the findings of the study were that market complexity risks had the most influence on the selection of an entry mode strategy and that equity entry mode strategies were preferred over non-equity modes of entry.

Conclusion:

The study concludes that managers within South Africa's grade 9 construction firms prefer equity entry mode strategies when venturing into other construction markets on the African continent, and that market demand/potential, political and competitive rivalry risks have the most influence on the type of strategy selected. Lastly, the study concludes with recommendations for future similar studies.

KEY WORDS: Africa; Construction; Entry mode choice; Risk; Strategy