

## Transcription Lesson 2: Where to enter?

Foreign locations must offer compelling advantages to doing business. Therefore, location choice is linked to the strategic objectives for FDI, introduced in the previous section. Remember this picture when we discussed motivations for entry? Each motive means that the MNE will make a location decision based on the advantages it will experience by investing in that location.

Organisations with a natural resource-seeking motive will assess the quality and costs of the local resources that are key to their operations. However, they must also assess the impact of their operations on the sustainability of their chosen location, as natural resources are limited. An example of a company with this motivation in choosing their locations would be the Sea Harvest Group, which is based in South Africa. Sea Harvest forms part of the marine fisheries sector that directly or indirectly employs over 200 million people throughout the world. They fish for prawns and scallops in Australia, for example, and have a number of considerations to make when choosing their locations. Overfishing causes the rapid depletion of many fish species and with more than 3 billion people depending on the ocean for food, companies such as Sea Harvest must align themselves with the United Nation's Sustainable Development Goals (also known as the SDG's) and operate in a manner that supports both aquatic wildlife and local livelihoods in their countries of operation.

Organisations with a market-seeking motive, on the other hand, mainly look for the size and growth potential of a market when making a location decision. The need for businesses to expand their markets is perhaps the key reason for the growth in world trade. The limited size of domestic markets often motivates managers to seek markets beyond their own borders. The economies of large-scale manufacturing demand big markets. These MNEs will often use demographic data and population size to help estimate the future growth potential of a market.

Those MNEs with efficiency-enhancing motives select locations where the quality of resources is high, but available at low cost. The costs and productivity of the local labour force are also key, together with the geography and logistics infrastructure. Low labour cost, together with good infrastructure make a country desirable for them.

Lastly, capability-enhancing motives are found in those MNE's searching for locations with existing local capabilities. Capability-enhancers like to join innovation clusters to benefit from the spill-over of knowledge. You can learn more about this by referring back in your book to agglomeration as a location advantage in Chapter 6. As a matter of fact, do this now to get started on your next activity.

**Sources:** Peng, MW & Meyer, KE. 2019. *International Business*. 3rd edition. Andover, United Kingdom: Cengage Learning; Sea Harvest Group. n.d. *Our business*. [Online], Available: <https://www.seaharvest.co.za/our-story/our-business/> [20 April 2020]; United Nations. n.d. *Goal 14: Conserve and sustainably use the oceans, seas and marine resources*. [Online], Available: <https://www.un.org/sustainabledevelopment/oceans/> [20 April 2020].

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